

RatingsDirect®

Summary:

Windsor, Connecticut; General Obligation

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Table Of Contents

Rationale

Outlook

Related Criteria And Research

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Credit Profile

US\$5.02 mil GO bnds iss (Various Cap Proj) ser 2014 due 04/15/2024

<i>Long Term Rating</i>	AAA/Stable	New
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Windsor GO

<i>Long Term Rating</i>	AAA/Stable	Affirmed
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Windsor GO

<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Affirmed
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Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services affirmed its 'AAA' long-term rating on Windsor, Conn.'s general obligation (GO), based on our local GO criteria released Sept. 12, 2013. At the same time, we assigned our 'AAA' long-term rating to the town's 2014 GO bonds. The outlook is stable.

The bonds are GOs of the town, for which it has pledged its full faith and credit. Bond proceeds will be used to finance various capital improvement projects.

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

- A very strong economy, which benefits from participation in the broad and diverse economy of the Hartford-West Hartford-East Hartford metropolitan statistical area (MSA);
- Very strong budgetary flexibility, with 2013 audited available reserves at 19.7% of general fund expenditures;
- Strong budgetary performance;
- Very strong liquidity, providing very strong cash levels to cover both debt service and expenditures;
- Very strong management with strong financial policies; and
- Very strong debt and contingent liabilities position, mostly reflecting the town's low overall net debt burden as a percentage of market value and rapid amortization.

Very strong economy

We consider Windsor's economy very strong based on the town's access to and participation in the broad and diverse Hartford-West Hartford-East Hartford MSA. Windsor is a residential community in north-central Connecticut, just six miles north of Hartford, the state's largest city and capital. It has a projected per capita effective buying income at 126.2% of the national average, while market value per capita is \$142,648. Little taxpayer concentration exists, with the top 10 taxpayers representing 16% of total assessed value. New development in the area includes a \$100 million logistics and fulfillment center for Amazon.com, which is expected to bring 380 jobs to the town. Hartford County's unemployment rate averaged 8.7% in 2012, although Windsor's has remained below the county levels.

Very strong budgetary flexibility

In our opinion, the town's budgetary flexibility remains very strong with available reserves averaging 18.5% of operating expenditures adjusted for recurring transfers for the past three fiscal years. For fiscal 2013, available reserves were over \$20 million, or 19.7% of operating expenditures. Management indicated that there is a planned use of fund balance for fiscal year 2015 for capital projects and to mitigate tax impacts. However, even with the planned use of fund balance, the town's budgetary flexibility is expected to remain very strong.

Strong budgetary performance

Budgetary performance has been strong, with a surplus of 2.0% for the general fund and 2.1% for the total governmental fund in fiscal 2013, after adjusting for capital outlays financed through bond proceeds. Based on year-to-date results for the general fund, management expects to close fiscal 2014 with a slight operating surplus.

Very strong liquidity

Supporting the town's finances is liquidity we consider very strong, with total government available cash at over 40% of expenditures and 800% of debt service for fiscal 2013. We believe the very strong liquidity is further enhanced by Windsor's strong access to external liquidity. We expect liquidity to remain very strong given management's expectation of balanced operations and the maintenance of very strong flexibility for fiscal 2015.

Very strong management conditions

We view the town's management conditions as very strong with strong financial practices, indicating that 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 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.

Very strong debt and contingent liability profile

In our opinion, the town's debt and contingent liability profile is very strong, with total governmental fund debt service at 5.1% of total governmental fund expenditures and net direct debt at 38.4% of total governmental fund revenue. Amortization is rapid, with approximately 98.5% of debt retired within 10 years. Overall net debt is low at 2.3% of market value. The town may issue up to \$14 million over the next two years for various projects in the CIP. We do not expect the borrowing to affect the debt and liquidity profile.

The town administers a defined-benefit pension plan that covers all town employees except for police and those eligible for membership in the State of Connecticut Teacher's Retirement Plan. Although the town's plan was previously fully funded, as of July 1, 2013, the plan was 93.1% funded with an unfunded actuarial accrued liability (UAAL) of \$4.5 million. New actuarial assumptions and methodology contributed to the decline in funded status, and the town plans to continue paying the full amount of the annual required contribution.

The town also offers other postemployment benefits (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 UAAL of \$80.7 million. Management has indicated that it is in the process of creating a trust fund and mitigating future liabilities in current contract negotiations. Fiscal 2013's combined pension and OPEB contribution was a manageable 3.9% of total governmental expenditures.

Very strong institutional framework

We consider the Institutional Framework score for Connecticut towns very strong.

Outlook

The stable outlook reflects our expectation that Windsor will maintain its very strong flexibility given its historically strong performance and very strong management. The town's location and access to the Hartford-West Hartford-East Hartford MSA and very strong underlying economy lend additional stability to the rating. In addition, we anticipate Windsor maintaining a very strong debt and liability profile. For these reasons, we do not anticipate changing the rating over the next two years.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013

Related Research

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

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