

RatingsDirect®

Summary:

Bellingham, Massachusetts; General Obligation

Primary Credit Analyst:

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

Secondary Contact:

Victor M Medeiros, Boston + 1 (617) 530 8305; victor.medeiros@spglobal.com

Table Of Contents

Rating Action

Stable Outlook

Credit Opinion

Related Research

Summary:

Bellingham, Massachusetts; General Obligation

Credit Profile

US\$5.04 mil GO mun purp loan of 2022 bnds ser 2022 due 10/15/2041

<i>Long Term Rating</i>	AA+/Stable	New
-------------------------	------------	-----

Bellingham GO

<i>Long Term Rating</i>	AA+/Stable	Affirmed
-------------------------	------------	----------

Bellingham Town GO (SYNCORA GTY)

<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed
--------------------------	------------------	----------

Many issues are enhanced by bond insurance.

Rating Action

S&P Global Ratings assigned its 'AA+' long-term rating to the town of Bellingham, Mass.' series 2022 general obligation (GO) bonds and affirmed its 'AA+' long-term rating on the town's GO debt outstanding. The outlook is stable.

The town's full-faith-and-credit GO pledge secures the bonds, subject to limitations of Proposition 2-1/2. We rate the limited-tax GO debt on par with our view of Bellingham's general creditworthiness, since the ad valorem tax is not derived from a measurably narrower tax base and there are no limitations on the fungibility of resources, which supports our view of the town's overall ability and willingness to pay debt service. Proceeds will finance a \$2.7 million land purchase, road repairs and other capital improvements.

Credit overview

Bellingham continues to generate consistent financial performance results as the local economy grows. Significant surpluses have been generated over the last two years, reflecting a growing tax base, conservative budgeting as a result of pandemic-related caution, and an influx of school aid that has benefited the budget and contributed to fund balance growth. Given limited pension pressures despite low funded ratios and debt needs which are well managed, as well as no plans to draw on reserves, we expect the town's credit profile to remain stable.

Additional rating factors include Bellingham's:

- Growing town with access to the Boston metropolitan statistical area (MSA);
- Conservative management, with a strong institutional framework score;
- Stable finance with temporary surpluses resulting from conservative budgeting and school aid; and
- Limited debt and pension pressures.

Environmental, social, and governance

We analyzed the town's environmental, social and governance (ESG) risks relative to its economy, management,

financial measures, and debt and liability profile and determined that they are in line with our view of the sector standard.

Stable Outlook

Upside scenario

We could raise the rating if the town's local economic indicators continue and improve to levels commensurate with those of higher-rated peers, coupled with a track record of strong budgetary flexibility, continued positive financial performance, and more formalized policies and practices.

Downside scenario

At the same time, should the town's available reserves deteriorate due to weakening budgetary performance, we could lower the rating.

Credit Opinion

Residential developments continue as town benefits from access to the Boston MSA

Bellingham is a primarily residential community on the I-495 Beltway approximately 35 miles from Boston. The town continues to experience strong real estate growth, particularly in 2021 as a result of the completion of a 345,000-square-foot warehouse and more than usual residential improvements. Overall, assessed value (AV) has increased by 15% to over \$3 billion over the last three years. Further residential development is expected with over 400 units either under construction or pending approval. Residential properties account for about 70% of total AV, with commercial and industrial properties accounting for 19%. Two electrical generation facilities contribute to the top-ten taxpayers' 20% AV in an otherwise diverse tax base. In addition, the town is home to several big-box stores, including Wal-Mart, Home Depot, and Market Basket. Given the increasing trend in both permits and developments, we expect the economy to continue growing.

Conservative management assumptions with regular updates

Bellingham uses historical revenue and expenditure trends to prepare the budget. Management regularly updates budget figures to determine if revenues are deviating from long-term trends and produces monthly budget-to-actual reports for officials. It maintains a five-year capital improvement plan (CIP), which is reviewed annually and includes funding sources for the next budget year. It also performs long-year financial projections using conservative growth assumptions. There is a high level of coordination with the schools in the budgeting process in part due to an integrated system, putting the town in a better position to plan for and manage changes in the budget. Management targets to maintain stabilization reserves at more than 5% of general fund expenditures.

Consistent financial performance support fund balance growth

The town's primary revenues are made up of 62% property taxes and 29% intergovernmental revenues. Our analysis accounts for recurring transfers as well as the inclusion of restricted general fund balance to the available amount, since they are restricted for tax rate stabilization but can be repurposed.

As a result of conservative budgeting with revenues revised downward for the fiscal 2021 budget, coupled with

significant savings from the school department as a result of state assistance and grants, the town estimates a significant surplus as of year-end, with the expected addition of \$3.2 million to fund balances. After several years of growing fund balance, it expects to maintain fund balance at current levels. In addition, it has received a total American Rescue Plan Act allocation from town and county sources of \$5.1 million, which it intends to use toward community development projects, such as outdoor space. Officials report fiscal 2022 is remaining in line with 2021; as a result, it expects another year of strong results. As the positive effects of school aid subsidies, we expect performance and flexibility to remain stable, in line with historic performance.

While the community is an infrequent issuer of debt, we believe that Bellingham maintains strong access to external liquidity. Moreover, we understand it does not currently have any contingent-liquidity risks from financial instruments with payment provisions that change on the occurrence of certain events. Therefore, we expect the liquidity profile will also remain stable.

Limited debt and pension pressures

With this issuance, the town will have about \$40.6 million in total direct debt outstanding, and intends to issue debt in line with current debt service levels as per its CIP, including the construction of a new water treatment facility. Overall, we expect Bellingham's debt profile to remain in line with current ratios.

Pension and other postemployment benefits (OPEBs):

- We do not view pension costs as a long-term credit concern due to high funding, manageable liabilities, and overall low costs.
- We expect contribution increases will likely remain affordable due to revenue strength, strong reserves, and conservative budgeting.

At June 30, 2020, Bellingham participated in the following pension plan:

- Norfolk County Contributory Retirement System: 64.6% funded, with a \$26 million proportionate share of the net pension liability.

Bellingham also provided OPEB benefits, which it funds primarily through pay-as-you-go financing. As of June 30, 2020, the town had an OPEB liability of \$77.7 million. It has set up an OPEB trust fund with a current balance of \$663,637 (0.73% plan fiduciary net position). The town plans to continue to set aside funds to address the liability.

Strong institutional framework

The institutional framework score for Massachusetts municipalities is strong.

Bellingham, MA -- Key Credit Metrics

	Most recent	Historical information		
		2020	2019	2018
Very strong economy				
Projected per capita EBI % of U.S.	126			
Market value per capita (\$)	176,641			
Population		17,418	17,284	17,217

Bellingham, MA -- Key Credit Metrics (cont.)				
	Most recent	Historical information		
County unemployment rate(%)		8.3		
Market value (\$000)	3,076,737	2,664,053		
Ten largest taxpayers % of taxable value	16.9			
Strong budgetary performance				
Operating fund result % of expenditures		1.9	1.0	0.0
Total governmental fund result % of expenditures		0.1	2.7	(1.6)
Strong budgetary flexibility				
Available reserves % of operating expenditures		12.6	11.4	10.4
Total available reserves (\$000)		8,813	7,541	6,576
Very strong liquidity				
Total government cash % of governmental fund expenditures		17	19	18
Total government cash % of governmental fund debt service		266	296	278
Strong management				
Financial Management Assessment	Good			
Very strong debt & long-term liabilities				
Debt service % of governmental fund expenditures		6.6	6.5	6.5
Net direct debt % of governmental fund revenue	40			
Overall net debt % of market value	1.1			
Direct debt 10-year amortization (%)	72			
Required pension contribution % of governmental fund expenditures		4.1		
OPEB actual contribution % of governmental fund expenditures		2.3		
Strong institutional framework				
EBI--Effective buying income. OPEB--Other postemployment benefits.				

Related Research

- Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020

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.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

Copyright © 2022 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.standardandpoors.com (free of charge), and 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.standardandpoors.com/usratingsfees.

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