

MOODY'S

INVESTORS SERVICE

New Issue: Moody's assigns Aa2 rating to Monroe, CT's \$3.3M Ser. 2014 GO Bonds, MIG1 to \$3M BANS

Global Credit Research - 19 May 2014

Affirms Aa2 on \$38M outstanding parity debt

MONROE (TOWN OF) CT
Cities (including Towns, Villages and Townships)
CT

Moody's Rating

ISSUE	RATING
General Obligation Bonds, Issue of 2014	Aa2
Sale Amount	\$3,275,000
Expected Sale Date	07/01/14
Rating Description	General Obligation

General Obligation Bond Anticipation Notes, Issue of 2014 MIG 1

Sale Amount	\$2,950,000
Expected Sale Date	07/01/14
Rating Description	Note: Bond Anticipation

Moody's Outlook NOO

Opinion

NEW YORK, May 19, 2014 --Moody's Investors Service has assigned a rating of Aa2 to the Town of Monroe, CT's \$3.3 million General Obligation Bonds, Series 2014 and a rating of MIG1 on the town's \$3 million Bond Anticipation Notes of 2014. At the same time, we have affirmed the Aa2 rating on approximately \$38 million of previously issued GO bonds. The bonds are secured by the town's General Obligation unlimited tax pledge. Proceeds from the current note issue will be used to fund roof work on a town high school. Proceeds from the current bond issue will provide new money to pave roads and fund improvements to town buildings.

SUMMARY RATING RATIONALE

The Aa2 General Obligation rating reflects the town's strong residential tax base with above-average wealth levels, stable financial operations with little volatility, adequate reserves, and manageable debt profile.

The MIG1 rating on the town's Bond Anticipation Notes incorporates the town's strong long-term credit quality, satisfactory takeout financing plan, and a cash position that will exceed the principal and interest due on the notes upon maturity.

STRENGTHS

Stable financial operations with little year-to-year volatility

Strong residential tax base with above-average wealth levels

CHALLENGES

Below average reserve levels

DETAILED CREDIT DISCUSSION

MARKET ACCESS TO TAKE OUT NOTES BOLSTERED BY STRONG LONG-TERM CREDIT PROFILE, LIQUIDITY

The town will be able to successfully access the capital markets to finance the redemption of the current notes when they mature on June 17, 2005. The market access is bolstered by the town's strong long-term credit profile, evidenced by the GO rating of Aa2. The town also has strong liquidity, with approximately \$9 million in General Fund cash, equal to 3 times the principal and interest that will be due upon maturity.

STRONG RESIDENTIAL TAX BASE WITH ABOVE-AVERAGE WEALTH LEVELS

The town's \$3.1 billion, largely residential tax base in Fairfield County is strong. Wealth levels in the town of 19,529 are well above average. The median family income is equal to 200% of the US median, and full value per capita is \$159,829.

The tax base has grown the past few decades and become more suburban. Population has increased 38% since 1980. The median home value is more than \$400,000, indicating the wealthy character of the community. The town's poverty rate is only 4%.

STEADILY IMPROVING FINANCIAL POSITION; RESERVES REMAIN BELOW AVERAGE

The town's financial position has improved steadily the past few years, and will continue to strengthen. Management discontinued the practice of appropriating fund balance in its budget in 2012. A \$1.1 million surplus in fiscal 2013 raised General Fund balance to \$5.8 million, or 7% of revenues, a level that is below average, but satisfactory.

Property tax revenues comprise 87% of revenues, stabilizing operations. Fixed costs are very low, with pension contributions, OPEB contributions, and debt service combined equaling just 8% of expenditures.

MODERATE DEBT BURDEN WILL DECLINE

The town's debt burden is moderate and will decline as it aggressively amortizes principal. The town's debt portfolio of \$41.1 million of GO bonds and \$3 million of notes (after the current transaction) is equal to 1.4% of full value. A five-year capital plan lists about \$27.5 million of projects, with \$17 million funded by bonds. Debt burden should remain stable given that the town is scheduled to repay more than \$20 million of principal during that time. Principal amortization is rapid, with 95% scheduled to be repaid within 10 years.

The town operates a single employer defined benefit pension plan, and participates in the Connecticut Municipal Employees' Retirement Fund, which is administered by the State of Connecticut (rated Aa3 stable).

The town's combined adjusted net pension liability, under Moody's methodology for adjusting reported pension data, has averaged a very modest 0.24 times revenues over the past three years. Moody's uses the adjusted net pension liability to improve comparability of reported pension liabilities. The adjustments are not intended to replace the town's reported liability information, but to improve comparability with other rated entities. We determine the town's share of liability for the state-run plans in proportion to its contribution to the plans.

WHAT COULD CHANGE THE RATING UP:

Continued build-up of fund balance and reserves

Sustained strengthening of tax base

WHAT COULD CHANGE THE RATING DOWN:

Deterioration of financial position

Growth in debt beyond levels currently contemplated

KEY STATISTICS:

Tax base size: Full Value: \$3.1 billion

Full value per capita: \$159,829

Median family income as % of US: 200%

Fund balance as a % of revenues: 6.9%

5-year dollar change in adjusted fund balance as a % of revenues: 2.9%

Cash balance as a % of revenue: 11%

5-year dollar change in cash as a % of revenues: 3.5%

Institutional Framework: Aa

Operating History: 5-year average of operating revenues/operating expenditures: 1.01x

Net direct debt/full value: 1.4%

Net direct debt/operating revenues: 0.54x

3-year average Moody's ANPL/Full Value: 1%

3-year average Moody's ANPL/operating revenues: 0.24x

The principal methodology used in rating the General Obligation Debt was US Local Government General Obligation Debt published in January 2014. The principal methodology used in rating the Bond Anticipation Notes was US Bond Anticipation Notes published in April 2014. Please see the Credit Policy page on www.moodys.com for a copy of these methodologies.

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