

Cromwell, Connecticut

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Credit Profile		
US\$6.68 mil GO bonds due 06/01/2023		
<i>Long Term Rating</i>	AA/Stable	New
Cromwell GO		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Upgraded
Cromwell GO (AMBAC)		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Upgraded

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services raised its underlying rating (SPUR) on Cromwell, Conn. 's general obligation (GO) bonds to 'AA' from 'AA-'. The outlook is stable.

In addition, Standard & Poor's assigned its 'AA' standard long-term rating, and stable outlook, to the town's series 2008 GO bonds.

The upgrade reflects the town's very strong income and wealth levels, continued good fiscal management, and sound reserve levels. The rating on the SPUR also reflects the town's participation in employment opportunities in the greater Hartford metropolitan statistical area.

The bonds are secured by the town's general obligation pledge.

Cromwell is located near the intersection of Interstate 91 and Route 9, 14 miles south of Hartford and 28 miles northeast of New Haven, and covers a land area of 13.5 square miles. Its population is estimated at 13,700, an 11% increase since 2000. The town's income levels are somewhat above the state's, but are very strong compared to national levels, with household effective buying income equal to 132% of the nation and 109% of the state and per capita income equal to 136% and 106% of the nation and the state, respectively. The median

net worth of town residents is also high, representing 174% of the national level and 133% of the state level.

The town's financial position remains sound. In fiscal 2007, the general fund had an operating surplus of \$1.1 million, even after an \$890,000 transfer to the capital projects fund—which brought the unreserved fund balance to \$4.0 million, or a strong 10.3% of operating expenditures. Cromwell's financial position has been stable, equal to at least 10% of expenditures for six of the previous seven fiscal years. Although the town does not have a formal fund balance policy, it does have an internal goal to maintain a total fund balance of at least 12% of operating expenditures, and management plans to formalize the fund balance policy soon. Property taxes account for the majority (82%) of total fiscal 2007 general fund revenues. The leading component of the town's expenditures continues to be education, representing 63% of expenditures. Management has historically funded many capital projects with transfers out of the general fund, and it continued that practice in fiscal 2007, with an \$887,000 transfer out. Management projects another general fund surplus for fiscal 2008.

The town's practices are considered "good" under Standard & Poor's Financial Management Assessment (FMA), indicating that practices exist in most areas, although not all may be formalized or regularly monitored by governance officials. The town expects to formalize a fund balance policy under which it will maintain a 12%-15% level, but has not done so as yet.

The town's overall debt burden is a moderate \$2,380 per capita and 1.7% of true value. Debt service expense is average, at 7.5% of fiscal 2007 operating expenditures. Amortization of debt in the next 10 years is a moderate 65%. The current issue will be used primarily for town infrastructure improvements, along with some improvements to school facilities. While the town has \$26.0 million of authorized but unissued debt, it has no plans to issue at least \$21.6 million of that authorization.

Cromwell's pension fund is overfunded, with a 103% funded ratio. The town recently completed an evaluation of its other postretirement employee benefits liability, which identified an unfunded liability ranging between \$7.0 million (under a prefunding scenario) to \$10.0 million (under a "pay-as-you-go" scenario). Management expects that the town's board of finance will approve the establishment of a trust fund.

Economy: Homes Have Overtaken Crops

Cromwell's unemployment rate was 3.8% in 2007, lower than the state's rate of 4.6%. The town has undergone a transformation from primarily agricultural to a largely residential community, with residential uses now accounting for 61% of total land use. There has been significant new residential and commercial development in the town during the past few years, including the construction of a Courtyard Marriott hotel. Construction on a Lowe's store is scheduled to begin in spring 2008. Recent industrial growth has included GKN Aerospace Services Structures Corp., which designs and manufactures airplane parts and currently employs 50.

The town's assessed value (AV) reached \$1.35 billion for fiscal 2009, a 30% increase from the previous year due to a revaluation; the estimated full value is equal to \$1.93 billion. The tax base is not concentrated, with the 10 leading taxpayers accounting for 7% of total AV. Market value per capita is very strong, at \$141,000.

Outlook

The stable outlook reflects Standard & Poor's expectation that the town's property tax base will continue to be a stable source of general fund revenues. This factor, when coupled with the town's sound financial policies, should enable Cromwell to maintain a sound financial position. While the town has identified some additional capital needs, debt levels are currently average and are not expected to increase significantly, due to continued pay-as-you-go funding and state support for school projects.

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