STANDARD & POOR'S

RATINGSDIRECT®

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Summary:

West Hartford, Connecticut; General Obligation

Primary Credit Analyst:
Victor Medeiros, Boston (1) 617-530-8305; victor_medeiros@standardandpoors.com

Secondary Credit Analyst:
Michael P Taylor, New York (1) 212-438-1458; michael_taylor@standardandpoors.com

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Credit Profile		
US$42.855 mil GO rfdg bnds ser 2009B due 10/01/2025		
Long Term Rating	AAA/Stable	New
West Hartford GO		
Long Term Rating	AAA/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' rating, and stable outlook, to West Hartford, Conn.'s series 2009B general obligation (GO) refunding bonds and affirmed its 'AAA' rating, with a stable outlook, on the town's existing GO debt.

In our opinion, the rating reflects 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, 2005A, and 2005B 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 the 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 in 2008 was 111% of the state's average and 135% of the nation's average. Similarly, per capita effective buying income was 114% of the state's level and 148% of the nation's level. Moreover, the town's July 2009 unemployment average of 7.4% remained slightly below the state's rate and well below the nation's rate.

The city is a largely built out and mature community that must rely on redevelopment for new property tax base growth. The town's current estimated full value totals $8.7 billion, or, in our view, an extremely strong $138,000 per capita. The property tax base is also very diverse with the 10 leading taxpayers accounting for 5.8% of assessed value.

In our opinion, West Hartford's financial performance and position remains sound with good reserves available to manage through the economic recession. Over the past five fiscal years, the town's unreserved general fund balance has remained near 7% of expenditures. The town closed audited fiscal 2008 with a $16.8 million unreserved general fund balance, or 7% of expenditures, a $5.6 million increase over 2004 levels.

Property taxes generate about 87% of the town's general fund revenues while state aid contributes roughly 8%. Strong tax collections, at an average of 99%, provide good financial stability; and the limited dependence on state aid insulates the town from fluctuations. In fiscal 2009, the town identified a roughly $1.8 million budget gap early on due to a reduction in those revenues sensitive to economic conditions. The town, however, was able to remedy the deficit by reducing departmental and capital budget spending; and it expects to close the fiscal year with a reserve position in-line with previous years. The town passed the 2010 budget with a zero percent increase over the 2009 budget and balanced it without using reserves.

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. 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 no less than 65% of principal being retired over 10 years.

Moreover, we believe the town's budget assumptions are conservative and 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 $3,040 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 its moderate debt service carrying charges, estimated at roughly 9% in 2010.

The town's updated 12-year (2010-2021) capital plan totals $141.6 million. The bulk of the plan, $94.6 million (66%), is for general town projects, including repairs, replacements, or improvements to streets, sidewalks, sewers, communication equipment, and recreation facilities. Another $47.2 million is for school-related improvements. The town expects to finance most of the plan, approximately $124 million (88%), with additional debt within the parameters of its debt management policy. For school-related projects, the town expects to receive between 25% and 35% in 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 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 the region's continued economic stability. In our opinion, debt burden will remain manageable as long as the town adheres to its formal debt management policy.

Related Research

USPF Criteria: "GO Debt," Oct. 12, 2006

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