

Research Update:

# Newtown, CT Series 2025 General Obligation Bonds Rated 'AAA'

August 15, 2025

## Overview

- S&P Global Ratings assigned its 'AAA' long-term rating to the Town of [Newtown](#), Conn.'s \$15.71 million series 2025 general obligation (GO) bonds.
- At the same time, we affirmed our 'AAA' long-term rating on the town's existing GO debt.
- The outlook is stable.
- The rating is based on the application of our [Methodology For Rating U.S. Governments](#), Sept. 9, 2024.

## Rationale

### Security

The town's full-faith-and-credit secures the series 2025 bonds and debt outstanding. Officials will use series 2025 bond proceeds to fund various capital projects throughout the town.

### Credit highlights

The credit profile is characterized by a strong local economy with high incomes and growing valuations that continue to grow modestly through various development projects. The rating is also supported by consistently positive operating performance, low overall fixed costs, and robust management practices.

Newtown's recent results reflect higher-than-budgeted property tax and interest income receipts, with limited expenditure variance relative to the budget. The town has been able to maintain reserves roughly in line with its policy. Going over the 12% maximum in fiscal 2024 management has elected to utilize a portion of their fund balance along with transferring into other funds to realign reserves to match policy guidelines. Although available reserves are generally lower than similarly rated peers in the state, we view managements robust planning and policies a mitigant to lower levels. We anticipate the town will continue to produce at least

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balance operating results, as done in the past, due to a conservative approach to budgeting and a dependency on reliable local source revenue payments.

Following the series 2025 issuance, the town will have about \$88 million in net direct debt outstanding and plans to issue roughly \$10 million annually to fund its capital improvement plan. We do not view pension and other postemployment benefit (OPEB) liabilities as a source of credit pressure given the relatively low unfunded liabilities and annual costs. The town has made progress in adopting conservative assumptions, and its pension plan is closed to new hires, who participate in a defined-contribution plan. It has also been proactive in its funding of OPEBs. Newtown's net OPEB liability is \$5.4 million. The OPEB plan is 44% funded.

The rating also reflects our view of the town's:

- Predominantly residential town whose residents have access to employment centers in the county and throughout the New York City metropolitan area. Per capita market values along with incomes are very strong and in line with 'AAA' rating medians in the state and nationally. The local economy is stable and growing with several new mixed-use developments in the pipeline.
- The town's policies and planning, including conservative revenue and expenditure assumptions as management factors recent performance into its budget estimate. The town maintains a five-year capital improvement plan that it reviews and that it includes in the annual budget along with an annually updated budget forecasting tool, which projects out 10 years. Newtown maintains a strict formal target for its reserves at minimum of 8% of general fund expenditures and maximum of 12%, which it has historically adhered to and has strategies in place if they fall below or exceed its targets. It also maintains a formal debt management policy that is widely communicated and followed, and factors in thresholds for affordability and bond structure. In addition, the town carries an investment policy that largely follows state guidelines.
- Predominantly positive performance in recent years, bolstered by conservative budgeting and proactive management of revenue and expenditure growth. Management anticipates surplus results for fiscal 2025. The fiscal 2026 adopted budget totals \$141.6 million, or a 3.9% increase from the year prior, and anticipates modestly rising costs in pension, health care, and education costs. We anticipate the town will maintain strong available reserves in line with years past.
- Fixed costs and debt are low, with limited capital needs. The debt burden is moderate on a per capita basis, and overall retirement liabilities are affordable.
- Connecticut municipalities' operating framework is generally stable 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](#), Sept. 9, 2024.

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

We assessed Newtown's environmental, social, and governance factors relative to its economy, management, financial measures, and debt and liability profile, and view them as neutral in our credit rating analysis.

Rating above the sovereign

In our view, Newtown can be rated higher than the sovereign because we believe that it could maintain better credit characteristics than the nation in a stress scenario given the town's predominantly locally derived revenue base, and any potential future pledged revenue supporting debt is at limited risk of negative sovereign intervention.

Outlook

The stable outlook reflects our expectation that Newtown will maintain stable financial results and reserves, supported by its well-embedded financial management and planning.

Downside scenario

Should the town's financial position deteriorate, leading to a weakening of available fund balance with no plan to restore, we could lower the rating.

Newtown, Connecticut--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	1.70
Economy	1.0
Financial performance	2
Reserves and liquidity	2
Management	1.00
Debt and liabilities	2.50

Newtown, Connecticut--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	--	--	149	148
County PCPI % of U.S.	--	--	199	197
Market value (\$000s)	--	6,458,001	5,341,174	4,669,475
Market value per capita (\$)	--	234,121	195,161	157,063
Top 10 taxpayers % of taxable value	--	3.5	4.3	4.4
County unemployment rate (%)	--	2.8	2.8	4.1
Local median household EBI % of U.S.	--	170	181	170
Local per capita EBI % of U.S.	--	155	157	160
Local population	--	27,584	27,368	29,730

## Newtown, Connecticut--key credit metrics

	Most recent	2024	2023	2022
<b>Financial performance</b>				
Operating fund revenues (\$000s)	--	145,373	141,405	134,611
Operating fund expenditures (\$000s)	--	144,743	138,216	132,792
Net transfers and other adjustments (\$000s)	--	(1,324)	(2,868)	(934)
Operating result (\$000s)	--	(694)	321	885
Operating result % of revenues	--	(0.5)	0.2	0.7
Operating result three-year average %	--	0.1	0.2	0.3
<b>Reserves and liquidity</b>				
Available reserves % of operating revenues	--	10.2	12.8	13.1
Available reserves (\$000s)	--	14,780	18,161	17,592
<b>Debt and liabilities</b>				
Debt service cost % of revenues	--	6.7	6.5	6.7
Net direct debt per capita (\$)	3,191	3,045	3,102	2,917
Net direct debt (\$000s)	88,010	83,999	84,888	86,729
Direct debt 10-year amortization (%)	62	69	-	-
Pension and OPEB cost % of revenues	--	2.0	2.0	2.0
NPLs per capita (\$)	--	577	570	651
Combined NPLs (\$000s)	--	15,919	15,606	19,357

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\$15.71 mil GO bnds ser 2025 due 09/15/2045

Long Term Rating AAA/Stable

#### Ratings Affirmed

#### Local Government

Newtown, 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

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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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