Research Update:

Windham, CT GO Bond Anticipation Notes For 2026 Assigned 'SP-1+' Rating

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Overview

- S&P Global Ratings assigned its 'SP-1+' short-term rating to the Town of Windham, Connecticut's $17.265 million general obligation (GO) bond anticipation notes (BANs) for 2026, maturing Sept. 24, 2027.
- At the same time, S&P Global Ratings affirmed its 'AA' long-term rating and underlying rating (SPUR) on the town's GO debt outstanding and affirmed its 'SP-1+' short-term rating on Windham's existing GO BANs.
- The outlook on the long-term rating and SPUR is stable.

Rationale

Security

Windham's full faith and credit pledge secures the bonds and notes. The short-term rating on the notes reflects our criteria for evaluating and rating BANs. In our view, Windham maintains a very strong capacity to pay principal and interest when the notes come due. We view the town's market risk profile as low because Windham has strong legal authority to issue long-term debt to take out the notes and is a frequent debt issuer that regularly provides ongoing disclosure to market participants.

Proceeds from the BANs will finance various capital projects and provide working capital for a high school project with state funding.

Credit highlights

The rating reflects Windham's stable, albeit limited, economy; steady financial performance exhibited over several years; and maintenance of reserves at strong levels along with manageable debt burden.

Windham has maintained balanced operations over several years, supported by its strong budget development and monitoring framework. The town reported a general fund surplus for fiscal 2025, with available reserves growing to $15.4 million, or 17.4% of general fund budgeted expenditures. The town's grand-list grew by 35% in 2025 following a tax base revaluation, leading to above-average tax increases; however, property tax collections remained strong and consistent.

In fiscal 2026, the town's available reserves decreased to $12.8 million, or about 15.3% of operating revenues, following a $2.5 million use of reserves. After a large tax levy increase in fiscal 2025, the town elected not to increase the levy in fiscal 2026, opting instead to budget $1.0 million in reserves to provide property tax relief. During the year, certain revenues fell short due to changes in motor vehicle depreciation rules and a shortfall in state municipal sales tax distributions. Moreover, public safety expenses exceeded the budget by $700,000, driven by a new police collective bargaining agreement, full police staffing, and fire department retiree payouts.

Operations are expected to be balanced in fiscal 2027. Expenditure growth will be offset by a supplemental Pequot Mohegan grant and a modest tax rate increase. Looking ahead, potential adjustments to the Education Cost Sharing formula and payment in lieu of taxes rules could provide additional revenue to Windham. Additionally, a supplemental state education grant is expected to bridge funding gaps for the school system over the next two years, with the school system likely using a portion of these funds to mitigate the need for tax increases. Consequently, the town maintains the capacity for modest tax increases in fiscal 2028.

Following the 2026 issuance series, the town has approximately $83.9 million in direct debt outstanding. The cost of debt and liabilities, including pension and other postemployment benefits costs, is low and manageable. Recent and upcoming issuance includes $11.2 million to finance a state construction grant receivable for the Windham High School renovation, $4.6 million in working capital for water projects, and various issuances for town roads, school facilities, and municipal equipment. The debt associated with the water projects is payable from the enterprise funds and paid by ratepayers. The notes supporting the high school project are expected to be paid off over the next few years, and water notes will finance water projects until the town receives state grant funding. With most of the town's planned capital projects completed, we do not anticipate material changes to Windham's debt profile.

The rating also reflects our view of the following:

- The suburban residential community within the Norwich-New London-Willimantic metropolitan statistical area is experiencing modest housing growth and economic stability, supported by a steady institutional presence from the higher education and healthcare sectors. Although local household incomes are below the regional and national averages, economic metrics remain stable.
- Financial performance has been steady over several fiscal years, supported by stable and predictable revenues and expenditures. Management has also implemented sufficient budget modifications to address negative operating variances in fiscal 2026, with a balanced budget expected in fiscal 2027 without further reductions to reserves expected.
- The town adheres to financial management policies and practices, with realistic budgeting supported by long-term planning and well-defined policies in several key areas. These policies incorporate conservative revenue and expenditure assumptions, allowing management to factor in recent performance when making budget estimates. The town maintains a five-year capital improvement plan that is reviewed and updated annually, along with a three-year budget projection to inform financial stakeholders. Windham adheres to a policy that requires reserves to be maintained at a minimum of 17% of the annual budget, with any draw below this threshold necessitating approval from the board of finance and requiring a plan of

replenishment. In addition, the town has adopted an investment policy that aligns with state requirements and guidelines and has implemented measures to mitigate cybersecurity risks.

- The town's exposure to climate-related physical risks, which are consistent with other municipalities in eastern Connecticut and considered neutral to the town's credit profile, is manageable.
- The debt profile is manageable, characterized by low overall costs of debt and liabilities and moderate debt per capita metrics, with no significant upcoming capital projects expected to materially affect the town's long-term debt burden.
- The operating framework is stable and predictable with significant statutory flexibility to raise local-source revenue for operations. 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 view that Windham will maintain steady budgetary performance and reserves supported by its financial management practices. The outlook also reflects a low cost of debt and liabilities and limited future debt plans.

Downside scenario

We could lower the rating if the town were to experience a material decline in reserves and continued weakness in finances.

Upside scenario

Although unlikely, we could raise the rating if Windham sees substantial economic growth while maintaining strong budgetary performance, reserves, and manageable debt.

Windham, Connecticut--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.35
Economy	3.5
Financial performance	2
Reserves and liquidity	2
Management	2.00
Debt and liabilities	2.25

Windham, 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 ($000s)	2,030,560	1,992,636	1,482,186	1,446,147
Market value per capita ($)	85,099	83,510	60,908	59,805

Windham, Connecticut--key credit metrics

	Most recent	2025	2024	2023
Top 10 taxpayers % of taxable value	--	10.0	12.2	11.5
County unemployment rate (%)	--	3.9	3.2	3.2
Local median household EBI % of U.S.	--	74	--	--
Local per capita EBI % of U.S.	--	64	--	--
Local population	--	23,861	24,335	24,181
Financial performance				
Operating fund revenues ($000s)	--	95,562	92,270	88,528
Operating fund expenditures ($000s)	--	94,101	89,992	86,069
Net transfers and other adjustments ($000s)	--	(1,221)	(2,170)	(2,501)
Operating result ($000s)	--	240	108	(42)
Operating result % of revenues	--	0.3	0.1	--
Operating result three-year average %	--	0.1	1.3	2.7
Reserves and liquidity				
Available reserves % of operating revenues	--	15.9	16.2	16.8
Available reserves ($000s)	--	15,162	14,941	14,841
Debt and liabilities				
Debt service cost % of revenues	--	3.5	2.7	2.5
Net direct debt per capita ($)	3,520	3,464	3,263	3,199
Net direct debt ($000s)	83,997	82,660	79,410	77,355
Direct debt 10-year amortization (%)	43	42	40	--
Pension and OPEB cost % of revenues	--	4.0	3.0	3.0
NPLs per capita ($)	--	539	746	658
Combined NPLs ($000s)	--	12,858	18,145	15,921

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$17,265,000 Windham Town, Connecticut, General Obligation Bond Anticipation Notes, dated: September 25, 2026, due: September 24, 2027	
Short Term Rating	SP-1+
Ratings Affirmed	
Local Government	
Windham CT Unlimited Tax General Obligations 19-AUG-2020	SP-1+
Windham, 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.