

# **RatingsDirect®**

---

## **Summary:**

## **Acton, Massachusetts; General Obligation**

### **Primary Credit Analyst:**

Jennifer K Garza (Mann), Dallas + 1 (214) 871 1422; jennifer.garza@spglobal.com

### **Secondary Contact:**

Kaiti Vartholomaios, New York + 1(212) 438 0866; kaiti.vartholomaios@spglobal.com

## **Table Of Contents**

---

Credit Highlights

Outlook

Rating Above The Sovereign

Related Research

## Summary:

# Acton, Massachusetts; General Obligation

Credit Profile		
US\$5.315 mil GO mun purp loan bnds ser 2024 dtd 03/28/2024 due 03/15/2039		
<i>Long Term Rating</i>	AAA/Stable	New
Acton Twn GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

## Credit Highlights

- S&P Global Ratings assigned its 'AAA' rating to the Town of Acton, Mass.' \$5.315 million series 2024 general obligation (GO) municipal purpose loan bonds.
- At the same time, we affirmed our 'AAA' rating on the town's long-term GO debt outstanding.
- The outlook is stable.

## Security

The town's full faith and credit pledge, subject to the limitations of Proposition 2 1/2, secures the bonds and GO debt and bond anticipation notes outstanding. Despite commonwealth levy limit laws, we did not make a rating distinction between Acton's limited-tax debt and the town's general creditworthiness because our analysis of Acton's financial and economic conditions already includes the statutory limitation imposed on the town's revenue-raising ability. Bond proceeds will be used to finance a variety of capital projects.

## Credit overview

Fiscal 2023 net operating performance realized some favorable budget variances due to vacancies and local receipts which trended stronger than forecast. Health care costs have increased materially for fiscal 2024 resulting in an advance loan from the Town of \$451,000 followed by a mid-year 22.8% premium increase. Year to date, the town anticipates expenditure savings generated by a hiring freeze and effectively managing expenditures will result in an ability to absorb these costs without the use of reserves. Therefore, Acton is exploring the need for additional funding and health care alternatives for fiscal 2025 budget. The town is proposing a \$6.6 million levy override to offset health care and special education cost increases. The town intends to maintain free cash, a portion of the assigned general fund balance, at 3%-5% in line with their reserve goal. We anticipate total available reserves (assigned and unassigned on a generally accepted accounting principles basis) will remain relatively stable and strong during the next two years.

Acton reports ongoing developments include a multi-phase 230-unit multifamily development; a car dealership; , a 37-unit age-restricted housing development; and retail and warehouse space. We expect that the town's proximity to Boston and other employment centers, along with a strong school system, will continue to influence a similar pace of assessed value growth in the next two years. The tax base increased nearly 15% in 2023 (compared with an annualized average of 5% during the three years prior) in part due to appreciation of market values and also moderation of a tax

abatement with Insulet, a medical device manufacturer.

Following this issuance, the town has approximately \$28.4 million in total direct debt (including capital leases) of which we consider about \$8.9 million self-supporting enterprise debt. Acton has preliminarily identified needs for electric improvements, sidewalks, stormwater and a Department of Public Works facility during the next few years though it is too early for cost estimates. In our view the town's Middlesex County Retirement System pension plan is inadequately funded at about 53% of the total liability or \$56.4 million. Although the town has contributed more than the actuarially determined contribution (ADC) in four of the past five fiscal years and fixed costs are a manageable portion of the budget, we believe that there is potential for volatility in annual costs given the somewhat elevated discount rate assumption of 7.1%. Acton's approved funding schedule will fully fund the system by 2037. In addition, the town's other postemployment benefit (OPEB) liability is 43% funded or about \$13.5 million per the fiscal 2023 audit. Acton has funded more than the ADC for the OPEB liability in each of the past five fiscal years.

The rating further reflects our view of the town's:

- High income levels, primarily residential tax base, and access to a broad and diverse metropolitan statistical area;
- Good financial policies and practices under our Financial Management Assessment methodology that include long-term financial forecasts, annually updated 10-year capital improvement plan, quarterly reporting of budget-to-actual performance, and reserve policy to maintain 3%-5% cash, coupled with a strong institutional framework score;
- Stable net operating performance and strong reserve levels that could be pressured in future years due to rising health care costs; and
- Low overall debt profile with some additional debt plans. In our view pension and OPEB liabilities might not be an immediate source of credit pressure; however, funding levels are low and our expectation is that costs will increase.

### **Environmental, social, and governance factors**

We analyzed Acton's environmental, social, and governance risks relative to the town's economy, management, financial measures, and debt and liability profile, and determined that all are neutral in our credit analysis. The town maintains climate action, municipal vulnerability, stormwater management, comprehensive emergency, and hazardous management plans for guidance in contingencies. In addition, Acton annually funds culvert and stormwater infrastructure improvements as flood mitigation efforts.

## **Outlook**

The stable outlook reflects Acton's consistent financial results, coupled with a robust local economy. We do not expect to change the rating during the outlook period.

### **Downside scenario**

If the town reduces reserves due to planned or unplanned expenditures, or if retirement costs rise significantly due to the plan's low funded ratio and optimistic assumptions, we could lower the rating.

## Rating Above The Sovereign

Acton's GO bonds are eligible to be rated above our rating on the sovereign, because we think the town can maintain better credit characteristics than the nation in a stress scenario. Under our criteria, titled "Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions" (published Nov. 19, 2013), Acton has a predominately locally derived revenue source, with property taxes generating 92% of general fund revenue. It also has independent taxing authority and treasury management from the federal government.

Acton, Massachusetts--Key credit metrics		Historical information		
	Most recent	2023	2022	2021
<b>Very strong economy</b>				
Projected per capita EBI % of U.S.	209			215
Market value per capita (\$)	251,475	235,457	204,929	194,322
Population (no.)			24,902	24,411
County unemployment rate(%)		2.6	3.1	4.5
Market value (\$000)	6,262,232	5,863,343	5,103,142	4,743,584
Ten largest taxpayers % of taxable value	3.5	3.7	4.2	4.1
<b>Strong budgetary performance</b>				
Operating fund result % of expenditures		0.6	0.3	0.8
Total governmental fund result % of expenditures		2.0	(1.0)	2.8
<b>Strong budgetary flexibility</b>				
Available reserves % of operating expenditures		11.2	11.2	10.0
Total available reserves (\$000)	12,485	11,974	10,278	
<b>Very strong liquidity</b>				
Total government cash % of governmental fund expenditures		22	19	19
Total government cash % of governmental fund debt service		756	617	867
<b>Strong management</b>				
Financial Management Assessment	Good	Good	Good	Good
<b>Very strong debt &amp; long-term liabilities</b>				
Debt service % of governmental fund expenditures		2.9	3.1	2.2
Net direct debt % of governmental fund revenue	16	23	26	27
Overall net debt % of market value	1.4	1.7	2.0	2.3
Direct debt 10-year amortization (%)	68	63	68	73
Required pension contribution % of governmental fund expenditures		4.3	3.9	3.9
OPEB actual contribution % of governmental fund expenditures		1.6	1.5	1.6
<b>Strong institutional framework</b>				

EBI--Effective buying income. OPEB--Other postemployment benefits. Data points and ratios may reflect analytical adjustments.

## Related Research

- 2023 Update Of Institutional Framework For U.S. Local Governments, Nov. 28, 2023
- 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](http://www.spglobal.com/ratings) for further information. Complete ratings information is available to RatingsDirect subscribers at [www.capitaliq.com](http://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](http://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](http://www.spglobal.com/ratings) (free of charge), and [www.ratingsdirect.com](http://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](http://www.spglobal.com/usratingsfees).

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