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Summary:

Mattapoisett, Massachusetts; General Obligation

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Table Of Contents

Rationale

Outlook

Related Research

Summary:

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Credit Profile

US\$11.69 mil GO mun purp loan of 2020 bnds dtd 03/06/2020 due 11/15/2040

Long Term Rating

AAA/Stable

New

Mattapoissett GO

Unenhanced Rating

AAA(SPUR)/Stable

Affirmed

Rationale

S&P Global Ratings assigned its 'AAA' rating and stable outlook to Mattapoissett, Mass.' series 2020 general obligation (GO) municipal-purpose loan bonds and affirmed its 'AAA' rating, with a stable outlook, on the town's existing GO debt.

Security and the use of proceeds

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 Mattapoissett's general creditworthiness because the ad valorem tax is not derived from a measurably narrower property tax base and there are no limitations on the fungibility of resources, supporting our view of the town's overall ability and willingness to pay debt service.

We understand officials plan to use series 2020 bond proceeds to finance a portion of the town's bond anticipation notes (BANs) permanently and fund various capital-improvement projects, including a new fire station.

We rate the town higher than the nation because we think it can maintain better credit characteristics than the nation in a stress scenario based on 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. Under our criteria, we consider U.S. state and local governments to have moderate sensitivity to country risk. (For further information, please see our criteria, titled "Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions," published Nov. 19, 2013, on RatingsDirect.) In fiscal 2018, local property taxes generated 81% of general fund revenue, which demonstrated a lack of dependence on central government revenue.

Credit overview

The rating reflects our opinion of Mattapoissett's very strong economy, supported by a wealthy tax base and high income. In addition, we think the town's continued maintenance of very strong budgetary flexibility, due to stable financial performance and strong management, further supports our view of the rating. Although we imagine retirement costs could escalate due to, what we view as, somewhat optimistic assumptions, we think costs and related liabilities will likely remain manageable. Furthermore, due to its location, Mattapoissett has also undertaken various coastal-resiliency initiatives: It is currently planning for additional rising-sea-level-mitigation projects.

The town's general creditworthiness includes our view of its:

- Very strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Strong management, with good financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Strong budgetary performance, with breakeven operating results in both the general fund and total governmental fund in fiscal 2018;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2018 at 21% of operating expenditures;
- Very strong liquidity, with total government available cash at 50.9% of total governmental-fund expenditures and 14.7x governmental debt service, and access to external liquidity we consider strong;
- Very strong debt-and-contingent-liability position, with debt service carrying charges at 3.4% of expenditures and net direct debt that is 76.3% of total governmental-fund revenue, as well as low overall net debt at less than 3% of market value and rapid amortization, with 75.2% of debt scheduled to be retired within 10 years; and
- Strong institutional framework score.

Very strong economy

We consider Mattapoisett's economy very strong. The town, with an estimated population of 6,121, is in Plymouth County in the Boston-Cambridge-Newton MSA, which we consider broad and diverse. The town has a projected per capita effective buying income at 152% of the national level and per capita market value of \$291,698. Overall, market value has grown by 1.4% during the past year to \$1.8 billion in fiscal 2020. County unemployment was 3.5% in 2018.

Primarily a residential community, the town doubles in population during the summer due to the large number of second homes. Local residents benefit from access to employment opportunities in the Providence and Boston MSAs.

Mattapoisett's economy remains stable as the town's residential and commercial bases continue to see modest growth and expansion. The town has several solar power projects coming online and a few multifamily residential developments currently in various stages of construction. The Bay Club is currently expanding with 32 new lots currently in development. Bran Point Village is also expanding. Officials also report that there are a few commercial facilities in development and that new retail shops are opening.

The town has also recently experienced more than 17 new housing starts, adding to new growth figures. In addition, due to the favorable economy, developments, and strong housing market, officials believe assessed value (AV) could grow higher, on a percentage basis, in fiscal 2021 compared with fiscal 2020. There is no taxpayer concentration with the 10 leading taxpayers accounting for a very diverse 4.1% of AV. Therefore, we expect the economy will likely remain very strong.

Strong management

We view the town's financial management as strong, with good financial policies and practices under our FMA methodology, indicating that financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them.

Officials perform a trend analysis when budgeting and make conservative budget assumptions that typically yield positive operating results. They perform budget surveillance regularly and share monthly reports on budget-to-actual results and treasurer's reports with town selectmen. Although Mattapoisett does not perform long-term financial

planning, its comprehensive 10-year capital plan looks at facilities and infrastructure improvements. In addition, it maintains a 10% target for stabilization reserves; although the town has historically adhered to this target, it has fallen below these levels as of fiscal 2017. However, unaudited fiscal 2019 results indicate, once again, management is complying with this policy.

Mattapoisett also maintains an investment-management policy and basic debt-management policy that addresses debt maturity, limits, and schedules. The town has cybersecurity protections, and it maintains cybersecurity insurance. In addition, management maintains various network and system backups.

Mattapoisett also maintains a formal coastal-resiliency plan to mitigate rising-sea-level challenges that identifies vulnerable infrastructure and assets, particularly water and sewer, and outlines steps and ways to strengthen structures or minimize the effect on the town; the town has been working toward this with commonwealth and federal resources during the past few years. Mattapoisett's commonwealth-approved flood-hazard-mitigation plan allows it to receive commonwealth and federal grants to deal with rising-sea-level vulnerabilities.

Strong budgetary performance

Mattapoisett's budgetary performance is strong, in our opinion. The town had breakeven operating results in the general fund but balanced results across all governmental funds at 0.1% of expenditures in fiscal 2018.

We adjusted fiscal 2018 results for one-time capital expenditures paid for with bond proceeds. Management attributes fiscal 2018 balanced results to higher-than-budgeted local receipts, including motor vehicle excise taxes. The town had positive variances in several revenue sources, including real estate and motor vehicle excise taxes and departmental income. While expenses are generally on target, the town made more than its full actuarially determined contribution toward other postemployment benefits (OPEB) in fiscal 2018. It also reported four-consecutive general fund surpluses before this.

Unaudited fiscal year-end 2019 results indicate a \$428,473 general fund deficit. Officials primarily attribute this to one-time capital spending, particularly with the fire-station project. However, management indicates that aside from this, revenue exceeded the budget and expenses were on target. The town adopted a fiscal 2020, \$28.1 million budget, a 5.3% increase over fiscal 2019, not including fund-balance appropriation. Officials indicate budget-to-actual results are on target, and they do not currently expect any negative financial operations by fiscal year-end 2020. Therefore, although fiscal 2019 results weakened compared with fiscal 2018 and prior fiscal years, we expect budgetary performance will likely remain strong.

Property taxes generate 81% of general fund revenue, followed by intergovernmental revenue at 10%. Collections have been strong: They averaged 99% during the past three years.

Very strong budgetary flexibility

Mattapoisett's budgetary flexibility is very strong, in our view, with available fund balance in fiscal 2018 at 21% of operating expenditures, or \$5.8 million.

The town has consistently maintained very strong reserves during the past three fiscal years. Our assessment includes committed fund balance, which totaled \$912,050 in fiscal 2018; management indicates that it could make this available for operations and that it has used this regularly in the past. Unaudited fiscal 2019 results show available reserves

decreased to \$5.3 million, or about 18.7% of expenditures. Officials also did not appropriate fund balance into the fiscal 2020 budget, and they do not expect to draw down reserves by fiscal year-end 2020.

In addition, management maintained four stabilization funds, as of fiscal 2018, that are all part of assigned, unassigned fund balance, including capital, school-district-assessment, special-education, and general stabilization funds. These funds totaled \$2.1 million in fiscal 2018, or 8.4% of expenditures, less than the town's policy of maintaining stabilization funds at a minimum 10% of the budget. However, unaudited fiscal 2019 results indicate, once again, the town was above this level. Therefore, we expect management will likely maintain very strong budgetary flexibility during the next few fiscal years.

Very strong liquidity

In our opinion, Mattapoisett's liquidity is very strong, with total government available cash at 50.9% of total governmental-fund expenditures and 14.7x governmental debt service in fiscal 2018. In our view, the town has strong access to external liquidity if necessary.

Mattapoisett is a regular market participant that has issued bonds frequently during the past several years, including GO bonds and short-term BANs. Mattapoisett does not have any variable-rate or direct-purchase debt. In addition, most investments are in certificates of deposit and mutual funds. The town has consistently maintained very strong liquidity, and we expect our liquidity assessment will likely remain unchanged during our two-year outlook.

Very strong debt-and-contingent-liability profile

In our view, Mattapoisett's debt-and-contingent-liability profile is very strong. Total governmental-fund debt service is 3.4% of total governmental-fund expenditures, and net direct debt is 76.3% of total governmental-fund revenue. Overall net debt is low at 1.5% of market value and roughly 75.2% of direct debt is scheduled to be repaid within 10 years, which are, in our view, positive credit factors.

Including this bond issuance, Mattapoisett has about \$27.3 million of total direct debt outstanding. Officials indicate they could issue about \$500,000 of additional debt annually for road-improvement projects.

Pension and OPEB highlights include:

- We do not view pension and OPEB liabilities as an immediate credit pressure for Mattapoisett despite lower funding and our expectation costs will likely increase.
- Because the town's pension actuarially determined contribution reflects, what we view as, weak assumptions and methodologies, we think it increases unexpected-contribution-escalation risk. We, however, expect higher contributions will likely remain affordable due to the town's revenue strength and conservative budgeting, resulting in stable financial performance.
- Although management funds OPEB liabilities on a pay-as-you-go basis, which, due to claims volatility and medical-cost and demographic trends, is likely to lead to escalating costs, the town has legal flexibility to alter OPEB, which we view as a potential means to mitigate escalating costs. The town also maintains an irrevocable OPEB trust fund with a roughly \$2.3 million balance in fiscal 2018 with 23.25% funded.

At June 30, 2018, Mattapoisett participates in:

- Plymouth County Retirement Assn., which is 65.6% funded, with a proportionate share of the town's net pension liability at \$8.7 million, assuming an 8% discount rate; and
- Barnstable's defined-benefit, OPEB health-care plan, which is 23.25% funded, with an OPEB liability of about \$7.7 million.

Mattapoisett's combined required pension and actual OPEB contribution totaled 6.6% of total governmental-fund expenditures in fiscal 2018: 3.7% represented required contributions to pension obligations and 2.9% represented OPEB payments. The town made its full annual required pension contribution in fiscal 2018.

Funding progress was significant during fiscal 2019, with contributions in excess of our minimum-funding-progress metric. Contributions should increase by roughly 3.75% annually due to the level-percent pay-amortization basis. Officials expect full funding after an 11-year closed period. The annual increase and 8% discount rate add cost-escalation risk due to market volatility, exacerbated by the requirement of maintaining payroll-growth assumptions.

The town maintains an OPEB trust fund: It contributed \$434,100 into the fund in fiscal 2019. For fiscal 2020, it budgeted to contribute \$414,000. The current OPEB trust fund balance, including the fiscal 2020 contribution, is \$2.9 million, or a 37.8% funded ratio. We, however, note the plan maintains a higher-than-average 6.5% discount rate, which we think could somewhat understate the liability.

Strong institutional framework

The institutional framework score for Massachusetts municipalities is strong.

Outlook

The stable outlook reflects S&P Global Ratings' opinion of Mattapoisett's very strong underlying economy and liquidity profile and S&P Global Ratings' expectation that management will likely maintain very strong budgetary flexibility during the next two fiscal years. In our opinion, Mattapoisett's historically strong financial performance and good management policies and procedures further support the rating. Therefore, we do not expect to change the rating within the next two years.

While not likely to occur, we could lower the rating if financial performance were to deteriorate, leading to significant fund-balance drawdowns.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Criteria Guidance: Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings, Oct. 7, 2019
- 2019 Update Of Institutional Framework For U.S. Local Governments

Ratings Detail (As Of February 13, 2020)

Ratings Detail (As Of February 13, 2020) (cont.)		
Mattapoisett GO		
Long Term Rating	AAA/Stable	Affirmed
Mattapoisett GO		
Long Term Rating	AAA/Stable	Affirmed
Mattapoisett GO		
Long Term Rating	AAA/Stable	Affirmed
Many issues are enhanced by bond insurance.		

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