

Research Update:

# Medway, MA Series 2025 GO Municipal Purpose Loan Bonds Assigned 'AAA' Rating

August 27, 2025

## Overview

- S&P Global Ratings assigned its 'AAA' rating to Medway, Mass.' approximately \$5.4 million series 2025 general obligation (GO) municipal-purpose loan bonds.
- At the same time, we affirmed our 'AAA' rating on the town's GO debt outstanding.
- The outlook is stable.
- The rating reflects the application of our "[Methodology For Rating U.S. Governments](#)," Sept. 9, 2024.

## Rationale

### Security

Medway's full-faith-and-credit GO pledge, subject to Proposition 2-1/2 limitations, secures the bonds. Despite commonwealth levy limit laws, we do not make a rating distinction between Medway's limited-tax bonds and its general creditworthiness because our analysis of its financial and economic conditions already includes the statutory limitation imposed on its revenue-raising ability.

The 2025 GO bond proceeds will finance various capital improvements.

### Credit highlights

The 'AAA' rating reflects Medway's robust economy and financial performance, with a demonstrated track record of maintaining reserves that exceed the medians of comparably rated state peers. Medway's highly affluent tax base and forward-looking financial-management practices and policies, which we believe will likely allow the town to produce positive operations even as broader economic pressure persists, support general creditworthiness.

The town continued its trend audited surpluses in 2024, reflecting strong revenue and expenditure performance relative to budget estimates and continuing its historical track record of positive operations. We note that its fiscal 2024 operating result of 0.4% of general fund

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revenues is lower than its three-year average operating result of 3.3% due to elevated transfers to its capital projects fund for one-time grant-related capital expenses. The town typically has positive year-to-year variances in health benefit costs, debt service, and local receipts due to conservative budgetary assumptions.

For fiscal 2025, we anticipate that the town will have another surplus, with positive budgetary variances in both revenue and expenditures. From fiscal 2026 on, the town expects to realize approximately \$2.2 million in additional revenue annually due to a new payment-in-leu-of-taxes (PILOT) agreement with a battery storage facility and could see additional PILOT revenue in future fiscal years from additional storage facilities, a development we view as credit positive. While its debt profile is manageable, we recognize that the town's pension and other postemployment benefit (OPEB) liabilities will continue to pose long-term credit pressures, given the size of the liabilities and low OPEB funded ratios.

Additional factors supporting the rating include the town's:

- Growing, primarily residential taxing base. Residents have access to employment in the Boston-Cambridge-Newton metropolitan area, with higher-than-average economic output at the county level that is projected to grow more slowly than national levels. Economic metrics are in line with 'AAA' rated peers.
- Consistent trend of positive financial performance. The general fund budget is primarily financed by local property taxes (75%). Year-to-date results for fiscal 2025 remain solid, and the town anticipates that operating results will be in line with previous years' surpluses, with no major transfers for capital expected. The fiscal 2026 budget includes cautious budgetary assumptions and exhibits the stable operating environment of the town.
- Robust reserves of around 37% of general fund revenue, providing ample cushion to absorb disruptions associated with changes to state aid or unplanned expenditures resulting from a slowing economy. The town does not anticipate spending these balances down within the outlook period.
- Proactive management team that is focused on long-term planning and forecasting to ensure operations remain stable in the face of growth. Conservative budget assumptions, along with five years of historical trend analysis, inform annual budgets. The town's comprehensive five-year financial forecast and five-year capital improvement plan demonstrate its focus on long-term decisions. In addition, it has formal policies guiding debt, investments, and reserves. Management also continues to take steps to insulate itself from cyber security risks.
- 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. The town has manageable debt service carrying charges and mid-range direct debt per capita, although comparatively more favorable when measured against revenue. We highlight the town's large pension and OPEB obligation, which will continue to push up future costs, although we note that the town has been proactive in funding the liabilities.
- Massachusetts municipalities have a predictable operating framework, with some statutory flexibility to raise local-source revenue for operations, despite commonwealth limits on property tax levy growth. For more information on our assessment of Massachusetts municipalities, see "[Institutional Framework Assessment: Massachusetts Local Governments](#)," Sept. 9, 2024.

## Environmental, social, and governance

We analyzed the town's environmental, social, and governance risks relative to its economy, management, financial measures, and debt-and-liability profile and determined that all are neutral in our analysis.

## Rating above the sovereign

Medway's GO bonds are eligible to be rated above the sovereign because we believe the town can maintain better credit characteristics than the U.S. in a stress scenario. Under our criteria "[Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions](#)," Nov. 19, 2013, on RatingsDirect, Medway has a predominantly locally derived revenue source, with property taxes accounting for roughly 75% of general fund revenues. It also has independent taxing authority and independent treasury management from the federal government.

## Outlook

The stable outlook reflects our view that the town will maintain a stable financial profile, supported by its very strong financial management policies. We do not expect to revise the rating during the two-year outlook period.

## Downside scenario

We could lower the rating if budgetary performance weakens resulting in sustained lower fund balances. In addition, an increase in long-term debt and liabilities beyond current expectations may pressure the rating.

### Medway Town, Massachusetts--Credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	1.47
Economy	1.0
Financial performance	1
Reserves and liquidity	1
Management	1.35
Debt and liabilities	3.00

### Medway Town, Massachusetts--Key credit metrics

	Most recent	2024	2023	2022
<b>Economy</b>				
Real GCP per capita % of U.S.	--	--	119	121
County PCPI % of U.S.	--	--	165	165
Market value (\$000s)	--	3,413,917	2,992,032	2,659,923
Market value per capita (\$)	--	261,063	228,051	192,497
Top 10 taxpayers % of taxable value	--	17.5	18.5	19.4
County unemployment rate (%)	--	3.7	3.1	3.2
Local median household EBI % of U.S.	--	187	186	185
Local per capita EBI % of U.S.	--	162	162	163

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	Most recent	2024	2023	2022
Local population	--	13,077	13,120	13,818
<b>Financial performance</b>				
Operating fund revenues (\$000s)	--	72,624	70,282	66,169
Operating fund expenditures (\$000s)	--	71,011	67,743	64,913
Net transfers and other adjustments (\$000s)	--	(1,315)	1,340	1,284
Operating result (\$000s)	--	298	3,879	2,540
Operating result % of revenues	--	0.4	5.5	3.8
Operating result three-year average %	--	3.3	4.9	4.0
<b>Reserves and liquidity</b>				
Available reserves % of operating revenues	--	36.9	37.6	34.0
Available reserves (\$000s)	--	26,773	26,433	22,468
<b>Debt and liabilities</b>				
Debt service cost % of revenues	--	5.2	5.0	5.8
Net direct debt per capita (\$)	4,360	4,375	4,740	3,208
Net direct debt (\$000s)	57,015	57,216	62,184	44,325
Direct debt 10-year amortization (%)	61	65	--	--
Pension and OPEB cost % of revenues	--	7.0	6.0	6.0
NPLs per capita (\$)	--	1,689	1,684	1,019
Combined NPLs (\$000s)	--	22,091	22,091	14,078

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\$5.45 mil GO muni purp loan bnds ser 2025 dtd 09/18/2025 due 09/15/2045

Long Term Rating AAA/Stable

##### Ratings Affirmed

##### Local Government

Medway, MA Limited Tax General Operating Pledge AAA/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.

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