

Research Update:

Windsor, CT Series 2025 GO Bonds Assigned 'AAA' Rating; Outlook Stable

May 30, 2025

Overview

- S&P Global Ratings assigned its 'AAA' long-term rating to Windsor, Conn.'s \$5.4 million series 2025 general obligation (GO) bonds.
- At the same time, we affirmed our 'AAA' rating on the town's existing GO debt and our 'SP-1+' rating on its outstanding bond anticipation notes (BANs), maturing June 26, 2025.
- The outlook, where applicable, is stable.
- The ratings are based on our "Methodology For Rating U.S. Governments," published Sept. 9, 2024.

Rationale

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 and existing debt. The short-term note rating reflects our criteria for evaluating and rating BANs. In our view, Windsor maintains a very strong capacity to pay principal and interest when the outstanding notes come due. The town has what we view as a low market risk profile.

Proceeds will fund various capital projects.

Credit highlights

Windsor's general creditworthiness is supported by cautious budgetary practices, which led to operating surpluses annually for over a decade through fiscal 2024 and a favorable reserve position relative to those of similarly rated Connecticut peers. Despite the town's likely performance moderation and slight reserve decreases over the outlook period, we expect Windsor's financial strength, management environment, and low carrying charges will continue

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to support the 'AAA' rating, more than offsetting below-average economic metrics relative to peers'.

Following the town's 2024 surplus, we expect closer to breakeven budgetary performance over the next two years, as management strategically uses reserves to mitigate residential tax increases following a townwide revaluation. An October 2023 revaluation – phased in over fiscal 2025 and 2026 – significantly raised residential assessed values relative to nonresidential, triggering a steep increase in residential property taxes. Management estimates that the median homeowner's taxes increased roughly 13% in 2025 and will increase another 13% in fiscal 2026. The adopted fiscal 2025 budget included \$3 million in fund balance to mitigate tax increases; management expects year-end fund balance to decrease by roughly \$700,000 due to positive revenue and expenditure variance. The adopted fiscal 2026 budget totals \$152 million (budgetary basis) and uses \$2 million in fund balance, though we believe Windsor will likely use less due to its cautious budgeting assumptions. Management attributes the revaluation results to a strong housing market, which led to increases of over 50% on average for single-family homes, as well as to declining demand for traditional office space post-pandemic, and does not expect the town's next revaluation to materially further increase the residential assessment share.

Windsor's unassigned reserves currently total \$39 million (25% of operating expenditures and transfers out), above the town's 15% to 20% target. We understand that management expects to use reserves in excess of its policy target to fund capital items (typically \$2 million to \$3 million annually) and to mitigate tax increases. Despite the potential decreases, we believe Windsor's reserves will remain comparable to those of Connecticut peers and, coupled with predictable revenue sources and revenue-raising flexibility, will likely be sufficient to address unforeseen expenditures.

The rating reflects the Windsor's:

- Strong and stable local economy with access to Hartford and Springfield, Mass., rapidly increasing residential assessed values leading to significant residential property tax increases, and ongoing construction of several distribution centers and other industrial buildings;
- Cautious budgeting practices and monthly budget-to-actual review, supporting historically balanced operations; a six-year comprehensive capital improvement plan and five-year long term financial plan, supporting prudent reserve management and identifying future budget pressures; a debt management policy limiting debt service costs to 8% of governmental expenditures; an investment policy mirroring state law; a fund balance policy targeting a minimum of 15% to 20% of operating expenditures; and steps to reduce cyber risk;
- A slight deficit expected in fiscal 2025 following fund balance use to mitigate tax increases, and budgeted fund balance for the same purpose in fiscal 2026, but a healthy reserve position we expect to remain favorable relative to peers';
- Approximately \$78.1 million in direct debt following this issuance, with roughly \$45 million in debt plans for various capital projects during the next few years, and manageable carrying charges;
- Manageable pension liabilities through participation in three plans (combined \$55 million net pension liability) with the largest plan closed to new entrants, and other postemployment benefits (19% funded, \$34 million net liability); and

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- A stable operating environment for Connecticut municipalities. For more, see "Institutional Framework Assessment: Connecticut Local Governments," published Sept. 9, 2024.

Environmental, social, and governance

We view the town's environmental, social, and governance factors as neutral in our credit rating analysis. Windsor integrates stormwater management projects into its capital plan.

Rating above the sovereign

Windsor's GO bonds are eligible to be rated above the sovereign because we believe the town can maintain better credit characteristics than the U.S. in a stress scenario. The town derives 75% of its operating revenue from property taxes, with independent taxing authority and independent treasury management from the federal government.

Outlook

The stable outlook reflects our expectation that Windsor's generally strong credit metrics will hold, and that the town will maintain generally balanced operations, with reserves comparable to those of similarly rated peers despite planned draws.

Downside scenario

We could lower the rating if the town's reserves decrease beyond its expectations due to either budgetary imbalance or a capital drawdown. We could also lower the rating if the town's economic metrics weaken further relative to similarly rated peers'.

Windsor Town, Connecticut--Credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	1.62
Economy	1.0
Financial performance	2
Reserves and liquidity	1
Management	1.35
Debt and liabilities	2.75

Windsor Town, 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)	6,551,481	5,077,858	4,737,473	4,588,843
Market value per capita (\$)	222,802	172,687	161,111	157,942
Top 10 taxpayers % of taxable value	22.4	26.6	26.5	25.1
County unemployment rate (%)	--	3.7	3.8	4.3

Windsor Town, Connecticut--Key credit metrics

	Most recent	2024	2023	2022
Economy				
Local median household EBI % of U.S.	--	--	123	127
Local per capita EBI % of U.S.	--	--	108	112
Local population	--	--	29,405	29,054
Financial performance				
Operating fund revenues (\$000s)	--	158,030	148,116	138,677
Operating fund expenditures (\$000s)	--	138,357	131,104	125,503
Net transfers and other adjustments (\$000s)	--	(17,422)	(11,415)	(11,832)
Operating result (\$000s)	--	2,251	5,597	1,342
Operating result % of revenues	--	1.4	3.8	1.0
Operating result three-year average %	--	2.1	2.7	1.8
Reserves and liquidity				
Available reserves % of operating revenues	--	27.3	27.8	27.4
Available reserves (\$000s)	--	43,092	41,105	38,028
Debt and liabilities				
Debt service cost % of revenues	--	5.0	5.6	5.7
Net direct debt per capita (\$)	2,657	2,471	2,361	2,314
Net direct debt (\$000s)	78,123	72,650	69,437	67,235
Direct debt 10-year amortization (%)	76	74	--	--
Pension and OPEB cost % of revenues	--	4.0	4.0	4.0
NPLs per capita (\$)	--	1,879	1,858	1,747
Combined NPLs (\$000s)	--	55,242	54,634	50,758

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. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. 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\$5.4 mil GO bnds ser 2025 dtd 06/26/2025 due 06/15/2035

Long Term Rating AAA/Stable

Ratings Affirmed

Local Government

Windsor Twn, CT Unlimited Tax General Obligation AAA/Stable

Windsor Twn, CT Unlimited Tax General Obligation BAN SP-1+

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.

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