

Research Update:

Sherborn, MA Series 2025 GO Municipal Purpose Loan Bonds Assigned 'AAA' Rating; Other GO Bond Ratings Affirmed At 'AAA'

August 28, 2025

Overview

- S&P Global Ratings assigned its 'AAA' rating to the Town of [Sherborn](#), Mass.' \$2.915 million series 2025 general obligation (GO) municipal purpose loan bonds.
- At the same time, S&P Global Ratings affirmed its 'AAA' rating on the town's existing GO debt.
- The outlook is stable.
- The rating is based on the application of our "[Methodology For Rating U.S. Governments](#)," Sept. 9, 2024.

Rationale

Security

The bonds have been exempted from the limits of Proposition 2 1/2. Sherborn's full-faith-and-credit pledge, subject to Proposition 2 1/2 limitations, secures some existing GO debt. Despite commonwealth levy-limit laws, we did not make a rating distinction between the town's limited-tax GO pledge and general creditworthiness because our analysis of Sherborn's financial and economic conditions already include the tax limitation imposed on the town's revenue-raising ability.

Proceeds from the bonds will provide new money for various capital projects.

Credit highlights

The rating reflects our view of the town's robust economic profile, including a tax base and personal income metrics that are significant strengths. Following planned reserve drawdowns in 2018 and 2019 to provide a lower property tax rate, the town has exhibited reserve growth over the past five years; we expect its affluent nature will support ongoing budgetary stability and the

Primary Contact

Tyler Fitman
Boston
1-617-530-8021
tyler.fitman
@spglobal.com

Secondary Contact

Michael Parker
New York
1-303-721-4701
michael.parker
@spglobal.com

ability to continue to manage debt and retirement liabilities, including potential rising costs that could present a budgetary pressure.

The town's recent history of surplus results continued in fiscal 2024, with surplus in line with previous years spurred by some revenues that were higher than expected and some savings attributed to vacancies. Management estimates a surplus of about \$400,000 in fiscal 2025, with some savings once again attributed to vacancies that occurred throughout the year. This result was also affected by a \$150,000 use of reserves to support ventilation improvements. Sherborn has adopted a fiscal 2026 budget that totals \$35.4 million, a 3.49% increase over the previous year. The budget does not contain any new positions or services, and the primary driver of budget growth was health insurance costs. The town has no plans for further fund balance appropriation, and we expect it will be able to sustain reserves at approximately the same level relative to revenues. Sherborn adheres to a policy that calls for it to maintain 3%-5% certified free cash (as a percentage of budgeted expenditures) in reserves and to maintain stabilization to be to a minimum of 2% of the town's operating budget and has exceeded these policy levels.

The 'AAA' rating also reflects our view of Sherborn's:

- Participation in a robust regional economy, with county-level incomes and economic output metrics that are significantly higher than national levels and local incomes that are further stronger than those of Middlesex County and nation. Although the town has a small population less than 5,000, we believe this is offset by its extremely strong, primarily residential tax base.
- Recent record of stable financial performance, with consistent surplus results we expect it will sustain. These results are supported by conservative budgeting and a reliance on property tax revenues, which account for 85% of general fund revenues.
- Stable management, with well-embedded policies and practices including monthly reporting of budget-to-actual results, maintenance of a formal six-year capital-improvement plan, adherence to a formal reserve policy, and formal debt and investment management policies. The town has taken steps to mitigate cybersecurity risks.
- Debt and liability profile that remains manageable with low debt service costs. The town's small population and history of adopting debt on behalf of the regional school district lead to somewhat elevated per-capita liabilities. After this issuance, Sherborn will have about \$15.7 million in debt outstanding. Although it may issue additional debt, including for an ambulance and for school building improvements, management also plans to rescind several authorizations that are no longer needed; voters have a history of supporting debt exclusions for capital needs.
- Pension liabilities, when including the town's net other postemployment benefit (OPEB) liability, that are slightly above average when compared with those of national peers and are also elevated on a per-capita basis. Although contribution costs for the Middlesex County Retirement System (net pension liability \$12.7 million, 55.2% funded) will likely escalate as the system works toward full funding, we believe the town has the operational flexibility to absorb these costs. Sherborn provides OPEB to eligible retirees and has a net OPEB liability of \$5.6 million; the town is prefunding its OPEB liability in a trust, contributing about \$200,000 each year. We believe costs and the total liability are likely to grow but are not likely to pressure the town's finances.
- Largely stable operating environment, similar to other Massachusetts municipalities, that we expect will continue. For more information on our institutional framework assessment for Massachusetts municipalities, see "[Institutional Framework Assessment: Massachusetts Local Governments](#)," Sept. 9, 2024.

Environmental, social, and governance

We have assessed the environmental, social, and governance factors relative to Sherborn's economy, management, financial measures, and debt and liability profile, and have determined all are neutral in our rating analysis. Management has been proactive in identifying and addressing environmental risks. It is updating its hazard mitigation plan and is working through the state's Municipal Vulnerability Preparedness grant program to develop a climate resiliency action plan.

Rating above the sovereign

Sherborn'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. Sherborn has a predominately locally derived revenue source, with independent taxing authority and independent treasury management from the federal government.

Outlook

The stable outlook reflects our expectation that Sherborn will maintain generally balanced-to-positive operations and very strong reserves over the next two years.

Downside scenario

We could lower the rating if the town's performance were to deteriorate and if reserves were to decline because of planned or unplanned drawdowns.

Sherborn, Massachusetts--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	1.95
Economy	1.0
Financial performance	2
Reserves and liquidity	1
Management	2.00
Debt and liabilities	3.75

Sherborn, Massachusetts--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	--	--	179	182
County PCPI % of U.S.	--	--	155	155
Market value (\$000s)	--	1,778,236	1,596,351	1,422,902
Market value per capita (\$)	--	408,414	364,464	324,123
Top 10 taxpayers % of taxable value	--	5.3	5.0	5.1
County unemployment rate (%)	--	3.6	3.0	3.0
Local median household EBI % of U.S.	--	261	286	240
Local per capita EBI % of U.S.	--	225	242	236
Local population	--	4,354	4,380	4,390

Sherborn, Massachusetts--key credit metrics

	Most recent	2024	2023	2022
Financial performance				
Operating fund revenues (\$000s)	--	35,028	32,922	30,512
Operating fund expenditures (\$000s)	--	34,323	32,584	30,531
Net transfers and other adjustments (\$000s)	--	65	82	84
Operating result (\$000s)	--	770	420	65
Operating result % of revenues	--	2.2	1.3	0.2
Operating result three-year average %	--	1.2	1.1	0.8
Reserves and liquidity				
Available reserves % of operating revenues	--	15.7	15.2	15.2
Available reserves (\$000s)	--	5,502	5,013	4,637
Debt and liabilities				
Debt service cost % of revenues	--	4.6	4.6	3.9
Net direct debt per capita (\$)	3,599	3,243	3,482	2,959
Net direct debt (\$000s)	15,670	14,118	15,253	12,990
Direct debt 10-year amortization (%)	67	65	--	--
Pension and OPEB cost % of revenues	--	5.0	4.0	5.0
NPLs per capita (\$)	--	2,921	2,693	1,951
Combined NPLs (\$000s)	--	12,717	11,795	8,565

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\$2.915 mil GO mun purp loan bnds ser 2025 dtd 09/22/2025 due 09/15/2035

Long Term Rating	AAA/Stable
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Ratings Affirmed

Local Government

Sherborn, MA Limited Tax General Operating Pledge	AAA/Stable
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Sherborn, MA Unlimited Tax General Obligation	AAA/Stable
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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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