

# RatingsDirect®

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## Summary:

# Windsor, Connecticut; General Obligation

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## Table Of Contents

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Rationale

Outlook

Related Criteria And Research

## Summary:

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### Credit Profile

US\$4.375 mil GO rfdg bn ds iss ser 2014 B due 08/15/2022

*Long Term Rating* AAA/Stable 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 2014B general obligation (GO) refunding bonds and affirmed its 'AAA' rating on the town's parity debt. 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 refund certain maturities of debt issued in 2008, 2010, and 2011 for interest-cost savings on a level basis.

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. Projected per capita effective buying income measures 121.2% of the national average, while market value per capita is \$140,100. The town's grand list was revalued -- effective fiscal 2015 -- at \$2.8 billion, with the top 10 taxpayers representing 17.4% of the total. Hartford County's unemployment rate averaged 8.1% in 2013, down from 8.7% in 2012.

### Very strong budgetary flexibility

In our opinion, the town's budgetary flexibility is very strong. For fiscal 2013, available reserves were over \$20 million, or 19.7% of operating expenditures. Estimated actual results for fiscal 2014 show a \$490,000 general fund drawdown (0.5% of expenditures) and the 2015 budget was balanced with a \$900,000 reserve appropriation (0.9% of budgeted expenditures). Given the forecast for the 2014 and 2015 budget, we expect budgetary flexibility to remain very strong.

### **Strong budgetary performance**

Budgetary performance has been strong, with a surplus of 2% for the general fund and 2.1% for the total governmental fund in fiscal 2013, after adjusting for capital outlays financed through bond proceeds. Estimated actual results for fiscal 2014 show a small use of reserves due, in part, to capital spending.

### **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 34.4% of total governmental fund revenue. Amortization is rapid, with approximately 93% of debt retired within 10 years. Overall net debt is low at 2.2% of market value. The town may issue up to \$14 million over the next two years for various capital projects.

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 Teachers' 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 \$80.8 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.

For additional information on the town, please see the report published April 7, 2014.

## **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 further support the rating. In addition, we anticipate Windsor will maintain a very strong debt and liability profile. For these reasons, we are unlikely to revise the rating in the next two years.

## **Related Criteria And Research**

### **Related Criteria**

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- 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
- Alternative Financing: Disclosure Is Critical To Credit Analysis In Public Finance, Feb. 18, 2014
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013

Ratings Detail (As Of June 9, 2014)		
Windsor Twn GO bnds iss (Various Cap Proj) ser 2014 due 04/15/2024		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
<b>Windsor GO</b>		
<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

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