CREDIT OPINION
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Hartford County Metropolitan District, CT

Update to credit analysis

Summary

The credit profile of the Hartford County Metropolitan District (Aa2, MDC) is driven by its large, greater Hartford service area and economy. This includes eight member municipalities with stable and growing tax bases and, collectively, solid resident income although income levels vary widely across individual members.

Credit quality also benefits from solid overall financial footing that has remained fairly consistent and likely to produce operations consistent with historical results. The general fund (sewer), water fund and clean water project fund benefit from a strong revenue base, healthy liquidity and solid coverage.

The MDC's leverage position is driven by higher than typical debt. The district's debt position will remain above average as the district continues to implement its sizeable capital plan. However, MDC has demonstrated largely effective management of its complex infrastructure and outstanding consent decree.

Credit strengths

» Large service area customer base

» Solid resident income

» Ample water supply and treatment capacity

» Provisions of Public Act 17-1

Credit challenges

» Sizable debt burden

» Substantial capital plan

Rating outlook

The stable outlook reflects our expectation that there will be no material credit deterioration among the member cities, water and sewer operating performance will remain consistent and the clean water project fund will continue to produce strong coverage of the revenue bonds.

Factors that could lead to an upgrade

» Improved credit quality of member cities

» Service area resident income above approximately 125%

» Further improvement in sewer and water funds' financial position, including increased liquidity and unrestricted reserves

» Substantially decreased debt burden

Factors that could lead to a downgrade

» Ineffective implementation of capital improvement plans

» Significant deterioration of member city credit quality

» Weakening of resident income below 100%

» Material reduction of MDC's cash reserves and financial flexibility

» Weakened liquidity resulting in need for cash flow borrowing

Key indicator

Exhibit 1
Hartford Metropolitan District

Hartford Metropolitan District	2021	2022	2023	2024	2025
Economy/Tax Base					
Total Full Value ($000)	$48,990,000	$52,910,000	$56,400,000	$63,950,000	$63,950,000
Population	364,000	363,000	365,000	364,000	367,000
Full Value Per Capita	$134,588	$145,758	$154,521	$175,687	$174,251
Median Family Income (% of US Median)	112.0%	112.0%	113.0%	114.0%	113.0%
Finances					
Operating Revenue ($000)	$241,221	$255,747	$254,616	$254,515	$260,562
Fund Balance ($000)	$30,790	$31,817	$38,438	$39,126	$35,187
Cash Balance ($000)	$125,550	$102,077	$125,579	$137,924	$160,259
Fund Balance as a % of Revenues	12.8%	12.4%	15.1%	15.4%	13.5%
Cash Balance as a % of Revenues	52.0%	39.9%	49.3%	54.2%	61.5%
Debt/Pensions					
Net Direct Debt ($000)	$1,383,676	$1,399,466	$1,414,999	$1,126,246	$1,209,236
3-Year Average of Moody's ANPL ($000)	$216,106	$204,158	$174,834	$143,186	$120,427
Net Direct Debt / Full Value (%)	2.8%	2.6%	2.5%	1.8%	1.9%
Net Direct Debt / Operating Revenues (x)	5.7x	5.5x	5.6x	4.4x	4.6x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	0.4%	0.4%	0.4%	0.3%	0.2%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	0.9x	0.8x	0.7X	0.6X	0.5X

Revenues are combined water and sewer
Source: Hartford MDC audited financial statements and Moody's Ratings

Profile

The district provides water supply, sewer collection, treatment and disposal services to its eight member communities including Bloomfield, East Hartford, Hartford, Newington, Rocky Hill, West Hartford, Wethersfield, and Windsor. The district also has special agreements for water supply and sewage disposal facilities with 10 non-member towns and various state facilities.

Detailed credit considerations

Economy and System Characteristics: Large service area and stable system operations

The MDC's economy and service area remains quite large and includes approximately 400,000 people. We anticipate that both the economy and system will remain fairly stable and in line with historic performance.

The district is authorized to levy unlimited ad valorem taxes on its member municipalities in proportion to their participation in the MDC and the revenue they provide to support debt service on the GO bonds.

The City of Hartford (Baa3) represents approximately 25% of member participation, and is the largest contributor to the MDC. The City of Hartford's economy continues to be anchored by its traditional strengths in insurance, healthcare and the public sector and is highlighted by a low cost of living relative to the rest of the state and many of its immediately neighboring cities. The city has also seen an uptick in its housing market. This will likely continue as homes in the city are more affordable than much of the surrounding area and considerably more affordable than New York City and Boston, from which the city has gained some population. However, the city continues to be weighted by very low resident wealth, high poverty, and a stubborn commercial vacancy rate in the downtown core.

The Town of West Hartford (Aa1, stable) is the second largest member city and represent 23% of participation. West Hartford is highlighted by its robust economic indicators, which include strong resident income and full value per capita, a very competitive housing market and access to the sizeable employment base in neighboring Hartford.

The remaining member cities are assessed as follows: Town of East Hartford (Aa3) 11%; Town of Newington, 10%; Town of Windsor, 9%; Town of Wethersfield, 8%; Town of Bloomfield, 7%; Rocky Hill, 6%. In aggregate, the member communities' tax bases (equalized net grand lists or ENGLs) is quite substantial and more than $63 billion. The district-wide weighted average resident income is approximately 113% of the national median and a solid level for a Aa-rated district.

System Characteristics

The district draws water from the Barkhamsted Reservoir, which at 30.3 billion gallons, is the single largest water source in Connecticut. MDC also has access to the Nepaug Reservoir, which holds 9.5 billion gallons. These sources provides the MDC with ample supply to meet its average daily use of approximately 37 mgd, which is a mark that has held fairly steady over the last several years. Sewer service is provided through the operation of four water pollution and treatment facilities that have a total design flow capacity of 115 mgd and a treatment capacity of 225 mgd. This compares favorably to the MDC average daily sewer flow of 81 mgd.

Construction of the storage tunnel project is complete. The balance of the work associated with the tunnel, including the completion of a pump station to take the sewage collected from the tunnel with a depth of approximately 200 feet to the surface for conveyance to and treatment by the MDC’s water pollution control facility, is ongoing and proceeding on-time and within budget. The MDC has also settled litigation related to the project, which totaled $51 million, of which, 45% was provided as a grant from DEEP.

MDC management continues to have a very collaborative relationship with DEEP and EPA in the adjudication of the $2.1 billion consent decree for sanitary sewer overflow, nitrogen reduction and combined sewer overflow issues.

Financial Operations: Stable financial position

The MDC’s water, sewer and clean water funds continue to maintain stable operations. We anticipate the overall financial profile to remain consistent with the current credit quality across all funds.

In fiscal 2025, the sewer system (general fund) generated an audited $4 million reduction to reserves. However, the resultant $40.6 million fund balance is still a healthy 42% of revenues and compares favorably to the five-year average general fund balance of $38.5 million. The fund is currently projecting a $5.6 surplus for fiscal 2026 (budget basis), that will keep it consistent with historical performance. The sewer fund liquidity is also strong at $34.5 million (general fund and debt service fund combined).

The water fund’s audited fiscal 2025 operating income was $25.6 million, which was the lowest of the last five years but still solid. The current budget projection for fiscal 2026 indicates a $4.8 million deficit based on somewhat conservative assumptions. However, we anticipate that actual results will be closer to balanced driven substantially by savings in actual headcount versus budgeted positions. The water utility also benefits from a robust level of liquidity that is approximately $125.7 million compared to $102 million of total operating revenues.

The clean water fund remains stable with 2.4x times coverage provided by the clean water project charge (excluding rate stabilization funds). Coverage is projected to remain 2x though 2029 and no less than 1.7x through maturity. The clean water fund revenue bonds also benefit from a $60 million rate stabilization fund. Inclusion of these monies brings debt service coverage to 2.3 times through 2029.

Debt, Pension, and OPEB

The MDC's leverage position will remain manageable despite having a substantial amount of debt outstanding and additional borrowing to come. In addition, MDC cannot issue debt that exceeds 5% of the tax base, which is a limiter to over leverage.

The district is subject to a consent order and a consent decree with the State Department of Environmental Protection, Department of Justice and US Environmental Protection Agency to address sanitary sewer overflow, nitrogen reduction and combined sewer overflow issues. The project is estimated to cost approximately $2.1 billion. Moving forward, the district plans to fund the remaining CWP costs through SRF loans, state and federal grants and, to a lesser extent, revenue bonds.

The MDC's credit quality is also boosted by provisions of Public Act 17-1, which stipulates that in the event of non-payment by a member entity, the district can establish an emergency budget increasing the levy on other members to cover the short-fall. Public Act 17-1 also allows the state to redirect a member municipality's PILOT payments to the MDC if the city fails to pay its ad valorem taxes.

Debt structure

All outstanding debt is fixed-rate.

The revenue bonds have adequate legal protections including a rate covenant and additional bonds test of 1.2 times, as well as a closed loop flow of funds. The flow of funds mandates that the Clean Water Project Charge may only be used for debt service on CWP debt and the revenue bonds have a senior claim on clean water charges. After debt service on the revenue bonds is paid, residual charge revenues are deposited in the RSF, where they are legally available to pay debt service on any debt issued to fund the CWP as well as capital expenses for the CWP. During any period, the district can make transfers from the RSF to the revenue fund to an overall maximum of 35% of debt service on the bonds; these transfers can be included as revenue for coverage calculations to meet the rate covenant. There is no limitation on the amount of the RSF that can be used for debt service.

Debt-related derivatives

The MDC is not party to any interest rate swaps or other derivative agreements.

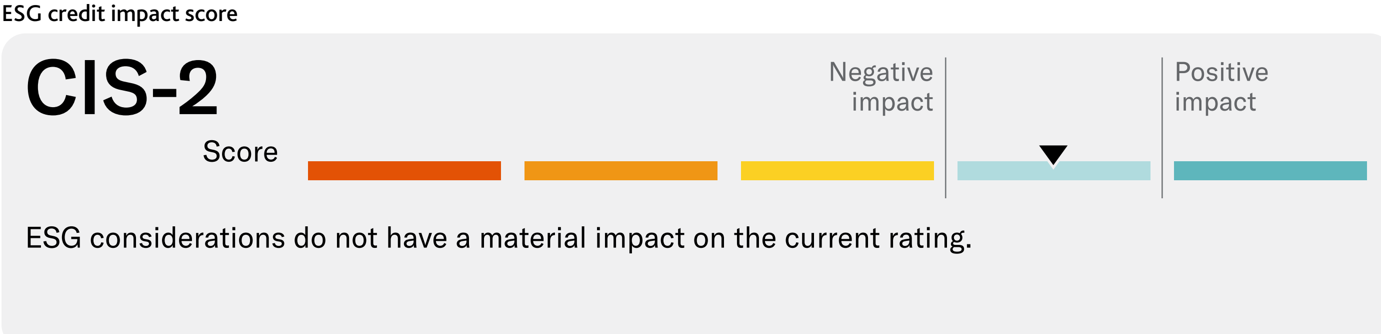
Pensions and OPEB

MDC maintains the Metropolitan District Employees' Retirement System ("MDERS"), which is a defined benefit, single employer retirement system. The MDERS provides retirement, disability and death benefits to plan members and beneficiaries. The system has paid 100% of the pension and OPEB ADC for each of the last five years and anticipates doing so again in fiscal 2027.

ESG considerations

Exhibit 2

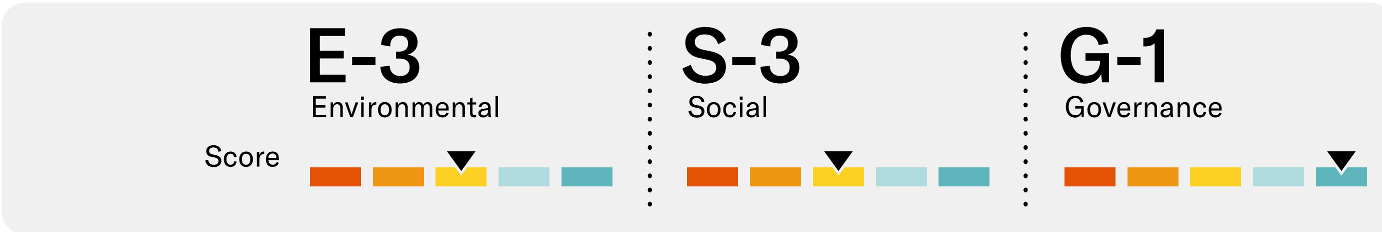
ESG credit impact score



Source: Moody's Ratings

The ESG Credit Impact Score for Hartford County Metropolitan District is CIS-2. This is driven by moderate environmental risk and a somewhat weak social profile largely consistent with the City of Hartford, which is the district's largest member municipality. Governance risks are low and take into consideration management's demonstrated success in long-term capital planning and oversight.

Exhibit 3
ESG issuer profile scores



Source: Moody's Ratings

Environmental

MDC is an area with low exposure to heat and water stress and medium risk for hurricanes and extreme rain. Because of its inland location, the MDC has no exposure to sea level rise. As such, environmental risks are not a material credit weakness for the district.

Social

Social factors do not represent a new material credit risk and are incorporated into the rating. Though the economy and resident income levels of the City of Hartford are weaker than the remaining portions of the district, this has not resulted in a significant change to the customer base and is somewhat offset by economic quality of the other participating municipalities.

Governance

The MDC benefits from solid governance functions that include effective rate management, detailed and sophisticated capital plans, a history of stable operating performance.

Rating methodology and scorecard factors

The US Public Finance General Obligation Debt methodology includes a scorecard that summarizes the rating factors generally most important to general obligation 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 4

Hartford Metropolitan District

Hartford Metropolitan District

Scorecard Factors and Subfactors	Measure	Score
Economy/Tax Base (30%) [1]		
Tax Base Size: Full Value (in 000s)	$63,950,000	Aaa
Full Value Per Capita	$174,251	Aaa
Median Family Income (% of US Median)	113.0%	Aa
Finances (30%)		
Fund Balance as a % of Revenues	13.5%	A
5-Year Dollar Change in Fund Balance as % of Revenues	0.2%	A
Cash Balance as a % of Revenues	61.5%	Aaa
5-Year Dollar Change in Cash Balance as % of Revenues	18.2%	Aa
Management (20%)		
Institutional Framework	Aa	Aa
Operating History: 5-Year Average of Operating Revenues / Operating Expenditures (x)	1.2x	Aaa
Debt and Pensions (20%)		
Net Direct Debt / Full Value (%)	1.9%	A
Net Direct Debt / Operating Revenues (x)	4.6x	Baa
3-Year Average of Moody's Adjusted Net Pension Liability / Full Value (%)	0.2%	Aaa
3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues (x)	0.6x	Aa
	Scorecard-Indicated Outcome	Aa1
	Assigned Rating	Aa2

[1] Economy measures are based on data from the most recent year available.

[2] Notching Factors are specifically defined in the US Public Finance General Obligation Debt methodology.

[3] Standardized adjustments are outlined in the US Public Finance General Obligation Debt Scorecard Inputs publication.

Source: US Census Bureau, Moody's Ratings

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454