MOODY'S
INVESTORS SERVICE

New Issue: Moody's assigns Aaa to Wilton, CT's $22.8M GO Bonds; outlook stable

Global Credit Research - 05 Mar 2015

Affirms Aaa on outstanding debt; Aaa applies to $74.5M of debt, post-sale

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

Moody's Rating

ISSUE		RATING
General Obligation Bonds, Issue of 2015		Aaa
Sale Amount	$22,750,000	
Expected Sale Date	03/10/15	
Rating Description	General Obligation	

Moody's Outlook STA

NEW YORK, March 05, 2015 --Moody's Investors Service assigns a Aaa rating to the Town of Wilton's (CT) $22.8 million General Obligation Bonds, Issue of 2015. Concurrently, Moody's affirms the Aaa rating on the town's outstanding rated GO debt. Post-sale, the town will have $74.5 million of outstanding rated GO debt. The outlook is stable.

SUMMARY RATING RATIONALE

The Aaa rating reflects the town's sizeable and affluent tax base, stable financial position with healthy reserves, and manageable debt burden.

OUTLOOK

The stable outlook reflects our expectation that the town's financial position will remain sound given strong management, conservative budgeting practices, and adherence to formal policies.

WHAT COULD MAKE THE RATING GO DOWN

- Trend of operating deficits resulting in reserve declines

- Significant declines in the tax base or deterioration of the demographic profile

- Material growth in debt burden

STRENGTHS

- Stable financial position guided by sound policies

- Affluent residential tax base

- Sound management of pension and OPEB liabilities

CHALLENGES

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

RECENT DEVELOPMENTS

Recent developments are incorporated in the Detailed Rating Rationale section.

DETAILED RATING RATIONALE

ECONOMY AND TAX BASE

Wilton's sizeable $6.1 billion Equalized Net Grand List (ENGL) will remain healthy due to a stable residential sector with strong property values. Located in Fairfield County, one of the wealthiest counties in the country, the town is 55 miles from New York City (Aa2 stable) and is on the Danbury Line of the Metro-North Railroad. Following a revaluation in 2012 (effective 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. Since then, new development has contributed to modest increases in the Net Taxable Grant List of 0.7% in both fiscal 2015 and 2016. The town is primarily residential, and approximately 16% is undeveloped. New development in the town will focus on more commercial development (via the Economic Development Commission) as well as affordable residential housing. Two new projects currently underway include a 30 until apartment complex, with a small portion offered as affordable housing. Additionally, Wilton Commons is expanding to provide 23 additional senior affordable housing units.

Wealth and income levels are strong with per capita and median family incomes representing 286% and 289% of the nation, respectively. Housing values in the town are strong as evidenced by a robust equalized value per capita of $324,511 (363% of the US median). Due to its location in Fairfield County and easy access to New York City, the town's unemployment rate (3.9% December 2014) remains below the state (5.7%) and the nation (5.4%).

FINANCIAL OPERATIONS AND RESERVES

Wilton's financial position will continue to remain healthy given a history of conservative budgeting, prudent expenditure management, and sound reserve levels. Reserve levels have been stable for the past six years, as the available General Fund balance (unassigned, assigned, and committed) has averaged a healthy 17% of revenues since 2009. Fiscal 2014 audited results reflect a $1.5 million operating surplus, the third in the past four years, which increased the available General Fund balance to $22 million (17.5% of revenues). The unassigned portion remains sound at $17.7 million (14%).

The fiscal 2015 budget increased 2.6% from the prior year mostly due to salaries and benefits, and was balanced with a 2.7% tax levy increase and a $3.2 million reserve appropriation. The reserve appropriation is in line with management's policy of appropriating Unassigned General Fund balance in excess of 10% to offset annual tax levy increases. The town's charter mandates that budgets include a 1% to 2% contingency line-item, and further financial flexibility is augmented by the town's commitment to budget for capital outlay ($1.2 million in fiscal 2015). Eight months into the fiscal year, operations are stable and management has not used the 1% budgeted contingency. The preliminary fiscal 2016 budget, which will be adopted in May, shows an increase of approximately 2% for town and school expenses.

Wilton is not heavily reliant on economically sensitive or state revenues, as property taxes represent the largest component (87.6% in fiscal 2014) and collections remain very strong at over 99% annually. State aid, including aid for education, comprised 10.5% of 2014 revenues. The largest expenditure is education (68.5% of 2014 operating expenditures), followed by public safety (10.3%), debt service (7.3%), and general government (4.5%).

Liquidity

The town's net cash position at the close if fiscal 2014 was $30 million, an estimated 23.8% of General Fund revenues.

DEBT AND PENSIONS

The debt position will remain manageable given the average direct debt burden of 1.2% of equalized value, satisfactory principal amortization, and moderate future borrowing plans. The capital improvement plan totals approximately $38.1 million to fund town and school capital needs through 2020, which the town will finance with a combination of pay-as-you-go General Fund revenues and $21.2 million in bonds. In addition to projects listed in the CIP, the town will finance renovations at the Miller-Driscoll Elementary School with bonds. The project, which was recently approved, is expected to cost the town $44 million after accounting for expected state school grants. Proceeds from the current issue in the amount of $8 million will provide initial financing for the project, and the remaining amount ($36 million) will be financed with bonds over the next few years.

Debt Structure

All of Wilton's debt is fixed rate and amortization of principal is average, with 73.3% repaid within ten years. Debt service comprised 7.3% of fiscal 2014 expenditures.

Debt-Related Derivatives

Wilton has no derivatives.

Pensions and OPEB

The town is responsible for the administration of a defined benefit contributory pension plan for its employees. The Annual Required Contribution (ARC) for fiscal 2014 was $3.1 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 June 30, 2013, the plan's funded ratio was 89%, and therefore the town funded 115% of its ARC, or $3.5 million (2.8% of expenditures), in fiscal 2014. The funded ratio improved to 92% as of a June 30, 2014 valuation. The adjusted net pension liability, under Moody's methodology for adjusting reported pension data, is $50.5 million, or a below-average and manageable 0.42 times General Fund 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. For the past several years, the town has been contributing 100% of its OPEB ARC and has also established a trust, which has a current balance of $5 million. The fiscal 2014 ARC was $692,000, or less than 1% of expenditures. The total unfunded liability is $3.3 million as of June 2014, the most recent valuation report. The plan's funded ratio is 57.4%, which represents a healthy improvement from 7.2% in 2008. In fiscal 2017, the town will begin funding its OPEB liability similar to how it funds the pension plan - the town will contribute an amount in excess of the ARC, depending on the plan's funded ratio. 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 2014, including pension, OPEB and debt service, represented $13.3 million, or 10.7% of expenditures.

MANAGEMENT AND GOVERNANCE

Connecticut cities and towns have an institutional framework score of 'Aa' or strong. The primary revenue source for municipalities is property taxes which are highly predictable and can be increased annually, without statutory limit. Expenditures are largely predictable and cities and towns have the ability to reduce expenditures, despite the presence of collective bargaining units.

Town management employs conservative budgeting and financial management as evidenced in formal fiscal policies and long-term planning for capital expenditures.

KEY STATISTICS

Fiscal 2014 Equalized Net Grand List (Full Value: $6.1 billion

Fiscal 2014 Equalized Net Grand List (Full Value) Per Capita: $324,511

Median Family Income as % of U.S.: 288.6%

Fiscal 2014 Available General Fund Balance as % of Revenues: 17.5%

5-Year Dollar Change in Available General Fund Balance as % of Revenues: 2.4%

Fiscal 2014 Cash Balance as % of Revenues: 23.8%

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

Institutional Framework: Aa

5-Year Average Operating Revenues / Operating Expenditures: 1.0x

Net Direct Debt as % of Full Value: 1.2%

Net Direct Debt / Operating Revenues: 0.6x

3-Year Average ANPL as % of Equalized Net Grand List (Full Value): 0.7%

3-Year Average ANPL / Operating Revenues: 0.3x

OBLIGOR PROFILE

Wilton is town with a population of 18,700 located in southwestern Connecticut, approximately 55 miles northeast of New York City.

LEGAL SECURITY

All of the town's outstanding debt is secured by a General Obligation unlimited tax pledge.

USE OF PROCEEDS

Bond proceeds will finance various capital projects including renovations at Comstock Community Center ($9.9 million), elementary school renovations ($8 million), road restoration ($3.5 million), and other smaller projects.

RATING METHODOLOGY

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.

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