

RatingsDirect®

Summary:

Windsor, Connecticut; General Obligation; Note

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Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

Windsor, Connecticut; General Obligation; Note

Credit Profile

US\$5.37 mil GO bnds iss (Bnk Qual) ser 2015 due 06/15/2027

Long Term Rating AAA/Stable New

US\$0.42 mil GO BANs ser 2015 dtd 06/24/2015 due 06/23/2016

Short Term Rating SP-1+ New

Windsor GO

Long Term Rating AAA/Stable Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' long-term rating to Windsor, Conn.'s 2015 general obligation (GO) bonds and affirmed its 'AAA' rating on the town's parity debt. The outlook is stable. At the same time, Standard & Poor's assigned its 'SP-1+' rating to the town's GO bond anticipation notes (BANs).

The bonds and BANs are GOs of the town, for which it has pledged its full faith and credit. Proceeds of both issuances will be used to finance various capital improvement projects, the largest of which include HVAC equipment replacement and tower ladder truck replacement.

The short-term note rating reflects the application of our criteria for evaluating and rating BANs. In our view, the town maintains a very strong capacity to pay principal and interest when the notes come due June 23, 2016. The town maintains a low market-risk profile as it maintains strong legal authority to issue long-term debt to take out the notes and is a frequent issuer that regularly provides ongoing disclosure to market participants.

The 'AAA' rating reflects our assessment of the following factors for the town:

- Very strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Very strong management, with "strong" financial policies;
- Strong budgetary performance, with balanced operating results in the general fund and an operating surplus at the total governmental fund level;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2014 of 19% of operating expenditures;
- Very strong liquidity, with total government available cash of 49.1% of total governmental fund expenditures and 9.3x governmental debt service, and access to external liquidity we consider strong;
- Very strong debt and contingent liability position, with debt service carrying charges of 5.3% and net direct debt that is 33.8% of total governmental fund revenue, and low overall net debt at less than 3% of market value and rapid amortization with 95.7% of debt scheduled to be retired in 10 years, but significant medium-term debt plans; and
- Very strong institutional framework score.

Very strong economy

We consider Windsor's economy very strong. Windsor, with an estimated population of 28,936, is located in Hartford County in the Hartford-West Hartford-East Hartford MSA, which we consider to be broad and diverse. The town has a

projected per capita effective buying income of 122% of the U.S. level and per capita market value of \$140,701. Overall, the town's market value was stable over the past year at \$4.1 billion in fiscal 2016. The county unemployment rate was 6.9% in 2014.

Bordering Hartford to the north, Windsor covers a 31.1-square-mile area on the west bank of the Connecticut River. Several sizable development initiatives are underway that are expected to benefit the town's property tax base. Amazon.com is nearing completion of a 1.5-million-square-foot fulfillment center in the town, with the estimated \$100 million of taxable value to phase in over five years. In addition, the town has approved a concept plan to build 4,000 dwelling units in a new mixed-use village.

Very strong management

We view the town's management as very strong, with "strong" financial policies and practices under our Financial Management Assessment methodology, indicating financial practices are strong, well embedded, and likely sustainable.

The town maintains a formal debt issuance policy as well as a reserve policy. Windsor limits its total debt outstanding to 50% of the legal limit allowable under Connecticut statute and its debt service to 8% of total operating expenditures by policy, and targets a principal amortization schedule of 70% over a 10-year horizon. The policy is part of the capital improvement plan and reviewed annually by council for compliance. The formal reserve policy requires the maintenance of an unassigned general fund balance of between 8% and 11% of expenditures and is based on an evaluation of best practices. The town's six-year rolling CIP has all revenue sources identified, and it maintains a separate five-year financial forecast that incorporates historical trends, forward looking information as well as scenario analysis. The town's investment policy is based on statute and holdings are reported annually. The town prepares quarterly budget-to-actual reports, and uses formal historical trend analysis when preparing the budget, regularly budgeting state aid and property tax revenues conservatively.

Strong budgetary performance

Windsor's budgetary performance is strong in our opinion, with balanced operating results in the general fund of 0.3% of expenditures, and surplus results across all governmental funds of 2.6% in fiscal 2014. General fund operating results of the town have been stable over the last three years, with a result of 2.0% in 2013 and a result of 0.2% in 2012.

These ratios are based on data that was adjusted for recurring transfers as well as the use of bond proceeds. Property taxes accounted for 75% of total general fund revenue in fiscal 2014, which we consider a stable revenue stream especially in Connecticut where no taxing limitations apply. Moreover, the town's collection rates are strong at more than 98% on average in recent years. Management expects to close fiscal 2015 (June 30 year-end) with a \$1.2 million general fund surplus. The fiscal 2016 budget has not yet been adopted. We understand that in its current form the budget includes a \$900,000 reserve appropriation; management reports the town typically appropriates this level of reserves in its annual budget and closes the gap through conservative assumptions.

Very strong budgetary flexibility

Windsor's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2014 of 19% of operating expenditures, or \$21.1 million.

Given the forecast for the 2015 and 2016 tentative budget, we expect budgetary flexibility to remain very strong.

Very strong liquidity

In our opinion, Windsor's liquidity is very strong, with total government available cash of 49.1% of total governmental fund expenditures and 9.3x governmental debt service in 2014. In our view, the town has strong access to external liquidity if necessary.

The town is a frequent issuer of GO bonds, which we believe suggests strong access to external liquidity. All debt is fixed rate and management reports no bank loans or direct purchase debt outstanding.

Very strong debt and contingent liability profile

In our view, Windsor's debt and contingent liability profile is very strong. Total governmental fund debt service is 5.3% of total governmental fund expenditures, and net direct debt is 33.8% of total governmental fund revenue. Overall net debt is low at 1.0% of market value and approximately 95.7% of the direct debt is scheduled to be repaid within 10 years, which are in our view positive credit factors. Negatively affecting our view of the town's debt profile is its significant medium-term debt plans.

Over the next two years the town expects to seek voter approval for police/fire station renovations that are estimated to cost roughly \$21 million and, when combined with annual borrowings for routine capital needs, represent significant medium-term debt plans.

Windsor's combined pension and other postemployment benefits (OPEB) contributions totaled 4.0% of total governmental fund expenditures in 2014. Of that amount, 2.1% represented contributions to pension obligations and 1.9% represented OPEB payments. The town made its full pension annual required contribution (ARC) in 2014.

The town administers a defined-benefit pension plan that covers substantially all town employees except for police (who participate in a state-administered plan) and those eligible for membership in the State of Connecticut Teachers' Retirement Plan. The funded status of this plan was 93.5% as of the July 1, 2014, valuation; it fell below 100% in 2013 due to the lowering of the discount rate to 7.5% from 7.75%. The town has and continues to fund its ARC. All newly hired town employees are covered by a defined-contribution plan. The town also offers OPEBs, which are funded on a pay-as-you-go basis. As of June 1, 2013, the most recent actuarial valuation, the plan was 0% funded and had a unfunded actuarial accrued liability of \$80.8 million. A trust fund was established on July 1, 2015; the town deposited \$390,000 into the trust for fiscal 2015 and expects another \$350,000 deposit for fiscal 2016.

Very strong institutional framework

The institutional framework score for Connecticut municipalities is very strong.

Outlook

The stable outlook reflects our expectation that Windsor will maintain its very strong budgetary flexibility given its historically strong budget performance and very strong management. The town's location and access to the Hartford-West Hartford-East Hartford MSA and very strong underlying economy further support the rating. In addition, we anticipate Windsor will maintain a very strong debt and contingent liability profile. For these reasons, we

are unlikely to revise the rating in the next two years. However, a deterioration in performance leading to significantly weakened reserves could result in a lower rating.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Bond Anticipation Note Rating Methodology, Aug. 31, 2011
- USPF Criteria: Financial Management Assessment, June 27, 2006
- USPF Criteria: Debt Statement Analysis, Aug. 22, 2006

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013

Ratings Detail (As Of June 8, 2015)		
Windsor Twn GO bnds iss (Various Cap Proj)		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Windsor GO		
<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

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