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Ratings

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Research Update:

Thomaston, CT Series 2026 GO Bond Anticipation Notes Assigned 'SP-1+' Short-Term Rating; Other Ratings Affirmed

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Overview

- S&P Global Ratings assigned its 'SP-1+' short-term rating to the Town of Thomaston, Connecticut's $3.595 million series 2026 general obligation (GO) bond anticipation notes (BANs).
- S&P Global Ratings also affirmed its 'AA' long-term rating on Thomaston's GO debt outstanding and its 'SP-1+' short-term rating on the town's BANs outstanding.
- The outlook, where applicable, is stable.

Rationale

Security

The town's full-faith-and-credit pledge secures the bonds and BANs. The short-term rating reflects our criteria for evaluating and rating BANs. In our view, Thomaston maintains a very strong capacity to pay principal and interest when the notes come due. The town 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 ongoing disclosure to market participants.

Proceeds from the note will be used to finance upgrades to the town's wastewater pollution control facility.

Credit highlights

The rating reflects Thomaston's record of consistent financial performance leading to stable reserves. These results have been supported by conservative budgeting practices and limited pressure from debt and other liabilities. Somewhat offsetting the town's finance strengths is Thomaston's economy that, while stable, has income levels that trend below those of higher-rated peers.

The town has produced surplus results each year since 2019. Through a predictable revenue framework (73% reliance on property taxes), Thomaston generates consistently positive results. The town's recent results reflect higher-than-budgeted property tax and interest income receipts, and limited expenditure variance relative to the budget. With Thomaston's higher-than expected education budget and greater-than-expected costs in its election process, management anticipates about breakeven results for fiscal 2026. The town has adopted a fiscal 2027 budget that totals $31.8 million, a 0.86% increase over the previous year. The budget was adopted with no operational changes. We anticipate Thomaston will continue to produce at least balanced operating results due to a conservative approach to budgeting and a dependency on reliable local source revenues. We also anticipate that limited demand for additional positions or services will enable the town to produce stable results.

Credit fundamentals supporting the 'AA' GO rating reflects our view of the following factors for Thomaston:

- A primarily residential tax base and limited economic activity. The town has seen grand list growth primarily due to property appreciation because there is limited opportunity for new development in town. Although its personal income metrics trail those of the county, they are higher than U.S. levels, and remain a constraining factor for the rating.
- A track record of healthy financial performance, with budgets built from realistic assumptions and historical trend analysis; fiscal 2026 year-end projections indicate another thin surplus, supporting our belief that at least balanced performance will continue.
- Long-term maintenance of healthy reserves, which have been sustained greater than 20% of revenues for the past three fiscal years. The town maintains a target of sustaining reserves greater than 16.67% of the budget, which we expect it will exceed despite some appropriations in fiscal 2026 to support capital needs and offset budget increases in fiscal 2027. We acknowledge that there is significant interfund activity between the town's general fund, capital fund, and debt service fund; however, we do not view the interfund balances as weakening our view of the town's overall financial flexibility. However, should elevated interfund balances become indicative of a growing imbalance or cash flow shortfall, the rating could be pressured lower. These reserves provide the town with significant financial flexibility and are higher than those of similarly rated state peers.
- Prudent financial management practices, including adherence to investment management, debt, and reserve policies. The town maintains a basic capital plan, with planning for specific projects limited to the current fiscal year and without formal forecasting of revenues and expenditures, which we think limits its ability to plan for future needs.
- A manageable long-term liability profile, with elevated per-capita debt but low per-capita pension liabilities and moderate current costs compared with budget. Thomaston does not have plans for additional borrowing, and we do not expect our view of the town's liabilities to change in the outlook period.
- Although physical risks are relevant for the local government sector, we consider the town's exposure to natural hazards, including flooding and extreme weather, low compared with that of national peers and in a nominal sense, and therefore not a material factor in our credit analysis.
- Connecticut municipalities have a generally predictable operating environment with significant statutory flexibility to raise local-source revenue. 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 Thomaston will maintain stable financial results and reserves, supported by its proactive management and strong property tax revenue.

Downside scenario

We could lower the rating if Thomaston's reserves decrease, either due to budgetary imbalance or a one-time drawdown, and fall behind those of similarly rated peers.

Upside scenario

We could raise the rating if the town's economic profile and key metrics improve to a level consistent with that of higher-rated peers, while Thomaston maintains or improves other credit factors.

Thomaston, Connecticut--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.22
Economy	3.0
Financial performance	2
Reserves and liquidity	1
Management	2.35
Debt and liabilities	2.75

Thomaston, Connecticut-key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	--	--	67	68
County PCPI % of U.S.	--	--	115	115
Market value ($000s)	--	963,427	960,933	948,386
Market value per capita ($)	--	129,111	128,777	128,595
Top 10 taxpayers % of taxable value	--	9.1	9.2	9.3
County unemployment rate (%)	--	4.5	3.8	3.7
Local median household EBI % of U.S.	--	--	117	108
Local per capita EBI % of U.S.	--	--	124	107
Local population	--	--	7,462	7,375
Financial performance				
Operating fund revenues ($000s)	--	33,285	33,047	31,343
Operating fund expenditures ($000s)	--	29,810	28,636	27,235
Net transfers and other adjustments ($000s)	--	(3,302)	(3,481)	(3,776)
Operating result ($000s)	--	173	930	332
Operating result % of revenues	--	0.5	2.8	1.1
Operating result three-year average %	--	1.5	1.7	1.5

Thomaston, Connecticut-key credit metrics

	Most recent	2025	2024	2023
Reserves and liquidity				
Available reserves % of operating revenues	--	22.7	22.3	20.5
Available reserves ($000s)	--	7,542	7,369	6,422
Debt and liabilities				
Debt service cost % of revenues	--	7.7	7.8	7.3
Net direct debt per capita ($)	3,358	2,869	3,608	2,718
Net direct debt ($000s)	25,057	21,412	26,920	20,046
Direct debt 10-year amortization (%)	68	74	63	--
Pension and OPEB cost % of revenues	--	4.0	3.0	3.0
NPLs per capita ($)	--	285	421	524
Combined NPLs ($000s)	--	2,125	3,145	3,865

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$3.595 mil GO BANs ser 2026 dtd 8/5/2026 due 8/4/2027	
Short Term Rating	SP-1+
Ratings Affirmed	
Local Government	
Thomaston Twn, CT Unlimited Tax General Obligation	AA/Stable
Thomaston Twn, CT Unlimited Tax General Obligation BAN	SP-1+

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.