

RatingsDirect®

Summary:

Somers, Connecticut; General Obligation

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Table Of Contents

Credit Highlights

Outlook

Summary:

Somers, Connecticut; General Obligation

Credit Profile		
US\$2.0 mil Go bnd ser 2025 due 05/01/2035		
Long Term Rating	AA+/Stable	New
Somers GO bnds ser 2020 due 10/15/2040		
Long Term Rating	AA+/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AA+' long-term rating to the city of Somers, Conn.'s approximately \$2 million series 2025 general obligation (GO) bonds.
- We also affirmed our 'AA+' long-term rating on the town's GO debt outstanding.
- The outlook, where applicable, is stable.
- The long-term rating reflects the application of our "Methodology For Rating U.S. Governments," published Sept. 9, 2024.

Security

Somers' full-faith-and-credit pledge secures the bonds.

Proceeds from the bond and notes will be used to finance HVAC and road improvements.

Credit overview

Somers' credit profile is supported by a low debt burden, consistent financial performance, stable fund balance, and a strong tax base that contributes a majority of its general fund revenues. While the economic metrics of Tolland County are below national averages, we think that the town's local incomes are stronger than those of the surrounding county, providing some economic uplift. Still, economic indicators and income metrics remain well below 'AAA' rated peers, while population and growth prospects show a declining trend, constraining rating upside. The town has seen consistent residential development and benefits from commercial expansion. We expect this growth to benefit the town's revenue profile without placing a strain on town services. We see limited downside pressure on the rating and have incorporated our expectation of approximately \$10 million in additional debt issuances over the outlook horizon into our analysis.

The rating further reflects our view of Somers':

- Affluent and stable local economy, with household incomes that are higher than those of county and national peers but remain lower than those of higher-rated peers. If the town's incomes were to improve materially, this could be supportive of a higher rating. The town benefits from participation in the diverse Springfield and Hartford regional economy. Osborn Correctional Institution, one of the largest prisons in the state, is located within the town, and we expect its presence to continue to contribute to the stability of the economic base and provide both

payment-in-lieu-of-taxes (PILOT) revenue annually and ambulance revenues via the town's exclusive agreement to be the sole medical transportation provider to the facility.

- Generally positive operations, including an expected surplus in fiscal 2025, backed by a reliance on property tax revenues (68% of revenue), along with stable reserves that are consistent with its policy of maintaining reserves of at least 15% of budgeted expenditures, despite some plans to utilize a modest amount of reserves for one-time capital expenses. We expect the town will regulate its mill rate after its revaluation next year. The town is developing the fiscal 2026 budget, which we expect to be about 5% higher than the fiscal 2025 budget, with the only major area of cost growth expected to be health insurance costs, projected to increase by 10% from the previous year.
- Standard budgeting practices, with realistic assumptions, monthly review of budget-to-actual reports, a 10-year capital plan that is updated annually, an investment policy that adheres to state statutes, a reserve policy that sets a reserve target of 15% of budgeted operating expenditures, and a debt management policy. The town's financial management is generally conservative, and management works to anticipate cost pressures in future years. We expect the debt policy will help keep debt service costs manageable, and that the town's reserve policy will aid it in limiting significant capital expenditures, preserving the town's liquidity.
- Currently affordable debt and liabilities, with additional plans to issue approximately \$10 million over the next few years for a variety of capital projects. The town has about \$19 million in debt outstanding inclusive of the notes, and debt service costs, as well as the overall burden on a per capita basis, compare well with peers.
- Participation in well-funded pension plans, with a combined net pension liability of \$260,000, along with a \$2.06 million other postemployment benefits (OPEB) liability. We expect costs will remain manageable.
- Connecticut municipalities have a generally stable operating framework with significant statutory flexibility to raise local-source revenue for operations. For more information on our institutional framework assessment for Connecticut municipalities, see "Institutional Framework Assessment: Connecticut Local Governments," published Sept. 9, 2024.

Environmental, social, and governance

We view the town's environmental, social, and governance (ESG) factors as neutral in our rating analysis.

Outlook

The stable outlook reflects our expectation that Somers will continue to develop budgets using generally conservative assumptions while monitoring performance and making adjustments as necessary to maintain financial balance.

Downside scenario

We could lower the rating if the town were to experience fiscal pressures for either capital or operational purposes, leading to decreased reserves or liquidity challenges.

Upside scenario

We could raise the rating if the town were to experience improved and sustained economic growth resulting in higher metrics.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant 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 www.spglobal.com/ratings for

Summary: Somers, Connecticut; General Obligation

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