S&P Global Ratings

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Research Update:

Norwich, CT Series 2026 GO Bonds Assigned 'AA' Rating; Series 2026 GO Bond Anticipation Notes Rated 'SP-1+'

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Overview

- S&P Global Ratings assigned its 'AA' long-term rating to Norwich, Connecticut's anticipated $23 million series 2026 general obligation (GO) bonds.
- S&P Global Ratings also assigned its 'SP-1+' short-term rating to the city's $25 million series 2026 GO bond anticipation notes (BANs).
- At the same time, S&P Global Ratings affirmed its 'AA' rating on the city's outstanding GO debt.
- The outlook is stable.

Rationale

Security

The city's full faith and credit pledge to levy ad valorem taxes on taxable property, without limit on the rate or amount, secures the series 2026 bonds and notes.

Bond proceeds will finance infrastructure improvements and expenses for school construction projects, and note proceeds will provide additional financing for school construction projects.

Credit highlights

The 'AA' rating reflects our view of the city's generally positive financial performance, which is supported by well-embedded management practices and policies and a primarily residential tax base that provides a stable revenue source. Norwich's reserve position as a percentage of operating expenditures lags those of similarly rated peers, and elevated fixed costs, along with relatively low income metrics, constrain upward rating movement.

Following a deficit in fiscal 2024, Norwich's audited operating results for fiscal 2025 returned to positive, boosting unassigned general fund balance to total an expected $22.3 million, or 13.5% of general fund revenues. Revenue collections have been strong across key categories--including property taxes, building permits, and interest income--while expenditures were lower than anticipated due primarily to vacancies, especially at the police department. The city has also provided estimated fiscal 2026 results that indicate a surplus of just over $800,000 for the year, driven primarily by savings from vacant positions. Additionally, in accordance with the city charter, Norwich must appropriate no less than 2% of the prior year's general fund budget for capital improvement, and this continues in fiscal 2027. The city's adopted general fund budget is about 2.7% higher than the prior year, and was adopted as a level service budget without fund balance appropriation. Given the city's stable revenue sources and approach to budget management, we expect the city to continue to produce surplus operating results, and increase available fund balance to the high end of the range prescribed by the policy.

Following this issuance, the city will have $305 million of debt outstanding. We expect the city to issue additional debt in the coming years, as voters approved $385 million in major school construction projects, including demolition of existing buildings and consolidating the city's seven existing elementary schools into four newly constructed ones. The city expects the projects will take up to 10 years to complete and estimates that the city's share of the project will total $110 million due to state aid receipts; the city expects to issue about $25 million in additional new money to fund the school construction project. Furthermore, the city plans to bring another referendum to voters for a new police headquarters in November 2026, which could cost approximately $55 million. While these projects will result in per capita liabilities that outpace many peers, we expect costs to be manageable and do not expect our view of the city's liabilities to change in the outlook period.

The rating reflects our view of:

- Norwich's tax base is stable and predominantly residential, with income levels that trail national and county levels. Norwich is a historic city in New London County, Connecticut. It is located at the confluence of the Shetucket, Yantic, and Quinebaug rivers, approximately 50 miles southwest of Providence, Rhode Island, and 65 miles southeast of Springfield, Massachusetts. Management notes broad economic growth and development within the city; developments include residential units in the downtown area and waterfront as well as development of a new industrial park. The industrial park is set to receive an Amazon distribution center that will provide about 500 jobs and an estimated $3 million in additional property tax revenue.
- The city's record of generally balanced operations is backed by a reliance on property tax revenue, stable reserves consistent with its policy, and a balanced fiscal 2027 budget; property taxes are the largest source of general fund revenues (57%) followed by intergovernmental sources (37%). We expect the city to benefit from steady growth in property tax revenues, including from development at the industrial park.
- Conservative budgeting practices include the use of three-to-five years of historical data to build revenue and expenditure assumptions and budget performance tracked with a monthly budget-to-actual report. The city maintains a five-year capital improvement plan that identifies project costs and funding sources and has a long-term financial plan included in the budget. The city adheres to a reserve policy that requires the city to maintain a target fund balance of 12%-17% of annual general fund expenditures, and a debt policy that limits net debt to 15% of assessed value (an increase from 5%). We believe the city's cyber risk mitigation measures are consistent with our assessment of its overall risk management framework.
- Debt and liabilities are currently affordable, despite increases to the city's debt in recent years following the issuance of pension obligation bonds in 2022 that was offset by a corresponding decrease to the city's unfunded retirement liability as well as more recent issuances primarily for school projects. The total net pension liability for the city is approximately $30 million, of which $26.7 million is from City of Norwich Retirement System and $3.39 million is from

Norwich Volunteer Firefighters' Relief Plan. The city's total other postemployment benefits liability is $33 million and compares well with those of peers on a per capita basis.

- Although physical risks are relevant for the local government sector, we consider Norwich's exposure to natural hazards, including flooding and extreme weather, low compared with that of national peers and in a nominal sense; therefore, it is not a material factor in our credit analysis. The city does have risk of inland flooding in portions of the city along the Yantic, Shetucket, and Thames rivers. To mitigate this risk, management has adopted a hazard and climate mitigation plan and a conservation and development plan, frequently consults with third-party experts, and has adopted policies to prioritize water-related development along the water and limit housing in flood plain areas.
- The operating framework is stable and predictable. 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 the city will maintain stable operations and reserves over the next two years.

Downside scenario

We could lower the rating if Norwich's reserves materially decline due to budgetary imbalance or if the debt profile materially weakens.

Upside scenario

We could raise the rating if Norwich's economic metrics improve substantially, and if reserves increase through consistently strong budgetary performance.

Norwich, Connecticut--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.55
Economy	3.5
Financial performance	2
Reserves and liquidity	2
Management	2.00
Debt and liabilities	3.25

Norwich, Connecticut--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	--	--	100	101
County PCPI % of U.S.	--	--	88	87
Market value ($000s)	--	4,159,501	3,102,348	3,040,044
Market value per capita ($)	--	103,643	77,654	76,350
Top 10 taxpayers % of taxable value	--	5.1	6.7	6.5

Norwich, Connecticut--key credit metrics

	Most recent	2025	2024	2023
County unemployment rate (%)	--	3.9	3.2	3.2
Local median household EBI % of U.S.	--	82	85	86
Local per capita EBI % of U.S.	--	84	86	90
Local population	--	40,133	39,951	39,817
Financial performance				
Operating fund revenues ($000s)	--	160,631	152,962	147,283
Operating fund expenditures ($000s)	--	153,343	149,212	140,119
Net transfers and other adjustments ($000s)	--	(5,139)	(4,510)	(3,588)
Operating result ($000s)	--	2,149	(760)	3,576
Operating result % of revenues	--	1.3	(0.5)	2.4
Operating result three-year average %	--	1.1	0.7	1.5
Reserves and liquidity				
Available reserves % of operating revenues	--	13.9	13.2	14.2
Available reserves ($000s)	--	22,357	20,208	20,968
Debt and liabilities				
Debt service cost % of revenues	--	6.7	6.8	6.3
Net direct debt per capita ($)	7,609	6,253	5,505	5,401
Net direct debt ($000s)	305,364	250,960	219,944	215,044
Direct debt 10-year amortization (%)	46	52	51	48
Pension and OPEB cost % of revenues	--	5.0	4.0	4.0
NPLs per capita ($)	--	134	754	1,232
Combined NPLs ($000s)	--	5,371	30,112	49,046

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$23,000,000 City of Norwich, Connecticut, General Obligation Bonds, Issue of 2026, dated: Date of Delivery, due: August 1, 2056	
Long Term Rating	AA/Stable
US$25,000,000 City of Norwich, Connecticut, General Obligation Bond Anticipation Notes, Series 2026, dated: September 30, 2026, due: September 29, 2027	
Short Term Rating	SP-1+
New Rating	
Local Government	
Norwich, CT Unlimited Tax General Obligation BAN	SP-1+
Ratings Affirmed	
Local Government	
Norwich, 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.