

Rating Action: Moody's affirms Baa3 rating for Town of Hamden, CT's GO Bonds; outlook revised to stable

28 Jul 2022

New York, July 28, 2022 -- Moody's Investors Service has affirmed the Baa3 rating on the Town of Hamden's outstanding general obligation bonds. The bonds are outstanding in the approximate amount of \$298 million. The outlook has been revised to stable from negative.

RATINGS RATIONALE

The Baa3 rating assignment reflects the Town of Hamden's financial position, which has assuaged the sharply downward trajectory of cash and reserves over the last several years. While the financial position remains narrow, the town has enacted measures to improve reserves in fiscal 2022 and 2023. These most notably include a 3-mill increase to property taxes, selling unused assets, and refinancing debt to push out near-term debt service costs. As a result, the town's fiscal 2022 audit will likely show a notable increase to fund balance that will bring it to the highest level of recent years. However, the town has yet to consistently demonstrate regularly recurring operating revenues in excess of regular operating expenses. Though the town's fiscal 2023 budget is largely free of the one-time measures used in fiscal 2022, higher credit quality will be predicated on sustainably generated growth to reserves and cash. To that end, Hamden anticipates a small operating surplus in fiscal 2023 that will be supplemented by another round of debt refinancing.

Hamden's economy remains solid with interest from developers to produce more housing units within the town's competitive residential market. Hamden's debt profile includes high long-term liabilities and annual fixed costs amid an entirely long-term, fixed-rate debt portfolio.

RATING OUTLOOK

The stable outlook reflects improved financial operations in fiscal 2021 and anticipates that the fairly new administration will maintain disciplined budget management, producing moderately improved cash reserves and lower reliance on one-time budget fixes.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Sustained operating surpluses absent the effect of one-time revenue boosts
- Significant growth of cash and reserves
- Materially lower long-term liabilities

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- A material operating deficit in either of the next two fiscal years
- An inability to balance the budget with regularly recurring revenues
- Further deterioration of cash or reserves

LEGAL SECURITY

Hamden's outstanding bonds are general obligations for which the town has pledged its full faith and credit to pay the principal of and interest on the bonds when due.

PROFILE

The Town of Hamden is a largely residential community with an economy driven by education and health care. The town is located north of the City of New Haven, and also bordering Woodbridge, Bethany, and North Haven, the Town is located approximately 85 miles east of New York City and 35 miles southwest of Hartford, Connecticut. The Town encompasses about 33 square miles within New Haven County.

METHODOLOGY

The principal methodology used in these ratings was US Local Government General Obligation Debt published in January 2021 and available at <https://ratings.moodys.com/api/rmc-documents/70015>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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Michael Wertz
Lead Analyst
REGIONAL_NE
Moody's Investors Service, Inc.
7 World Trade Center
250 Greenwich Street
New York 10007
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

David Strungis
Additional Contact
REGIONAL_MIDWEST
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

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