

# RatingsDirect®

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## Summary:

# Windsor, Connecticut; General Obligation

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## Summary:

# Windsor, Connecticut; General Obligation

### Credit Profile

US\$5.035 mil GO bnds ser 2013 due 05/01/2024

*Long Term Rating*

AAA/Stable

New

US\$1.67 mil GO BANs (Bnk Qual) ser 2013 dtd 05/01/2013 due 04/29/2014

*Short Term Rating*

SP-1+

New

## Rationale

Standard & Poor's Ratings Services has assigned its 'AAA' long-term rating to the town of Windsor, Conn.'s series 2013 general obligation (GO) bonds and its 'SP-1+' short-term rating to the town's GO bond anticipation notes (BANs). At the same time, we affirmed our 'AAA' ratings on the town's existing GO bonds. The outlook on the long-term ratings is stable.

The short-term rating reflects our view that Windsor maintains a very strong capacity to pay principal and interest when the notes come due. In our opinion, 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 long-term rating reflects our opinion of the town's:

- Location near and access to large regional employment centers in Connecticut;
- Very strong incomes and extremely strong per-capita market value;
- Favorable operating results, very strong financial reserves, and strong management policies and practices; and
- Low-to-moderate debt burden, net of school construction grants.

The town's full faith and credit pledge secures the bonds and BANs. Officials will use bond and BAN proceeds for various capital projects.

Windsor, with roughly 29,000 residents, is a primarily residential community in north-central Connecticut, just six miles north of Hartford, the state's largest city. The town has strong access to Hartford and other area employment centers via Interstate 91, which serves it with seven interchanges. The net taxable grand list continues to increase by an annual average 4% for the most recent five fiscal years to \$2.9 billion in fiscal 2013. The equalized net grand list for fiscal 2012 was about \$4 billion, or what we consider an extremely strong \$137,000 per capita. In our opinion, household incomes are very strong at 138% of the national median.

In our opinion, Windsor's financial position is very strong as the town posted five consecutive years of operating surplus. For fiscal 2013, management budgeted for a general fund drawdown of \$900,000. Year-to-date estimates shows that the town will likely end with an operating surplus of close to \$700,000 due to conservative budgeting. Audited fiscal 2012 results showed an increase in general fund balance by about \$235,000. The year-end available fund

balance (assigned and unassigned) was about \$18.6 million or what we consider a very strong 19% of expenditures. Property taxes are the town's chief general fund revenue source, accounting for 76%. The town does not depend on federal revenue for operation; for fiscal 2013, the budgeted federal revenue was about \$11,000.

Standard & Poor's considers Windsor's financial management practices "strong" under its Financial Management Assessment methodology, indicating 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 limits its debt service to 8% of total operating expenditures, with an amortization target to retire 70% of principal over a 10-year horizon. The formal reserve policy requires the maintenance of an unassigned general fund balance of between 8% and 11%. The town's six-year rolling capital improvement plan (CIP) has all revenue sources identified. The town's investment policy is based on statute; holdings and investment performance are tracked and reported regularly. Budget updates are provided to the town manager and town council monthly and quarterly, respectively. Windsor uses formal historical trend analysis when preparing the budget, regularly budgeting state aid and property tax revenues conservatively.

We consider Windsor's debt levels, net of school construction grants, low as a percentage of market value (2%), but moderate on a per-capita basis (\$2,900). Carrying charges have been low at an average 5.7% for the most recent five fiscal years. Amortization of debt is rapid with 88% to be retired over 10 years. The town maintains a six-year CIP; management estimated that \$57 million of \$126.9 million improvements would be through bond issuance.

As of July 1, 2012, the town's pension system is funded at 101%, which we consider an additional credit strength. For fiscal 2012, the pension annual required contribution (ARC) was about \$2.3 million or 2% of total governmental expenditures. Windsor's unfunded other postemployment benefit liability totaled \$74 million as of July 1, 2011, and the town is currently funding related expenses on a pay-as-you-go basis. In fiscal 2012, the town contributed \$2 million, or about 28% of the ARC. Management expects future pension and OPEB savings due to continuous adjustments to its labor contracts and benefits terms.

## Outlook

The stable outlook reflects Standard & Poor's expectation that Windsor will maintain strong to very strong reserves, as management's conservative budgeting practices have historically allowed. We expect that the town's stable property tax base, with strong wealth and incomes, will continue to provide for stable property taxes, the town's chief revenue source. As such, we do not expect to change the rating within the two-year outlook period.

## Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Bond Anticipation Note Rating Methodology, Aug. 31, 2011
- State And Local Government Ratings Are Not Directly Constrained By That Of The U.S. Sovereign, Aug. 8, 2011

**Ratings Detail (As Of March 28, 2013)**

**Ratings Detail (As Of March 28, 2013) (cont.)**

Windsor GO

*Long Term Rating*

AAA/Stable

Affirmed

**Windsor GO**

*Unenhanced Rating*

AAA(SPUR)/Stable

Affirmed

Many issues are enhanced by bond insurance.

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