

CREDIT OPINION

26 May 2022



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Wilton (Town of) CT

Update to credit analysis

Summary

The credit quality of the [Town of Wilton](#) (Aaa stable) reflects the a solidly sized tax base and strong resident wealth and income measures that will remain consistent. The town also benefits from stable financial operations that have produced consistent liquidity and reserves. Fiscal operations are further bolstered by the revenue reliance on the wealthy tax base from which the town can raise revenues as needed to support operations. The town's overall financial solidity will remain intact despite the expected reduction of reserves in fiscal 2023 to lessen millage increases. The town's credit quality is also driven by its leverage position, which includes low long-term retirement liabilities.

Credit strengths

- » Sound financial position supported by stable property tax revenues
- » strong resident wealth and income
- » Low fixed costs

Credit challenges

- » Moderate planned reduction of reserves in fiscal 2023
- » Recent weakness in commercial occupancy

Rating outlook

The stable outlook reflects the expectation that the town's financial position will remain sound given reliance on property tax revenues and proactive management of long-term liabilities.

Factors that could lead to an upgrade

- » n/a

Factors that could lead to a downgrade

- » Tax base deterioration or weakened income or wealth metrics
- » Trend of structural imbalance leading to narrowed reserves
- » Significant increase in debt or capital needs

Key indicators

Exhibit 1

Wilton (Town of) CT

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|-------------|-------------|-------------|-------------|-------------|
| Economy/Tax Base | | | | | |
| Total Full Value (\$000) | \$6,590,104 | \$6,070,177 | \$6,210,325 | \$6,065,753 | \$6,123,094 |
| Population | 18,659 | 18,542 | 18,463 | 18,405 | 18,405 |
| Full Value Per Capita | \$353,186 | \$327,374 | \$336,366 | \$329,571 | \$332,686 |
| Median Family Income (% of US Median) | 290.6% | 286.1% | 285.0% | 290.8% | 290.8% |
| Finances | | | | | |
| Operating Revenue (\$000) | \$137,738 | \$142,138 | \$133,908 | \$139,683 | \$135,543 |
| Fund Balance (\$000) | \$22,581 | \$24,133 | \$26,603 | \$26,757 | \$25,625 |
| Cash Balance (\$000) | \$34,578 | \$28,670 | \$28,732 | \$27,861 | \$29,593 |
| Fund Balance as a % of Revenues | 16.4% | 17.0% | 19.9% | 19.2% | 18.9% |
| Cash Balance as a % of Revenues | 25.1% | 20.2% | 21.5% | 19.9% | 21.8% |
| Debt/Pensions | | | | | |
| Net Direct Debt (\$000) | \$83,194 | \$85,699 | \$80,370 | \$77,864 | \$73,630 |
| 3-Year Average of Moody's ANPL (\$000) | \$62,560 | \$61,164 | \$60,654 | \$71,600 | \$77,292 |
| Net Direct Debt / Full Value (%) | 1.3% | 1.4% | 1.3% | 1.3% | 1.2% |
| Net Direct Debt / Operating Revenues (x) | 0.6x | 0.6x | 0.6x | 0.6x | 0.5x |
| Moody's - ANPL (3-yr average) to Full Value (%) | 0.9% | 1.0% | 1.0% | 1.2% | 1.3% |
| Moody's - ANPL (3-yr average) to Revenues (x) | 0.5x | 0.4x | 0.5x | 0.5x | 0.6x |

Sources: US Census Bureau, Wilton (Town of) CT's financial statements and Moody's Investors Service

Profile

Wilton is located in Connecticut's Fairfield County, approximately 55 miles northeast of New York City. The town provides municipal services, including primary and secondary education, to approximately 18,400 residents.

Detailed credit considerations

Economy and tax base: solidly sized, largely residential tax base with very strong resident wealth and income

Wilton's \$6 billion tax base is slightly below the national median for Aaa rated cities but likely to grow when the town completes its next revaluation. The town also benefits from residents with high wealth indicators. We anticipate that these characteristics will remain credit strengths as a result of some ongoing residential development and a highly competitive housing market.

The town's tax base is 80% residential with median home values that are 341% of the national median. Though this figure is actually well below where it was a decade ago, it remains very strong. Housing values have been recently boosted by strong demand during the pandemic as the town reports an influx of new residents mostly from New York City and other parts of Connecticut. This demand has driven an estimated 22% increase in year over year home sales prices. The town also anticipates tax base growth from the ongoing development of several multi-unit housing projects. The robust residential market will mitigate some of the tax base impact of a recent uptick in commercial vacancies led by the departure of Nuveen from its 340,000 square foot facility.

The town's median family income is a very strong 290% of the national median. The full value per capita is also robust at nearly \$333,000. Wilton's 2% poverty rate and 3% unemployment are both well below the national marks.

Financial operations and reserves: stable fiscal position that will remain so despite anticipated reduction of reserves

The town's financial position is stable and will remain so despite an anticipated reduction of reserves to lessen the amount of fiscal 2024 millage increase. Financial stability has been a product of the town strong revenue base, effective budget control, and adherence to its financial policies.

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Property taxes are the largest revenue source at 86%, and current year collections remain very strong at over 99%. Intergovernmental revenues from the state account for the second largest revenue source, totaling 10%. The town anticipates that it will close fiscal 2022, with a small addition to reserves as revenues are tracking to be greater than 100% of budget while expenses have been largely consistent with expectations. We anticipate that the town will produce an operating fund balance of approximately \$23 million, or about 18% of revenues.

The town expects to spend down reserves by about \$3.5 million in fiscal 2023 as a means to limit millage growth to 1.3% as opposed to the 2.8% increase that would otherwise occur. If this comes to fruition, the resulting fund balance of about \$19 million would equal about 16% of revenues. This figure is low relative to national Aaa medians, which is a credit weakness offset by the town's demonstrated ability to control its budget and the latitude of Connecticut cities to efficiently access their tax bases to raise operating revenues.

Liquidity

The town's cash balance as of the fiscal 2021 audit (most recently available) is approximately 22% and in line with the amounts maintained over the last five years. We anticipate that audited results for fiscal 2022 and 2023 will reflect comparable levels of liquidity.

Debt, pension and OPEB: low long term liabilities

Wilton's debt burden is manageable and is 1.2% of full value. The debt burden will remain moderate despite anticipated future bond issuances that will provide the majority portion of the town \$36 million capital improvement plan. The town benefits from the flexibility to manage the timing of the implementation plan as it does not have any emergency need items.

Legal security

The 2022 bonds are general obligations of the Town of Wilton, which pledges its full faith and credit to the payment of principal and interest on the bonds when due.

Debt structure

All debt is fixed rate and the ten year principal amortization is satisfactory at 77%. Debt service comprises 6.8% of fiscal 2022 operating expenditures.

Debt-related derivatives

The town is not party to any interest rate swaps or other derivative agreements.

Pensions and OPEB

Wilton is responsible for the administration of a single-employer defined benefit pension plan for substantially all employees, other than teachers and certain administrators who are covered under the state run plan. The town maintains a policy of funding in excess of the actuarially determined contribution (ADC) depending on the plan's funded ratio. Due to the town's aggressive funding of this liability, the plan's funded ratio has increased annually and was 96% as of the June 30, 2020 valuation date. In fiscal 2021 the town paid 105% of the ADC, which is more than our trend water indicator.

The town's Moody's adjusted three-year average net pension liability (ANPL), based on a 2.8% discount rate, is \$77.2 million representing a low 0.6 times operating revenues or 1.3% of full value.

The town maintains a trust for retiree healthcare (OPEB) and has historically contributed 100% of the annual OPEB cost, far more than most local governments across the country. Management's prudent funding policies for pensions and OPEB represent a strong commitment to maintaining superior funding levels for both liabilities.

Fixed costs for fiscal 2021, including debt service, required pension and OPEB contributions, totaled a low 7.2% of operating revenues.

ESG considerations

Environmental

Environmental factors represent a limited risk to Wilton's credit profile. Wilton is exposed to increasing risk of hurricanes and sea level rise, which can damage infrastructure and affect property values. These exposures are mitigated by the town's revenue and capital

raising capacity and federal government support for disaster recovery costs. The town also faces risk of water stress, which could affect economic growth. Water supply issues are mitigated by state and regional water supply initiatives.

Social

Social considerations are key influencers of all local economies, financial and leverage trends and governance stability. Social factors are incorporated into the town's rating by way of wealth (full value per capita) and income (median family income) metrics. The town is proactive in taking steps to prevent and mitigate the impact of cyber events

Governance

The county's sound financial position is supported by strong management and comprehensive fiscal policies, healthy fund balance levels, well-managed operations and unusually proactive funding of long-term pension and OPEB liabilities.

Connecticut cities have an institutional framework score ¹ of "Aa," or strong. Revenues are highly predictable and stable, due to a large reliance on property taxes. Cities additionally benefit from high revenue-raising ability due to the absence of a state-wide property tax cap. Expenditures primarily consist of personnel costs as well as education costs for those cities that manage school operations, and are highly predictable due to state-mandated school spending guidelines and employee contracts that dictate costs. Expenditure reduction ability is moderate as it is somewhat constrained by union presence.

Rating methodology and scorecard factors

The US Local Government General Obligation Debt methodology includes a scorecard, a tool providing a composite score of a local government's credit profile based on the weighted factors we consider most important, universal and measurable, as well as possible notching factors dependent on individual credit strengths and weaknesses. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to analyze and compare local government credits.

Exhibit 2

Wilton (Town of) CT

| Rating Factors | Measure | Score |
|---|-----------------------------|-------|
| Economy/Tax Base (30%)[1] | | |
| Tax Base Size: Full Value (in 000s) | \$6,123,094 | Aa |
| Full Value Per Capita | \$332,686 | Aaa |
| Median Family Income (% of US Median) | 290.8% | Aaa |
| Finances (30%) | | |
| Fund Balance as a % of Revenues | 18.9% | Aa |
| 5-Year Dollar Change in Fund Balance as % of Revenues | 1.6% | A |
| Cash Balance as a % of Revenues | 21.8% | Aa |
| 5-Year Dollar Change in Cash Balance as % of Revenues | -1.6% | Baa |
| Management (20%) | | |
| Institutional Framework | Aa | Aa |
| Operating History: 5-Year Average of Operating Revenues / Operating Expenditures | 1.0x | A |
| Debt and Pensions (20%) | | |
| Net Direct Debt / Full Value (%) | 1.2% | Aa |
| Net Direct Debt / Operating Revenues (x) | 0.5x | Aa |
| 3-Year Average of Moody's Adjusted Net Pension Liability / Full Value (%) | 1.3% | Aa |
| 3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues (x) | 0.6x | Aa |
| Notching Factors:[2] | | |
| Other Analyst Adjustment to Debt and Pensions Factor (specify): Contingent risk associated with state pension support | | |
| | Scorecard-Indicated Outcome | Aa1 |
| | Assigned Rating | Aaa |

[1] Economy measures are based on data from the most recent year available.

[2] Notching Factors are specifically defined in the US Local Government General Obligation Debt methodology.

[3] Standardized adjustments are outlined in the GO Methodology Scorecard Inputs publication.

Sources: US Census Bureau, {OrgName}'s financial statements and Moody's Investors Service

Endnotes

- The institutional framework score assesses a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. See [US Local Government General Obligation Debt \(July 2020\)](#) methodology report for more details.

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REPORT NUMBER

1330254

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