

## RATING ACTION COMMENTARY

# Fitch Rates Cheshire, CT's \$20MM Series 2026 GO Bonds 'AAA'; Outlook Stable

Thu 26 Mar, 2026 - 3:18 PM ET

Fitch Ratings - New York - 26 Mar 2026: Fitch Ratings has assigned a 'AAA' rating to the town of Cheshire, CT's \$20,000,000 general obligation (GO) bonds, series 2026.

Fitch has also affirmed Cheshire's Issuer Default Rating (IDR) and outstanding rated GO bonds at 'AAA'.

The Rating Outlook is Stable.

## RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕		PRIOR ↕
Cheshire (CT) [General Government]	LT IDR	AAA Rating Outlook Stable	AAA Rating Outlook Stable
	Affirmed		
Cheshire (CT) /General Obligation - Unlimited Tax/1 LT	LT	AAA Rating Outlook Stable	Affirmed AAA Rating Outlook Stable

### [VIEW ADDITIONAL RATING DETAILS](#)

Cheshire's 'AAA' ratings reflect its 'aaa' financial resilience assessment and Fitch's expectations that unrestricted general fund reserves will be maintained at or above 10% of spending. The town's economic and demographic metrics reflect Cheshire's residents'

above-average educational attainment and median household income levels relative to Fitch's local government ratings portfolio.

Partially offsetting these strengths is the town's modest to flat population growth over the past decade. The long-term liability burden, inclusive of the series 2026 bonds, is assessed as 'Midrange' on a composite basis with moderate debt and net pension liabilities and rising, but still manageable, carrying costs following recent school-related issuances.

## **RATING SENSITIVITIES**

### **Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade**

- An approximate 40% increase in direct debt and/or net pension liabilities and carrying cost assuming current levels of personal income, governmental resources and spending;
- Structural imbalances leading to a decline in unrestricted general fund reserves sustained at below 10% of spending, which would lower Fitch's assessment of financial resilience to below 'aaa'.

### **Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade**

- Not applicable as the bonds are rated at Fitch's highest rating category.

## **SECURITY**

The bonds are backed by Cheshire's full faith and credit and unlimited taxing power.

## **FITCH'S LOCAL GOVERNMENT RATING MODEL**

The Local Government Rating Model generates Model Implied Ratings, which communicate the issuer's credit quality relative to Fitch's local government rating portfolio. (The Model Implied Rating will be the IDR except in certain circumstances explained in the applicable criteria.) The Model Implied Rating is expressed via a numerical value calibrated to Fitch's long-term rating scale that ranges from 10.0 or higher (AAA), 9.0 (AA+), 8.0 (AA), and so forth down to 1.0 (BBB- and below).

Model Implied Ratings reflect the combination of issuer-specific metrics and assessments to generate a Metric Profile and a structured framework to account for Additional Analytical Factors not captured in the Metric Profile that can either mitigate or exacerbate credit risks. Additional Analytical Factors are reflected in notching from the Metric Profile and are capped at +/-3 notches.

## RATINGS HEADROOM & POSITIONING

Cheshire Model Implied Rating: 'AAA' (Numerical Value: 10.56)

-- Metric Profile: 'AAA' (Numerical Value: 10.56)

-- Net Additional Analytical Factor Notching: 0.0

Cheshire's Model Implied Rating is 'AAA'. The associated numerical value of 10.56 is in the middle of the range for a 'AAA' rating.

## KEY RATING DRIVERS

### FINANCIAL PROFILE

#### Financial Resilience - 'aaa'

Cheshire's financial resilience is driven by the combination of its 'High' revenue control assessment and 'Midrange' expenditure control assessment, culminating in a 'High Midrange' budgetary flexibility assessment.

-- Revenue control assessment: High

-- Expenditure control assessment: Midrange

-- Budgetary flexibility assessment: High Midrange

-- Minimum fund balance for current financial resilience assessment:  $\geq 10.0\%$

-- Current year fund balance to expenditure ratio: 13.3% (2025)

-- Lowest fund balance to expenditure ratio for the fiscal-year period 2021-2025: 13.1% (2022)

#### Revenue Volatility - 'Strongest'

Cheshire's weakest historic three-year revenue performance is neutral to the Model Implied Rating.

The revenue volatility metric is an estimate of potential revenue volatility based on the issuer's historical experience relative to the median for the Fitch-rated local government portfolio. The metric helps to differentiate issuers by the scale of revenue loss that would have to be addressed through revenue raising, cost controls or utilization of reserves through economic cycles.

-- Lowest three-year revenue performance (based on revenues dating back to 2005): 2.9% increase for the three-year period ending fiscal 2021

-- Median issuer decline: -4.3% (2025)

## DEMOGRAPHIC AND ECONOMIC STRENGTH

### Population Trend - 'Weakest'

Based on the median of 10-year annual percentage change in population, Cheshire's population trend is assessed as 'Weakest'.

Population trend: -0.1% 2024 median of 10-year annual percentage change in population (8th percentile)

### Unemployment, Educational Attainment and MHI Level - 'Strongest'

The overall strength of Cheshire's demographic and economic level indicators (unemployment rate, educational attainment, median household income [MHI]) in 2025 are assessed as 'Strongest' on a composite basis, performing at the 95th percentile of Fitch's local government rating portfolio. This is due to relatively strong education attainment levels, median-issuer indexed adjusted MHI and unemployment rate.

- Unemployment rate as a percentage of national rate: 62.5% (2024) (94th percentile)]
- Percent of population with a bachelor's degree or higher: 60.7% (2024) (95th percentile)
- MHI as a percent of the portfolio median: 170.2% (2024) (94th percentile)

### Economic Concentration and Population Size - 'Strongest'

Cheshire's population in 2024 was of sufficient size and the economy was sufficiently diversified to qualify for Fitch's highest overall size/diversification category.

The composite metric acts asymmetrically, with most issuers (above the 15th percentile for each metric) sufficiently diversified to minimize risks associated with small population and economic concentration. Downward effects of the metric on the Metric Profile are most pronounced for the least economically diverse issuers (in the 5th percentile for the metric or lower). The economic concentration percentage shown below is defined as the sum of the absolute deviation of the percentage of personal income by major economic sectors relative to the U.S. distribution.

- Population size: 32,500 Analyst Input (above the 15th percentile) (vs. 30,610 2024 Actual)
- Economic concentration: 29.5% (2024) (above the 15th percentile)

### Analyst Inputs to the Model

Analyst inputs to the model reflect metric adjustments to account for historical data anomalies, forward-looking performance shifts, or non-recurring events that may otherwise skew the time series.

The analyst input for population size reflects analyst forward-looking expectations. The most recent data was used for demographic metrics.

## **LONG-TERM LIABILITY BURDEN**

### **Long-Term Liability Burden - 'Strong'**

Cheshire's carrying costs to governmental expenditures and liabilities to governmental revenue remain strong while liabilities to personal income remain weak. The long-term liability composite metric in 2025 is at the 64th percentile, indicating a somewhat lower liability burden relative to Fitch's local government rating portfolio.

- Liabilities to personal income: 7.2% Analyst Input (35th percentile) (vs. 7.5% 2025 Actual)
- Liabilities to governmental revenue: 123.6% Analyst Input (76th percentile) (vs. 128.7% 2025 Actual)
- Carrying costs to governmental expenditures: 9.7% Analyst Input (83rd percentile) (vs. 8.7% 2025 Actual)

Analyst inputs were made to reflect scheduled principal amortization of existing debt through fiscal year-end 2026 and principal amounts for the new GO bonds. Debt service and total governmental expenditures were adjusted to reflect existing fiscal 2026 budgeted debt service plus an estimate of the additional debt service increase from the new GO bonds.

The assessment assumes current levels of total governmental revenues and residents' personal income, which are likely to see growth.

## **PROFILE**

Cheshire is a suburb located 13 miles from New Haven and near interstates 84, 691, and 91. It retains open space and an active agricultural base. Top taxpayers include industrial, retail, and manufacturing companies. Two state prisons support employment.

## **Sources of Information**

In addition to sources of information identified in Fitch's applicable criteria specified below, this action was informed by data from DIVER by Solve.

## REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

## ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

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**APPLICABLE CRITERIA**

[U.S. Public Finance Local Government Rating Criteria \(pub. 02 Apr 2024\) \(including rating assumption sensitivity\)](#)

**APPLICABLE MODELS**

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

U.S. Local Government Rating Model, v1.2.0 (1)

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Cheshire (CT)

EU Endorsed, UK Endorsed

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