S&P Global Ratings

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Research Update:

Berlin, CT Series 2026 GO Bonds Rated 'AAA'; Outlook Stable

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Overview

- S&P Global Ratings assigned its 'AAA' long-term rating to Berlin, Connecticut's $4.15 million series 2026 general obligation (GO) bonds.
- At the same time, S&P Global Ratings affirmed its 'AAA' long-term rating on the town's GO debt outstanding.
- The outlook is stable.

Rationale

Security

The town's full faith and credit secures the bonds.

Proceeds from the bonds will finance the town's capital improvement needs and ongoing infrastructure projects.

Credit highlights

The rating reflects our view of Berlin's history of healthy operating performance and robust management environment, supporting its general creditworthiness. The rating also incorporates our view of the strong regional economic activity and our forward-looking view of the town's finances and manageable additional debt plans. Berlin is underpinned by a growing local economy outside of Hartford; therefore, we expect limited credit pressure through the two-year outlook horizon unless strained finances were to result in sustained drawdowns of reserves.

The town has seen strong operating results as revenue-raising flexibility and expenditures savings still exceed expectations. We attribute budgetary stability to management's tight budgeting controls, managing its debt and liabilities profile with the policies in place, and strong planning. In fiscal 2026, revenue growth was supported by interest revenue, real estate taxes and building permits, despite a more challenging winter season that resulted in snow removal costs being $180,000 over budget. Therefore, we expect the town to add more than $2 million to fund balance after recurring transfers to its capital fund.

Following the series 2026 issuance, the town will manage its debt profile and incorporate approximately $13 million in new money issuances over the outlook horizon. 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. It has also been proactive in its funding of OPEBs. The town developed a new defined-benefit plan in 2023 that became effective in fiscal 2024 to recruit and retain police employees. The town has passed an ordinance requiring full funding of the actuarially determined employer contribution for each active defined benefit pension plan.

The ‘AAA’ rating reflects our view of the following factors:

- Berlin’s well-diversified regional economy has seen economic development in recent years. Local economic metrics, including per capita market value and town incomes, are in line with those of similarly rated peers while per capita gross county product and per capita personal income are above national and county levels.
- Consistently positive performance in recent years is bolstered by conservative budgeting and proactive management of revenue and expenditure growth. Management is navigating inflationary pressures, specifically regarding labor and utilities, which represent the town's largest costs. To manage this, Berlin has implemented modest but appropriate tax increases. While fiscal 2025 saw solid health insurance performance, fiscal 2026 saw a bump in costs due to an increase in catastrophic claims, which impacted insurance reserve. Management is proactively addressing this by working with its broker to explore plan design changes and the potential of joining a larger insurance pool for all unions. Despite these pressures, the town achieved net personal savings of approximately $300,000.
- Berlin uses tight budget controls to achieve continuous structural balance and historical trends when developing the budget and monitoring budget-to-actual performance. Officials maintain a rolling 10-year, long-term capital improvement plan that identifies capital projects, priorities and internal and external funding sources. They also keep a five-year financial plan that details assumptions and feeds into the annual budget. In addition, Berlin maintains formal debt management and reserve policies outlining uses and limits for debt along with specific reserve targets. We view management as a credit strength for Berlin.
- Fixed costs and debt are low, with limited capital needs. The debt burden is moderate per capita, and overall retirement liabilities are affordable. The town has historically borrowed at levels less than the principal being retired for the fiscal year, to bring down overall debt and debt service to a more manageable level.
- For more information on our institutional framework assessment for Connecticut municipalities, see "Institutional Framework Assessment: Connecticut Local Governments," Sept. 9, 2024.
- Although physical risks are relevant for the local government sector, we consider Berlin’s exposure to natural hazards low compared with that of national peers and in a nominal sense; therefore, it is not a material factor in our credit analysis. The town has taken steps to mitigate cyber risk.

Rating above the sovereign

We rate the town above the sovereign because we believe it 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. The rating above the sovereign is based on our criteria "Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions," Nov. 19, 2013.

Outlook

The stable outlook reflects our view of Berlin's strong management, leading to consistent general fund operations and maintenance of reserves above the policy limit. The town's strong economic presence further supports the rating.

Downside scenario

If the town's debt burden were to grow beyond expectations or if it were to undergo a structural imbalance, leading to a draw on reserves out of line with peer levels with no plan to replenish, we could lower the rating.

Berlin, Connecticut--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	1.53
Economy	1.0
Financial performance	2
Reserves and liquidity	1
Management	1.65
Debt and liabilities	2.00

Berlin, Connecticut--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	--	--	132	134
County PCPI % of U.S.	--	--	113	112
Market value ($000s)	--	4,226,809	4,131,041	3,510,927
Market value per capita ($)	--	207,624	203,359	174,465
Top 10 taxpayers % of taxable value	--	14.0	13.7	14.1
County unemployment rate (%)	--	4.1	3.4	3.2
Local median household EBI % of U.S.	--	132	--	--
Local per capita EBI % of U.S.	--	137	--	--
Local population	--	20,358	20,314	20,124
Financial performance				
Operating fund revenues ($000s)	--	111,430	108,927	107,458
Operating fund expenditures ($000s)	--	108,558	105,154	101,369
Net transfers and other adjustments ($000s)	--	(2,638)	(3,159)	(2,413)
Operating result ($000s)	--	234	614	3,676
Operating result % of revenues	--	0.2	0.6	3.4
Operating result three-year average %	--	1.4	(0.2)	(0.1)
Reserves and liquidity				
Available reserves % of operating revenues	--	16.7	16.9	16.5

Berlin, Connecticut--key credit metrics

	Most recent	2025	2024	2023
Available reserves ($000s)	--	18,593	18,391	17,780
Debt and liabilities				
Debt service cost % of revenues	--	6.6	6.7	7.0
Net direct debt per capita ($)	2,311	2,221	2,453	2,827
Net direct debt ($000s)	47,053	45,211	49,825	56,881
Direct debt 10-year amortization (%)	95	98	93	--
Pension and OPEB cost % of revenues	--	1.0	1.0	--
NPLs per capita ($)	--	88	127	59
Combined NPLs ($000s)	--	1,792	2,583	1,184

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$4,150,000 Town of Berlin, Connecticut, General Obligation Bonds, Issue of 2026, dated: Date of Delivery, due: October 1, 2036	
Long Term Rating	AAA/Stable
Ratings Affirmed	
Local Government	
Berlin Twn, 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 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.

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 https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.