

### Summary:

## West Hartford Town, Connecticut; General Obligation

#### Primary Credit Analyst:

Victor Medeiros, Boston (1) 617-530-8305; victor\_medeiros@standardandpoors.com

#### Secondary Credit Analyst:

Henry W Henderson, Boston (1) 617-530-8314; henry\_henderson@standardandpoors.com

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**Summary:**

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Credit Profile		
US\$20.5 mil GO rfdg bnds ser 2010A due 07/01/2013-2023		
<i>Long Term Rating</i>	AAA/Stable	New
West Hartford Twn GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

## Rationale

Standard & Poor's Ratings Services assigned its 'AAA' rating, and stable outlook, to the town of West Hartford, Conn.'s series 2010A general obligation (GO) refunding bonds and affirmed its 'AAA' rating, with a stable outlook, on the town's existing GO debt.

The rating reflects our assessment of the town's:

- Affluent and stable residential property tax base in the Hartford, Conn. metropolitan area;
- Very strong household income levels and extremely strong per capita market values;
- Historically sound financial performance, good reserves, and strong financial management practices; and
- Moderate-to-low debt burden with manageable additional capital needs.

Officials are planning to use bond proceeds to advance refund the town's series 2004A, 2007A, 2008A, and 2009A bonds outstanding.

West Hartford, with a 2008 population estimate of 63,062, is an affluent suburb of Hartford that enjoys good access, via Interstate 84, to the region's diverse employment base. The town is home to University of Hartford, its leading employer and a stabilizing factor in the local economy. In our view, economic indicators remain stable and strong. Median household effective buying income was 111% of the state's average and 135% of the nation's average in 2008. Similarly, per capita effective buying income was 114% of the state's level and 148% of the nation's level. Moreover, the town's unemployment rate of 8.6%, as of December 2010, remained slightly below the state's rate and well below the nation's rate.

The town is a largely built out and mature community that must rely on redevelopment for new property tax base growth. Current estimated full value totals \$8.8 billion, or, in our view, an extremely strong \$145,420 per capita. The property tax base is also very diverse with the 10 leading taxpayers accounting for about 5% of assessed value.

In our opinion, West Hartford's financial performance and position remain sound with good reserves available to manage through a challenging budgetary environment. Over the past five fiscal years, the town has managed its unreserved general fund balance near 7% of expenditures, a level we consider good. The town closed audited fiscal 2009 with a \$16.3 million unreserved general fund balance, or 7.4% of expenditures.

Property taxes generate about 87% of general fund revenues while state aid contributes roughly 8%. Strong tax

collections, at an average of 99% despite the increase in unemployment, provide, in our opinion, good financial stability. The limited dependence on state aid somewhat insulates the town from unexpected state aid cuts. Town officials passed the 2010 budget with a zero percent increase over the previous year and balanced it without using reserves. The town was conservative in its budget estimates; and as of Jan. 31, 2010, management is projecting an increase of about \$900,000 to available reserves at year-end. The projected fiscal 2010 undesignated fund balance will close at 8.2% of expenditures, which we view as a strong operating flexibility heading into fiscal 2011. The proposed 2011 budget totals \$219 million, a 4% spending increase from fiscal 2010. Town officials will require a 5% property tax increase to fund the budget.

Based on a review of several key financial practices, Standard & Poor's considers West Hartford's management practices "strong" under its Financial Management Assessment (FMA) methodology, indicating practices are strong, well embedded, and likely sustainable in our opinion. We believe the town maintains a strong focus on financial and capital planning, evidenced by its:

- 12-year capital improvement plan, which management reviews yearly and sets the parameters for debt and nondebt financing of all capital projects in the plan; and
- Debt management policy that limits debt service to no more than 10% and an amortization schedule with officials planning to retire no less than 65% of principal over 10 years.

Moreover, we believe that the town's budget assumptions are conservative and that they take into account various economic scenarios. The finance department prepares monthly operating variance reports that town officials communicate to the town council. The town also maintains a reserve and liquidity policy that limits unreserved fund balance to 7% of expenditures.

In our opinion, the town's debt burden is moderate-to-low. The town's overall net debt is \$3,151 per capita, or approximately 2.2% of true value. Amortization is above average with officials planning to retire 65% of principal over 10 years and 100% by 2026. The above-average amortization is favorable given moderate debt service carrying charges, which estimates have at roughly 9% in 2010.

The town's updated 2011-2022 capital plan totals \$149.9 million. It is our understanding officials dedicated the bulk of the plan, \$100.5 million, or 67%, for general town projects, including repairs, replacements, or improvements to streets, sidewalks, sewers, communication equipment, and recreation facilities. It is our understanding they dedicated another \$49.4 million for school-related improvements. The town expects to finance most of the plan, approximately \$120 million, or 81%, with additional debt within its debt management policy's parameters. For school-related projects, the town expects to receive between 25% and 35% of state grant payments.

## Outlook

The stable outlook reflects Standard & Poor's expectation of the town's continued good financial performance and position, evidenced, in part, by its maintenance of healthy general fund reserves that adhere to stated policy targets. We believe management will likely remain proactive and make the necessary adjustments to produce balanced operations, as it has historically demonstrated, despite budgetary challenges related to slower recurring revenue growth. The stable outlook also reflects our view of the region's continued economic stability. In our opinion, the debt burden should remain manageable and moderate as long as the town adheres to its formal debt management policy.

## **Related Criteria And Research**

USPF Criteria: GO Debt, Oct. 12, 2006

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