

CREDIT OPINION

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Town of Washington, CT

New Issuer

Summary

The [Town of Washington, CT's](#) (Aa1 issuer and GOULT ratings) credit profile accounts for a stable rural tax base, which benefits from its status as a desirable seasonal and weekend destination. Though resident income is below average, relative to peers, full value per capita property wealth is exceptionally high at over \$685,000, driven by a strong residential market and demand in the area for second homes. Financial operations are healthy, generating annual surpluses and ample reserves and liquidity. Long-term liabilities are very low at about 20% of revenues and is expected to maintain at current levels.

Credit strengths

- » Strong full value per capita property wealth, driven by the town's attraction as a weekend and seasonal destination
- » Healthy financial position and operations
- » Very low long-term liabilities

Credit challenges

- » Below average resident income, relative to state rating peers
- » Relatively smaller scale of operations for rating category

Rating outlook

We do not assign outlooks to local governments with this amount of debt outstanding.

Factors that could lead to an upgrade

- » Significant improvement in resident income above 150% of the national median
- » Material expansion and diversification of local economy leading to population growth

Factors that could lead to a downgrade

- » Contraction in local economy leading to sustained declines in tax base and resident income
- » Structural imbalance in operations leading to declines in available reserves and liquidity below 35% of revenues
- » Significant increase in leverage maintained above 100% of revenues

Key indicators

Exhibit 1

Washington (Town of) CT

	2021	2022	2023	2024	Aaa Medians
Economy					
Resident income ratio (%)	160.7%	110.4%	113.3%	N/A	168.9%
Full Value (\$000)	\$1,763,219	\$2,431,008	\$2,497,244	\$2,908,216	\$9,011,663
Population	3,619	3,651	3,648	N/A	36,103
Full value per capita (\$)	\$487,212	\$665,847	\$684,552	N/A	\$218,941
Annual Growth in Real GDP	9.1%	0.6%	0.7%	N/A	2.4%
Financial Performance					
Revenue (\$000)	\$20,001	\$21,782	\$23,100	\$23,874	\$108,194
Available fund balance (\$000)	\$13,520	\$14,715	\$15,202	\$21,893	\$68,159
Net unrestricted cash (\$000)	\$15,994	\$17,118	\$15,651	\$21,680	\$99,090
Available fund balance ratio (%)	67.6%	67.6%	65.8%	91.7%	62.6%
Liquidity ratio (%)	80.0%	78.6%	67.8%	90.8%	95.0%
Leverage					
Debt (\$000)	\$0	\$0	\$0	\$4,500	\$72,678
Adjusted net pension liabilities (\$000)	\$720	\$364	\$60	-\$300	\$89,696
Adjusted net OPEB liabilities (\$000)	\$0	\$0	\$0	\$0	\$10,915
Other long-term liabilities (\$000)	\$152	\$156	\$175	\$252	\$4,029
Long-term liabilities ratio (%)	4.4%	2.4%	1.0%	19.7%	217.2%
Fixed costs					
Implied debt service (\$000)	\$0	\$0	\$0	\$0	\$4,949
Pension tread water contribution (\$000)	\$81	\$21	\$42	\$31	\$2,629
OPEB contributions (\$000)	\$0	\$0	\$0	\$0	\$594
Implied cost of other long-term liabilities (\$000)	\$10	\$11	\$11	\$12	\$274
Fixed-costs ratio (%)	0.5%	0.1%	0.2%	0.2%	10.0%

For definitions of the metrics in the table above please refer to the [US Cities and Counties Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [US Cities and Counties Median Report](#).

The real GDP annual growth metric cited above is for the Litchfield County, Connecticut.

Sources: US Census Bureau, Washington (Town of) CT's financial statements and Moody's Ratings, US Bureau of Economic Analysis

Profile

The Town of Washington, CT is located in Litchfield County in the state's northwestern quadrant, approximately 16 miles north of the City of Danbury.

Detailed credit considerations

Washington's rural tax base and local economy is expected to remain stable, supported by a strong residential market. The town benefits from its status as desirable weekend and seasonal destination, and has a significant amount of wealthy second-home owners not captured in its very small population of approximately 3,648. As a result, full value per capita wealth is very strong at about \$685,000, though resident income is more moderate at 113% of the national measure. Its tax base has shown solid growth in recent years, increasing by a 5-year compound annual growth rate of 7.7%, primarily due to real estate appreciation and the robust local housing market. The town is committed to open space preservation, which is an important draw to the area, though limits future economic growth. Current housing plans call for the development of additional units of affordable housing for its local workforce.

Town financial operations remain strong and continue to generate annual net surpluses along with ample reserves and liquidity at over 70% of revenues, excluding BAN proceeds. Washington's healthy financial position is primarily supported by its wealthy tax base, with property tax receipts accounting for over 75% of fiscal 2024 revenues. Management has been able to produce steady positive net results while consistently setting aside ample cash to fund its capital needs. Recent positive variance, relative to budget, have been driven by strong property tax collection rates, higher interest income, and excess revenues returned by [Regional School District 12](#)

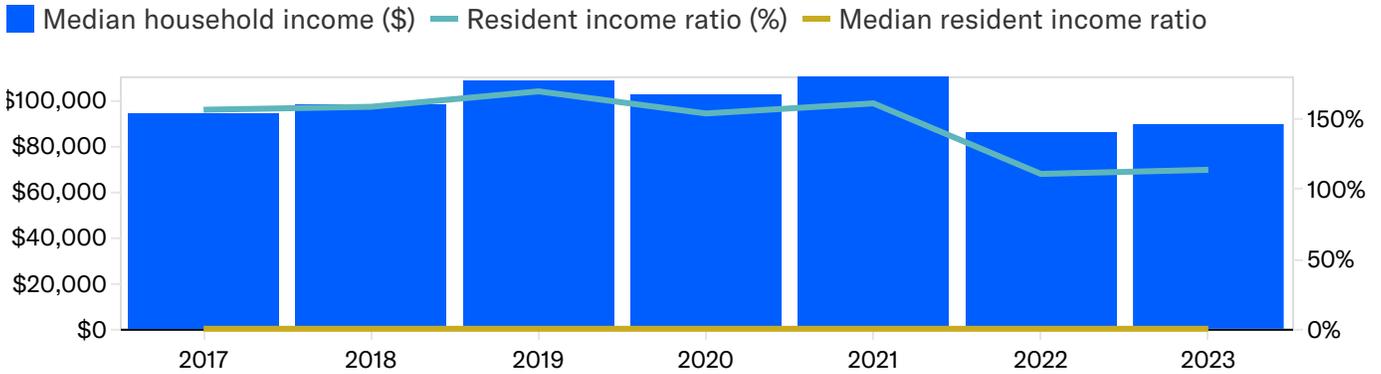
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(Aa1), of which it is a member town. Operations are expected to remain healthy, with management reporting another surplus in fiscal 2025, on an unaudited basis.

Fiscal 2026's budget is similar in composition to previous years, and includes a fund balance appropriation of \$1.7 million. However, year-end surpluses have replenished any budgeted reserve appropriations. The town's leverage remains low at below 20% of revenues, inclusive of the current issuance, and will remain stable as Washington has no additional debt plans at this time.

Exhibit 2

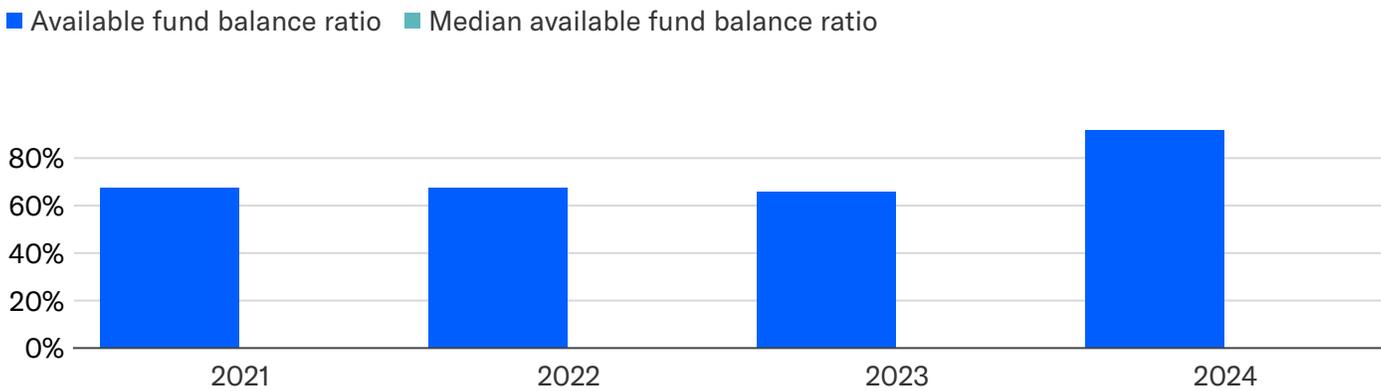
Resident income is below average, relative to peers, but property wealth is much higher due to a strong residential market and demand in the area for secondary homes



Source: US Census Bureau - American Community Survey 5-Year Estimates; US Bureau of Economic Analysis; Moody's Ratings

Exhibit 3

Financial operations are stable, generating annual surpluses and healthy reserves

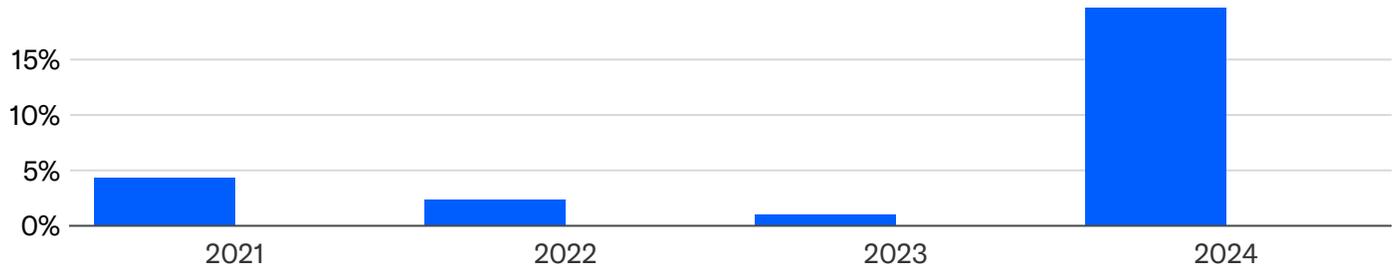


Source: Audited financial statements; Moody's Ratings

Exhibit 4

Leverage remains low, inclusive of the current issuance

■ Long-term liabilities ratio ■ Median long-term liabilities ratio



Source: Audited financial statements; Moody's Ratings

ESG considerations

Environmental

Environmental risks are not considered to be material to this rating. The town is located in Litchfield County, which has a medium level of exposure to heat and water stress, extreme rainfall, hurricanes and wildfire, which are somewhat offset by a strong financial position.

Social

Social risks are not considered to be material to the town's credit profile. Washington has strong full value per capita property wealth and solid resident incomes. Risks relating to the adequate provision of housing, education, healthcare and public safety are not credit vulnerabilities to the town.

Governance

Governance is a key driver of this initial rating. Town management continues to demonstrate strong fiscal management and conservative budgeting, which has helped produce consistently positive operating results and healthy reserves and liquidity.

Connecticut cities have a strong ability to match revenues to expenditures. Cutting costs are somewhat constrained by unions but revenues are highly predictable and stable, due to a large reliance on property taxes. Cities benefit from high revenue-raising ability due to the absence of a property tax cap. Expenditures primarily consist of general government personnel costs and education expenses for cities that manage school operations.

Rating methodology and scorecard factors

The US Cities and Counties Methodology includes a scorecard, which summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 5

Washington (Town of) CT

	Measure	Weight	Score
Economy			
Resident income ratio	113.3%	10.0%	Aa
Full value per capita	684,959	10.0%	Aaa
Economic growth metric	-0.2%	10.0%	Aa
Financial Performance			
Available fund balance ratio	91.7%	20.0%	Aaa
Liquidity ratio	90.8%	10.0%	Aaa
Institutional Framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio	19.7%	20.0%	Aaa
Fixed-costs ratio	0.2%	10.0%	Aaa
Notching factors			
Additional Strength in Local Resources	0.5		
Scorecard-Indicated Outcome			Aaa
Assigned Rating			Aa1

The Economic Growth metric cited above compares the five-year CAGR of real GDP for Litchfield County, Connecticut Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.

Sources: US Census Bureau, Washington (Town of) CT's financial statements and Moody's Ratings

Appendix

Exhibit 6

Key Indicators Glossary

	Definition	Typical Source*
Economy		
Resident income ratio	Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI	MHI: US Census Bureau - American Community Survey 5-Year Estimates RPP: US Bureau of Economic Analysis
Full value	Estimated market value of taxable property in the city or county	State repositories; audited financial statements; continuing disclosures
Population	Population of the city or county	US Census Bureau - American Community Survey 5-Year Estimates
Full value per capita	Full value / population	
Economic growth metric	Five year CAGR of real GDP for Metropolitan Statistical Area or county minus the five-year CAGR of real GDP for the US	Real GDP: US Bureau of Economic Analysis
Financial performance		
Revenue	Sum of revenue from total governmental funds, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services funds, excluding transfers and one-time revenue, e.g., bond proceeds or capital contributions	Audited financial statements
Available fund balance	Sum of all fund balances that are classified as unassigned, assigned or committed in the total governmental funds, plus unrestricted current assets minus current liabilities from the city's or county's business-type activities and internal services funds	Audited financial statements
Net unrestricted cash	Sum of unrestricted cash in governmental activities, business type activities and internal services fund, net of short-term debt	Audited financial statements
Available fund balance ratio	Available fund balance (including net current assets from business-type activities and internal services funds) / Revenue	
Liquidity ratio	Net unrestricted cash / Revenue	
Leverage		
Debt	Outstanding long-term bonds and all other forms of long-term debt across the governmental and business-type activities, including debt of another entity for which it has provided a guarantee disclosed in its financial statements	Audited financial statements; official statements
Adjusted net pension liabilities (ANPL)	Total primary government's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
Adjusted net OPEB liabilities (ANOL)	Total primary government's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
Other long-term liabilities (OLTL)	Miscellaneous long-term liabilities reported under the governmental and business-type activities entries	Audited financial statements
Long-term liabilities ratio	Debt + ANPL + ANOL + OLTL / Revenue	
Fixed costs		
Implied debt service	Annual cost to amortize city or county's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Ratings
Pension tread water contribution	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Ratings
OPEB contribution	City or county's actual contribution in a given period	Audited financial statements
Implied cost of OLTL	Annual cost to amortize city or county's other long-term liabilities over 20 years with level payments	Audited financial statements; Moody's Ratings
Fixed-costs ratio	Implied debt service + Pension tread water + OPEB contributions + Implied cost of OLTL / Revenue	

*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US Cities and Counties Methodology](#).

Source: Moody's Ratings

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