

Research Update:

West Hartford, CT's Series 2025A GO Bonds Assigned 'AAA' Rating; Outlook Is Stable

April 18, 2025

Overview

- S&P Global Ratings assigned its 'AAA' long-term rating to West Hartford, Conn.'s \$15 million general obligation (GO) bonds, series 2025A.
- At the same time, S&P Global Ratings affirmed its 'AAA' rating on the town's GO debt outstanding based on the application of its criteria, "Methodology For Rating U.S. Governments," published Sept. 9, 2024, on RatingsDirect.
- The outlook is stable.

Rationale

Security

West Hartford's full faith and credit pledge, payable from the levy of an unlimited ad valorem tax on all taxable property in the town, secures the bonds and GO debt outstanding.

Bond proceeds will be used to finance various capital improvements.

Credit highlights

West Hartford's regional and local economic metrics, consistent financial performance, growing reserves, and in-depth management practices and policies support the current rating, despite its sizable debt and retirement liabilities. The town has actively managed its long-term liabilities, however, and successfully incorporates the associated current costs of these liabilities into its budget while still typically reporting surplus results annually. It issued pension obligation bonds (POBs) in 2021, which has reduced its net pension liability and annual contribution costs. The town's stable financial position and track record of strong performance through various economic and business cycles provide additional credit stability. Fiscal 2024 results were slightly positive, with unassigned reserves maintained at about 9% of general fund revenue, which we do view as weaker than many state and national peers at the current rating level. However, going forward, the town expects to grow its unassigned reserves until they reach its

Primary contact

Stephen Doyle
New York
1-214-765-5886
stephen.doyle
@spglobal.com

Secondary contact

Tyler Fitman
Boston
1-617-530-8021
tyler.fitman
@spglobal.com

West Hartford, CT's Series 2025A GO Bonds Assigned 'AAA' Rating; Outlook Is Stable

fund balance policy target of 16% of operating expenditures and the town has access to other reserves that support overall liquidity and credit quality.

Additional factors supporting the 'AAA' rating include our view of West Hartford's:

- County-based gross county product and per capita personal income metrics that exceed the nation, with local incomes reflecting additional strength due to a growing tax base and ongoing economic development following increased housing demand;
- Consistent budgetary performance over the past decade, leading to increased unassigned general fund reserves, with plans to increase them further over the coming years along with access to additional committed reserves and reserves in other funds;
- Management that uses detailed budgeting practices that incorporate long-term financial and capital planning as well as several formalized financial policies that guide the town's financial trajectory; and
- Large debt and liabilities that result in higher per capita liability and current cost metrics than many national peers at the current rating, however, the town continues to be proactive in addressing these liabilities and ensuring that they remain stable and manageable.
- For more information on our institutional framework assessment for Connecticut local governments, see "Institutional Framework Assessment: Connecticut Local Governments," published Sept. 9, 2024.

Environmental, social, and governance

We have analyzed West Hartford's environmental, social, and governance (ESG) risks relative to its economy, financial performance, management, and debt and long-term liability profile, and view them to be credit neutral within our analysis.

Rating above the sovereign

Under our criteria, "Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions," published Nov. 19, 2013, we rate West Hartford higher than the sovereign because we believe the town can maintain better credit characteristics than the nation in a stress scenario, based on its predominantly locally derived revenue base and our view that pledged revenue supporting bond debt service is at limited risk of negative sovereign intervention.

Outlook

The stable outlook reflects our view that the town's economy and management practices will continue to support positive financial performance and growing reserves while management successfully addresses its large debt and retirement liabilities.

Downside scenario

We could lower the rating should the town's financial performance or general fund reserves weaken or if liabilities significantly increase from current levels.

Credit Opinion

Economy

The town's beneficial location halfway between New York City and Boston supports its strong county-based and local economic metrics, alongside a growing tax base and population. Since the onset of the pandemic, the town has experienced increased population growth and housing demand. Officials expect this trend to continue, leading to additional economic development projects and consistently high housing demand. Although the tax base is primarily residential, West Hartford has a substantial local commercial base and is a regional retail and restaurant destination. The local economy also features employers in government, health care, higher education, and manufacturing. These positive economic trends support continued local revenue growth, which is the town's largest source of general fund revenue.

Financial performance, reserves, and liquidity

The town's consistent financial performance and increasing reserves are a credit strength, and we expect this will continue based on management's projections and comprehensive budgeting practices and long-term planning. While available reserves in the general fund are weaker on a percentage basis (against operating revenues) compared to many similarly rated peers, we note that the town has also traditionally allocated surpluses into various other reserve accounts, which indirectly alleviates reliance on the unassigned general fund balance. In aggregate, West Hartford maintains roughly a \$30 million spread across several funds like the retiree health fund (\$14 million), capital nonrecurring fund (approximately \$6.6 million balance), and the debt service bond premium (about \$3.1 million) reserves. Additionally, the pension reserve fund, used to help manage outyear volatility in its pension costs, maintains a balance of \$26.9 million.

The fiscal 2025 budget totals \$347 million, a 4.9% increase over the previous year. The budget did not assume any unscheduled draws on reserves, and overall performance remains consistent with previous years. The town benefits from an overall stable and strong property tax base, which generated over 80% of general fund revenue. Tax collections remain strong, exceeding 99%. Management indicates budget-to-actual results are currently on target to achieve a budgetary surplus. We expect financial performance will remain at least stable going forward, supported by positive economic trends and prudent management.

Management

A key area of credit strength is the town's financial management that focuses on conservative budgeting, forward-looking planning, and establishing key thresholds related to debt and reserves. Throughout the year, it monitors the budget regularly, reporting budget-to-actual results to the town council monthly. West Hartford also maintains a strong focus on capital and financial planning, as evidenced by its 12-year comprehensive capital improvement program (CIP) that identifies capital and nonrecurring capital expenditures, and its five-year financial forecast that it updates as part of its budget development process. The forecast features analysis of key revenue and expenditure assumptions and tests budget performance under various conditions.

The town recently revised its formal reserve policy to increase the current level of unrestricted fund balance to 16% of audited general fund expenditures. The town will use any amounts above policy targets to bolster reserves in other funds. Management has established a credible plan to reach the new target over the coming years.

West Hartford, CT's Series 2025A GO Bonds Assigned 'AAA' Rating; Outlook Is Stable

A formal debt management policy stipulates the use of certain debt instruments and reporting requirements. The policy formalizes measurable debt benchmarks and metrics for capital-related borrowing, including annual debt service that will be no more than 10% of general fund expenditures and that debt amortization will not be less than 65% of principal being retired over 10 years. The policy does exclude the 2021 pension bonds from the debt benchmark measurement. The town has historically monitored and sustained debt management practices in accordance with this policy. West Hartford also adheres to a formal investment policy with reports of earnings and holdings sent regularly to the town council.

Debt and liabilities

West Hartford has approximately \$423 million of total direct debt outstanding, including the 2021 POBs. While the town's debt burden is weak compared to many peers following the POB issuance in 2021, current debt service costs remain stable. The town's 12-year CIP shows roughly \$20-30 million in bonds are expected to be issued annually for the next several years for capital purposes.

The town participates in the West Hartford Contributory Retirement System. According to the latest actuarial, the net pension liability is \$63 million and the funded ratio is just under 90%. The plan discount rate is currently 6.5%, and the town has established a pension bond reserve fund to manage market volatility. The fund holds roughly \$27 million as of fiscal 2024.

The town also provides medical benefits to eligible retirees and covered dependents. As of June 30, 2024, its net other postemployment benefits (OPEB) liability totaled \$226 million and was 9% funded. The town contributes the full normal cost for current employees hired since 2003, in addition to prefunding its OPEB liabilities in an OPEB trust fund. We note that a retiree health reserve provides additional budgetary flexibility to manage these costs.

West Hartford, Connecticut--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.20
Economy	1.0
Financial performance	2
Reserves and liquidity	2
Management	1.00
Debt and liabilities	5.0

West Hartford, Connecticut--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	--	--	144	145
County PCPI % of U.S.	--	--	108	109
Market value (\$000s)	--	10,419,610	10,337,181	9,236,109
Market value per capita (\$)	--	163,658	162,363	146,551
Top 10 taxpayers % of taxable value	--	4.7	--	5.3
County unemployment rate (%)	--	3.7	3.8	4.2
Local median household EBI % of U.S.	--	--	141	142

West Hartford, Connecticut--key credit metrics

	Most recent	2024	2023	2022
Economy				
Local per capita EBI % of U.S.	--	--	156	157
Local population	--	--	63,667	63,023
Financial performance				
Operating fund revenues (\$000s)	--	380,600	359,020	338,517
Operating fund expenditures (\$000s)	--	341,014	316,774	316,402
Net transfers and other adjustments (\$000s)	--	(38,021)	(37,683)	4,163
Operating result (\$000s)	--	1,565	4,563	26,278
Operating result % of revenues	--	0.4	1.3	7.8
Operating result three-year average %	--	3.1	2.9	2.8
Reserves and liquidity				
Available reserves % of operating revenues	--	9.1	9.1	8.6
Available reserves (\$000s)	--	34,724	32,701	29,100
Debt and liabilities				
Debt service cost % of revenues	--	19.6	19.1	10.2
Net direct debt per capita (\$)	6,652	6,853	7,060	7,248
Net direct debt (\$000s)	423,528	436,341	449,477	456,782
Direct debt 10-year amortization (%)	49	52	51	--
Pension and OPEB cost % of revenues	--	6.0	6.0	90.0
NPLs per capita (\$)	--	990	1,719	1,894
Combined NPLs (\$000s)	--	63,036	109,465	119,370

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings List

New Issue Ratings

US\$15.0 mil GO bnds ser 2025A due 01/15/2045

Long Term Rating AAA/Stable

Ratings Affirmed

Local Government

West Hartford Twn, CT Unlimited Tax General Obligation AAA/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

West Hartford, CT's Series 2025A GO Bonds Assigned 'AAA' Rating; Outlook Is Stable

Certain terms used in this report, particularly certain adjectives used to express our view on ratingrelevant 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 <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceid/504352>. Complete ratings information is available toRatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

West Hartford, CT's Series 2025A GO Bonds Assigned 'AAA' Rating; Outlook Is Stable

Copyright © 2025 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.

Some of the Content may have been created with the assistance of an artificial intelligence (AI) tool. Published Content created or processed using AI is composed, reviewed, edited, and approved by S&P personnel.

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.spglobal.com/ratings (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.spglobal.com/usratingsfees.

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