

**CREDIT OPINION**

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**Town of Ellington, CT****Update to Credit Analysis Following Upgrade****Summary**

Ellington, CT's (Aa1/NOO) financial performance has improved significantly in recent years, which has led to very strong fund balance and liquidity. Moreover, a renewed emphasis on financial controls, and a revised fund balance policy demonstrate further commitment to achieving an even stronger financial position.

**Credit strengths**

- » Trend of positive operations resulting in reserve growth
- » Modest leverage and fixed costs inclusive of capital plans
- » Above average resident incomes

**Credit challenges**

- » Elevated portion of budget is for schools
- » Limited regional economic growth

**Rating outlook**

We do not assign outlooks to local government credits with this amount of debt outstanding.

**Factors that could lead to an upgrade**

- » Improved income and wealth metrics
- » Available fund balance levels in-line with higher rated peers
- » Sustained increases in reserves and liquidity to levels commensurate with higher rated peers
- » BANs: N/A

**Factors that could lead to a downgrade**

- » Contraction of the local economy
- » Sustained structural imbalance
- » Draw down of available fund balance to below 25% of revenues
- » Significant increase in long-term liabilities to above 200% of revenues
- » Downgrade of issuer rating to below A2 (BANs)

## Key indicators

Exhibit 1

### Ellington (Town of) CT

	2021	2022	2023	2024	Aa Medians
<b>Economy</b>					
Resident income ratio (%)	155.8%	158.2%	156.2%	N/A	114.1%
Full Value (\$000)	\$2,130,764	\$2,147,498	\$2,763,938	\$2,981,636	\$2,888,367
Population	16,339	16,558	16,700	N/A	22,430
Full value per capita (\$)	\$130,410	\$129,695	\$165,505	N/A	\$125,640
Annual Growth in Real GDP	3.0%	2.9%	2.3%	N/A	2.0%
<b>Financial Performance</b>					
Revenue (\$000)	\$76,509	\$77,689	\$84,469	\$101,283	\$52,335
Available fund balance (\$000)	\$29,187	\$29,359	\$29,590	\$52,659	\$29,526
Net unrestricted cash (\$000)	\$35,073	\$34,381	\$38,703	\$57,406	\$41,432
Available fund balance ratio (%)	38.1%	37.8%	35.0%	52.0%	57.1%
Liquidity ratio (%)	45.8%	44.3%	45.8%	56.7%	79.6%
<b>Leverage</b>					
Debt (\$000)	\$17,251	\$15,411	\$13,335	\$33,540	\$37,305
Adjusted net pension liabilities (\$000)	\$30,821	\$27,896	\$21,127	\$18,953	\$45,496
Adjusted net OPEB liabilities (\$000)	\$5,811	\$4,636	\$4,238	\$4,099	\$4,376
Other long-term liabilities (\$000)	\$1,062	\$1,030	\$1,025	\$1,146	\$1,726
Long-term liabilities ratio (%)	71.8%	63.0%	47.0%	57.0%	210.2%
<b>Fixed costs</b>					
Implied debt service (\$000)	\$1,186	\$1,210	\$1,076	\$926	\$2,477
Pension tread water contribution (\$000)	\$1,144	\$1,006	\$1,184	N/A	\$1,199
OPEB contributions (\$000)	\$268	\$245	\$273	\$250	\$179
Implied cost of other long-term liabilities (\$000)	\$80	\$74	\$72	\$71	\$115
Fixed-costs ratio (%)	3.5%	3.3%	3.1%	2.4%	9.6%

For definitions of the metrics in the table above please refer to the [US Cities and Counties Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [US Cities and Counties Median Report](#).

The real GDP annual growth metric cited above is for the Hartford-East Hartford-Middletown, CT Metropolitan Statistical Area.

Sources: US Census Bureau, Ellington (Town of) CT's financial statements and Moody's Ratings, US Bureau of Economic Analysis

## Profile

The Town of Ellington is located in Tolland County in north central Connecticut, approximately 15 miles northeast of Hartford (Baa3 Stable). The town provides basic municipal services including K-12 education to approximately 18,000 residents. For public safety the town relies on a resident state trooper and volunteer fire department.

## Detailed credit considerations

Ellington's local economy will continue to benefit from modest but consistent development, particularly in the farming sector, along with increasing property valuation, which has supported tax base and revenue growth over several years. While the regional economic growth for the Hartford area lags the US, Ellington's management reports its top taxpayers and employers have been stable to modestly growing. The town additionally benefits from above average resident incomes (153% of US median).

Conservative fiscal management has resulted in increasing operating surpluses, as the town has sought to grow its reserves. In FY 2024, the town held \$41.8 million in available fund balance (assigned plus unassigned plus committed), a strong 52% of revenues. The town's liquidity is also strong, with unrestricted cash and investments totaling \$48.3 million, 56.7% of revenue. Notably, on August 11, 2025, the town voted to increase its unassigned balance target to 20% of expenditures, from 16.67%. Fiscal year 2025 unassigned fund balance is projected to be over 16.0%, up from 11.2% the previous year. Town officials have indicated the 20% goal will be reached at a measured pace, in order to maintain fiscal conservatism, and financial stability.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

A high proportion of Ellington's cost structure is devoted to education expenditures, 62.1% in 2024. These expenditures are managed by a separate Board of Education which can be problematic from a budgeting perspective. Town management and the Board have a strong working relationship, and education expenditures have adhered to budget.

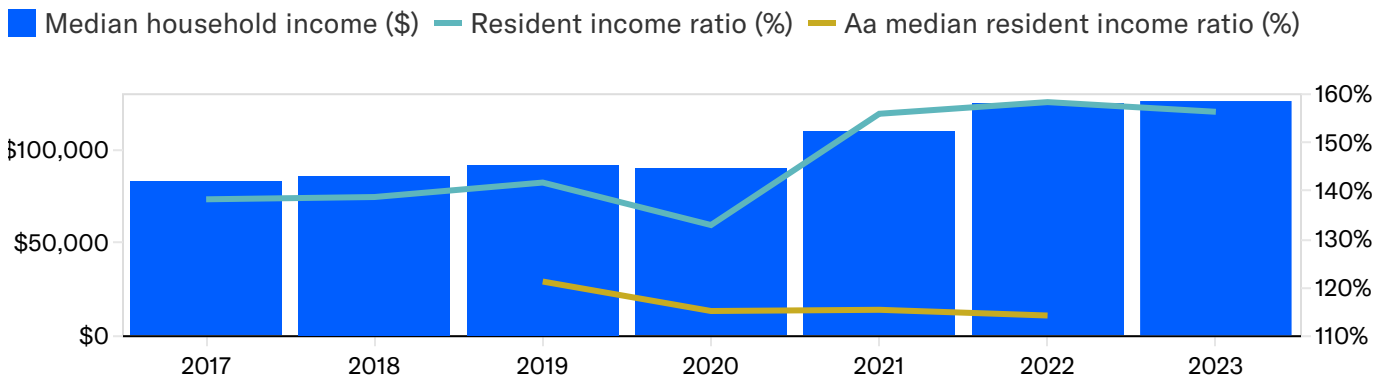
Property tax accounted for 55% of 2024 revenue, and intergovernmental revenue (primarily state aid for education) was 35.8%, up from 28.3% in the prior year, due to increased state grant funding. The 2026 budget includes a 1.1 mill levy increase and overall budget increase of 2.1%, is structured similarly to previous budgets. The budget includes a \$583,000 draw on fund balance, but recent history has shown previous budgeted fund balanced spends have been avoided or replenished before year end.

The town's leverage is expected to remain low, inclusive of future capital and debt plans. The town's capital needs are limited outside of Windermere School renovation project. The school project's local share is anticipated at about \$22.4 million after a 70% state reimbursement.

**Economy**

The economy of Ellington is dominated by agriculture, specifically dairy farming, and manufacturing. It is home to one of the largest dairy operations in New England.

Exhibit 2  
**Resident Income levels have been consistently higher than the national median.**



Source: US Bureau of Labor Statistics; Moody's Ratings

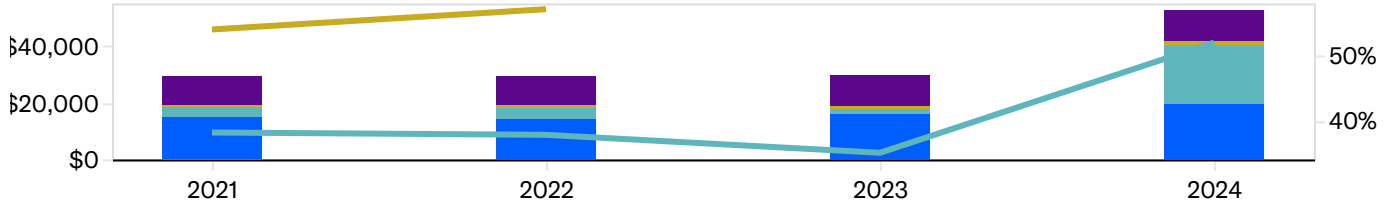
**Financial operations**

Connecticut local governments tend to have financial ratios lower than US medians because they generally derive a majority of revenues from stable property taxes and their financials typically incorporate school operations which are predictable. Ellington's financial ratios are above average for the state and are trending positively.

Exhibit 3

Fund Balances have increased sharply in recent years, due to the introduction of formal fund balance policies.

- General fund(\$000) ■ Other governmental funds(\$000) ■ Internal service funds(\$000)
- Business-type activities(\$000) — Available fund balance ratio (%)
- Aa median available fund balance ratio (%)



Source: Audited financial statements; Moody's Ratings

**Debt structure**

All of the town's debt is fixed-rate

**Debt-related derivatives**

The town is not a party to any debt-related derivative agreements.

**Pensions and OPEB**

Despite funding pension and OPEB liabilities on a pay-go basis, Ellington's unfunded pension and OPEB liabilities total approximately \$23 million representing just 23% of revenue. During fiscal 2025 the town established assigned fund balance for OPEBs that currently holds \$2 million. Board of Education pensions are funded by the state of Connecticut.

**ESG considerations**

**Environmental**

Environmental considerations are not a factor in this ratings action.

**Social**

Social considerations are not a factor in this ratings action.

**Governance**

Governance considerations are a material factor in this rating action, due to the town's improving fiscal performance, and financial management.

## Rating methodology and scorecard factors

The US Cities and Counties Methodology includes a scorecard, which summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 4

### Ellington (Town of) CT

	Measure	Weight	Score
<b>Economy</b>			
Resident income ratio	156.2%	10.0%	Aaa
Full value per capita	190,237	10.0%	Aaa
Economic growth metric	-2.0%	10.0%	A
<b>Financial Performance</b>			
Available fund balance ratio	52.0%	20.0%	Aaa
Liquidity ratio	56.7%	10.0%	Aaa
<b>Institutional Framework</b>			
Institutional Framework	Aa	10.0%	Aa
<b>Leverage</b>			
Long-term liabilities ratio	57.0%	20.0%	Aaa
Fixed-costs ratio	2.4%	10.0%	Aaa
<b>Notching factors</b>			
No notchings applied			
Scorecard-Indicated Outcome			Aa1
<b>Assigned Rating</b>			

The Economic Growth metric cited above compares the five-year CAGR of real GDP for Hartford-East Hartford-Middletown, CT Metropolitan Statistical Area Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.

Sources: US Census Bureau, Ellington (Town of) CT's financial statements and Moody's Ratings

## Appendix

Exhibit 5

### Key Indicators Glossary

	Definition	Typical Source*
<b>Economy</b>		
Resident income ratio	Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI	MHI: US Census Bureau - American Community Survey 5-Year Estimates RPP: US Bureau of Economic Analysis
Full value	Estimated market value of taxable property in the city or county	State repositories; audited financial statements; continuing disclosures
Population	Population of the city or county	US Census Bureau - American Community Survey 5-Year Estimates
Full value per capita	Full value / population	
Economic growth metric	Five year CAGR of real GDP for Metropolitan Statistical Area or county minus the five-year CAGR of real GDP for the US	Real GDP: US Bureau of Economic Analysis
<b>Financial performance</b>		
Revenue	Sum of revenue from total governmental funds, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services funds, excluding transfers and one-time revenue, e.g., bond proceeds or capital contributions	Audited financial statements
Available fund balance	Sum of all fund balances that are classified as unassigned, assigned or committed in the total governmental funds, plus unrestricted current assets minus current liabilities from the city's or county's business-type activities and internal services funds	Audited financial statements
Net unrestricted cash	Sum of unrestricted cash in governmental activities, business type activities and internal services fund, net of short-term debt	Audited financial statements
Available fund balance ratio	Available fund balance (including net current assets from business-type activities and internal services funds) / Revenue	
Liquidity ratio	Net unrestricted cash / Revenue	
<b>Leverage</b>		
Debt	Outstanding long-term bonds and all other forms of long-term debt across the governmental and business-type activities, including debt of another entity for which it has provided a guarantee disclosed in its financial statements	Audited financial statements; official statements
Adjusted net pension liabilities (ANPL)	Total primary government's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
Adjusted net OPEB liabilities (ANOL)	Total primary government's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
Other long-term liabilities (OLTL)	Miscellaneous long-term liabilities reported under the governmental and business-type activities entries	Audited financial statements
Long-term liabilities ratio	Debt + ANPL + ANOL + OLTL / Revenue	
<b>Fixed costs</b>		
Implied debt service	Annual cost to amortize city or county's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Ratings
Pension tread water contribution	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Ratings
OPEB contribution	City or county's actual contribution in a given period	Audited financial statements
Implied cost of OLTL	Annual cost to amortize city or county's other long-term liabilities over 20 years with level payments	Audited financial statements; Moody's Ratings
Fixed-costs ratio	Implied debt service + Pension tread water + OPEB contributions + Implied cost of OLTL / Revenue	

\*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US Cities and Counties Methodology](#).

Source: Moody's Ratings

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