

Research Update:

Cheshire, CT Series 2026 GO Bonds Assigned 'AAA' Rating; Outlook Is Stable

March 25, 2026

Overview

- S&P Global Ratings assigned its 'AAA' rating to [Cheshire](#), Conn.'s approximately \$20 million series 2026 general obligation (GO) bonds.
- At the same time, S&P Global Ratings affirmed its 'AAA' rating on the town's outstanding GO debt.
- The outlook is stable.

Rationale

Security

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

Officials intend to use the series 2026 GO bond proceeds to finance various road, building, sewer, and equipment needs, including the construction of two new elementary schools and to retire notes that will come due April 14, 2026.

Credit highlights

Cheshire's general creditworthiness is characterized by the town's local economic profile, which boasts above-average income and wealth metrics compared with those of the county and the nation. The town has maintained a solid financial track record during the past 10 fiscal years with generally balanced-to-positive operating results. Management's conservative budgeting, coupled with long-term planning that is integrated into the budget, supports these financial results. We expect this trend to continue during the outlook period.

We expect the town's financial outlook to be generally positive, despite a small fund balance drawdown in fiscal 2025. We understand this draw was used to mitigate the effects of increasing its millage rate for town residents. The town's strong tax base growth has proven to track as a reliable and predictable revenue source. The town's financial operations have proven to be solid, with well-thought-out budgeting practices from officials. We anticipate revenues will remain strong as new developments come online and that officials will continue to replenish the fund balance it uses for annual operations at year-end. Expenditures have been predictable, with small variances compared with the original budget. Cheshire's available reserves have decreased

Primary Contact

Dylan Lindow
Chicago
1-6175308033
dylan.lindow
@spglobal.com

Secondary Contact

Timothy W Barrett
Washington DC
1-202-383-2232
timothy.barrett
@spglobal.com

overall because of the drawdown in fiscal 2025, although we expect the town to maintain similar reserve levels as it has in the past. In our view, the town will likely maintain reserves at current levels in accordance with its reserve policy and do not expect this to materially alter our view of Cheshire's budgetary flexibility.

We believe pension and other postemployment benefit (OPEB) liabilities will likely remain a long-term credit pressure due to lower funded ratios and our expectation that costs will likely increase.

As of June 30, 2025, Cheshire participates in the following:

- The town plan: a single-employer, defined-benefit pension, which is 75% funded, with a net pension liability equal to \$18.1 million (closed to new participants in 2024, new tier opened in 2025);
- Cheshire's police plan: a single-employer, defined-benefit pension, which is 53% funded, with a net pension liability equal to \$32.9 million (original plan closed to new participants);
- The town's volunteer firefighter plan: a single-employer, defined-benefit pension, which is 49% funded, with a net pension liability equal to \$4.4 million;
- Cheshire's OPEB plan: is 5% funded, with a net OPEB liability of \$15.4 million; and
- The town's police OPEB plan: is 12% funded, with a net OPEB liability of \$9.6 million.

Credit fundamentals supporting the 'AAA' rating include:

- Above-average economic base and positive market value growth, further supported by the town's incomes that are stronger than both county and national averages, with regional economic metrics that are in line with the nation--indicating an economy with underlying tax base strength and economic dynamism.
- Historical track record of positive finances that is likely to continue, with a surplus expected for fiscal 2026 based on estimated year-end projections and expectations management will maintain reserves near current levels.
- Comprehensive management practices, with an emphasis on long-term operational and capital planning highlighted by conservative and realistic budgeting, coupled with a five-year capital plan and a five-year financial forecast, and adherence to state-mandated investment guidelines.
- Elevated debt profile and moderate annual costs associated with its \$167 million net direct debt burden with per-capita metrics that are higher than those of its peers. Although there is about \$20 million in new money expected to be issued next year, we do not expect a material shift in the debt profile. Although its per-capita debt metrics are higher than those of its national peers, the town's direct debt includes debt that was issued for schools and supported by sewer fees, which we've accounted for in our debt assessment.
- 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 have assessed environmental, social, and governance factors and have determined that all are neutral in our credit rating analysis. We note the town maintains cyber security protections and plans.

Rating above the sovereign

Under our criteria, "[Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions](#)," Nov. 19, 2013, we rate Cheshire higher than the sovereign because we believe the town can maintain better credit characteristics than the nation in a stress scenario, based on its predominantly locally derived revenue base and our view that pledged revenue supporting bond debt service is at limited risk of negative sovereign intervention.

Outlook

We expect Cheshire will maintain stable financial results and reserves around current levels, supported by its proactive management framework.

Downside scenario

We could lower the rating if financial results were to weaken, resulting in a decrease in the town's available reserves without a plan for replenishment or if debt substantially rises beyond expectations.

Table 1

Cheshire, Connecticut--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.01
Economy	1
Financial performance	2
Reserves and liquidity	2
Management	1.3
Debt and liabilities	3.75

Table 2

Cheshire, Connecticut--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	--	--	--	91
County PCPI % of U.S.	--	--	--	97
Market value (\$000s)	--	5,760,117	5,711,643	4,331,797
Market value per capita (\$)	--	199,409	197,730	152,153
Top 10 taxpayers % of taxable value	--	7.4	5.9	7.5
County unemployment rate (%)	--	3.6	3.2	3.2
Local median household EBI % of U.S.	--	--	163	157
Local per capita EBI % of U.S.	--	--	148	139
Local population	--	--	28,886	28,470

Cheshire, Connecticut--key credit metrics

	Most recent	2025	2024	2023
Financial performance				
Operating fund revenues (\$000s)	--	152,413	147,880	138,647
Operating fund expenditures (\$000s)	--	152,560	145,741	136,558
Net transfers and other adjustments (\$000s)	--	-323	-381	-365
Operating result (\$000s)	--	-470	1,758	1,724
Operating result % of revenues	--	-0.3	1.2	1.2
Operating result three-year average %	--	0.7	1	0.6
Reserves and liquidity				
Available reserves % of operating revenues	--	13.4	14.1	13.8
Available reserves (\$000s)	--	20,413	20,892	19,133
Debt and liabilities				
Debt service cost % of revenues	--	6	5.8	6.3
Net direct debt per capita (\$)	5,806	5,113	4,027	3,627
Net direct debt (\$000s)	167,703	147,705	116,330	103,256
Direct debt 10-year amortization (%)	57	65	69	--
Pension and OPEB cost % of revenues	--	4	4	4
NPLs per capita (\$)	--	1,924	2,031	2,189
Combined NPLs (\$000s)	--	55,564	58,665	62,327

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\$20.0 mil GO bnds, issue of 2026 due 07/15/2046

Long Term Rating AAA/Stable

Ratings Affirmed

Local Government

Cheshire, CT Unlimited Tax General Obligation AAA/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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