

Cromwell, Connecticut

Credit Profile		
US\$5.73 mil GO bnds due 06/01/2025		
Long Term Rating	AA/Stable	New
Cromwell GO		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AA' long-term rating to Cromwell, Conn.'s general obligation (GO) bonds series 2010 , and affirmed its underlying rating on the town's bonds outstanding. The outlook is stable. The rating reflects our opinion of the town's:

- Participation in employment opportunities in the greater Hartford, Conn. metropolitan statistical area,
- Very strong income and wealth levels, and
- Continued good fiscal management and sound reserve levels.

The bonds are secured by the town's GO pledge. The proceeds of this issue will be used for road construction and school roof replacement.

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. The town estimates its population at 13,600, a 10% increase since 2000. Its income levels are very strong compared with national levels, with household effective buying income equal to 131% and per capita income equal to 139%. Market value per capita is, in our opinion, very strong, at \$142,700.

In our view, the town's financial position remains sound. In fiscal 2009, the general fund had an operating deficit of \$480,000, following a \$1.2 million surplus in fiscal 2008, which brought the unreserved general fund balance to \$4.9 million or 11.3% of expenditures, which is strong in our view. The decline in fiscal 2009 was attributed to capital expenditures made in

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advance of anticipated state grants, with town officials expecting to book the grants as general fund revenues when they are received. In addition, Cromwell maintains multiple funds outside of the general fund. Property taxes account for the majority of general fund revenues, and the largest component of the town's expenditures continues to be education. Management projects a fund balance increase of about \$200,000 for fiscal 2010.

Cromwell'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.

Including this issue, the town's overall debt burden is moderate in our view, at \$2,960 per capita and 2.1% of true value. Debt service expense was 8% in fiscal 2009, which we consider to be moderate. We understand that future debt needs are limited.

Cromwell's pension fund was overfunded as of July 1, 2008, with a 103% funded ratio. The town recently completed an evaluation of its other postretirement employee benefits (OPEB) liability, which identified an unfunded liability of \$9.7 million as of July 1, 2007 (under a "pay-as-you-go" scenario). The annual OPEB cost in fiscal 2009 was \$1.1 million, of which the town contributed only 13%, or \$152,000. The town does not yet have an OPEB trust fund established, but we understand that the board of selectmen is currently considering establishing one.

Outlook

The stable outlook reflects Standard & Poor's expectation that the town's property tax base will continue to be a sound source of general fund revenues. We expect that the projected sound revenues, coupled with the town's good 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.

Economy

Cromwell's unemployment rate was 9.0% in February 2010, lower than the national rate and about equal to the state rate. The town has undergone a transformation from primarily agricultural to a largely residential community, with residential uses now accounting for 62% 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 and a Lowe's home improvement store.

The town's assessed value (AV) increased by 0.5% for fiscal 2010 to \$1.37 billion, after a 30% revaluation increase for fiscal 2009. The estimated full value is equal to \$1.9 billion. The tax base is not concentrated, with the 10 leading taxpayers accounting for less than 8% of total AV.

Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

Ratings Detail (As Of 19-May-2010)**Cromwell GO**

Long Term Rating	AA/Stable	Affirmed
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Cromwell GO

Unenhanced Rating	AA(SPUR)/Stable	Affirmed
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Many issues are enhanced by bond insurance.

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