

Research Update:

Colchester Town, CT Series 2026 Bond Anticipation Notes Rated 'SP-1+'

July 7, 2026

Overview

- S&P Global Ratings assigned its 'SP-1+' short-term rating to **Colchester Town**, Connecticut' \$19.56 million series 2026 bond anticipation notes (BANs).
- At the same time, S&P Global Ratings affirmed its 'AA+' rating on the township's existing general obligation (GO) bonds.
- The outlook, where applicable, is stable.

Rationale

Security

Colchester's full-faith-and-credit pledge secures the bonds and debt outstanding.

Note proceeds will finance capital projects in the town and schools.

Credit highlights

The 'AA+' rating reflects Colchester's consistent financial profile, affordable debt burden and a residential-based economy. The town's nominal fund balance levels and economic metrics such as gross county product per capita and county per capital personal income metrics lag those of higher-rated peers, constraining upward rating movement.

Sustained property tax growth has supported positive operating performance, and we expect Colchester will continue producing balanced-to-positive operations, resulting in healthy reserve levels over the near term, even with planned drawdowns on fund balance. The town closed fiscal 2025 with another positive operating result, increasing fund balance by approximately \$1.7 million, propelled primarily by growth in the property tax revenues. Management expects balanced-to-positive operations in 2026, with fund balance remaining at least stable if not higher than fiscal 2025 levels. The proposed fiscal 2027 budget totals \$49.369 million and includes a 3.5% increase in the mill rate relative to 2026. Management notes the town could draw down on

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fund balance in upcoming years, as reserves are currently at the higher end of their fund balance policy; we have incorporated that assumption into our analysis.

The rating further reflects our view of the following:

- The tax base is stable and predominantly residential, with income levels that are higher than national and county levels. Colchester is a semirural and primarily residential community in eastern Connecticut, about 20 miles northwest of New London County and 25 miles southeast of Hartford. Connecticut Route 2 traverses the town, connecting residents with regional employment opportunities and supports moderate assessed value (grand list) growth outside of revaluation years. Management notes a revaluation will occur in October 2026. The town indicates that several new residential and commercial developments could provide growth to its net taxable grand list in the near term due to approximately 200-300 multifamily housing units that have either been completed, approved, or are currently being constructed.
- History of positive finances, with fiscal 2026 results expected to look like previous years based on estimated year-end projects. The town's balanced operations are also supported by stable operating revenue from property taxes (66%) and intergovernmental sources (29%).
- Cautious budgeting practices include the use of three-to-five years of historical data to build revenue and expenditure assumptions, monthly budget-to-actual reports, a five-year capital improvement plan that identifies project costs and funding sources, a reserve policy that requires the city to maintain a target fund balance of 10%-15% of annual general fund expenditures. The town does not maintain a formal debt management policy nor a long-term financial forecast. The issuer's cyber-risk-mitigation measures align with our view of its overall risk management policies and practices.
- Debt and liabilities are currently affordable, with no additional debt plans. The town participates in the Connecticut Police Department Retirement plan and has a total net pension liability (NPL) of approximately \$1 million. The town's total other postemployment benefits (OPEB) liability is \$3.9 million, which is modestly sizable, but not unusual compared with that of state peers. Following this issuance, the town will have \$47.2 million of debt outstanding.
- For more information on our institutional framework assessment for Connecticut municipalities, see "[Institutional Framework Assessment: Connecticut Local Governments](#)," Sept. 9, 2024
- Although physical risks are relevant for the local government sector, we consider the town's exposure to natural hazards, including flooding and extreme weather, low compared with that of national peers and therefore not a material factor in our credit analysis.

Outlook

The stable outlook reflects our view of Colchester's solid financial profile and above-average economy that we think provide the flexibility to absorb unexpected financial pressures or the effects of an economic slowdown.

Downside scenario

We could lower the rating if budgetary performance weakens, leading to persistent draws on available reserves, or if the town issues significant additional debt that increases debt service costs.

Upside scenario

All else being equal, we could raise the rating if Colchester's reserve levels and economic metrics increase, coupled with the town's adoption of more robust management practices and policies.

Colchester Town, Connecticut--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	1.75
Economy	1.0
Financial performance	2
Reserves and liquidity	2
Management	2.00
Debt and liabilities	1.75

Colchester Town, Connecticut--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	--	--	110	111
County PCPI % of U.S.	--	--	102	100
Market value (\$000s)	--	2,319,174	2,290,131	2,206,220
Market value per capita (\$)	--	150,060	148,181	142,117
Top 10 taxpayers % of taxable value	--	8.2	7.8	6.1
County unemployment rate (%)	--	3.9	3.2	3.2
Local median household EBI % of U.S.	--	--	136	140
Local per capita EBI % of U.S.	--	--	125	127
Local population	--	--	15,455	15,524
Financial performance				
Operating fund revenues (\$000s)	--	72,175	68,358	65,878
Operating fund expenditures (\$000s)	--	69,526	65,365	63,190
Net transfers and other adjustments (\$000s)	--	(940)	(2,204)	(1,339)
Operating result (\$000s)	--	1,709	789	1,349
Operating result % of revenues	--	2.4	1.2	2.0
Operating result three-year average %	--	1.9	1.1	1.0
Reserves and liquidity				
Available reserves % of operating revenues	--	18.8	16.4	15.5
Available reserves (\$000s)	--	13,554	11,190	10,192
Debt and liabilities				
Debt service cost % of revenues	--	3.2	3.4	3.0
Net direct debt per capita (\$)	3,055	1,883	1,351	1,447
Net direct debt (\$000s)	47,212	29,096	20,884	22,457
Direct debt 10-year amortization (%)	44	47	43	43
Pension and OPEB cost % of revenues	--	1.0	1.0	--
NPLs per capita (\$)	--	66	77	87
Combined NPLs (\$000s)	--	1,025	1,185	1,346

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