



TOWN OF CHESHIRE
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TO: Town Council
FROM: Sean M. Kimball, Town Manager
SUBJECT: Town Manager's Report – April 2025
DATE: April 8, 2025

Cheshire's AAA Bond Rating Reaffirmed by S&P and Fitch

I am very pleased to report that the Town received a reaffirmation of our AAA bond rating (the highest rating available) on our recent issuance of \$40 million in Municipal Bonds and \$20 million in Bond Anticipation Notes, largely for the financing of our Next Generation Two New Elementary Schools project. The ratings follow interviews/presentations conducted with both rating agencies on March 20th during which Jim Jaskot, Andrew Martelli and I presented on the Town's fiscal health and our borrowing/capital plans for the future. Receiving a AAA bond rating ensures that the Town is able to finance the construction of major capital projects at the lowest possible borrowing cost. For more information on both ratings, please see the attached final reports from both rating agencies.

2025 Household Hazardous Waste Collection

Cheshire residents will be able to dispose of their Hazardous Waste items at no charge through the Regional Water Authority located at 90 Sargent Drive in New Haven, CT 06511 starting on May 17, 2025 through October 25, 2025, Saturdays only, 9am – 12pm.

Proof of residence and online pre-registration are required. Please use the following links for more information:

- <https://www.rwater.com/hazwaste/>
- <https://www.rwater.com/media/ip0pr1de/acceptable-list-2023-03-a.pdf>

Park & Recreation Happenings

With CPS Spring Break next week, there are some great events being offered by the Cheshire Parks & Recreation that are sure to fill up!

- April 12th - Cheshire Lions Easter Egg Hunt
- April 15th - Steve Horvath Fishing Derby at Mixville Park
- April 16th - Mixville Muck Run
- April 17th - Touch a Truck – Bartlem Park
- April 17th – Gentle Easter Egg Hunt – Bartlem Park

For more information please visit www.cheshirect.myrec.com or the Park and Rec Facebook page.

The Fourth Annual Cheshire Repair Café:

In partnership with the Coalition for a Sustainable Cheshire, the Cheshire Public Library will be hosting the 4th annual Cheshire Repair Cafe on Saturday, April 26th from 10am -1pm. In an effort to reduce what goes to the landfill, volunteers will provide free repairs of household items. Fixers are available for sewing repairs, knitting and crochet repairs, jewelry cleaning, bicycle tune-ups, small-appliance repairs, tools sharpening, furniture repairs, and addressing computer problems. Attendees are responsible for providing any necessary parts and for transporting their items to and from the library.

Elderly and 100% Disabled Tax Credit Application Period

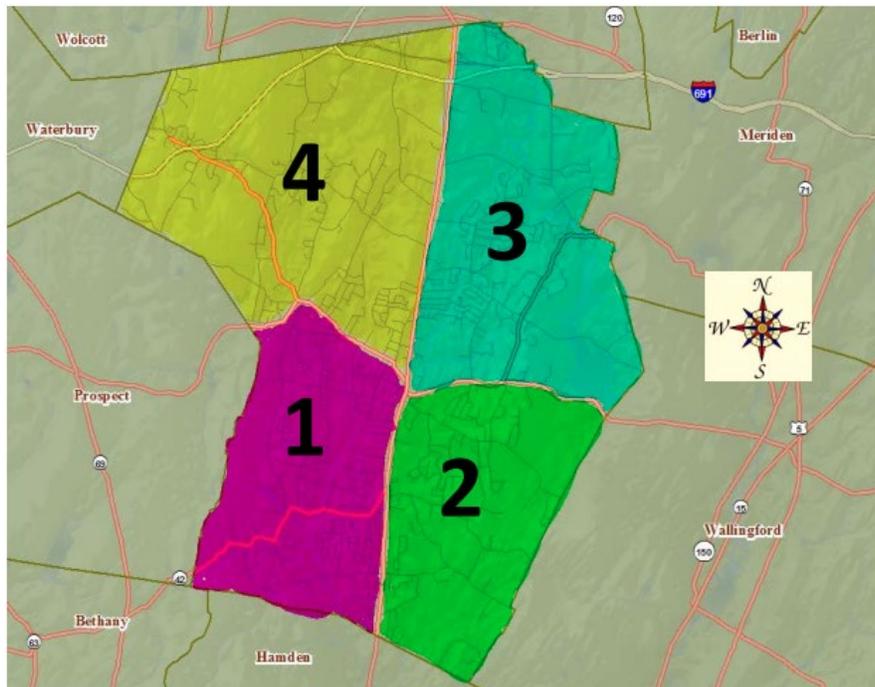
The filing period for the Elderly (65+) / 100% Disabled Tax relief for homeowners runs from **February 1st to May 15th**. Income thresholds and credit amounts are available on the Town website at <https://www.cheshirect.org/185/Tax-Relief-Programs>. For more information, please visit the website or contact the Assessor's Office at 203-271-6620.

2025 Street Sweeping Schedule

The Town of Cheshire Public Works Department began sweeping Town roads on Monday April 7th. Sweeping operations will begin in the southwest corner of Town and will progress throughout the Town.

Residents can assist the Public Works Department by sweeping sediment from sidewalks into gutters and moving parked cars, which will interfere with our sweeping operations. Sweepers cannot pick up brush, branches or yard waste; please refrain from discarding them into the street.

Sweeping operations are expected to be completed by mid-June, weather permitting. Please feel free to consult the Town website or contact the Public Works Department at 203-271-6650 for additional information.



Renter's Rebate Program

State law provides a reimbursement program for Connecticut renters who are elderly or totally disabled, and whose incomes do not exceed certain limits. Residents renting an apartment or room or living in cooperative housing, or a mobile home may be eligible for this program. Renters' rebates can be up to \$900 for married couples and up to \$700 for single individuals. The renters' rebate amount is based on a graduated income scale and the amount of rent and utility payments made in the calendar year prior to the year in which the renter applies, in this case 2024. Applications are accepted between April 1st and September 30, 2025, for eligible residents.

Specific documentation will be necessary to provide at time of application. Applications will be accepted for Cheshire residents by appointment only. Please call Kristen Cherry in the Human Services office at 203-271-6690 for more information.

East Johnson Avenue and Industrial Drive Reconstruction Project Updates:

INDUSTRIAL DRIVE:

Industrial Drive will be under road reconstruction for approximately three (3) months, commencing on or about April 8, 2025. Construction will be between Highland Avenue (CT Route 10) and Sandbank Road. Regular work hours shall be Monday through Friday between 7:30am and 4:00pm.

EAST JOHNSON AVENUE:

East Johnson Avenue will be under road reconstruction for approximately five (5) months, commencing on or about April 28, 2025. Construction will be between Highland Avenue (CT Route 10) and McCausland Court. Regular work hours shall be Monday through Friday between 7:30am and 4:00pm.

For both projects, the contractor shall endeavor to conduct work to ensure the least practicable interference with traffic and shall maintain at least an alternating one-way traffic operation, and access to the properties will be maintained.

Police Perspectives Event at Senior Center

On Thursday, April 10th at 2pm, the Cheshire Police Department will be holding a Traffic Safety discussion at the Senior Center. Topics will include enforcement, what to do if you are in an accident, what to do if you are pulled over, and many more. Registration is required. There will also be a "Drop Your Drugs" table available for safe disposal.

Upcoming Town Council Meetings:

Town Council Regular Meeting and Public Hearings

Thursday, May 13, 2025, at 7:00 p.m., Town Council Chambers

Upcoming Budget Workshop Schedule

- **Thursday, April 10, 6:00 p.m., Council Chambers, Town Hall**
Town Hall Meeting on the Budget & Public Comment Session
- **Thursday, April 10, 7:30 p.m., Artsplace, 493 W Main St.**
Budget presentations: Recreation, Community Pool & Artsplace
- **Tuesday, April 22, 6:30 p.m., Council Chambers**
Public Information Session and Budget Deliberations
- **Thursday, April 24, 6:30 p.m., Council Chambers**
Budget Adoption

RatingsDirect®

Summary:

Cheshire, Connecticut; General Obligation; Note

Primary Credit Analyst:

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Credit Highlights

Outlook

Summary:

Cheshire, Connecticut; General Obligation; Note

Credit Profile

US\$40.0 mil GO bnds ser 2025 due 07/15/2045

Long Term Rating AAA/Stable New

US\$20.0 mil GO BANs dtd 04/08/2025 due 04/07/2026

Short Term Rating SP-1+ New

Cheshire GO bnds

Long Term Rating AAA/Stable Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AAA' rating to the Town of Cheshire, Conn.'s \$40 million series 2025 general obligation (GO) bonds and its 'SP-1+' short-term rating to the town's \$20 million bond anticipation notes (BANs).
- At the same time, S&P Global Ratings affirmed its 'AAA' rating on the town's existing GO debt.
- The outlook is stable.
- The rating reflects the application of our methodology for rating U.S. governments, published Sept. 9, 2024.

Security

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

Officials intend to use the series 2025 bond and note proceeds to finance various road, building, sewer, and equipment needs, including the construction of two new elementary schools.

Credit overview

Cheshire's general creditworthiness is characterized by the town's local economic profile boasting above-average income and wealth metrics compared with those of the county and the nation. The town has a solid track record over the previous 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 financial outlook will be generally positive, driven by strategic investments and sound fiscal management. The town's new and ongoing developments, particularly mixed-used and multifamily residential, should lead to tax base growth that translates into revenue growth that will continue to support financial operations. Cheshire underwent a revaluation in fiscal 2025 reflecting 2023 grand list values that decreased the mill rate to 27.46 from

Summary: Cheshire, Connecticut; General Obligation; Note

35.09, although we expect the rate will increase to offset rising debt service in relation to this issuance. The mill rate is higher than many other local governments in the state, but we believe the town's incomes can support the increase. 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 development comes online and continued use of about \$1.25 million for operations that are typically replenished at year-end. Expenditures have been fairly predictable, with small variances compared with the original budget. Cheshire's available reserves have increased to their highest levels in recent history from positive operations. In our view, the town will maintain reserves at or slightly below current levels in accordance with its reserve policy and do not expect this to materially alter our view on 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, 2024, Cheshire participates in the following:

- The town plan; a single-employer, defined-benefit pension, which is 71% funded, with a net pension liability equal to \$21.3 million (closed to new participants);
- Cheshire's police plan; a single-employer, defined-benefit pension, which is 51% funded, with a net pension liability equal to \$32.7 million (closed to new participants);
- The town's volunteer firefighter plan; a single-employer, defined-benefit pension, which is 45% funded, with a net pension liability equal to \$4.5 million;
- Cheshire's OPEB plan, which is 4.64% funded, with a net OPEB liability of \$17.6 million; and
- The town's police OPEB plan, which is 9.3% funded, with a net OPEB liability of \$10.8 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 2025 based on estimated year-end projections and expectations for management to 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 \$176 million net direct debt burden with per-capita metrics that are higher than those of 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 per-capita debt metrics are higher than those of many national peers, the town's direct debt includes debt issued for schools and debt supported by sewer fees, which we've accounted for in the debt assessment.
- For more information on our institutional framework assessment for Connecticut municipalities, see "Institutional Framework Assessment: Connecticut Local Governments," published Sept. 9, 2024, on RatingsDirect.

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," published 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	1.0
Financial performance	2
Reserves and liquidity	2
Management	1.30
Debt and liabilities	3.75

Table 2

Cheshire, Connecticut--key credit metrics				
	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	--	--	92	92
County PCPI % of U.S.	--	--	98	98
Market value (\$000s)	--	4,331,797	4,236,591	4,112,147
Market value per capita (\$)	--	152,153	148,809	137,904
Top 10 taxpayers % of taxable value	--	7.8	7.6	7.9
County unemployment rate (%)	--	3.8	3.9	4.2
Local median household EBI % of U.S.	--	--	163	157
Local per capita EBI % of U.S.	--	--	148	139
Local population	--	--	28,470	29,819

Table 2

Cheshire, Connecticut--key credit metrics (cont.)				
	Most recent	2024	2023	2022
Financial performance				
Operating fund revenues (\$000s)	--	147,880	138,647	132,914
Operating fund expenditures (\$000s)	--	145,741	136,558	130,668
Net transfers and other adjustments (\$000s)	--	(381)	(365)	(1,310)
Operating result (\$000s)	--	1,758	1,724	936
Operating result % of revenues	--	1.2	1.2	0.7
Operating result three-year average %	--	1.0	0.6	0.8
Reserves and liquidity				
Available reserves % of operating revenues	--	14.1	13.8	13.1
Available reserves (\$000s)	--	20,892	19,133	17,411
Debt and liabilities				
Debt service cost % of revenues	--	5.8	6.3	6.4
Net direct debt per capita (\$)	6,193	4,086	3,627	3,139
Net direct debt (\$000s)	176,328	116,330	103,256	93,611
Direct debt 10-year amortization (%)	59	69	--	--
Pension and OPEB cost % of revenues	--	4.0	4.0	4.0
NPLs per capita (\$)	--	2,061	2,189	1,927
Combined NPLs (\$000s)	--	58,665	62,327	57,462

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. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

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 www.spglobal.com/ratings for further information. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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Cheshire, Connecticut

The 'AAA' IDR and GO bond ratings reflect Cheshire's 'aaa' financial resilience assessment and Fitch's expectations that unrestricted general fund reserves will be maintained at or above 10% of spending, given the town's 'High-Midrange' level of budgetary flexibility. The town's economic and demographic metrics reflect Cheshire's residents' above-average educational attainment and median household income levels relative to Fitch's local government ratings portfolio. Partially offsetting these strengths is the town's relatively modest to flat population trends, based on a ten-year median of yoy change over the past decade.

The long-term liability burden is assessed as 'Midrange' on a composite basis with moderate debt and net pension liabilities and rising, but still manageable, carrying costs. The assessment includes the current bond and BAN issuances and an estimate of the aggregate change in annual debt service associated with the new debt. In November 2022, the town approved plans to build two new elementary schools, which is estimated to have a net cost to the town of approximately \$92 million following expected reimbursements from the state associated with the projects.

Including this issuance, the town will have completed about \$70 million of the borrowing. This issuance and next year's projected borrowing are not expected to shift the long-term liability assessment enough to affect the town's overall rating, absent a change in personal income and governmental resources, and considering the town's current rapid principal amortization schedule (65% over 10 years).

The 'F1+' short-term rating corresponds to the city's 'AAA' IDR and reflects the unlimited tax pledge for note repayment.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- An approximate 10% increase in direct debt and/or net pension liabilities and carrying cost assuming current levels of personal income, governmental resources and spending;
- Structural imbalances leading to a decline in unrestricted general fund reserves sustained at below 10% of spending, which would lower Fitch's assessment of financial resilience to below 'aaa'.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Not applicable as the bonds are rated at Fitch's highest rating category.

Security

The bonds are backed by Cheshire's full faith and credit and unlimited taxing power.

Ratings

Long-Term IDR AAA

Outlooks

Long-Term IDR Stable

New Issues

\$40,000,000 General Obligation Bonds, Series 2025 AAA

\$20,000,000 General Obligation Bond Anticipation Notes, Series 2025 F1+

Sale Date

Competitive sale: April 2nd, 2025

Bond proceeds will be used to finance two school projects and various city infrastructure projects.

Outstanding Debt

General Obligation Bonds AAA

Applicable Criteria

[U.S. Public Finance Local Government Rating Criteria \(April 2024\)](#)

Related Reselarch

[Fitch Affirms Cheshire, CT's IDR and GO Bond Ratings at 'AAA'; Outlook Stable \(January 2025\)](#)

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Rating Headroom & Positioning

Cheshire Model Implied Rating: 'AAA' (Numerical Value: 10.21)

- **Metric Profile:** 'AAA' (Numerical Value: 10.21)
- **Net Additional Analytical Factor Notching:** 0.0

Cheshire's Model Implied Rating is 'AAA'. The associated numerical value of 10.21 is at the lower end of the range for a 'AAA' rating.

The Local Government Rating Model generates Model Implied Ratings, which communicate the issuer's credit quality relative to Fitch's local government rating portfolio. (The Model Implied Rating will be the IDR except in certain circumstances explained in the applicable criteria.) The Model Implied Rating is expressed via a numerical value calibrated to Fitch's long-term rating scale that ranges from 10.0 or higher (AAA), 9.0 (AA+), 8.0 (AA), and so forth down to 1.0 (BBB- and below).

Model Implied Ratings reflect the combination of issuer-specific metrics and assessments to generate a Metric Profile and a structured framework to account for Additional Analytical Factors not captured in the Metric Profile that can either mitigate or exacerbate credit risks. Additional Analytical Factors are reflected in notching from the Metric Profile and are capped at +/-3 notches.

Current Developments

The town has maintained healthy general fund operations with unrestricted reserves in excess of the town's minimum 10% fund balance policy since 2018. Operating results for fiscal 2024 (ended June 30) reflect a general fund net operating surplus of \$1.7 million, increasing unrestricted fund balance to \$20.9 million, or 14% of spending.

The fiscal 2025 adopted general fund budget of \$140 million grew 5.2% over the prior year's adopted general fund budget, driven by salary increases and employee benefits costs. The town completed a five-year property tax base revaluation effective Oct. 1, 2023, for the fiscal 2025 tax year and experienced material yoy growth of 38%. Given the revaluation results, the budget reflected a reduction in the millage rate by 7.63 mills to 27.46 mills.

Management reports that revenues are performing favorably when compared to budget, and the town anticipates a surplus of approximately \$1.1 million for fiscal end 2025. Positive revenue variances were experienced in tax collections due to conservative budgeting, higher building permits as development in the town continues to occur, and for state grant receipts.

Preliminary fiscal 2026 budget estimates for the town reflect a potential \$800,000 decrease in PILOT funding from the state based on the governor's initial proposals and typical expenditure drivers associated with employee salaries and benefits, debt service and education. Management is monitoring state budget discussions and will adjust the final fiscal 2026 budget accordingly. Fitch expects that town operations will remain in compliance with management's fund balance policy.

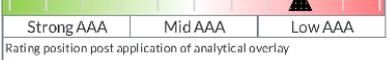
The town continues to see major development, particularly in the form of the 110-acre Stone Bridge Commons project, which includes 160,000 square feet of new retail development anchored by a Whole Foods store, approximately 450 new housing units, and a 120-unit hotel. The retail center is currently under construction and 90% leased out. Plans for the hotel have been approved by the town's planning and zoning commission, and housing construction is projected to be completed by late summer 2025. Management projects that the final completed development will add approximately \$140 million in new assessed value, or 3.5%, relative to a fiscal 2026 taxable grand list of \$4.0 billion.

Profile

Cheshire has evolved over several decades from a predominately rural farming community to a more residential community with an established industrial and commercial component. Despite this growth, the town retains its rural characteristics with thousands of acres of open space and an active agricultural industry. Top taxpayers include a mix of industrial, retail and manufacturing companies. The town's proximity to interstates 84,691 and 91, linking to larger nearby employment centers, contributes to economic activity. Cheshire is also home to two large state prison facilities.

Residents' wealth levels exceed the nation's and the state's above-average levels, and unemployment rates are low compared to the national rate. Building permit values for the past five years have ranged from 1% to 2% of taxable assessed values, as management continues to support efforts for new residential, commercial and industrial development within the town.

Key Drivers

Issuer: Cheshire (CT)	Financial Profile	0.0	Issuer Position Within AAA Model Implied Rating 
Type: City General Obligation	Demographic & Economic Strength	0.0	
Current: AAA, RO:Sta (2025/01/31)	Long-Term Liability Burden	0.0	
Fiscal Year	AAF Notching Total(4)	0.0	
Metric Profile	MIR - Metric	10.21	
Metric Profile Mapping	MIR - Mapping	AAA	

Metric	Analyst Input		Metric		Composite		
	2024	2024	Percentile	Weight	Percentile / Value	Assessment	Weight
Financial Profile							
Financial Resilience Components							
Available Reserves (FB/Expenditures: 5-Year Low) (%)	13.1						
Revenue Control Assessment	High	High					
Expenditure Control Assessment	Midrange	Midrange				aaa	35%
Budgetary Flexibility	High Midrange	High Midrange					
Financial Resilience							
Lowest Cumulative 3 Year Revenue Performance (+/-) since 2008 (%)	2.9						
Revenue Volatility(1)			93%	100%		Strongest	0%
Demographic and Economic Strength							
Trend							
Population Trend (%) (2)	-0.1		9%	100%	9%	Weakest	8%
Unemployment Rate as Percentage of National Rate (%) (5)		77.8	79%	33%			
Population w/ Bachelor's Degree and Higher (%) (2)		62.0	96%	33%	90%	Strongest	26%
MHI as a % of the Portfolio Median (2)	182.9	181.8	96%	33%			
Concentration & Size							
Population Size (2) (3)	29,200		100%	50%	100%	Strongest	9%
Economic Concentration (%) (2) (3)	28.8		100%	50%			
Long-Term Liability Burden							
Liabilities/Personal Income (%)	6.4	8.2	28%	35%			
Liabilities/Governmental Revenues (%) (6)	115.1	146.6	65%	25%	53%	Midrange	21%
Carrying Costs/Governmental Expenditures (%)	9.2	12.4	67%	40%			

(1) Model directly uses revenue volatility. Percentiles are for information only; metric percentile represents the issuer; composite percentile represents the average of the issuer's class. The Revenue Volatility metric represents the issuer's revenue volatility relative to the median revenue volatility of the total issuer portfolio.
 Revenue Volatility is treated asymmetrically, where weight is marginal for issuers that exhibit low to moderate revenue volatility. For issuers with higher revenue volatility, this factor will moderately lower the metric profile, implying a somewhat reduced weighting for all other variables in these instances.
 (2) Population, Concentration, MHI and Educational Attainment data is lagged by one year - e.g. 2021 data is used and displayed for fiscal year 2022.
 (3) Percentiles represent the class. Economic concentration is defined as the sum of the absolute deviation of the issuer from the national average proportion across major economic sectors. Sector data is on the county level for all entities or the MSA level for cities that span multiple counties. If data is unavailable for an issuer, median figures based on reported data for all counties within the issuer's state are used as proxy values.
 (4) Additional Analytical Factors (AAF) have a potential notching range of +2/-2 for each of the three categories and an overall IDR notching range of +3/-3.
 (5) County level data used for sub-county entities when prior year's data is unavailable. If county data is unavailable, MSA data is used. MSA level data is used for cities that span multiple counties.
 (6) As a proxy for per capita personal income for sub-county levels of local government, Fitch calculates the ratio of money income to per capita income for the county in which the rated entity is located and applies that ratio to the entity's money income. The estimated per capita personal income figure is multiplied by population to estimate total personal income.
 Source: Fitch Ratings

Financial Profile

Financial Resilience - 'aaa'

Cheshire's financial resilience is driven by the combination of its 'High' revenue control assessment and 'Midrange' expenditure control assessment, culminating in a 'High Midrange' budgetary flexibility assessment.

- Revenue control assessment: High
- Expenditure control assessment: Midrange
- Budgetary flexibility assessment: High Midrange
- Minimum fund balance for current financial resilience assessment: >=10.0%
- Current year fund balance to expenditure ratio: 14.2% (2024)
- Lowest fund balance to expenditure ratio for the fiscal-year period 2020-2024: 13.1% (2022)

Revenue Volatility - 'Strongest'

Cheshire's weakest historic three-year revenue performance is neutral to the Model Implied Rating.

The revenue volatility metric is an estimate of potential revenue volatility based on the issuer's historical experience relative to the median for the Fitch-rated local government portfolio. The metric helps to differentiate issuers by the scale of revenue loss that would have to be addressed through revenue raising, cost controls or utilization of reserves through economic cycles.

- **Lowest three-year revenue performance (based on revenues dating back to 2005):** 2.9% increase for the three-year period ending fiscal 2021
- **Median issuer decline:** -4.5% (2024)

State-Specific Revenue/Expenditure Context & Budgetary Control

Local governments in Connecticut have unlimited legal taxing authority. The town maintains adequate control over staffing, wages and benefits. Management has the ability to reduce staff at any time if necessary and has demonstrated a history of taking prompt budget actions. Union contracts are subject to arbitration, but a decision may be rejected by a two-thirds vote by the town council. A new arbitration panel would then be appointed by the state, and their subsequent decisions are binding but are required to take into consideration the financial capability of the employer. Recent labor contracts incorporated moderate salary increases.

Demographic and Economic Strength

Population Trend - 'Weakest'

Based on the median of 10-year annual percentage change in population, Cheshire's population trend is assessed as 'Weakest' relative to Fitch's local government ratings portfolio.

Population trend: -0.1% 2023 median of 10-year annual percentage change in population (9th percentile)

Unemployment, Educational Attainment and MHI Level - 'Strongest'

The overall strength of Cheshire's demographic and economic level indicators (unemployment rate, educational attainment, median household income [MHI]) in 2024 are assessed as 'Strongest' on a composite basis, performing at the 90th percentile of Fitch's local government rating portfolio. This is due to relatively strong education attainment levels, median-issuer indexed adjusted MHI and unemployment rate.

- **Unemployment rate as a percentage of national rate:** 77.8% Analyst Input (79th percentile), relative to the national rate of 4.0%
- **Percent of population with a bachelor's degree or higher:** 62.0% Analyst Input (96th percentile) (vs. 2023 Actual)
- **MHI as a percent of the portfolio median:** 181.8% Analyst Input (96th percentile) (vs. 182.9% 2023 Actual)

Economic Concentration and Population Size - 'Strongest'

Cheshire's population in 2023 was of sufficient size and the economy was sufficiently diversified to qualify for Fitch's highest overall size/diversification category.

The composite metric acts asymmetrically, with most issuers (above the 15th percentile for each metric) sufficiently diversified to minimize risks associated with small population and economic concentration. Downward effects of the metric on the Metric Profile are most pronounced for the least economically diverse issuers (in the 5th percentile for the metric or lower). The economic concentration percentage shown below is defined as the sum of the absolute deviation of the percentage of personal income by major economic sectors relative to the U.S. distribution.

- **Population size:** 29,200 (2023) (above the 15th percentile)
- **Economic concentration:** 28.8% (2024) (above the 15th percentile)

Analyst Inputs to the Model

Analyst inputs to the model reflect metric adjustments to account for historical data anomalies, forward-looking performance shifts, or non-recurring events that may otherwise skew the time series.

Using most recently available data for MHI, population with a bachelor's degree or higher, and unemployment rate.

Long-Term Liability Burden

Long-Term Liability Burden - 'Midrange'

Cheshire's carrying costs to governmental expenditures and liabilities to governmental revenue have deteriorated while liabilities to personal income remain moderately weak. The long-term liability composite metric in 2024 is at the 53rd percentile, roughly in line with Fitch's local government rating portfolio.

- **Liabilities to personal income:** 8.2% Analyst Input (28th percentile) (vs. 6.4% 2024 Actual)
- **Liabilities to governmental revenue:** 146.6% Analyst Input (65th percentile) (vs. 115.1% 2024 Actual)
- **Carrying costs to governmental expenditures:** 12.4% Analyst Input (67th percentile) (vs. 9.2% 2024 Actual)

Pension Adjustments

On an aggregate basis for all pension plans as of the most recent measurement date, the reported asset to liability ratio was 61.2%, or an estimated 56.4%, using Fitch's standard 6% rate of return adjustment. The Fitch-adjusted NPL was equal to \$71.4 million, or about 2.5% of personal income.

Analyst Inputs to the Model

Analyst inputs to the model reflect metric adjustments to account for historical data anomalies, forward-looking performance shifts, or non-recurring events that may otherwise skew the time series.

Analyst inputs were made to reflect scheduled principal amortization of existing debt through fiscal year-end 2025 and principal amounts for the new GO bonds and BANS. An analyst input was made for debt service reflecting existing fiscal 2026 scheduled debt service plus an estimate of the additional debt service increase from the new GO bonds and BANS of \$6.6 million.

Fiscal 2024 total governmental expenditures were increased by amount of the fiscal 2026 increase in debt service and new estimated debt service associated with the current issuances. The assessment assumes current levels of total governmental revenues and residents' personal income, which are likely to see growth. Fitch calculated personal income using New Haven-Milford MSA data in place of county data, due to the state's elimination of county designations.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

Financial Summary

(\$ 000, Audited Fiscal Year Ending Jun. 30)	2020	2021	2022	2023	2024
General Fund Revenues					
Property Tax	93,517	94,843	98,172	102,458	106,823
Sales Tax	-	-	-	-	-
Income Tax	-	-	-	-	-
Other Tax	-	-	-	-	-
Total Taxes - Undifferentiated	-	-	-	-	-
Intergovernmental	26,581	26,300	31,460	30,050	32,400
Other Revenue	4,167	3,505	3,282	6,139	8,658
Total	124,266	124,649	132,914	138,647	147,880
General Fund Expenditures					
General Government	13,302	13,321	13,922	14,799	16,043
Public Safety	7,498	7,655	7,766	8,564	9,097
Educational	82,340	83,714	89,856	92,646	98,278
Debt Service	6,640	7,106	6,809	7,403	7,634
Capital Outlay	-	-	-	315	751
Other Expenditures	11,970	11,855	12,314	12,830	13,937
Total	121,751	123,651	130,668	136,558	145,741
Transfers In and Other Sources	738	11,524	690	1,136	1,518
Transfers Out and Other Sources	1,090	12,551	2,000	1,500	1,900
Net Transfers & Other	-352	-1,027	-1,310	-364	-382
Adjustment for Bond Proceeds and Extraordinary One-Time Uses	-	10,660	-	-	-
Net Op. Surplus (Deficit) After Transfers	2,164	-29	936	1,725	1,757
Net Op. Surplus (Deficit)/(Total Expenditures + Transfers Out and Other Uses) (%)	1.76	-0.02	0.71	1.25	1.19
Total Fund Balance	16,599	16,569	17,505	19,230	20,987
Unrestricted Fund Balance	16,490	16,483	17,410	19,133	20,891
Other Available Fund Balances	-	-	-	-	-
Total Available Unrestricted Reserves (GF + Other)	16,490	16,483	17,410	19,133	20,891
Available Reserves as % of Spending (Adj for Bond Proceeds and Other One-Time Uses)	13.42	13.13	13.12	13.86	14.15

Sources: Fitch Ratings, Fitch Solutions, Cheshire (CT) [General Government]

Long-Term Liability Burden (\$000)

(\$ 000, Audited Fiscal Year Ending Jun. 30)	2024
Direct Debt	116,330
Less: Self-Supporting Debt	-
Net Direct Debt	116,330
Fitch Adjusted NPL	71,395
Net Direct Debt + Fitch-Adjusted net pension liabilities (NPL)	187,724
Population	29,200
Per Capita Personal Income	99,736

Estimated Personal Income (\$000)	2,912,302
Net Debt + Fitch-Adjusted NPL /Personal Income (%)	6.4
Total Governmental Revenues	163,109
Net Direct Debt + Fitch Adjusted NPL as Percentage of Governmental Revenue (%)	115.09

Debt Service (Net of State Support)	9,468
Actuarially Determined Pension Contributions	5,429
Actual OPEB Contributions	1,662
Total Governmental Expenditures	180,419
Carrying Costs/Governmental Expenditures (%)	9.18

Note: Figures above do not reflect any Analyst Input Adjustments.
Sources: Fitch Ratings, Fitch Solutions, Cheshire (CT) [General Government]

Summary

Description	Final Value
Budgetary Flexibility Assessments	
Revenue Control Assessment	High
Expenditure Control Assessment	Midrange
Collective Bargaining and Resolution Framework	Midrange
Workforce Outcomes	Midrange
Cost Drivers	Midrange

Metrics Assessments

Financial Profile - Financial Resilience	aaa
Financial Profile - Revenue Volatility	Strongest
Demographic & Economic Strength - Trend	Weakest
Demographic & Economic Strength - Level	Strongest
Demographic & Economic Strength - Concentration & Size	Strongest
Long-Term Liability Burden	Midrange

Metric Profile Mapping	AAA
Metric Profile	10.21

Additional Analytical Factors

Total Notching - capped

Financial Profile

Fiscal Oversight

Revenue Capacity

Contingent Risks

Non-Recurring Support or Spending Deferrals

Political Risks

Management Practices

Demographic & Economic Strength

Economic and Institutional Strength

Revenue Concentration Risks

School District Resources

Long-Term Liability Burden

Pension Funding Assumptions

Pension Contributions

OPEB

Debt Structure	
Capital Demands and Affordability	
Model Implied Rating - Mapping	AAA
Model Implied Rating - Metric	10.21
Outliers and Developing Situations Considerations	No
Notching Rationale - 1	
Notching Rationale - 2	
Issuer Default Rating/Issuer Default Credit Opinion	AAA
Outlook/Watch	RO:Sta
Source: Fitch Ratings	

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