

Tax Supported  
New Issue

## Town of Madison, Connecticut

**Ratings****New Issues**

General Obligation Bonds, Issue of 2010, Series B	AAA
General Obligation Refunding Bonds, Issue of 2010, Series C	AAA

**Outstanding Debt**

General Obligation Bonds	AAA
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**Rating Outlook**

Stable

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**New Issue Details**

**Sale Information:** Approximately \$5,910,000 General Obligation Bonds, Issue of 2010, Series B, and \$6,490,000 General Obligation Refunding Bonds, Issue of 2010, Series C, are expected to sell via competition on Nov. 18.

**Security:** A pledge of the town's full faith and credit.

**Purpose:** Series 2010B bond proceeds to finance various capital projects; series 2010C bond proceeds to refinance outstanding 2001 and 2002 GO issuances.

**Final Maturity:** Series 2010B bonds mature serially through 2030; series 2010C bonds mature serially through 2022.

**Related Research**

For information on Build America Bonds, visit [www.fitchratings.com/BABS](http://www.fitchratings.com/BABS).

**Applicable Criteria**

- [Tax-Supported Rating Criteria, Aug. 16, 2010](#)
- [U.S. Local Government Tax-Supported Rating Criteria, Oct. 8, 2010](#)

**Other Research**

- [Town of Madison, CT, March 22, 2010](#)

**Rating Rationale**

- The town of Madison's strong financial management and prudent and conservative budgeting practices have resulted in sound operating results and solid reserve levels, overcoming recent reductions in state aid and increases in education and employee costs.
- The town benefits from its good school system and above-average economic indicators, which includes low unemployment, above-average wealth levels, and access to regional employment centers.
- The town's overall debt levels are moderately low, with above-average amortization of principal and an affordable debt service burden.
- With recurring capital maintenance and replacement costs included in the annual operating budget, limited capital demands reduces the need for future borrowings.
- Pension and other post-employment benefit (OPEB) liabilities are manageable.

**Key Rating Drivers**

- Continued strong management practices and adherence to town's fiscal policies.

**Credit Summary**

Madison has a population of 18,824 and is located 15 miles east of New Haven and 25 miles south of Hartford. It is primarily a residential community drawing a significant number of summer residents and visitors to its parks and Long Island Sound beaches. The town's strong school system, a recipient of state and national awards, and convenient transportation links have contributed to steady residential development and population growth of 5.4% since 2000. The town's well-educated work force commutes to professional positions in Fairfield County, New Haven, Hartford, and New York City. Wealth levels are very high, with median household and per capita income at 161% and 141%, respectively, of the already high state levels. The town's unemployment rate as of September 2010 was 5.7%, well below county, state, and national rates, reflecting its strong employment base. The town's \$4.9 billion tax base is primarily residential and continues to reflect moderate growth, although the average sale price of homes has declined over the last two years. The town's market value per capita remains high at over \$259,000.

The town's financial position continues to be strong. Audited results for fiscal 2009 noted a small surplus, which resulted in an unreserved general fund balance of \$8.3 million, or 11.8% of total spending, exceeding the town's 10% policy. A positive revenue variance resulting from higher than budgeted property taxes and income interest, as well as a positive variance in expenditures, contributed to better than expected operations. For fiscal 2010, the town is projecting a small surplus of \$12,069 after transfers out to its capital projects fund to support pay-as-you-go maintenance needs and capital improvements for both the town and school district. Education and employee costs continue to rise, but the town has controlled spending in other areas to offset these increases. The fiscal 2011 budget contains a 2.7% overall expenditure increase for both the town and schools and reflects increased annual debt service costs,

## Rating History

Rating	Action	Outlook/ Watch	Date
AAA	Affirmed	Stable	11/2/10
AAA	Affirmed	Stable	3/18/10
AAA	Affirmed	Stable	1/15/08
AAA	Affirmed	Stable	11/15/04
AAA	Affirmed	Stable	8/23/02
AAA	Affirmed	Stable	5/30/02
AAA	Affirmed	Stable	6/8/01

higher health insurance costs, and additional funding for special education, as state support is anticipated to decline. Officials have indicated that they are continuing to decrease operating costs, including the elimination of four staff members, to offset increased expenses in certain areas. As is typical of the prior years' budgets, the town will appropriate \$250,000 from the fund balance, but conservative assumptions for property tax collections and investment income have historically negated the need to use those funds. The town continued its prudent practice of budgeting contributions for pay-as-you-go funding of its maintenance and capital needs in fiscal 2011.

The town's overall debt ratios are moderately low on a per capita basis at \$2,420 and 0.9% relative to market value. Debt amortization rates are above average, with 70% paid down in 10 years, and debt service as a percentage of revenues is a modest 6.4%, below the town's policy limit of 10%. Town officials indicate that they have no immediate future debt plans and will continue to fund capital needs from operations. Proceeds of the 2010 series B issue will be used to finance construction of a senior center and ambulance facilities and finance improvements at the former Griswold Airport property.

## Debt Statistics

(\$000)

This Issue	12,400
Outstanding Debt:	
Direct Debt (Net of Refunding)	33,352
Self-Supporting	(204)
<b>Total Net Direct Debt</b>	<b>45,548</b>

## Debt Ratios

Direct Debt Per Capita (\$) <sup>a</sup>	2,422
As % of Market Value	0.9

<sup>a</sup>Population: 18,803 (2009 estimate).

<sup>b</sup>Market value: \$ 4,893,858,000 (estimated 2010).

Note: Numbers may not add due to rounding.

## General Fund Financial Summary

(\$000, Audited Fiscal Years Ended June 30)

	2006	2007	2008	2009
Property Tax Revenue	50,732	53,908	57,232	60,750
Total Tax Revenue	50,732	53,908	57,232	60,750
Charges for Services	1,997	1,822	2,004	1,530
Intergovernmental Revenue	4,682	4,818	18,062	7,377
Other Revenue	980	1,461	1,235	1,232
<b>General Fund Revenue</b>	<b>58,391</b>	<b>62,009</b>	<b>78,533</b>	<b>70,889</b>
General Government Expenditures	1,270	1,255	1,686	1,864
Public Safety Expenditures	3,685	3,986	4,065	4,131
Public Works Expenditures	1,807	1,943	2,356	2,776
Culture and Recreation Expenditures	391	413	428	437
Capital Outlay Expenditures	197	148	174	157
Debt Service Expenditures	3,811	4,358	4,361	4,264
Other Expenditures	44,736	46,730	62,049	54,195
<b>General Fund Expenditures</b>	<b>55,897</b>	<b>58,833</b>	<b>75,119</b>	<b>67,824</b>
Operating Surplus	2,494	3,176	3,414	3,065
Net Transfers and Other Uses	(2,305)	(2,550)	(2,849)	(2,493)
<b>Net Surplus/(Deficit)</b>	<b>189</b>	<b>626</b>	<b>565</b>	<b>572</b>
Total Fund Balance	7,106	7,732	8,297	8,869
As % of Expenditures, Transfers Out, and Other Uses	12.2	12.6	10.6	12.6
Unreserved Fund Balance	6,709	7,114	7,553	8,317
As % of Expenditures, Transfers Out, and Other Uses	11.5	11.6	9.7	11.8

Note: Numbers may not add due to rounding.

The town has been making its full required annual contributions (ARC) to its three pension plans. These plans remain adequately funded, with a manageable combined unfunded liability of \$2.9 million as of July 1, 2009. The town's plan for other OPEB is closed to new employees, and its unfunded liability was \$16 million as of Jan. 1, 2009. The town continues to fund its obligation on a pay-as-you-go basis and contributed \$463,000, or 43% of its ARC, in fiscal 2010. The town has established a reserve for its future obligations, totaling \$60,000, but it does not anticipate creating a separate trust in the near future.

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