



Moody's Investors Service

New Issue: MOODY'S ASSIGNS Aa1 RATING TO SIMSBURY'S (CT) \$4.7M G.O. BONDS, ISSUE OF 2010

Global Credit Research - 12 Feb 2010

TOTAL OF \$52.1 MILLION IN PARITY DEBT, INCLUDING CURRENT OFFERING

Municipality
CT

Moody's Rating

ISSUE	RATING
General Obligation Bonds, Issue of 2010	Aa1
Sale Amount	\$4,785,000
Expected Sale Date	03/03/10
Rating Description	General Obligation

Opinion

NEW YORK, Feb 12, 2010 -- Moody's Investors Service has assigned a Aa1 rating to the Town of Simsbury's (CT) \$4.7 million General Obligation Bonds, Issue of 2010. At this time, Moody's has also affirmed the town's Aa1 rating, affecting \$47.3 million of fixed rate parity debt. The bonds are secured by a general obligation unlimited tax pledge. Bond proceeds will be used to finance various municipal and school capital improvements. The Aa1 rating reflects the town's history of sound fiscal management, sizeable equalized net grand list (ENGL), wealth indices reflective of the current rating category, and a manageable debt burden.

WELL MANAGED FINANCIAL POSITION; STABLE RESERVE LEVELS

Moody's anticipates Simsbury's financial position to remain sound in the near-term supported by conservative budgeting practices, structurally balanced operations, and the careful management of reserves. The town has recorded operating surpluses in six of the last seven years, consistently maintaining satisfactory total General Fund balance levels between 9% and 12% of revenues. The town's track record of structurally balanced operations and above average demographic characteristics mitigate its lower than average fund balance levels, which trail the 32% national Aa1 median. Fiscal 2009 ended with a modest \$221,000 addition to fund balance due, in part, to conservative property tax collection estimates and over \$450,000 of expenditure savings.

The fiscal 2010 budget represents a 3% reduction from the prior year. The budget was passed on its initial referendum vote and incorporates approximately \$400,000 of negotiated wage concessions, a 1.7% levy increase, and no use of reserves. Of note, the town conservatively estimates a 98% property tax collection rate. Actual collections have consistently exceeded 99%. Given current trends the town projects the fiscal year to end positively. Going forward, the town's ability to maintain a healthy financial position, with reserve levels increasing in-step with budgetary expansion, will continue to be an important credit factor.

Positively, supporting Simsbury's credit strength has been the proactive approach toward its other post employment (OPEB) liability. Identifying its \$24 million unfunded liability three years prior to the required date the town has made its \$1.6 million annually required contribution (ARC) each fiscal year and plans to continue to make its ARC annually moving forward. Also, the most recent actuarial analysis of the town's general government, police and board of education pension systems reflect recent market declines with funded ratios decreasing as of July 1, 2009 to a 74%, 79%, and 66% from 91.3%, 93.3%, and 84.6%, in 2007, respectively. Management is committed to continue making 100% of its ARC.

TAX BASE EXPECTED TO REMAIN STABLE

Moody's believes that growth of Simsbury's \$3.7 billion ENGL will remain modest over the near-term given continued weakness in the regional real estate market and recessionary economic conditions. Positively, the town is relatively well positioned for future growth with a large pipeline of proposed residential projects. Over the last five years the ENGL has increased at a moderate 6.4% annually on average, driven primarily by the appreciation of existing

properties. The town experienced a 28.4% increase in its net taxable grand list following the last property revaluation, conducted October 1, 2007. The increase, incorporating the full market appreciation of existing properties since 2002, was greater than the 27.4% increase experienced at that time. The revaluation resulted in residential properties representing a slightly higher share of net taxable value at 76.3% from 74.3% in 2002; commercial/industrial property makes up a modest 11.4% of taxable value. Importantly, supporting ongoing economic health, the status of the town's major employers and taxpayers is expected to remain stable, including the presence of Hartford Life Insurance (senior debt rated Baa3) the town's largest employer, representing approximately 3,000 jobs in Simsbury.

The town's wealth indicators declined slightly between the 1990 and 2000 census; however, Simsbury's wealth indicators continue to remain in-line with the Aa1 rating category. As a percentage of the nation, the per capita (PCI) and median family (MFI) incomes declined to 184% and 194% in 1999, respectively, as compared to 197% and 208% a decade earlier. The Connecticut Aa1 median PCI and MFI as a percent of the nation are 187% and 193%. The ENGL per capita, however, is below-average for the rating category at \$157,335 compared to both the state and national Aa1 median.

MANAGEABLE DEBT PROFILE; RAPID PRINCIPAL AMORTIZATION

Moody's anticipates the town's debt position to remain manageable given the community's commitment to remain within its formal debt policies, rapid rate of principal amortization and limited future borrowing plans. Including this issue, the town's direct debt position will be a slightly above average 1.4% of equalized net grand list, however, principal amortization (99% retired within 10 years) is rapid and significantly higher than both state and national medians. Additionally, debt service represented a manageable 9% of fiscal 2009 General Fund revenues. Looking ahead, management anticipates debt service to remain in-line with the town's debt service limit of 7.0% of the General Fund budget. The town's debt profile consists entirely of fixed rate borrowings and the town has not entered into any derivative agreements.

KEY STATISTICS

2008 Estimated Population: 23,615 (1.6% increase since 2000)

FY 2009 Equalized Net Grand List (ENGL): \$3.7 billion

FY 2009 ENGL per capita: \$157,335

1999 Per Capita Income: \$39,710 (138.0% of the state, 184.0% of the U.S.)

1999 Median Family Income: \$97,008 (148.1% of the state, 193.8% of the U.S.)

FY 2009 General Fund balance: \$8.4 million (9.4% of revenues)

FY 2009 Unreserved Fund balance: \$8.0 million (9% of revenues)

Direct net debt burden: 1.4% of ENGL

Payout of principal (10 years): 99%

Post-sale parity debt outstanding: \$52.1 million

METHODOLOGY AND LAST RATING ACTION TAKEN

The principal methodology used in rating Simsbury's General Obligation bonds was "General Obligation Bonds Issued by U.S. Local Governments," published in October 2009, which can be found at www.moody.com in the Credit Policy & Methodologies directory, in the Index of Special Reports - U.S. Public Finance. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Credit Policy & Methodologies directory.

The last rating action was on March 13, 2008 when a Aa1 rating was assigned to the town's GO bonds.

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