

RatingsDirect®

Summary:

Mattapoissett, Massachusetts; General Obligation

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Credit Profile

US\$4.325 mil GO rfdg bnds ser 2013 B due 03/15/2026

Long Term Rating AAA/Stable New

US\$1.697 mil GO mun purp ln bnds ser 2013 A due 11/01/2027

Long Term Rating AAA/Stable New

Rationale

Standard & Poor's Ratings Services raised its rating on Mattapoissett's general obligation (GO) bonds to 'AAA' from 'AA' based on our recently released local GO criteria. In addition, we assigned our 'AAA' long-term rating to Mattapoissett's GO series 2013A and B municipal purpose bonds. The outlook on all the ratings is stable.

A pledge of the town's full faith credit secures the bonds.

The rating reflects our assessment of the following factors for the town.

- Very strong economy, which benefits from participation in the broad and diverse economy of Boston and Providence, R.I.;
- Very strong budgetary flexibility with 2012 audited available reserves at 15.5% of general fund expenditures;
- Strong budgetary performance, due to a conservative estimating and a stable revenue profile;
- Very strong liquidity providing very strong cash levels to cover both debt service and operating expenditures;
- Strong management environment, with experienced and capable managers and good financial policies; and
- Strong debt and contingent liabilities position, bolstered by the town's low debt to market value and aggressive amortization and manageable pension and other postemployment benefit (OPEB) liabilities.

Mattapoissett will use the proceeds from the series A bonds to retire \$1.5 million in bond anticipation notes issued to fund various capital projects. We note the town voted to exempt the debt service on \$400,000 of road improvement bonds. Approximately \$1.1 million of this bond issue is expected to be self-supported from user charges.

Proceeds from the series B bonds will be used to refund the town's series 2006 bonds for interest rate savings.

Very strong economy

We consider Mattapoissett's economy very strong as it participates in the broad and diverse Boston-Cambridge-Newton metropolitan area as well as the regional economy of Providence, R.I. Mattapoissett, with a population estimate of 6,447, is in Plymouth County on Buzzard's Bay in southeastern Massachusetts. The town encompasses 16.5 square miles approximately 56 miles south of Boston and 39 miles southeast of Providence, R.I.

Mattapoissett is a relatively affluent community. The town's projected per-capita effective buying income is 145% of the U.S. level. Local unemployment remains favorable, in our view, averaging 6.7% in 2012. More broadly, unemployment in Plymouth County averaged 6.9% in 2012, down from 7.7% and 8.8% in 2011 and 2010, respectively.

Per-capita market value for the town was \$258,161 for fiscal 2013, reflecting well the wealthy tax base. The town's assessed value (AV) was \$1.5 billion, and roughly 93% of the AV is residential, while 4.2% is commercial. The top 10 taxpayers account for 4.5% of AV.

While we note its taxable AVs have decreased by 13% since 2009, there are current signs in the local economy that suggest current values will be stable, and possibly grow in the future. Based on our regional forecasts, we anticipate modest economic growth compared with the nation. On a positive note, however, recent data indicate that median home prices are improving, and that housing starts are gaining traction.

Very strong budget flexibility

In our opinion, the town's budgetary flexibility is very strong, with the town anticipating an increase to reserves for 2013 over 2012 audited levels. Mattapoisett closed available reserves with a balance of \$3.4 million, or 15.5% of expenditures. We note the 2012 result is an improvement from the last two fiscal years, when the town closed with \$2.7 million (2011), and \$2.2 million (2010) in available reserves.

Included in its unassigned general funds are the town's stabilization reserves. The town has a total of four stabilization funds. These include capital stabilization, regional school assessment stabilization, special education costs stabilization, and regular stabilization funds. Combined, stabilization reserves total \$1.7 million. The town's policy is to manage these reserves (combined) to 10% of expenditures. Moreover, the policy limits withdrawals to fund only sudden and unexpected events, and only by a two-thirds vote of town meeting. Given these policy restrictions, we anticipate the town will maintain strong operating flexibility.

Strong budgetary performance

The town's budgetary performance has been strong overall, in our view, with a surplus of 3% for the general fund in fiscal 2012 and a surplus of 5.2% for total governmental funds. The town's favorable budgetary performance stems from its good fiscal planning and conservative budgeting. Moreover, we believe the town maintains a stable and predictable revenue profile with property taxes comprising 81% of revenues while state aid accounts for 9%.

Currently, we anticipate Mattapoisett's operating performance will remain strong. The town is estimating a surplus in 2013 as revenues outperformed the budget and expenditures came in below estimates. Given the town's stable revenue profile, we do not expect budgetary performance to materially weaken through the near term given the positive budgetary adjustments initiated over the past few years. Collective bargaining contracts were outstanding as of June 30, 2013, but we believe those costs will be manageable given the improved growth in local receipts. The 2014 budget is structurally balanced with ongoing operating revenues equal to ongoing operating expenditures. The budget totals \$21.7 million, and is a 2.2% increase over the prior year.

Very strong liquidity

Supporting the town's finances is what we consider very strong liquidity, with total government available cash at 36% of total governmental fund expenditures and at 890% of debt service. Further enhancing our view of the town's liquidity position is our view that Mattapoisett maintains strong access to external liquidity. The town is a regular market participant, having issued bonds frequently over the past several years, including GO bonds and short-term BANs.

Strong management conditions

We view the town's management conditions as strong, with good financial practices combined with a capable and experienced management team. The town's financial management assessment is good, indicating that practices exist in most areas, although not all might be formalized or regularly monitored by governance officials.

The town regularly monitors revenue and expenditures and makes realistic budget assumptions that typically yield positive operating results. Mattapoisett has a comprehensive five-year capital plan that looks at both facilities and infrastructure improvements. In addition, it maintains a 10% target for its stabilization reserves, a level it has historically met. The town also maintains a basic debt management policy that addresses debt maturity, debt limits, and the debt schedule.

Strong debt and contingent liability profile

Following this bond issue, Mattapoisett has roughly \$27.5 million of total direct debt and about \$598,000 of BANs outstanding. Overall, the town's total governmental funds debt service is 4.1% of total governmental funds expenditures and net direct debt is 74.4% of total governmental funds revenue—levels we consider adequate. Bolstering the town's debt profile is that net debt at 1.7% of market value is low, and that roughly 71% of debt will be retired over 10 years.

In our view, the town's pension and OPEB liabilities are manageable. We note pension and OPEB costs have risen over the past few years to about 5% of total governmental fund expenditures in 2012. Mattapoisett contributes to the Plymouth County Retirement System. The town contributes 100% of its required contribution, which in 2012 was \$732,000 (3.2% of expenditures).

Regarding its OPEB liability, the town's unfunded actuarial accrued liability was \$10.4 million based on its most recent study, done in July 1, 2011. In fiscal 2012, the annual required contribution (ARC) was \$928,000, and the town's pay-as-you-go contribution was \$422,000, roughly 41% of the ARC. The town has established an OPEB trust fund, and to date has contributed \$475,000 into the fund. Mattapoisett has committed through the tax levy to fund about \$278,984 each year from the budget. Looking ahead, the town will continue to seek ways to fully fund the ARC.

Strong institutional framework

We consider the Institutional Framework score for Massachusetts towns as strong. (See the Institutional Framework score for Massachusetts.)

Outlook

The stable outlook reflects our view that Mattapoisett's strong underlying economy, strong management, and predictable operating profile should translate to budgetary performance and available reserves remaining strong over the next two years. In addition, we anticipate Mattapoisett maintaining a strong debt and liability profile as debt service costs, as well as pension and OPEB costs, will be manageable and not pose an immediate budgetary challenge. For these reasons, we do not anticipate changing the rating over the next two years.

Related Criteria And Research

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- . U.S. State And Local Government Credit Conditions Forecast, July 8, 2013
- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Massachusetts Local Governments

Ratings Detail (As Of October 9, 2013)		
Mattapoisett GO		
<i>Long Term Rating</i>	AAA/Stable	Upgraded
Mattapoisett GO		
<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Upgraded
Mattapoisett GO (CIFG)		
<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Upgraded

Many issues are enhanced by bond insurance.

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