

# RatingsDirect®

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## Summary:

# New Britain, Connecticut; General Obligation

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**Summary:**

# New Britain, Connecticut; General Obligation

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New Britain GO		
<i>Long Term Rating</i>	AA/Stable	Affirmed
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Outlook Revised
New Britain GO		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Outlook Revised

### Credit Highlights

- S&P Global Ratings revised its outlook to stable from negative on New Britain, Conn.'s existing debt.
- At the same time, we affirmed our 'A' long-term rating on the city's debt.
- The outlook revision reflects stabilizing financial performance without needing to rely on one-time measures or fund sources and maintenance of reserves, which is expected to be maintained based on preliminary fiscal 2023 results.

### Security

New Britain's full-faith-and-credit pledge, payable from the levy of an unlimited ad valorem tax on all taxable property in the city, secures the general obligation debt outstanding.

### Credit overview

The outlook revision reflects the city's ability to stabilize and sustain financial performance without relying on one-time revenue sources or drawing on reserves. Property taxes are the primary revenue source (typically 52% of general fund revenue) followed by state aid, inclusive of school aid, at 43% of revenue. New Britain posted another general fund surplus in fiscal 2022 following a surplus in fiscal 2021 that reversed a three-year trend of deficits since 2018. Preliminary estimates for fiscal 2023 indicate this trend continued with an unaudited \$1 million general fund surplus, which should result in at least breakeven audited results. Officials expect the fiscal 2023 audit to be finalized by June 2024. Significant growth in the grand list following the 2022 revaluation resulted in a 10-mill cut in the mill rate to 38.3 mills for the fiscal 2024 budget. While current management has previously demonstrated a willingness to raise the mill rate when needed, we will continue to monitor the city's ability to generate new revenue on a sustained basis following the 10-mill decrease in the mill rate combined with its below-average income and wealth metrics. As a result of recent surpluses, the city has sustained reserves of about 9% of expenses which, while still below-average compared with state peers, demonstrates management's multi-year effort to bring the budget into balance and rebuild reserves. New Britain's management environment continues to support turnaround efforts, and we understand the city is planning to hire a chief operations officer to function as a professional manager for the city.

New Britain has approximately \$354 million in total debt outstanding; the city previously restructured its debt for

budgetary relief and lowered debt service costs for fiscal 2021 through fiscal 2024. While debt service will increase again beginning in fiscal 2025, it is not expected to revert to previously high levels of 15% of expenditures. The city has limited additional capital needs with a plan to issue about \$2.1 million this calendar year for its net share of the school construction project, which will be more than offset by amortization of existing debt over the same time period. We do not expect a material change in our view of the city's debt burden.

The 'A' long-term rating further reflects the city's:

- Local economy outside of Hartford with a healthy residential and commercial mix, characterized by below-average incomes and per capita market values compared to surrounding communities and state peers, but positive momentum in residential development with mixed-use buildings and market-rate apartments expected to complete over the next two years;
- Standard management practices consisting of monthly budget-to-actual reporting, a comprehensive five-year capital plan updated annually as part of the budget process and a formal reserve policy to maintain unassigned reserves equal to at least 5% of expenditures, but partially optimistic budgetary assumptions and lack of a debt management plan or forward-looking financial planning. The institutional framework score for Connecticut municipalities is strong;
- Return to positive budgetary performance without relying on one-time revenues, thereby maintaining reserves at adequate levels (about 9% of general fund expenses); and
- Adequate debt position following prior debt restructurings that alleviated higher debt service costs. In addition, we do not view the city's \$139 million combined retirement liabilities as an immediate source of credit pressure since costs comprise just 7% of the budget.

### **Environmental, social, and governance**

We have analyzed the city's governance and environmental risks relative to its economy, management, financial measures, and debt and liability profile, and have determined all are neutral within our credit rating analysis. We considered New Britain's household incomes as below-average, which could pose revenue-raising challenges should the city encounter future budgetary pressure.

## **Outlook**

The stable outlook reflects our expectation that the city will sustain its trend of positive finances and maintain reserves around current levels.

### **Downside scenario**

We could take a negative rating action, potentially by multiple notches, if New Britain's financial performance deteriorates and the city reverts to consecutive deficits, debt restructurings for budgetary relief, or draws on reserves to bridge any budgetary gaps.

### **Upside scenario**

We could take a positive rating action if the city sustains breakeven-to-positive finances, thereby maintaining or further improving its reserve position, coupled with positive economic momentum resulting in higher income and wealth

metrics.

New Britain, Connecticut--key credit metrics				
	Most recent	Historical information		
		2022	2021	2020
<b>Weak economy</b>				
Projected per capita EBI % of U.S.	65	66	66	66
Market value per capita (\$)		53,993	53,884	53,733
Population		71,855	71,179	71,389
County unemployment rate(%)		4.3		
Market value (\$000)		3,879,673	3,835,431	3,835,950
Ten largest taxpayers % of taxable value	8.0			
<b>Weak budgetary performance</b>				
Operating fund result % of expenditures		0.1	0.7	-1.3
Total governmental fund result % of expenditures		1.4	2.6	0.3
<b>Weak budgetary flexibility</b>				
Available reserves % of operating expenditures		9.1	9.3	8.3
Total available reserves (\$000)		24,336	24,132	22,277
<b>Very strong liquidity</b>				
Total government cash % of governmental fund expenditures		25	22	14
Total government cash % of governmental fund debt service		512	336	95
<b>Adequate management</b>				
Financial Management Assessment	Standard			
<b>Adequate debt &amp; long-term liabilities</b>				
Debt service % of governmental fund expenditures		4.9	6.5	14.7
Net direct debt % of governmental fund revenue	89			
Overall net debt % of market value	9.0			
Direct debt 10-year amortization (%)	36			
Required pension contribution % of governmental fund expenditures		5.8		
OPEB actual contribution % of governmental fund expenditures		1.4		
<b>Strong institutional framework</b>				

EBI--Effective buying income. OPEB--Other postemployment benefits. Data points and ratios may reflect analytical adjustments.

## Related Research

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

### Ratings Detail (As Of March 15, 2024)

New Britain GO bonds		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Outlook Revised

## Ratings Detail (As Of March 15, 2024) (cont.)

New Britain GO bnds 2022		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Outlook Revised
New Britain GO (AGM)		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Outlook Revised
New Britain GO (AGM)		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Outlook Revised
New Britain GO (AGM)		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Outlook Revised
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New Britain GO (AGM)		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Outlook Revised
New Britain GO (AGM)		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Outlook Revised
New Britain GO (ASSURED GTY)		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Outlook Revised
New Britain GO (BAM)		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Outlook Revised
New Britain GO (BAM)		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Outlook Revised
New Britain GO (BAM)		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Outlook Revised
New Britain GO (BAM)		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Outlook Revised

Many issues are enhanced by bond insurance.

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