

Summary:

**Medway, Massachusetts; General
Obligation**

Primary Credit Analyst:

Rahul Chakraborty, New York + 2124381864; Rahul.Chakraborty@spglobal.com

Secondary Contact:

Timothy W Barrett, Washington D.C. + 1 (202) 942 8711; timothy.barrett@spglobal.com

Table Of Contents

Credit Highlights

Outlook

Related Research

Summary:

Medway, Massachusetts; General Obligation

Credit Profile		
US\$1.49 mil GO mun purp loan of 2024 bnds dtd 09/24/2024 due 09/15/2054		
Long Term Rating	AAA/Stable	New
Medway Twn GO		
Long Term Rating	AAA/Stable	Affirmed
Medway Twn GO		
Long Term Rating	AAA/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AAA' long-term rating to the Town of Medway, Mass.' \$1.49 million general obligation (GO) municipal-purpose loan.
- At the same time, we affirmed our 'AAA' long-term rating on the town's GO debt outstanding. The outlook is stable.

Security

The town's full-faith-and-credit pledge, subject to Proposition 2-1/2 limitations, secures the bonds. We rate the limited-tax GO debt on par with our view of Medway's general creditworthiness because the ad valorem tax is not derived from a measurably narrower property tax base and there are no resource-fungibility limitations, supporting our view of its overall ability and willingness to pay debt service.

Officials plan to use series 2024 GO bond proceeds to fund land acquisitions, culvert designs, and water line improvement projects.

Credit overview

The rating incorporates our forward-looking view that Medway will maintain a stable credit profile buttressed by a stable tax base and by the maintenance of steady reserves as a result of consistent net operating surpluses. Following an \$3.8 million surplus in fiscal 2023 that was due predominantly to investment income and conservative budgeting, the fiscal 2024 operating budget is in a good position, with an estimated \$5 million net surplus. The fiscal 2025 budget is balanced and largely consistent with previous years, aside from expected increases in salaries. The town has been seeing an influx of battery storage facilities which it expects will contribute \$2 million-\$3 million in tax revenue annually by fiscal 2028.

The town plans to issue \$8 million for various improvements over the next two years, most notably involving design and site preparations for an upcoming municipal building project. Over the longer term, it has identified the need for renovations and additions to its town hall and police station. Medway has experienced stable and steady development and is ultimately assuming continued property tax value growth, though at a lower growth rate. While fixed costs remain manageable, we will continue to monitor the extent to which the town's debt profile and pension and other

postemployment benefit (OPEB) liability costs pressure the budget because, in our opinion, Medway's large pension and OPEB obligation with total retirement liabilities of \$47 million, particularly due to the pension systems' low funding, could lead to escalating costs. Although the town is managing these costs, we think it has a limited ability to control future pension-liability growth.

The rating reflects our opinion of Medway's:

- Primarily residential economy with access to in the Boston-Cambridge-Newton metropolitan area, which we consider broad and diverse with current residential developments projects underway;
- Good financial policies and practices under our Financial Management Assessment methodology including five-year financial and capital plans, a reserve policy which calls for maintaining stabilization reserves between 5% and 10% of expenditures, and robust cyber-protection practices, coupled with a strong institutional framework score;
- Maintenance of very strong reserves and positive net performance; and
- Low overall net debt profile, coupled with large unfunded pension and OPEB liabilities.

Environmental, social, and governance

We have analyzed Medway's environmental, social, and governance (ESG) factors relative to the town's economy, management, financial measures, and debt and liability profile, and have determined all are credit neutral. Medway is about 35 miles away from the Atlantic coast and could be susceptible to chronic weather event risk. Its 2018 hazard mitigation plan includes mitigation projects, cost estimates, potential funding sources, and an estimated time frame to mitigate environmental risks.

Rating above the sovereign

We rate Medway higher than the sovereign because we think the town can maintain better credit characteristics than the nation in a stress scenario due to its predominantly locally derived revenue base and our view that pledged revenue supporting debt service on the bonds is at limited risk of negative sovereign intervention. In 2023, local property taxes generated 67% of governmental fund revenue, demonstrating a lack of dependence on central government revenue.

Outlook

The stable outlook reflects our opinion of Medway's continued strong budgetary performance leading to sustained very strong budgetary flexibility and liquidity. The town's proximity to Boston provides further rating support. We do not expect to change the rating during the two-year outlook period.

Downside scenario

We could lower the rating if financial performance were to materially deteriorate, leading to a reduction in very strong reserves, or if retirement costs were to continue to increase and pressure financial performance.

Medway, Massachusetts -- Key credit metrics

	Most recent	Historical information		
		2023	2022	2021
Very strong economy				
Projected per capita EBI % of U.S.	160			
Market value per capita (\$)	260,207			
Population		13,120	13,818	13,510
County unemployment rate(%)		3.1		
Market value (\$000)	3,413,918	2,992,032	2,659,923	
Ten largest taxpayers % of taxable value	17.5			
Very strong budgetary performance				
Operating fund result % of expenditures		5.7	3.9	5.4
Total governmental fund result % of expenditures		5.5	6.0	3.2
Very strong budgetary flexibility				
Available reserves % of operating expenditures		39.0	34.6	31.7
Total available reserves (\$000)		26,433	22,468	19,839
Very strong liquidity				
Total government cash % of governmental fund expenditures		58	54	31
Total government cash % of governmental fund debt service		1,106	896	502
Strong management				
Financial Management Assessment	Good			
Very strong debt & long-term liabilities				
Debt service % of governmental fund expenditures		5.2	6.1	6.2
Net direct debt % of governmental fund revenue	35			
Overall net debt % of market value	1.0			
Direct debt 10-year amortization (%)	64			
Required pension contribution % of governmental fund expenditures		4.4		
OPEB actual contribution % of governmental fund expenditures		2.2		
Strong institutional framework				

EBI--Effective buying income. OPEB--Other postemployment benefits.

Related Research

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

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.

Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.