MOODY'S
INVESTORS SERVICE

New Issue: Moody's assigns Aaa to Wilton CT's $4.7M GO Bonds; outlook is stable

Global Credit Research - 14 Feb 2014

Affirms Aaa affecting $54M of GO debt outstanding

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

Moody's Rating

ISSUE	RATING
General Obligation Bonds, Issue of 2014 Bank Qualified	Aaa
Sale Amount $4,720,000	
Expected Sale Date 02/20/14	
Rating Description General Obligation	

Moody's Outlook STA

Opinion

NEW YORK, February 14, 2014 --Moody's Investors Service has assigned a Aaa rating to the Town of Wilton's (CT) $4.7 million General Obligation Bonds, Issue of 2014. Concurrently, Moody's has affirmed the Aaa rating on the town's $54 million in outstanding general obligation debt. The outlook is stable. The bonds are secured by a general obligation unlimited tax pledge. Proceeds from the bonds will finance a 39.5 acre open space conservation easement and the costs associated with converting three schools and one town facility to natural gas, along with additional renovations at Comstock Community Center.

SUMMARY RATING RATIONALE

Moody's highest long-term rating reflects the town's sound financial position dictated by formal fiscal policies, a strong management team, large and affluent equalized net grand list (ENGL), and a manageable debt burden. The stable outlook reflects Moody's expectation that the town will continue to demonstrate credit characteristics commensurate with our highest rating category.

STRENGTHS

- Healthy financial position guided by sound management policies

- Stable and wealthy tax base

- Conservative budgeting practices

- Sound management of pension and OPEB liabilities

CHALLENGES

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

DETAILED CREDIT DISCUSSION

HEALTHY FINANCIAL POSITION EXPECTED TO CONTINUE

Moody's expects the town to maintain a sound financial position given its solid reserve levels, proactive management team and conservative fiscal policies. Following two consecutive years of surplus operations, fiscal 2013 audited financials reflect a slight operating deficit of $544,550 primarily due to storm-related costs not yet reimbursed by FEMA. Management expects to receive the reimbursement in fiscal 2014. Fiscal 2013 total General Fund balance was $20.6 million, or a healthy 17% of revenues, and Unassigned General Fund balance was $14.7 million, or 12.1% of revenues. The town's revenues are derived primarily from property taxes (88.3% in 2013) and collection rates have historically remained above 99%.

The fiscal 2014 budget increased by 2.9% and is balanced with a 2.3% tax levy increase and a $3.8 million reserve appropriation, in line with management's policy of appropriating Unassigned General Fund balance in excess of 10% to offset annual tax levy increases. The budget increase is attributed to rising salary and healthcare costs. The town's charter mandates that budgets include a 1% contingency line-item, and further financial flexibility is augmented by the town's commitment to budget for capital outlay ($718,000 in fiscal 2014). Seven months into the fiscal year, operations are stable and management has not used the 1% budgeted contingency.

LARGE TAX BASE BENEFITS FROM AFFLUENT RESIDENT POPULATION

Wilton's sizable $6.1 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 is located 55 miles from New York City (GO rated Aa2/stable outlook) and is on the Danbury Line of the Metro-North Railroad. The town is primarily residential, and a recently formed Economic Development Commission has been actively marketing to bring more commercial developers to the town. New residential and commercial projects include a Toll Brothers housing community (20 new homes are currently under construction with an average sale price of approximately $1.1 million each) and a potential 250,000 square foot office space expansion that is currently in the early planning stages. Management reports that office space in the town is 90% occupied. Following a revaluation in 2012 (fiscal year 2014) which fully captured the housing market downturn, the town's total ENGL decreased 17%, or an average of 3.1% annually from 2009 to 2014.

The ENGL per capita is a strong $325,194, far above the current national average of $89,356. Similarly, the 2010 per capita and median family incomes are also significantly above average at 291% and 303% of national figures, respectively. Due to its location in Fairfield County and easy access to New York City, the town's unemployment of 4.8% (December 2013) is below that of the state (6.9%) and the nation (6.7%).

DEBT POSITION EXPECTED TO REMAIN MANAGEABLE DESPITE FUTURE BORROWING PLANS

Moody's expects that Wilton's debt position will remain manageable given the town's currently affordable debt levels and rapid principal retirement on outstanding debt. Wilton maintains an average direct debt burden of 1% of ENGL and principal retirement is favorable at 82% within 10 years. Debt service represented 7.4% of General Fund expenditures in fiscal 2013. The town maintains a formal five-year capital improvement plan and future borrowing plans include renovations at an elementary school and a police department expansion, plus other smaller capital needs. All outstanding debt is fixed rate and the town is not party to any derivative agreements.

The town is responsible for the administration of a defined benefit contributory pension plan for its employees. The Annual Required Contribution (ARC) for fiscal 2013 was $3.7 million and the town maintains a policy of funding in excess of the ARC depending on the plan's funded ratio. According to an actuarial valuation dated July 1, 2012, the plan's funded ratio was 87%, and therefore the town funded 115% of its ARC, or $4.4 million (3.6% of expenditures), in fiscal 2013. The adjusted net pension liability, under Moody's methodology for adjusting reported pension data, is $34.3 million, or a below-average and manageable 0.29 times operating revenues. Moody's uses the adjusted net pension liability to improve comparability of reported pension liabilities. The adjustments are not intended to replace the town's reported liability information, but to improve comparability with other rated entities.

The town currently contributes to its OPEB liability on a partial pre-funded basis. The town contributed 100% of its OPEB ARC in fiscal 2013, representing $787,000. The total unfunded liability is $4.8 million as of July 2012, the most recent valuation report. In addition to fully funding the ARC, the town established a trust fund which has a current balance of $4.2 million. Management's prudent funding policies for pension and OPEB represent a strong commitment to maintaining superior funding levels for both liabilities. Total fixed costs for fiscal 2013, including pension, OPEB and debt service, represented $13.7 million, or 11.2% of annual expenditures.

OUTLOOK

The stable outlook reflects our expectation that Wilton will maintain superior credit strength as a result of the town's strong fiscal management and conservative approach to budgeting and expenditure management. The town's sizeable tax base with very high wealth levels provides additional stability.

WHAT COULD MAKE THE RATING GO DOWN

- Inability to maintain structurally balanced operations

- Significant deterioration in the tax base or demographic profile

KEY STATISTICS

2014 Grand List (Full Value): $6 billion

2014 Grand List (Full Value) Per Capita: $325,194

2010 Median Family Income as % of US: 303%

Fiscal 2013 General Fund balance as a % of Revenues: 17%

5-Year Dollar Change in Fund Balance as % of Revenues: -0.4%

Fiscal 2013 Cash Balance as % of Revenues: 19.2%

5-Year Dollar Change in Cash Balance as % of Revenues: -2.7%

Institutional Framework: Aa

5-Year Average Operating Revenues / Operating Expenditures: 1x

Net Direct Debt as % of Full Value: 1%

Net Direct Debt / Operating Revenues: 0.5x

3-Year Average of Moody's ANPL as % of Equalized (Full) Value: 0.5%

3-Year Average of Moody's ANPL / Operating Revenues: 0.3x

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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