

RatingsDirect®

Summary:

Tolland, Connecticut; General Obligation; Note

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Credit Profile		
US\$9.465 mil GO rfdg bnnds ser 2014 A due 08/01/2027		
Long Term Rating	AAA/Stable	New
US\$5.41 mil GO BANs dtd 10/22/2014 due 10/21/2015		
Short Term Rating	SP-1+	New
Tolland GO		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' long-term rating to Tolland, Conn.'s 2014A general obligation (GO) refunding bonds and affirmed its 'AAA' long-term rating and underlying rating (SPUR) on the town's parity debt. At the same time, Standard & Poor's assigned its 'SP-1+' rating to the town's GO bond anticipation notes (BANs). The outlook on the long-term ratings is stable.

The bonds and BANs are secured by the town's full faith and credit pledge. We understand bond proceeds will refund portions of three different bond issues for savings of roughly \$500,000, while BAN proceeds will fund capital projects.

The rating reflects our opinion of the following factors for the town:

- A very strong economy that participates in the broad and diverse economy of the Hartford-West Hartford-East Hartford metropolitan statistical area (MSA);
- Strong budgetary flexibility with available reserves at 13.8% of operating expenditures in fiscal 2013;
- Adequate budgetary performance;
- Very strong liquidity providing very strong cash levels to support both debt service and expenditures;
- Very strong management conditions with "strong" financial management practices;
- Adequate debt and contingent liability profile, supported by limited pension and other postemployment benefit (OPEB) liabilities.

Very strong economy

We consider Tolland to have a very strong economy when combining projected per capita income at 160.2% of the national level and estimated market value per capita at \$123,905. Located in Tolland County, which had a 6.7% unemployment rate in 2013, the town participates in the broad and diverse Hartford-West Hartford-East Hartford MSA. The net taxable grand list totaled \$1.3 billion in fiscal 2015 and has grown modestly in recent years.

Strong budgetary flexibility

Tolland's budgetary flexibility is what we view as strong. For audited fiscal 2013, the total available general fund balance (\$7.7 million) was 13.8% of general fund expenditures. Management estimates 2014 (June 30 year-end) will close with a \$294,000 general fund surplus. The town has a practice of appropriating a small amount of reserves in its

annual budget – as is the case in 2015 – and then closing the gap through conservative budgeting practices.

Adequate budgetary performance

We view Tolland's budgetary performance as adequate overall, with a small deficit of 0.1% for the general fund in fiscal 2013 and a larger 5.3% deficit for total governmental funds. Property taxes were the town's largest source of general fund revenue in fiscal 2013 (69% of the total), which we consider a stable revenue source particularly in Connecticut where no taxing limitations apply. Current-year collections are strong, averaging more than 99% over the last several years. Tolland estimates it will end fiscal 2014 with a slight general fund balance surplus.

Very strong liquidity

Tolland's liquidity is very strong, with total government available cash at 21.9% of total governmental fund expenditures and 268% of debt service. In addition, we believe the town has strong access to external liquidity, having issued GO debt frequently in recent years.

Very strong management conditions

We view Tolland's management conditions as very strong with "strong" financial management practices under our Financial Management Assessment methodology. The town's policy is to maintain an unassigned fund balance between 8% and 15% of expenditures, a level it has historically adhered to.

Adequate debt and contingent liability profile

In our opinion, the town's debt and contingent liability profile is adequate, with total governmental fund debt service at 8.2% of total governmental fund expenditures, and net direct debt at 99.4% of total governmental fund revenue. Overall net debt is 3.1% of market value and over 70% of principal is scheduled to retire over the next 10 years, both including and excluding BAN repayment. Additional debt plans identified by the town over the next two years are not expected to change the overall score.

Tolland's pension plan is a defined-contribution plan, which limits the town's pension liabilities, and teachers' pensions are paid by the state. The town's unfunded other postemployment benefit (OPEB) liability was actuarially valued at \$4.3 million as of July 1, 2012. It has a newly established OPEB trust fund that is 8% funded. OPEB costs amount to 0.9% of expenditures.

Very strong Institutional Framework

We consider the Institutional Framework score for Connecticut towns very strong.

Outlook

The stable outlook reflects Standard & Poor's opinion that Tolland will likely continue to report and maintain strong budgetary flexibility over the next two years. We believe an improved economic outlook, predictable operating profile, and strong management policies will result in balanced operations. Tolland also maintains an adequate debt and liability profile, and we believe pension and OPEB costs will remain manageable. For these reasons, we do not expect to change the rating within the two-year outlook horizon.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Bond Anticipation Note Rating Methodology, Aug. 31, 2011

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013

Ratings Detail (As Of October 1, 2014)		
Tolland GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Tolland GO		
<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

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