



Moody's Investors Service

New Issue: MOODY'S ASSIGNS Aaa RATING TO WEST HARTFORD'S (CT) \$42.9M GENERAL OBLIGATION REFUNDING BONDS, SERIES 2009B

Global Credit Research - 22 Sep 2009

Aaa RATING APPLIES TO \$167.1 MILLION IN POST-REFUNDING PARITY DEBT

Municipality
CT

Moody's Rating

ISSUE	RATING
General Obligation Refunding Bonds, Series 2009B	Aaa
Sale Amount \$42,935,000	
Expected Sale Date 09/23/09	
Rating Description General Obligation Unlimited Tax	

Opinion

NEW YORK, Sep 22, 2009 -- Moody's Investors Service has assigned a Aaa rating to the Town of West Hartford's \$42.9 million General Obligation Refunding Bonds, Series 2009B. Concurrently, Moody's has affirmed the Aaa rating on the town's outstanding pre-refunding general obligation debt, affecting \$163.1 million in bonds. The bonds are secured by the town's general obligation unlimited tax pledge. The rating assignment and affirmation of Moody's highest rating reflects the town's sizeable and diverse equalized net grand list (ENGL), sound financial position bolstered by reserves held outside of the General Fund, professional management team and above-average debt burden governed by a comprehensive 12-year capital plan. The current issue will refund outstanding General Obligation Bonds, Series 2005 A & B. The refunding is expected to yield approximately 3.1% net present value savings of refunded principle with no extension of the original maturity.

SIZEABLE AND DIVERSE EQUALIZED NET GRAND LIST

Moody's anticipates that the town's sizable \$9.2 billion ENGL (as of fiscal 2007) will continue to grow at a moderate rate due to ongoing residential and commercial developments. The town boasts a diverse economic base (70% residential, 14% commercial /industrial) and major employers within the town include a variety of higher education institutions, manufacturing firms and health providers as well as a commercial sector. The town's net grand list growth expanded at an average annual rate of 6.4% over the last five years capturing property value appreciation as well as some residential growth and commercial activity. Management reports housing prices have remained relatively stable, however the number of housing sales have declined. The 10/1/2006 revaluation was initially being phased in over five years and in fiscal 2008 and fiscal 2009 the town experienced an increase in its net grand list of 21.2% and 8.7%, respectively. As a result of recently passed legislation, West Hartford decided to suspend its phase-in of revaluation assessments. As such, the town reverted to the 10/1/2007 grand list, which was then adjusted for new growth. The town will have its next revaluation by 10/01/2011, as mandated by the state.

Management projects moderate growth in the ENGL over the medium term given the Blue Back Square site, a \$198.8 million mixed-use private/public development in the town center. The project was completed in spring 2009 and some highlights of this substantial project entail two parking garages, 70 high-end residential condominiums, big box retailers Barnes and Noble, Crate and Barrel, and the Cheesecake Factory Restaurant. Using proceeds from a previous \$48.8 million bond sale, the project also incorporates improvements to the town hall and library, as well as streets, sidewalks, and public areas. The Blue Back Square site has also spurred ancillary development, including a new Whole Foods Market, refurbishment of existing commercial properties and various residential projects.

Wealth levels in West Hartford, though above state medians, fall below Aaa medians, as reflected in the \$153,545 ENGL per capita. The Connecticut Aaa median ENGL per capita is a significant \$373,716. The per

capita (PCI) and median family incomes (MFI), as a percent of the nation, are also significantly below similarly rated credits at 155% and 156%, respectively. The Aaa median PCI and MFI as a percent of the nation is a higher 272% and 251%, respectively. Moody's believes that this wealth profile is offset by the town's considerable economic redevelopment in the town center, coupled with a very strong management team and fiscal stability. Further, the unemployment rate remains below the state (8%) and U.S. (9.1%) level at 7.4% (July 2009).

STABLE FINANCIAL POSITION EXPECTED TO CONTINUE; ADDITIONAL RESERVES MAINTAINED OUTSIDE GENERAL FUND

Moody's believes that the town's consistently stable financial position will be maintained largely due to the policies and practices followed by a strong management team. The town has generated five consecutive operating surpluses since fiscal 2004, increasing the undesignated General Fund balance to \$16.1 million (a satisfactory 6.5% of General Fund revenues) in fiscal 2008 from \$11.2 million (6.7% of General Fund revenues) four years prior. The increase reflects the town's consistently conservative budget practices and strict spending controls. Importantly, fiscal 2008 revenues include a one-time, on behalf, teachers' pension payment related to the issuance of pension obligation bonds at the state level and offsetting expenditure. When adjusting revenues for this \$45.8 million payment the town's level of undesignated General Fund balance increases to a solid 7.9% of revenues.

Based on preliminary results, officials expect the General Fund to maintain its solid trend of operating stability in fiscal 2009, despite facing a \$1.8 million deficit in the first quarter due to economically sensitive revenues coming in below budget. Unaudited results indicate that the town will replenish \$292,928 of the \$781,000 in appropriated General Fund balance, primarily due to tight expenditure controls. Of note, the town renegotiated its payment plan schedule with the Metropolitan District Commission (MDC), which resulted in a one-time savings of \$180,000. Total General Fund balance will decrease to \$16.7 million (7.7% of General Fund revenues), however undesignated General Fund balance will increase to \$16.3 million (7.7% of General Fund revenues from \$16.05 million (7.9% of General Fund net revenues) as a result of management discontinuing the practice of appropriating fund balance as revenue to balance the budget. The town's financial position is further strengthened due to available reserves held outside the General Fund. These reserves include the Health Care Reserve (\$5.2 million), Capital Non-Recurring Fund (\$385,000), Self- Insured Reserve (\$943,489) and Utility Reserve (\$1.9 million). The adopted fiscal 2010 budget does not include the use of General Fund balance and represents a decrease of \$625,000, or 0.3% below the prior year. The reduction in appropriations is a result of decisions implemented in fiscal 2009 such as reduced capital spending, a hiring freeze and electricity procurement. The budget was balanced with increased property tax revenue.

Reflective of West Hartford's proactive nature, the town established a Health Care Reserve to fund Other Post Employment Benefits (OPEB) in 1985. The town did not make a retiree health insurance contribution from the General Fund for fiscal years 2003 and 2004, but continued to pay such claims from the Health Care Reserve. Additionally, the town only partially funded the actuarially determined annual required contribution (ARC) in fiscal 2005 and 2006. As a result, the town reduced the Health Care Reserve to \$11.8 million in fiscal 2006 from its peak position of \$30 million in fiscal 1999. The town plans to draw this reserve to a minimum of \$5 million in fiscal 2011-lower than the previously expected floor of \$12 million due to unanticipated retiree claims. Management plans to increase the reserve balance to \$10 million by fiscal 2016 with increased General Fund and employee contributions. The town's current unfunded OPEB liability is \$87 million. In fiscal 2009, the town established an OPEB trust fund for employees hired after 2003. In order to reduce future OPEB costs significant plan adjustments such as increased normal retirement age and employee contributions have been implemented for approximately 22% of the nonpublic safety unionized workforce.

Fiscal 2003 represented the first time in 12 years that necessitated an ARC for the town's pension plan. The plan had been funded in excess of 100% prior to that time. Given the investment environment in fiscal 2003 coupled with a change in the actuarial valuation method in fiscal 2005, the town pension system funding ratio slipped to 79.6% as of January 2005. Unfavorable asset allocations led to another decline in the funding ratio in the subsequent year to 75.2%. The most recent funded ratio is 75.6%, as of July 1, 2007. Due to recent poor market returns, the value of assets is expected to decline, however, management expects improved funding ratios over the long-term given favorable negotiations with unionized employees with regard to the normal retirement age for new employees, coupled with the continuation of the complete funding of the ARC.

DIRECT DEBT BURDEN EXPECTED TO MODERATE

Moody's expects the town's above-average 1.7% (of ENGL) direct debt burden will moderate over time due to a combination of the town's healthy principal payout of 77.2% retired within 10 years, carefully planned future borrowing and continuing ENGL growth. Further, the debt service for the \$48.8 million G.O. bonds issued for the construction of Blue Back Square is expected to be paid from revenues generated by the new parking structures and special services district taxes. Reflecting the strength of the community's strategic planning efforts, West Hartford maintains a 12-year capital improvement plan totaling \$141.6 million that has provided an important framework for identifying the timing and financial resources necessary to meet capital needs. The town plans to issue approximately \$9 million for various capital projects in fiscal 2011.

The town is a member of the Metropolitan District Commission (MDC), a special district in Hartford that provides water and sanitary services to eight member towns. The town's overall debt increases to a moderate 2.1% (of ENGL) when incorporating overlapping debt associated with the MDC. The MDC has been cited by the U.S Environmental Protection Agency and the United States Department of Justice for overflows from the sewer systems. The abatement plans call for new sewers, removal of storm water flows during storm events, and additional treatment capacity at a cost of \$2.1 billion over the next 17 years. Each of the eight member towns has overwhelmingly approved an \$800 million authorization to begin stage one of the project. Of note, the total cost of this initial authorization has the potential to be reduced substantially through receipt of both state and federal loans. This debt is not expected to place fiscal strain on the town's General Fund operations since the project will be funded through user surcharges on the individual customer's quarterly bills.

KEY STATISTICS:

2007 Population: 60,486

Fiscal 2007 Equalized Net Grand List: \$9.2 billion

Fiscal 2007 Equalized Net Grand List Per Capita: \$153,545

Median Family Income: \$77,865 (156 % of the nation, 119% of Connecticut)

Per Capita Income: \$33,468 (155% of the nation: 116% of Connecticut)

Fiscal 2008 General Fund Balance: \$17.2 million (6.9% of General Fund Revenues)

Fiscal 2008 Unreserved General Fund Balance: \$16.8 million (6.8% of General Fund Revenues)

Fiscal 2008 Available Reserves (includes Unreserved General Fund Balance, Capital Non-Recurring Fund, Health Care and Utility Reserves): \$26.2 million (10.6% of General Fund Revenues)

Overall Debt Burden: 2.1%

Adjusted Debt Burden: 1.7%

Payout of Principal (10 years): 77.2%

Post-refunding parity debt outstanding: \$167.1 million

RATING METHODOLOGY USED AND LAST RATING ACTION TAKEN

The principal methodology used in rating the Town of West Hartford, CT was Moody's "Local Government General Obligation and Related Ratings," published in December 2008 and available on www.moody.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

The last rating action was on July 10, 2009 when the Aaa rating for the Town of West Hartford, CT was affirmed.

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