S&P Global Ratings

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Research Update:

Town Of Wolcott, CT Series 2026 GO BANs Assigned 'SP-1+' Rating

July 17, 2026

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Overview

- S&P Global Ratings assigned its 'SP-1+' short-term rating to **Town of Wolcott**, Connecticut's approximately $6 million series 2026 general obligation (GO) bond anticipation notes (BANs).
- At the same time, we affirmed our 'AA+' long-term rating on the town's outstanding GO bonds.
- The outlook, where applicable, is stable.

Rationale

Security

The town's full-faith-and-credit pledge, including its unlimited taxing authority, secures the BANs and the GO bonds. Series 2026 BAN proceeds will finance various general purpose and school projects.

The short-term rating reflects Wolcott's high-investment-grade long-term rating and low market-risk profile. Pursuant to our BAN criteria, we have assessed the town's market risk as low due to the town's strong market access, information availability, and takeout authorization.

Credit highlights

Wolcott's credit profile is supported by its robust local economy, historically positive operating results, and well-embedded financial management planning and policies. The town's wealth and income indicators coupled with its legal and practical flexibility to raise relatively stable and predictable property tax revenues support the 'AA+' rating. Although the town's reserves are slightly below-average for this rating cohort, we believe this is mitigated by Wolcott's affluent tax base, highly predictable operating revenues, and robust financial management profile. The town's debt-and-liabilities profile remains affordable through comprehensive planning, and its lack of immediate issuance plans provides additional stability during the outlook period.

Wolcott's audited fiscal 2025 operating fund reflects a slight use of reserves of less than 1% despite a 1.2 millage tax increase; this follows a multi-year trend of positive net operations. The 2025 budget trended favorably in comparison with budget assumptions, primarily in investment returns, building permit fees, and tax collections, which partially mitigated the $2 million fund balance appropriation to balance the budget. The town has budgeted fund balance appropriation in prior years and generated positive net operating results; however, expenses ultimately increased at a rate higher than revenues in the most recent year. The fiscal 2026 budget incorporated a smaller fund balance appropriation of $1.3 million and a millage rate increase of 2.9 mills to balance the budget; based on year-to-date operating fund performance, we anticipate a $500,000 general fund surplus. The fiscal 2027 budget was adopted without use of fund balance, reflecting improvement in operating fund budget flexibility in large part due to the town's tax base revaluation, which provided flexibility to reduce the millage rate to 28.9 mills. The town reassesses its tax base every five years and we will monitor how the operating fund's primary revenue source and other budget assumptions are managed to assess any deterioration in the town's financial position.

The rating reflects our opinion of Wolcott's:

- Stable and primarily residential local economy about 30 miles north of New Haven with ongoing commercial and residential expansion. Economic output trails the national average, whereas incomes align with the national level. The town's local incomes are stronger than the county's and are a credit strength that we incorporate in the rating.
- Balanced operations that we expect to continue in fiscal 2026 and beyond, backed by steady property tax revenue (68% of operating revenue) and reserves maintained in accordance with policy.
- Conservative budgeting practices, which include the use of three to five years of historical results to construct revenue and expenditure assumptions, monthly budget-to-actual reports provided to the town council, an annually updated five-year capital improvement plan that identifies project costs and funding sources, and a three-year financial forecast of revenue and expenditures. In addition, the town has a formal general fund balance policy that targets unassigned fund balance of 12%-17% of the general fund budget, a debt management policy requiring maximum debt service cost of 10% of general fund expenditures, and an investment policy, with monthly holdings reported to the town council. The town also adheres to various cyber-security protections and plans.
- Manageable fixed costs coupled with moderately high debt per capita. We expect the management profile to remain relatively stable as there are no identified debt plans.
- Manageable retirement liabilities and adequate-to-strong pension funding ratios, and therefore in our view pension and other postemployment benefit (OPEB) liabilities are not an immediate credit pressure. As of its fiscal 2025 audit, the town contributes to two defined-benefit pension plans with funded ratios of 69% and 121%, respectively. We weakened our assessment of the town's liabilities profile to account for the total OPEB liability of $27.4 million, which we view as inflexible.
- Low exposure to natural hazards, including flooding and extreme weather, compared with national peers, and therefore not a material weakness our credit analysis.
- For more information on our institutional framework assessment for Connecticut municipalities, see "Institutional Framework Assessment: Connecticut Local Governments," Sept. 9, 2024.

Outlook

The stable outlook reflects our expectation that Wolcott will sustain its balanced operations, stable reserves, and affordable debt profile.

Downside scenario

We could lower the rating if Wolcott's reserves decrease, either due to budgetary imbalance or a one-time drawdown, or fall further below rated peers.

Upside scenario

We could upgrade the rating if the town's available reserves increase through consistently positive net performance or if it adopts and sustains a more sophisticated and forward-looking approach to financial and capital planning.

Town of Wolcott, Connecticut--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	1.84
Economy	1.5
Financial performance	2
Reserves and liquidity	1
Management	1.70
Debt and liabilities	3.00

Town of Wolcott, Connecticut--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	--	--	89	90
County PCPI % of U.S.	--	--	99	97
Market value ($000s)	--	2,089,490	2,099,233	2,082,144
Market value per capita ($)	--	129,661	130,266	129,648
Top 10 taxpayers % of taxable value	--	4.1	3.8	3.6
County unemployment rate (%)	--	4.1	3.3	3.2
Local median household EBI % of U.S.	--	--	138	127
Local per capita EBI % of U.S.	--	--	124	115
Local population	--	--	16,115	16,060
Financial performance				
Operating fund revenues ($000s)	--	71,466	70,378	67,239
Operating fund expenditures ($000s)	--	72,705	70,152	66,245
Net transfers and other adjustments ($000s)	--	612	556	371
Operating result ($000s)	--	(627)	782	1,365
Operating result % of revenues	--	(0.9)	1.1	2.0
Operating result three-year average %	--	0.8	1.4	1.3
Reserves and liquidity				
Available reserves % of operating revenues	--	15.2	16.4	16.0
Available reserves ($000s)	--	10,882	11,508	10,726
Debt and liabilities				
Debt service cost % of revenues	--	5.4	4.9	5.5
Net direct debt per capita ($)	2,759	2,571	2,037	2,217

Town of Wolcott, Connecticut--key credit metrics

	Most recent	2025	2024	2023
Net direct debt ($000s)	44,464	41,429	32,834	35,599
Direct debt 10-year amortization (%)	59	62	68	65
Pension and OPEB cost % of revenues	--	3.0	3.0	3.0
NPLs per capita ($)	--	731	608	750
Combined NPLs ($000s)	--	11,788	9,804	12,048

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$6.000 mil GO BANs ser 2026 dtd 8/18/2026 due 8/17/2027	
Short Term Rating	SP-1+
New Rating	
Local Government	
Wolcott (Twn), CT Unlimited Tax General Obligation BAN	SP-1+
Ratings Affirmed	
Local Government	
Wolcott (Twn), CT Unlimited Tax General Obligation	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.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.