S&P Global
Ratings

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Research Update:

Sherman, CT Series 2026 GO Bonds Assigned 'AA+' Rating

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Overview

- S&P Global Ratings assigned its 'AA+' long-term rating to Sherman, Connecticut's $19.525 million series 2026 general obligation (GO) bonds.
- At the same time, S&P Global Ratings affirmed its 'AA+' rating on the town's GO debt outstanding.
- The outlook is stable.

Rationale

Security

The town's full-faith-and-credit pledge secures the GO bonds.

Series 2026 bonds will finance school renovations authorized by town voters.

Credit highlights

The rating reflects Sherman's affluent residential tax base, characterized by income metrics that exceed both Fairfield County and national averages \, and maintenance of positive financial performance leading to reserve levels that are stronger relative to other Connecticut municipalities. Additionally, the rating is bolstered by the town's disciplined management practices and low debt profile, which, despite increasing with this issuance, is expected to remain manageable. These advantages are somewhat tempered by a smaller population and reserves that are nominal compared with higher-rated peers, although strong on a percentage basis.

Sherman continues to record positive operating results, and management expects to add to its fund balance in fiscal 2026, as a result of greater-than-expected revenue growth and effective expense controls. Management annually transfers approximately $500,000 to its capital and nonrecurring fund for ongoing capital needs, a practice that we expect will continue over the near term and reduces the reliance on future debt issuances. Though the fiscal 2027 budget contains a 9.4% increase from the year prior in light of higher debt service costs, we view it as achievable, and expect future operating results to be consistent with recent performance.

The rating reflects our view of the following:

- The town's small but stable economic base is located in wealthy Fairfield County. The town's local incomes are stronger than those of both the county and national peers, further supporting our opinion. Its proximity to larger cities like New York and Danbury provides residents with access to broader employment opportunities.
- We expect operations will remain at least balanced in fiscal 2026 and beyond, backed by steady property tax revenue (90% of operating revenue) and reserves on a percentage base that are higher than similarly rated peers.
- Financial management practices support stable operations, though some features such as long-term financial planning and policies for debt management are lacking. The town uses conservative assumptions when developing the budget, including using five-year historical trend analysis and projections for property values and economic activity for local receipts. It also works closely with the board of education when developing the budget to arrive at its anticipated education costs. The town makes monthly reports to the board of selectman on budget-to-actuals. It also has a formal five-year capital improvement plan. A formal reserve policy exists, which limits assigned fund balance to no less than 7% of budget, to which the town has historically adhered, and it also maintains a formal investment policy that mirrors state guidelines. However, there is no formal debt management policy outside of the legal debt limit per state statute. The town also adheres to various cybersecurity protections and plans.
- Fixed costs are manageable and debt per capita is high because of the town's small population. We expect the debt profile to remain relatively stable as there are no identified debt plans.
- The town maintains a locally defined-benefit plan for pensions. As of June 30, 2025, the plan was fully funded with a net pension asset of $287,000. It has a discount rate of 6% and was closed to new entrants as of June 30, 2005. The town does not offer other postemployment benefits.
- The town's exposure to natural hazards is low, including flooding and extreme weather, compared with national peers, and therefore not a material weakness our credit analysis.
- 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 town will continue to develop budgets using generally conservative assumptions while monitoring performance and making adjustments as necessary to maintain financial balance and strong reserves.

Downside scenario

We could lower the rating if the town's budgetary performance were to weaken, leading to a material reserve drawdown.

Upside scenario

We could raise the rating if the town adopts more robust management policies and practices or if the town's reserve balances and debt per capita improve to and are sustained at levels consistent with a higher rating, offsetting our view of its smaller population and nominal reserves.

Sherman, Connecticut--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	1.72
Economy	1.0
Financial performance	2
Reserves and liquidity	1
Management	2.35
Debt and liabilities	2.25

Sherman, Connecticut--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	--	--	142	145
County PCPI % of U.S.	--	--	200	200
Market value ($000s)	--	1,239,904	1,091,071	1,028,537
Market value per capita ($)	--	351,347	309,173	291,701
Top 10 taxpayers % of taxable value	--	4.5	4.3	4.8
County unemployment rate (%)	--	3.5	2.9	2.8
Local median household EBI % of U.S.	--	--	145	160
Local per capita EBI % of U.S.	--	--	196	202
Local population	--	--	3,529	3,526
Financial performance				
Operating fund revenues ($000s)	--	17,134	16,545	16,592
Operating fund expenditures ($000s)	--	16,079	16,045	15,676
Net transfers and other adjustments ($000s)	--	(545)	(516)	(538)
Operating result ($000s)	--	510	(16)	378
Operating result % of revenues	--	3.0	(0.1)	2.3
Operating result three-year average %	--	1.7	1.7	2.3
Reserves and liquidity				
Available reserves % of operating revenues	--	32.9	33.7	33.7
Available reserves ($000s)	--	5,643	5,578	5,597
Debt and liabilities				
Debt service cost % of revenues	--	2.4	2.6	3.3
Net direct debt per capita ($)	11,033	560	676	793
Net direct debt ($000s)	38,935	1,975	2,385	2,795
Direct debt 10-year amortization (%)	35	100	100	100
Pension and OPEB cost % of revenues	--	--	--	--
NPLs per capita ($)	--	--	--	--

Sherman, Connecticut--key credit metrics

	Most recent	2025	2024	2023
Combined NPLs ($000s)	--	--	--	--

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$19.525 mil GO bnds ser 2026 due 05/15/2051	
Long Term Rating	AA+/Stable
Ratings Affirmed	
Local Government	
Sherman, 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.