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Hebron, CT GO Debt Rating Raised To 'AAA' On New Local GO Criteria

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NEW YORK (Standard & Poor's) Oct. 11, 2013--Standard & Poor's Ratings Services said that it raised its rating on Hebron, Conn.'s 2008 general obligation (GO) bonds to 'AAA' from 'AA' based on our recently released local GO criteria. The outlook is stable.

A pledge of the town's full faith credit and resources and an agreement to levy ad valorem property taxes without limitation as to rate or amount secure these bonds.

"The rating reflects Hebron's very strong budgetary flexibility, strong budgetary performance, and very strong liquidity," said Standard & Poor's credit analyst Hilary Sutton.

"The stable outlook reflects our view of Hebron's consistent financial performance and economy, which is supported by good management," added Ms. Sutton.

RELATED CRITERIA AND RESEARCH

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- Institutional Framework Overview: Connecticut Local Governments

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Summary:

Hebron, Connecticut; General Obligation

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Hebron GO

Long Term Rating

AAA/Stable

Upgraded

Rationale

Standard & Poor's Ratings Services raised its rating on Hebron, Conn.'s 2008 general obligation (GO) bonds to 'AAA' from 'AA' based on our recently released local GO criteria. The outlook is stable.

A pledge of the town's full faith credit and resources and an agreement to levy ad valorem property taxes without limitation as to rate or amount secure these bonds.

The rating reflects our assessment of the following factors:

- We consider Hebron's economy very strong, with its projected per-capita effective buying income at 159.2% of the U.S. and per-capita market value of \$101,367. Although the town is primarily residential, Hebron has access to the broad and diverse economy of Hartford, and the county unemployment rate for calendar year 2012 was 7.2%. Hebron's unemployment remains below both county and state levels, at 5.2% in June 2013.
- In our opinion the town's budgetary flexibility remains very strong. Audited fiscal 2012 reserves were \$3.2 million or 9.4% of expenditures. The town has consistently raised taxes each year to maintain reserves and meet rising costs.
- Hebron's budgetary performance has been strong overall, in our view, with surpluses of 0.9% for the general fund in fiscal 2012 and 2.0% in total governmental funds. Management has indicated it also expects a surplus for fiscal 2013. The town's revenue is primarily comprised of property taxes, accounting for 74% of general fund revenues in fiscal 2012.
- Supporting the town's finances is liquidity we consider very strong, with total government available cash 15.6% of total governmental fund expenditures and 305.3% of debt service. We believe the town has strong access to external liquidity.
- We view the town's management conditions as strong with good financial practices. It reports expenses and revenues monthly to the town manager, board of selectmen, and board of finance. Hebron produces a five-year financial projection and long-range financial plan that incorporates three years of historical data to project revenues and expenditures. Management also prepares a five-year capital improvement plan updated annually and identifies funding for all projects.
- In our opinion, the town's debt and contingent liabilities profile is very strong, with total governmental fund debt service at 5.1% of total governmental fund expenditures, and with net direct debt at 16.6% of total governmental funds revenue. Management has indicated it has no current plans to issue new debt in the medium term. Overall net debt, which includes the overlapping debt of Connecticut Regional School District No. 8, is low, in our opinion, at 1.9% of market value. Amortization is rapid, with over 85% of debt retired over 10 years.
- The town administers a single-employer defined-contribution plan to provide retirement benefits for town employees and non-certified Board of Education employees. The contribution requirements of the town are established and may be amended by the board of selectmen. Employer contributions for fiscal year 2012 totaled

\$224,417, a negligible percent of total governmental funds expenditures. Hebron also offers other postemployment benefits (OPEBs) for eligible retirees. As of the last actuarial valuation in 2010, the town had an unfunded actuarial accrued liability of \$1.7 million. Combined pension and OPEB contributions accounted for less than 1% of total governmental expenditures in fiscal 2012.

- We consider the Institutional Framework score for Connecticut municipalities as very strong. (See the Institutional Framework score for Connecticut.)

Outlook

The stable outlook reflects our view of Hebron's consistent financial performance and economy, which is supported by good management. We do not expect to revise the rating in the next two years because we believe the town will maintain strong reserves and continue to participate in the broad and diverse economy of Hartford. Future capital needs are limited; as such, we expect the debt profile to remain strong. Despite a challenging economy, Hebron's unemployment remains low and tax collections remain stable.

Related Criteria And Research

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- Institutional Framework Overview: Connecticut Local Governments

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