



## **New Issue: Moody's assigns Aaa rating to the Town of Wilton's (CT) \$7.9 million General Obligation Bonds, Issue of 2012; outlook is stable**

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Global Credit Research - 13 Sep 2012

### **Aaa rating applies to \$63.9 million of outstanding parity debt, including current issue**

WILTON (TOWN OF) CT  
Cities (including Towns, Villages and Townships)  
CT

#### **Moody's Rating**

<b>ISSUE</b>	<b>RATING</b>
General Obligation Bonds, Issue of 2012	Aaa
<b>Sale Amount</b>	\$7,910,000
<b>Expected Sale Date</b>	09/20/12
<b>Rating Description</b>	General Obligation

#### **Moody's Outlook**

##### **Opinion**

NEW YORK, September 13, 2012 --Moody's Investors Service has assigned a Aaa rating to the Town of Wilton's (CT) \$7.9 million General Obligation Bonds, Issue of 2012. Moody's maintains a Aaa rating on the town's \$56 million of outstanding general obligation debt. The bonds are secured by the town's general obligation unlimited tax pledge. Proceeds from this issue will be used to finance road maintenance work, various school renovations, and a variety of other capital projects.

##### **SUMMARY RATING RATIONALE**

The Aaa rating reflects the town's sound financial position dictated by fiscal policies, strong management team, a large and affluent equalized net grand list (ENGL) and low debt levels.

Moody's stable outlook on Wilton's Aaa rating is due in part to Moody's determination that Wilton has no indirect linkages to the weakened credit profile of the U.S. government. On August 2, 2011, Moody's confirmed the Aaa government bond rating of the United States and assigned a negative outlook, which began an in-depth assessment of 161 Aaa-rated local governments and their possible exposure to the U.S. government. On Dec. 7, 2011, Moody's determined that Wilton has an adequate degree of independence from the U.S. government and therefore could be rated higher than the sovereign. Please see the special comment from December 7, 2011 entitled "Most Aaa-Rated State and Local Governments Revert to Stable Outlooks, Despite Negative Pressure on U.S. Government Rating" for more information.

##### **STRENGTHS**

- Satisfactory reserves
- Wealthy tax base
- Sound management of pension and OPEB liabilities

##### **CHALLENGES**

- Reliance on annual fund balance appropriations

-Maintenance of the town's financial position amidst ongoing spending pressures

## DETAILED CREDIT DISCUSSION

### SOUND FINANCIAL OPERATIONS EXPECTED TO CONTINUE

Despite Wilton's recent practice of increasing its reliance on fund balance to provide property tax relief, Moody's expects the town to maintain a sound financial position given its solid reserve levels, proactive management team and conservative fiscal policies. Fiscal 2011 ended with a \$2 million surplus after two consecutive years of fund balance draws due to conservative expenditure assumptions. Reserves remain solid with total fund balance at \$18.9 million or 16.7% of General Fund revenues albeit below fiscal 2008's peak of \$21.1 million or 19% of revenues of which \$14.8 million or 13% is unassigned. Based on preliminary fiscal 2012 results, town officials expect another year of positive operations driven by conservative budget assumptions.

The adopted fiscal 2013 expenditure budget increased 1.8% due to increased employee benefits and salary costs. Similar to the previous year, the budget is balanced with increased property tax revenue and a \$1.5 million fund balance appropriation, down from the prior year's \$2.1 million and historical trends of \$5 million. Positively, officials have a long-standing policy of including a 1% contingency (\$1.1 million) line-item in the annual budget. Further, financial flexibility is augmented by the town's commitment to budgeting for capital outlay (\$1.1 million), providing additional budgetary capacity if needed. The vast majority of the town's operating revenues are derived from local property taxes (90% of the fiscal 2011 revenues) which, for the last five years have been collected at a healthy rate of 99% or higher.

Wilton's funded ratio for its pensions system is 84% as of fiscal 2011, which is down from 88.2% in fiscal 2008, as a result of poor investment returns. Positively, the town adheres to a pension policy that states if the pension's funded ratio falls below 85% the town must contribute 120% of the annual required contribution (ARC) until funding status reaches 85%. As such the fiscal 2013 budget included \$4.1 million towards funding a \$3.7 million ARC. Further, the town decreased future pension costs by establishing a defined contribution plan for new hires from select bargaining units and non-bargaining employees (effective July 1, 2007). Management has demonstrated a proactive approach to addressing its unfunded OPEB liability (\$5 million) by establishing an OPEB trust fund and has appropriated the ARC (\$567,000 in fiscal 2011) since fiscal 2008. Moody's believes the town's financial position will remain sound and the town will continue to benefit from a strong management team and adherence to adopted policies. However, increasing reliance of reserves for taxpayer relief is likely to hinder management's ability to maintain reserves at the target level and could impact long-term strength.

### LARGE TAX BASE SUPPORTED BY PRIME LOCATION AND AFFLUENT RESIDENT POPULATION

Wilton's sizable \$6.3 billion Equalized Net Grand List (ENGL) is expected to remain stable given its prime location in Fairfield County, one of the wealthiest counties in the country. The town's total ENGL decreased an average of 2.5% annually from 2006 to 2011, capturing the housing market downturn. Importantly, Wilton's net taxable grand list continued to grow at an average rate of 6.2% during the same time period, including the 30% realized in the fiscal 2009 revaluation. Full value per capita remains very strong at \$347,860 and census median family income and per capita income figures of \$181,763 and \$78,234, respectively, are more than double those for the state and national levels. Median housing values are even higher at 336.2% of the state median and 469.1% of the national median.

### LOW DEBT BURDEN

Moody's expects the town to continue to maintain a low debt position given its prudent capital planning practices and rapid amortization rate (80% within 10 years). The overall debt burden is low at 1% of ENGL. According to the town's \$55 million five-year capital plan, future borrowing needs are estimated at \$49.6 million through 2017 and are subject to voter approval. All outstanding debt is fixed rate and the town is not party to any derivative agreements.

### Outlook

Moody's stable outlook on Wilton's Aaa rating is due in part to Moody's determination that Wilton has no indirect linkages to the weakened credit profile of the U.S. government. On August 2, 2011, Moody's confirmed the Aaa government bond rating of the United States and assigned a negative outlook, which began an in-depth assessment of 161 Aaa-rated local governments and their possible exposure to the U.S. government. On Dec. 7, 2011, Moody's determined that Wilton has an adequate degree of independence from the U.S. government and therefore could be rated higher than the sovereign. Please see the special comment from December 7, 2011 entitled "Most Aaa-Rated

State and Local Governments Revert to Stable Outlooks, Despite Negative Pressure on U.S. Government Rating" for more information.

#### WHAT COULD MAKE THE RATING GO DOWN

- Significant financial deterioration
- Decrease in tax base

#### KEY STATISTICS

2010 population: 18,062

2011 Equalized net grand list (ENGL): \$6.2 billion

2011 Equalized net grand list per capita: \$347,860

2010 Median Family Income: \$181,763 (215.9% of CT, 288.6% of U.S.)

2010 Per Capita Income: \$ 78,234 (212.7% of CT, 286.2% of U.S.)

Overall Debt Burden: 1%

Payout of Principal (10 years): 80%

FY2011 Total General Fund balance: \$18.9 million (16.7% of General Fund revenues)

FY2011 Unassigned General Fund balance: \$14.8 million (13% of General Fund revenues)

Post-Sale G.O. debt outstanding: \$63.9 million

#### PRINCIPAL METHODOLOGY USED

The principal methodology used in this rating was General Obligation Bonds Issued by U.S. Local Governments published in October 2009. Please see the Credit Policy page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

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