

Research Update:

# New London, CT's Series 2026 GO Bonds And Bond Anticipation Notes Assigned Various Ratings

February 20, 2026

## Overview

- S&P Global Ratings assigned its 'AA-' long-term rating to [New London](#), Conn.'s \$12.5 million general obligation (GO) bonds, issue of 2026, and its 'SP-1+' short-term rating to the city's \$27.6 million bond anticipation notes.
- At the same time, S&P Global Ratings affirmed its 'AA-' underlying rating on the city's GO bonds outstanding and its 'SP-1+' short-term rating on the city's GO bond anticipation notes outstanding, payable March 12, 2026.
- The outlook, where applicable, is stable.

## Rationale

### Security

New London's unlimited-tax GO pledge to levy ad valorem taxes, without limit as to rate or amount, on all taxable property within its borders secures the bonds and notes. The short-term note rating reflects our criteria for evaluating and rating BANs. In our view, New London maintains very strong capacity to pay principal and interest when the notes come due. The city has what we view as a low market risk profile because it has strong legal authority to issue long-term debt to take out the notes and is a frequent issuer that regularly provides disclosure to market participants.

The bond proceeds will permanently finance maturing notes issued for a community center project. The BAN proceeds will renew maturing notes and add new money for infrastructure improvements. Management plans to partly retire the notes with state school building aid received as a reimbursement and permanently finance the nonschool portion.

### Credit highlights

The general creditworthiness of New London, which is located in the Southeastern Connecticut planning region, reflects our view of its consistently positive operating performance over the past

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decade, with available reserves increasing to \$22.8 million (20.3% of revenue) in preliminary June 30, 2025, results from \$1.3 million (1.5% of revenue) in 2012. We anticipate that management will maintain cautious revenue and expenditure assumptions and make budgetary adjustments as it deems necessary to maintain reserves of at least the city's fund balance target of at least 16.67% of expenditures, although the city may use reserves in excess of this target for tax stabilization purposes. Despite ongoing economic development, New London's economic metrics--particularly its local incomes--remain substantially below those of higher-rated peers and, in our view, constrain the rating.

We expect New London's operations will remain generally balanced, though we are monitoring management's use of its newly created mill rate stabilization reserves (committed general fund) to balance operations amid rising expenditures and uncertainty associated with state payment-in-lieu-of-taxes (PILOT) revenue. Preliminary fiscal 2025 results from management indicate a \$1.5 million general fund balance increase, on the strength of across-the-board expenditure savings offsetting less-than-budgeted state PILOT revenue and reduced motor vehicle excise tax revenue resulting from a change in state law. Fiscal 2026 budgeted expenditures and transfers out total \$105.7 million (a 4% increase on a budgetary basis), with \$2.25 million in mill rate stabilization funds budgeted to limit tax growth and offset reduced PILOT revenue from state-owned properties. PILOT revenue decreased because the city lowered its mill rate after revaluation, the state has appropriated one-time additional aid to make up most of the shortfall for fiscal years 2026 and 2027, and management expects PILOT payments will increase over the next few years. Management reports that results for the year are trending favorably and anticipates not needing to use approximately \$1 million of appropriated reserves, which it will likely incorporate into the 2027 budget.

Despite recent fund balance use, we believe that New London has sufficient budgetary flexibility to maintain generally balanced operations, though the city could face some practical limitations to raising tax revenue given its below-average resident incomes. We also expect cautious budgeting practices to continue supporting operating performance. However, if New London does not make revenue and expenditure adjustments as it deems necessary to maintain reserves in excess of its policy target, we could lower our view of performance or reserves.

The rating reflects our view of the city's:

- Significant ongoing economic development, though income levels will likely remain below those of county and national peers and constrain the rating. Nearly 800 housing units have been completed in the past five years, with a record number of residential building permits issued in 2025 and nearly 1,500 housing units in various stages of planning or construction. Planned and ongoing residential and commercial building projects exceed \$500 million in projected construction costs.
- Thirteen consecutive operating surpluses through fiscal 2025, with expectations for generally balanced results and maintenance of solid reserves, despite use of fund balance in the 2026 and 2027 budgets. We consider committed mill rate stabilization funds available reserves.
- Management practices that include budget-to-actual results, which city councilors review, with a five-year capital plan for infrastructure investments funded through debt issuance, coupled with a pro forma outlining financing plans for larger projects, an internally maintained 10-year financial forecast, an investment policy that specifies permitted investments and includes safeguards, a reserve policy targeting 16.67% of operating expenditures, and steps to mitigate cyber risk, but no formal debt management policy.

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- Manageable debt and liabilities burden relative to budget with limited cost escalation risk. Direct debt totals \$158 million after issuance. New London plans to issue about \$2 million to \$3 million annually for infrastructure improvements and expects to receive about \$13 million in state aid to partly retire the notes.
- Limited cost pressure through participation in three pension plans with a combined \$54 million net pension liability, and a \$28 million net other postemployment benefits (OPEB) liability, funded largely on a pay-as-you-go basis.
- For more information on our institutional framework assessment for Connecticut municipalities, see "[Institutional Framework Assessment: Connecticut Local Governments](#)," Sept. 9, 2024.

### Environmental, social, and governance

We consider social and governance factors neutral in our credit rating analysis. We view physical risks associated with coastal and river flooding and their potential effect on taxable properties as somewhat high relative to those of peers given the city's location on the Atlantic Ocean and the Thames River. However, we understand that much of the property exposed to sea-level rise is parkland, with most developed land above the floodplain, and management is working to mitigate potential future stormwater and rising sea-level pressures.

## Outlook

The stable outlook reflects our view that New London is likely to maintain roughly balanced operations and reserves in excess of its 16.67% policy target. It also reflects our expectation for continued economic development throughout the city.

### Downside scenario

We could lower the rating if reserves materially decrease, as a result of either negative operating performance or a one-time drawdown, or if the city fails to comply with recently improved financial policies and practices.

### Upside scenario

We could raise the rating if economic metrics significantly improve, coupled with maintenance of balanced operations.

### New London, Connecticut--credit summary

|                                 |      |
|---------------------------------|------|
| Institutional framework (IF)    | 1    |
| Individual credit profile (ICP) | 2.51 |
| Economy                         | 4.0  |
| Financial performance           | 2    |
| Reserves and liquidity          | 1    |
| Management                      | 2.30 |
| Debt and liabilities            | 3.25 |

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**New London, Connecticut--key credit metrics**

|  | Most recent | 2024      | 2023      | 2022      |
|--|-------------|-----------|-----------|-----------|
| <b>Economy</b>                               |             |           |           |           |
| Real GCP per capita as % of U.S.             | --          | --        | 109       | 108       |
| County PCPI as % of U.S.                     | --          | --        | 99        | 100       |
| Market value (\$000s)                        | 3,134,527   | 2,313,706 | 2,262,557 | 2,161,091 |
| Market value per capita (\$)                 | 114,658     | 84,633    | 83,185    | 82,899    |
| Top 10 taxpayers as % of taxable value       | 15.2        | 16.8      | 18.2      | 16.0      |
| County unemployment rate (%)                 | --          | 3.1       | 3.2       | 4.2       |
| Local median household EBI as % of U.S.      | --          | 74        | 71        | 63        |
| Local per capita EBI as % of U.S.            | --          | 74        | 69        | 62        |
| Local population                             | --          | 27,338    | 27,199    | 26,069    |
| <b>Financial performance</b>                 |             |           |           |           |
| Operating fund revenue (\$000s)              | --          | 111,813   | 106,088   | 106,667   |
| Operating fund expenditures (\$000s)         | --          | 100,109   | 98,239    | 96,014    |
| Net transfers and other adjustments (\$000s) | --          | (8,401)   | (5,666)   | (7,609)   |
| Operating result (\$000s)                    | --          | 3,303     | 2,183     | 3,044     |
| Operating result as % of revenue             | --          | 3.0       | 2.1       | 2.9       |
| Operating result three-year average %        | --          | 2.6       | 1.8       | 1.3       |
| <b>Reserves and liquidity</b>                |             |           |           |           |
| Available reserves as % of operating revenue | --          | 19.1      | 19.7      | 17.4      |
| Available reserves (\$000s)                  | --          | 21,348    | 20,913    | 18,600    |
| <b>Debt and liabilities</b>                  |             |           |           |           |
| Debt service cost as % of revenue            | --          | 5.6       | 5.2       | 4.3       |
| Net direct debt per capita (\$)              | 5,795       | 5,179     | 5,058     | 4,960     |
| Net direct debt (\$000s)                     | 158,424     | 141,594   | 137,577   | 129,305   |
| Direct debt 10-year amortization (%)         | 66          | 51        | --        | --        |
| Pension and OPEB cost as % of revenue        | --          | 4         | 4         | 4         |
| NPLs per capita (\$)                         | --          | 1,983     | 2,089     | 2,223     |
| Combined NPLs (\$000s)                       | --          | 54,222    | 56,807    | 57,959    |

Financial data may reflect analytical adjustments and is 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. EBI--Effective buying income. GCP--Gross county product. NPL--Net pension liability. OPEB--Other postemployment benefits. PCPI--Per capita personal income.

**Ratings List**

**New Issue Ratings**

US\$12.5 mil GO bnds ser 2026 due 03/15/2046

Long Term Rating AA-/Stable

US\$27.61 mil GO BANs due 03/11/2027

Short Term Rating SP-1+

**Ratings Affirmed**

**Local Government**

New London, CT Unlimited Tax General Obligation AA-/Stable

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### Ratings List

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|   |       |
|---|-------|
| New London, CT Unlimited Tax General Obligation BAN | SP-1+ |
|---|-------|

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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.

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