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Ratings

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Summary:
Newington Town, Connecticut; General Obligation

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Table Of Contents

Summary:

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Credit Profile		
US$10.0 mil GO bnds ser 2023 due 06/01/2043		
Long Term Rating	AA+/Stable	New
Newington Twn GO		
Long Term Rating	AA+/Stable	Affirmed
Newington Twn GO (MBIA) (National)		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Credit Highlights

- S&P Global Ratings assigned its 'AA+' rating to Newington Town, Conn.'s roughly $10 million series 2023 general obligation (GO) bonds.
- At the same time, S&P Global Ratings affirmed its 'AA+' rating on the town's existing GO debt.
- The outlook is stable.

Security

The town's full-faith-and-credit pledge secures the series 2023 bonds and existing debt.

Officials plan to use series 2023 bond proceeds to fund renovations at Anna Reynolds Elementary School.

Credit overview

Newington's property tax base continues to experience modest growth because of various development projects and property appreciation during the past few years. The town also completed a revaluation effective for fiscal 2023 that resulted in a notable market value increase. We understand there are no major tax appeals outstanding. Overall, due to its stable local economy and diverse tax base with access to Hartford, we expect the town's economy will likely remain strong.

Newington attributes the fiscal 2022 positive performance to higher-than-budgeted revenue, including state aid and building permit fees, coupled with expenditures coming in on target. For fiscal 2023, management reports budget-to-actual results are tracking favorably with several revenue items--such as state aid, investment income, and building-permit fees--once again outpacing the budget. Expenses are also tracking underbudget, including salaries. Therefore, the town currently expects to end fiscal 2023 with another general fund surplus.

The fiscal 2024 adopted $137.5 million budget includes a $3.7 million fund-balance appropriation, which the town has historically performed . However, the town does not expect to draw down reserves during the next few fiscal years. We understand a majority of budget increases compared with the prior fiscal year are for education and capital costs.

With this series 2023 issuance, the town will have about $32.9 million in total direct debt outstanding. Officials currently plan to issue about $10 million of additional debt for the elementary school, town hall, and community-center projects; however, final amounts may end up being less.

In our opinion, pension and other postemployment benefit (OPEB) costs remain manageable; however, we think low funding of some pension plans could lead to increased fixed costs. At the same time, the town had been fully funding its actuarially determined contribution toward OPEB, which has led to an increased plan funding ratio during the past few fiscal years. The town participates in several single-employer, defined pension plans that have funding ratios ranging from 43.95%-64.4% with a combined total net pension liability of about $67 million. It also maintains an OPEB plan that is 44.8% funded with a liability of about $12 million.

We believe the rating reflects our opinion of Newington's:

- Strong local economy and steady tax base growth with residents benefiting from employment opportunities throughout the Hartford metropolitan statistical area, coupled with a vibrant commercial sector that includes retail, office space, and restaurants;
- Very strong reserves, supported by balanced operations during the past three fiscal years due to, what we consider, conservative budgeting;
- Strong management with good financial-management policies, practices under our Financial Management Assessment (FMA) methodology, highlighted by a formal five-year capital-improvement plan and an informal reserve policy of maintaining reserves at no less than 14% of expenditures, and a strong Institutional Framework score; and
- Manageable fixed costs and debt with limited capital needs.

Environmental, social, and governance

We have analyzed environmental, social, and governance (ESG) risks relative to Newington's economy, management, financial measures, and debt-and-liability profile; we view them as neutral in our credit analysis.

Outlook

The stable outlook reflects S&P Global Ratings' view that Newington will likely maintain or improve reserves through balanced operating performance and leveraging its strong revenue base while managing increased fixed costs associated with pension plans.

Downside scenario

We could lower the rating if the town were to experience a sustained decrease in budgetary performance, partially reflecting lower revenue or increased costs, leading to a material weakening of budgetary flexibility.

Upside scenario

We could raise the rating if local economic indicators were to improve to levels we consider commensurate with higher-rated peers while implementing strong financial-management policies, procedures.

Newington, Connecticut key credit metrics				
	Most recent	**--Historical information--**		
		2022	**2021**	**2020**
Strong economy				
Projected per capita effective buying income (EBI) (%) of U.S.	109.3			
Market value per capita ($)	134,676			
Population			30,436	30,488
County unemployment rate(%)			6.5	
Market value ($000)	4,099,011	3,936,420		
10 largest taxpayers as a % of taxable value	8.1			
Strong budgetary performance				
Operating fund result as a % of expenditures		1.1	3.2	5.0
Total governmental fund result as a % of expenditures		6.5	6.4	9.1
Very strong budgetary flexibility				
Available reserves as a % of operating expenditures		24.9	25.6	22.7
Total available reserves ($000)		34,888	33,802	29,595
Very strong liquidity				
Total government cash % of governmental fund expenditures		32.6	37.5	35.5
Total government cash % of governmental fund debt service		1,223.5	1,714.5	2,277.1
Strong management				
Financial Management Assessment	Good			
Very strong debt and long-term liabilities				
Debt service as a % of governmental fund expenditures		2.7	2.2	1.6
Net direct debt as a % of governmental fund revenue	21.3			
Overall net debt as a % of market value	2.6			
Direct debt 10-year amortization (%)	60.7			
Required pension contribution as a % of governmental fund expenditures		4.4		
Other postemployment benefits actual contribution as a % of governmental fund expenditures		1.2		
Strong Institutional Framework				

Data points and ratios may reflect analytical adjustments.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015
- Criteria Guidance: Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings, Oct. 7, 2019
- 2022 Update Of Institutional Framework For U.S. Local Governments

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022