

## ISSUER COMMENT

26 July 2021

### RATING

#### General Obligation (or GO Related) <sup>1</sup>

Aa3 No Outlook

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## City of Norwich, CT

### Annual Comment on Norwich

#### Issuer Profile

The City of Norwich is located in New London County in southeastern Connecticut, approximately 35 miles southeast of Hartford and 15 miles from the Rhode Island state line. The county has a population of 267,390 and a moderate population density of 402 people per square mile. The county's median family income is \$91,499 (1st quartile) and the May 2021 unemployment rate was 6.6% (4th quartile) <sup>2</sup>. The largest industry sectors that drive the local economy are local government, health services, and retail trade.

#### Credit Overview

The credit position for Norwich is strong. Its Aa3 rating matches the US cities median of Aa3. Key credit factors include a healthy financial position, a sizable tax base and a solid wealth and income profile. It also reflects an affordable debt burden and a moderate pension liability.

**Finances:** Norwich has a strong financial position overall. The cash balance as a percent of operating revenues (30.7%) falls just short of the US median. On the contrary, it increased modestly from 2016 to 2020. Yet, the city's fund balance as a percent of operating revenues (10.5%) is much lower than the US median but has remained stable. Connecticut local governments tend to have financial ratios lower than US medians because they generally derive a majority of revenues from stable property taxes and their financials typically incorporate school operations which are predictable.

**Economy and Tax Base:** The economy and tax base of Norwich are healthy. The total full value (\$2.8 billion) is slightly above the US median, and increased between 2016 and 2020. Additionally, the full value per capita (\$72,337) is slightly below other Moody's-rated cities nationwide. Lastly, the median family income equates to just 86.7% of the US level.

**Debt and Pensions:** Overall, the debt and pension liabilities of Norwich are moderate. The net direct debt to full value (1.7%) exceeds the US median, and remained the same from 2016 to 2020. Also, the Moody's-adjusted net pension liability to operating revenues (1.4x) approximates the US median.

**Management and Governance:** Connecticut cities have an institutional framework score <sup>3</sup> of "Aa," or strong. Revenues are highly predictable and stable, due to a large reliance on property taxes. Cities additionally benefit from high revenue-raising ability due to the absence of a state-wide property tax cap. Expenditures primarily consist of personnel costs as well as education costs for those cities that manage school operations, and are highly predictable due to state-mandated school spending guidelines and employee contracts that

dictate costs. Expenditure reduction ability is moderate as it is somewhat constrained by union presence.

## EXHIBIT 1

Key Indicators <sup>4 5</sup> Norwich

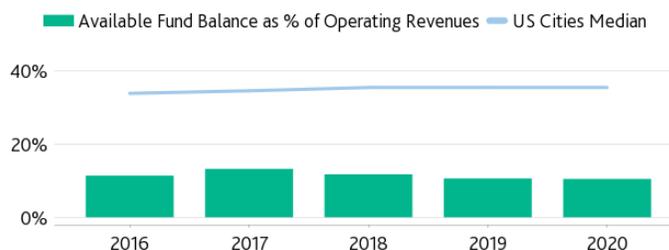
	2016	2017	2018	2019	2020	US Median	Credit Trend
<b>Economy / Tax Base</b>							
Total Full Value	\$2,670M	\$2,707M	\$2,711M	\$2,801M	\$2,839M	\$2,024M	Improved
Full Value Per Capita	\$66,659	\$67,887	\$68,530	\$71,367	\$72,337	\$97,657	Improved
Median Family Income (% of US Median)	85%	88%	90%	87%	87%	114%	Stable
<b>Finances</b>							
Available Fund Balance as % of Operating Revenues	11.4%	13.2%	11.7%	10.6%	10.5%	35.5%	Stable
Net Cash Balance as % of Operating Revenues	27.0%	29.9%	28.3%	29.7%	30.7%	40.0%	Stable
<b>Debt / Pensions</b>							
Net Direct Debt / Full Value	1.8%	1.9%	1.7%	1.8%	1.7%	1.1%	Stable
Net Direct Debt / Operating Revenues	0.38x	0.38x	0.34x	0.38x	0.35x	0.82x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	5.9%	5.7%	6.2%	6.1%	6.6%	1.9%	Weakened
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	1.21x	1.15x	1.26x	1.32x	1.37x	1.57x	Stable
	2016	2017	2018	2019	2020	US Median	
<b>Debt and Financial Data</b>							
Population	40,057	39,875	39,567	39,260	39,260	N/A	
Available Fund Balance (\$000s)	\$14,879	\$17,681	\$15,564	\$13,722	\$14,392	\$8,489	
Net Cash Balance (\$000s)	\$35,236	\$39,999	\$37,523	\$38,324	\$42,153	\$9,759	
Operating Revenues (\$000s)	\$130,666	\$133,625	\$132,505	\$129,031	\$137,303	\$36,135	
Net Direct Debt (\$000s)	\$49,380	\$50,220	\$45,604	\$49,075	\$48,360	\$19,137	
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$158,088	\$153,268	\$167,009	\$170,296	\$187,915	\$38,399	

Source: Moody's Investors Service

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moody's.com](http://www.moody's.com) for the most updated credit rating action information and rating history.

## EXHIBIT 2

## Available fund balance as a percent of operating revenues decreased from 2016 to 2020



Source: Issuer financial statements; Moody's Investors Service

## EXHIBIT 3

## Full value of the property tax base increased from 2016 to 2020



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

## EXHIBIT 4

## Moody's-adjusted net pension liability to operating revenues increased from 2016 to 2020



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

## Endnotes

- The rating referenced in this report is the issuer's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally backed by the full faith and credit pledge and total taxing power of the issuer. GO-related securities include general obligation limited tax, annual appropriation, lease revenue, non-ad valorem, and moral obligation debt. The referenced ratings reflect the government's underlying credit quality without regard to state guarantees, enhancement programs or bond insurance.
  - The demographic data presented, including population, population density, per capita personal income and unemployment rate are derived from the most recently available US government databases. Population, population density and per capita personal income come from the American Community Survey while the unemployment rate comes from the Bureau of Labor Statistics.
- The largest industry sectors are derived from the Bureau of Economic Analysis. Moody's allocated the per capita personal income data and unemployment data for all counties in the US census into quartiles. The quartiles are ordered from strongest-to-weakest from a credit perspective: the highest per capita personal income quartile is first quartile, and the lowest unemployment rate is first quartile.
- The institutional framework score assesses a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. See [US Local Government General Obligation Debt \(July 2020\)](#) methodology report for more details.
  - For definitions of the metrics in the Key Indicators Table, [US Local Government General Obligation Methodology and Scorecard User Guide \(July 2014\)](#). Metrics represented as N/A indicate the data were not available at the time of publication.
  - The medians come from our most recently published local government medians report, [Medians - Tax base and revenue increases outpace growth of long-term liabilities \(May 2021\)](#) which is available on Moodys.com. The medians presented here are based on the key metrics outlined in Moody's GO methodology and the associated scorecard.

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