

# RatingsDirect®

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## Summary:

# Windsor, Connecticut; General Obligation

### Primary Credit Analyst:

Tyler Fitman, Boston (1) 617-530-8021; tyler.fitman@spglobal.com

### Secondary Contact:

Kaiti Vartholomaios, New York + 1(212) 438 0866; kaiti.vartholomaios@spglobal.com

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## Summary:

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### Credit Profile

US\$9.225 mil GO bnds ser 2023 due 06/15/2038

*Long Term Rating*

AAA/Stable

New

Windsor GO

*Long Term Rating*

AAA/Stable

Affirmed

### Credit Highlights

- S&P Global Ratings assigned its 'AAA' rating to the Town of Windsor, Conn.' \$9.225 million series 2023 general obligation (GO) municipal-purpose bonds.
- At the same time, S&P Global Ratings affirmed its 'AAA' rating on Windsor's existing debt.
- The outlook is stable.

### Security

Windsor'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.

Officials plan to use the 2023 bond proceeds to fund various capital improvement projects.

### Credit overview

Windsor benefits from proximity to both Hartford, Connecticut and Springfield, Massachusetts. Market value has grown by about 5% over the last three years. The town has seen mixed use developments and large industrial developments including an Amazon facility representing a \$250 million investment that will employ over 2,500 and a recently approved spec warehouse and a new automatic manufacturing facility. Grand list growth and building permit fee revenue has helped the town continue its record of surplus results through the current fiscal year, along with favorable interest income and unbudgeted delinquent property tax sale revenues. While one-time revenues have been strong over the last few years, management exercises a conservative approach when budgeting for these revenues.

We anticipate available fund balance will remain level, with no plans to draw down. Because of the high level of reserves, management anticipates an ability to allocate a portion of the surplus toward a tax stabilization fund for future use, as well as toward clean energy, reducing other postemployment benefits (OPEBs) liabilities, and other capital projects. The 2024 budget totals \$139.2 million, a 7% increase over the prior year and does not include a budgeted use of reserves and does include an increase in the tax rate from 33.27 mills to 33.6 mills. The budget includes some new staffing positions to support public safety and public works' needs.

After this issuance, the town will have about \$76.4 million in total direct debt. Officials plan to issue additional debt over the next few years in line with the town's CIP, which we do not expect to have a material effect on the debt profile given the associated long-term planning and rapid amortization. We do not view pension and OPEB liabilities

as an immediate credit pressure for Windsor, although we expect costs will likely continue to increase. The pension plans' actuarially determined contribution (ADC) is built from what we view as weak assumptions, we think it increases the risk of unexpected contribution escalations. However, we expect higher contributions will likely remain affordable, based on the strength of the town's revenue base and conservative budgeting, which continues to yield consistent results. While it funds OPEB liabilities on a pay-as-you-go basis, the town has legal flexibility to alter OPEBs, which we view as a potential means of mitigating escalating costs. It also maintains an OPEB trust fund, which has a current balance of about \$5.24 million as of fiscal 2022.

The rating reflects our opinion of Windsor's:

- Strong local economy and steady tax base growth with residents benefiting from employment opportunities throughout the Hartford metropolitan statistical area and recent large industrial and mixed use developments;
- Strong financial-management policies, practices under our Financial Management Assessment (FMA) methodology, including formal five-year capital-improvement and financial plans and formal debt and reserve policies, and a strong Institutional Framework score;
- Consistent financial performance, with trend of positive operating results supporting growing available fund balance levels; and
- Affordable debt, with pension and OPEB obligations we do not expect to create budgetary stress over the near term.

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

We reviewed Windsor's environmental, social and governance risks relative to the town's economy, management, financial measures, and debt and liability profile and view them as neutral in our analysis.

## **Outlook**

The stable outlook reflects our expectation that Windsor's management practices and strong tax base will continue to support stable financial performance and maintenance of very strong reserves.

### **Downside scenario**

We could lower the rating if the town's budgetary performance deteriorates, resulting in declines in fund balance.

### **Ratings above the sovereign**

We rate Windsor higher than the sovereign because we believe the town can maintain better credit characteristics than the U.S. in a stress scenario based on its predominantly locally derived revenue base and our view that pledged revenue supporting debt service on the bonds is at limited risk of negative sovereign intervention. In 2022, local property taxes generated 79% of general fund revenue, demonstrating a lack of dependence on central government revenue. (See "Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions," published Nov. 19, 2013, on RatingsDirect.)

Windsor, Connecticut key credit metrics	Most recent	Historical information		
		2022	2021	2020
<b>Very strong economy</b>				
Projected per capita EBI % of U.S.	110			
Market value per capita (\$)	165,270			
Population		28,665	28,673	
County unemployment rate(%)		6.5		
Market value (\$000)	4,737,473	4,588,843		
Ten largest taxpayers % of taxable value	24.7			
<b>Strong budgetary performance</b>				
Operating fund result % of expenditures		1.0	3.5	1.0
Total governmental fund result % of expenditures		3.3	8.1	3.1
<b>Very strong budgetary flexibility</b>				
Available reserves % of operating expenditures		27.7	27.9	23.8
Total available reserves (\$000)		38,028	36,670	32,040
<b>Very strong liquidity</b>				
Total government cash % of governmental fund expenditures		49	54	46
Total government cash % of governmental fund debt service		840	901	790
<b>Very strong management</b>				
Financial Management Assessment	Strong			
<b>Very strong debt &amp; long-term liabilities</b>				
Debt service % of governmental fund expenditures		5.9	6.0	5.8
Net direct debt % of governmental fund revenue	50			
Overall net debt % of market value	3.2			
Direct debt 10-year amortization (%)	70			
Required pension contribution % of governmental fund expenditures		2.6		
OPEB actual contribution % of governmental fund expenditures		2.0		
<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 June 5, 2023)

Windsor Twn GO rfdg bnds ser 2020B due 07/15/2024		
Long Term Rating	AAA/Stable	Affirmed
Windsor Twn GO rfdg bnds (Federally Taxable) ser 2020C due 07/15/2032		
Long Term Rating	AAA/Stable	Affirmed

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