

CREDIT OPINION

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Wilton (Town of) CT

Update to credit analysis

Summary

Wilton, CT (Aaa stable) benefits from a sound financial position, supported by stable property tax revenues and formal policies, both of which will provide for the town's continued fiscal health despite the current downturn driven by the pandemic. While the town's tax base is smaller than national medians for the rating category, resident income and wealth levels are very strong. Given proactive funding practices for both pensions and OPEB, the town's long-term liabilities and fixed costs are low, affording notable operating flexibility.

Credit strengths

- » Moderately-sized tax base with very strong income and wealth levels
- » Sound financial position supported by stable property tax revenues
- » Proactive pension and OPEB funding
- » Very low fixed costs

Credit challenges

- » Reserves are below Aaa national medians

Rating outlook

The stable outlook reflects the expectation that the town's financial position will remain sound given reliance on property tax revenues and proactive management of long-term liabilities.

Factors that could lead to an upgrade

- » N/A

Factors that could lead to a downgrade

- » Tax base deterioration or weakened income or wealth metrics
- » Trend of structural imbalance leading to narrowed reserves
- » Significant increase in debt or capital needs

Key indicators

Exhibit 1

Wilton (Town of) CT

	2016	2017	2018	2019	2020
Economy/Tax Base					
Total Full Value (\$000)	\$6,535,482	\$6,590,104	\$6,070,177	\$6,210,325	\$6,065,753
Population	18,616	18,659	18,542	18,463	18,463
Full Value Per Capita	\$351,068	\$353,186	\$327,374	\$336,366	\$328,536
Median Family Income (% of US Median)	303.1%	290.6%	286.1%	285.0%	285.0%
Finances					
Operating Revenue (\$000)	\$130,647	\$137,738	\$142,138	\$133,908	\$139,683
Fund Balance (\$000)	\$23,472	\$22,581	\$24,133	\$26,603	\$26,757
Cash Balance (\$000)	\$31,743	\$34,578	\$28,670	\$28,732	\$27,861
Fund Balance as a % of Revenues	18.0%	16.4%	17.0%	19.9%	19.2%
Cash Balance as a % of Revenues	24.3%	25.1%	20.2%	21.5%	19.9%
Debt/Pensions					
Net Direct Debt (\$000)	\$83,700	\$83,194	\$85,699	\$80,370	\$77,864
3-Year Average of Moody's ANPL (\$000)	\$54,707	\$62,560	\$61,164	\$60,654	\$71,600
Net Direct Debt / Full Value (%)	1.3%	1.3%	1.4%	1.3%	1.3%
Net Direct Debt / Operating Revenues (x)	0.6x	0.6x	0.6x	0.6x	0.6x
Moody's - ANPL (3-yr average) to Full Value (%)	0.8%	0.9%	1.0%	1.0%	1.2%
Moody's - ANPL (3-yr average) to Revenues (x)	0.4x	0.5x	0.4x	0.5x	0.5x

Sources: US Census Bureau, Wilton (Town of) CT's financial statements and Moody's Investors Service

Profile

Wilton is located in Connecticut's Fairfield County, approximately 55 miles northeast of New York City (Aa negative). The town provides municipal services, including primary and secondary education, to approximately 18,400 residents.

Detailed credit considerations

Economy and tax base: very wealthy, stable tax base

The sizeable \$6.1 billion Equalized Net Grand List (ENGL) will remain healthy given the town's favorable location near New York City and strong property values. The base is slightly below the median for Aaa rated towns and cities nationally, but in line with the Connecticut Aaa median. The net grand list, or assessed value, has decreased at a compound annual rate of 2.3% over the last five years. Future tax base growth will be supported by several mixed use and single family home developments,

The town is affluent as evidenced by a high median family income that is 219.2% and 285% of state and national medians, respectively. Housing values are very strong with equalized value per capita of a robust \$328,536. The town's unemployment rate of 5.4% as of November 2020 remains below the state rate of 7.7% and national rate of 6.4%, all of which are elevated compared to historic levels because of the pandemic.

Financial operations and reserves: stable financial position following balanced operations in fiscal 2020

Wilton's financial position will remain stable given sound reserve levels and adherence to a formalized fund balance policy. Positively, the town is not heavily reliant on state funding and is therefore somewhat insulated from the state's ongoing fiscal challenges. Reserves have been stable for the past six years, and the available general fund balance (unassigned, assigned, and committed) has averaged a sound 16% of revenues over the last five years, which is stronger than the median for similarly rated credits in the state, but well below the national median.

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Audited fiscal 2020 results reflect balanced operations, fully replenishing the \$2.9 million fund balance appropriation. Available operating fund balance, which includes the general and debt service funds, remains sound at \$26.8 million representing 19.2% of revenues. Of this amount, \$11.3 million (8.1%) is unassigned, which is below the town's 10% fund balance policy.

The fiscal 2021 budget includes a \$7 million fund balance appropriation and a 3.8% mill rate decrease. Positively, the budget also includes a \$3 million contingency for unplanned expenses, which management does not expect to use. Year-to-date, officials project that strong revenue performance and expenditure savings will lead to a surplus by year end.

Property taxes are the largest revenue source at 86.9%, and current year collections remain very strong at over 99%. Intergovernmental revenues from the state account for the second largest revenue source, totaling 10.7%, which is relatively modest when compared to statewide peers.

Liquidity

Wilton's cash position remains healthy. Operating fund cash and investments at fiscal 2020 year-end totaled \$27.9 million representing 19.9% of revenues

Debt and pensions: proactive management of pensions and OPEB lead to low long-term liabilities

The debt burden will increase modestly over the near term due to future borrowing plans but will remain manageable given satisfactory principal amortization. Following the issuance of the 2021 GO bonds, the town's debt burden will be a manageable 1.3% of ENGL, which is slightly elevated for the rating category. The capital improvement plan totals \$35.6 million through fiscal 2026 and will be financed entirely with debt.

Legal security

The town's GO bonds are secured by its unlimited ad valorem tax pledge.

Debt structure

All debt is fixed rate and the ten year principal amortization is satisfactory at 78.2%. Debt service comprised 7.6% of fiscal 2020 operating expenditures.

Debt-related derivatives

The town is not party to any interest rate swaps or other derivative agreements.

Pensions and OPEB

Wilton is responsible for the administration of a single-employer defined benefit pension plan for substantially all employees, other than teachers and certain administrators who are covered under the state run plan. The town maintains a policy of funding in excess of the actuarially determined contribution (ADC) depending on the plan's funded ratio. Due to the town's aggressive funding of this liability, the plan's funded ratio has increased annually and was 96% as of the June 30, 2020 valuation date. In fiscal 2020, the town paid 100% of the ADC, which is more than our tread water indicator, and prefunded the fiscal 2021 ADC.

The town's Moody's adjusted net pension liability (ANPL), based on a 2.7% discount rate, is \$93.9 million representing a low 0.7 times operating revenues or 1.6% of full value.

The town maintains a trust for retiree healthcare (OPEB), which, as of June 30, 2020 was over-funded at 119% of total liabilities. The town has historically contributed 100% of the annual cost, far more than most local governments across the country. In fiscal 2020, similar to pension contribution, the town paid the full fiscal 2020 ADC and prefunded the 2021 contribution. Management's prudent funding policies for pensions and OPEB represent a strong commitment to maintaining superior funding levels for both liabilities.

Fixed costs for fiscal 2020, including debt service, required pension and OPEB contributions, totaled a low 9% of operating revenues.

ESG considerations

Environmental

Environmental factors represent a limited risk to Wilton's credit profile. According to data from compiled by Moody's affiliate Four Twenty Seven, Wilton is exposed to increasing risk of hurricanes and sea level rise, which can damage infrastructure and affect property values. These exposures are mitigated by the town's revenue and capital raising capacity and federal government support for disaster

recovery costs. The town also faces risk of water stress, which could affect economic growth. Water supply issues are mitigated by state and regional water supply initiatives.

Social

Social considerations are key influencers of all local economies, financial and leverage trends and governance stability. Social factors are incorporated into the town's rating by way of wealth (full value per capita) and income (median family income) metrics. The town is proactive in taking steps to prevent and mitigate the impact of cyber events. We consider the coronavirus outbreak to represent social risk under our ESG framework, given the substantial implications for public health and safety.

Governance

Governance is a material consideration for all local government credits. The county's sound financial position is supported by strong management and comprehensive fiscal policies, healthy fund balance levels, well-managed operations and unusually proactive funding of long-term pension and OPEB liabilities.

Connecticut cities have an institutional framework score ¹ of "Aa," or strong. Revenues are highly predictable and stable, due to a large reliance on property taxes. Cities additionally benefit from high revenue-raising ability due to the absence of a state-wide property tax cap. Expenditures primarily consist of personnel costs as well as education costs for those cities that manage school operations, and are highly predictable due to state-mandated school spending guidelines and employee contracts that dictate costs. Expenditure reduction ability is moderate as it is somewhat constrained by union presence.

Rating methodology and scorecard factors

The US Local Government General Obligation Debt methodology includes a scorecard, a tool providing a composite score of a local government's credit profile based on the weighted factors we consider most important, universal and measurable, as well as possible notching factors dependent on individual credit strengths and weaknesses. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to analyze and compare local government credits.

Exhibit 2

Wilton (Town of) CT

Scorecard Factors and Subfactors	Measure	Score
Economy/Tax Base (30%) ^[1]		
Tax Base Size: Full Value (in 000s)	\$6,065,753	Aa
Full Value Per Capita	\$328,536	Aaa
Median Family Income (% of US Median)	285.0%	Aaa
Notching Factors: ^[2]		
Other Scorecard Adjustment Related to Economy/Tax Base: Exceptionally strong income and wealth levels		Up
Finances (30%)		
Fund Balance as a % of Revenues	19.2%	Aa
5-Year Dollar Change in Fund Balance as % of Revenues	2.7%	A
Cash Balance as a % of Revenues	19.9%	Aa
5-Year Dollar Change in Cash Balance as % of Revenues	-1.1%	Baa
Notching Factors: ^[2]		
Other Scorecard Adjustment Related to Finances: Very stable reserves and liquidity		Up
Management (20%)		
Institutional Framework	Aa	Aa
Operating History: 5-Year Average of Operating Revenues / Operating Expenditures	1.0x	A
Notching Factors: ^[2]		
Unusually Strong or Weak Budgetary Management and Planning		Up
Debt and Pensions (20%)		
Net Direct Debt / Full Value (%)	1.3%	Aa
Net Direct Debt / Operating Revenues (x)	0.6x	Aa
3-Year Average of Moody's Adjusted Net Pension Liability / Full Value (%)	1.2%	Aa
3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues (x)	0.5x	Aa
Notching Factors: ^[2]		
Other Scorecard Adjustment Related to Debt/Pensions		Down
Other		
Credit Event/Trend Not Yet Reflected in Existing Data Sets: Proactive management of pensions and OPEB		Up
	Scorecard-Indicated Outcome	Aaa
	Assigned Rating	Aaa

[1] Economy measures are based on data from the most recent year available.

[2] Notching Factors are specifically defined in the US Local Government General Obligation Debt methodology.

[3] Standardized adjustments are outlined in the GO Methodology Scorecard Inputs publication.

Sources: US Census Bureau, {OrgName}'s financial statements and Moody's Investors Service

Endnotes

- 1 The institutional framework score assesses a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. See [US Local Government General Obligation Debt \(July 2020\)](#) methodology report for more details.

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