

RatingsDirect®

Summary:

Newington Town, Connecticut; General Obligation

Primary Credit Analyst:

Anthony Polanco, Manchester + 1 (617) 530 8234; anthony.polanco@spglobal.com

Secondary Contact:

Lauren Freire, New York + 1 (212) 438 7854; lauren.freire@spglobal.com

Table Of Contents

Credit Highlights

Outlook

Related Research

Summary:

Newington Town, Connecticut; General Obligation

Credit Profile

US\$10.0 mil GO bonds ser 2023 due 06/01/2043

<i>Long Term Rating</i>	AA+/Stable	New
Newington Twn GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Newington Twn GO (MBIA) (National)		
<i>Unenhanced Rating</i>	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

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

Copyright © 2023 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.