

Research Update:

Montville, CT Series 2025 GO Bonds Assigned 'AA' Rating; Existing Debt Affirmed; Outlook Stable

November 25, 2025

Overview

- S&P Global Ratings assigned its 'AA' rating to [Montville](#), Conn.'s roughly \$6.6 million series 2025 general obligation (GO) bonds.
- At the same time, we affirmed our 'AA' rating on the town's existing GO debt.
- The outlook is stable.

Rationale

Security

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

Officials intend to use series 2025 bond proceeds to finance various road-improvement projects as well as high-school track and tennis court improvements.

Credit highlights

The rating reflects our view of the town's strong reserve position supported by historically positive financial operations and an overall manageable debt and liability burden. While officials estimate negative financial results for fiscal 2025, reserves are expected to remain at strong levels with no drawdowns planned in the short term. At the same time, while the town's economy remains stable, we believe its income indicators remain below average when compared with those of higher-rated peers.

Montville is approximately 10 miles north of New London, and the property tax base is primarily residential. Mohegan Sun Casino and Resort's presence in the town and General Dynamics EB's presence in a neighboring town have provided regional employment stability. Development activity has mainly been residential, with hundreds of single-family and multi-family units throughout the town at various stages of development. These and other smaller commercial projects are expected to continue to support tax base growth.

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Prior to fiscal 2024, the town maintained more than five years of consistent annual positive general fund results. Officials attribute the slight fiscal 2024 general fund drawdown to a planned used of reserves for tax stabilization purposes after the town ended with a large general fund surplus in fiscal 2023. For fiscal 2025, officials indicate the town ended with a general fund deficit of about \$1.2 million primarily because of higher-than-budgeted salary costs due to police overtime and retroactive payments after labor contract settlements. Officials indicate they are working with public safety units to control overtime costs for the fiscal 2026 budget.

The fiscal 2026 budget totals \$73.2 million, 2.5% higher than the prior year, with most of the increase going toward health care costs, according to the town. The budget also includes a fund balance appropriation of about \$2.8 million. Management indicates budget-to-actuals are currently tracking favorably and currently does not anticipate negative financial results. In addition, the town does not plan to draw down reserves and will seek to eliminate the use of fund balance toward its budget from fiscal 2027, according to officials.

With this issuance, the town will have about \$21 million in direct debt outstanding, including series 2015 bonds totaling \$1.3 million in fiscal 2024 that were privately placed with TD Bank N.A. We think there are no events of default or remedies that would result in the immediate acceleration of principal or greatly affect liquidity. The town currently plans to issue about \$4 million for a school renovation project. We don't expect this to materially weaken its debt metrics.

Credit fundamentals supporting the rating include the town's:

- Position as an expanding residential community due to the new developments and tax base growth. In addition, the town's economy is supported by county-level economic output indicators and local incomes that are on par with the national average;
- Overall stable financial operations, which have led to the maintenance of a high reserve position, averaging about 20% of general fund revenue over the past three years. While reserves are expected to decline for fiscal 2025, the town plans to maintain them at around current levels with no plans for drawdowns
- Financial management practices that we consider sufficient, including conservative budgeting policies and monthly financial statements provided to the board that include budget-to-actuals and a formal five-year capital improvement plan. It also has a formal investment policy and a formal reserve policy that limits unassigned fund balance to 12%-16% of general fund expenditures, which the town currently adheres to.
- Manageable debt and liability burden and fixed costs with limited capital needs. Retirement liabilities and associated costs remain manageable because the town participates in the Connecticut Municipal Employees Retirement System, which was 70% funded as of fiscal 2023. Its other postemployment (OPEB) liability totaled about \$1.7 million for fiscal 2024.
- For more information on our institutional framework assessment for Connecticut municipalities, see: "[Institutional Framework Assessment: Connecticut Local Governments](#)," Sept. 9, 2024.

Environmental, social, and governance

We assessed Montville's environmental, social, and governance risks relative to its economy, management, financial measures, and debt-and-liability profile; we view all as neutral in our credit-rating analysis. The town is situated along the Thames River but has not experienced major flooding issues; it is updating its hazard-mitigation plan. The town is part of the Sustainable CT

community collective to promote and enhance sustainability efforts, ranging from energy consumption to the maintenance of woodlands and urban forests.

Outlook

The stable outlook reflects S&P Global Ratings' view that the town will likely maintain strong reserves through balanced results and a manageable debt and liability burden.

Downside scenario

We could lower the rating if financial performance weakens on a sustained basis, leading to a substantial decrease in available reserves.

Upside scenario

While unlikely during the two-year outlook, we could raise the rating if local incomes improve to levels we consider consistent with those of higher-rated peers while it sustains positive financial performance and improving reserves.

Montville, Connecticut--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.06
Economy	2.0
Financial performance	3
Reserves and liquidity	1
Management	2.30
Debt and liabilities	2.00

Montville, Connecticut--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	--	--	109	108
County PCPI % of U.S.	--	--	99	100
Market value (\$000s)	--	2,323,170	2,334,354	1,936,599
Market value per capita (\$)	--	127,612	128,735	103,556
Top 10 taxpayers % of taxable value	--	15.0	14.3	15.2
County unemployment rate (%)	--	3.1	3.2	4.2
Local median household EBI % of U.S.	--	113	110	109
Local per capita EBI % of U.S.	--	101	91	90
Local population	--	18,205	18,133	18,701
Financial performance				
Operating fund revenues (\$000s)	--	76,229	74,209	72,029
Operating fund expenditures (\$000s)	--	76,830	73,180	71,852

Montville, Connecticut--key credit metrics

	Most recent	2024	2023	2022
Net transfers and other adjustments (\$000s)	--	245	720	(105)
Operating result (\$000s)	--	(356)	1,749	72
Operating result % of revenues	--	(0.5)	2.4	0.1
Operating result three-year average %	--	0.7	1.7	1.8
Reserves and liquidity				
Available reserves % of operating revenues	--	19.2	21.5	19.5
Available reserves (\$000s)	--	14,628	15,943	14,069
Debt and liabilities				
Debt service cost % of revenues	--	6.5	6.4	6.9
Net direct debt per capita (\$)	1,172	1,050	1,309	1,155
Net direct debt (\$000s)	21,331	19,111	23,732	21,599
Direct debt 10-year amortization (%)	82	84	--	--
Pension and OPEB cost % of revenues	--	4.0	3.0	4.0
NPLs per capita (\$)	--	1,337	1,342	1,243
Combined NPLs (\$000s)	--	24,333	24,333	23,243

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\$6.55 mil GO Bnds (N) ser 2025 due 12/15/2045

Long Term Rating AA/Stable

Ratings Affirmed

Local Government

Montville Town CT Unlimited Tax Pledge AA/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.

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