

RatingsDirect®

Summary:

Bellingham Town, Massachusetts; General Obligation

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Summary:

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Credit Profile

US\$5.22 mil GO mun purp loan bnds ser 2012 due 11/15/2026

Long Term Rating

AA/Stable

New

Bellingham GO

Unenhanced Rating

AA(SPUR)/Stable

Affirmed

Rationale

Standard & Poor's Ratings Services has assigned its 'AA' long-term rating to Bellingham, Mass.' series 2012 general obligation (GO) municipal purpose loan of 2012 bonds. Standard & Poor's also affirmed its 'AA' ratings on the town's GO debt. The outlook is stable.

The long-term ratings reflect our opinion of the town's:

- Access to various transportation networks and employment centers throughout the Boston metropolitan statistical area (MSA),
- Extremely strong property tax base and historically strong household incomes,
- Sound financial performance and strong reserves, and
- Low debt burden with manageable additional capital needs.

The town's full faith and credit pledge secures the bonds. Bellingham intends to use the proceeds to fund roadway improvements and repairs.

Bellingham is 35 miles west of Boston and approximately 27 miles north of Providence, R.I. The 18.5-square-mile town has an estimated population of 15,890. On Interstate 495, it benefits from easy access to a variety of transportation networks and employment centers in neighboring communities in the Boston MSA. The town's economy focuses on trade, transportation, and utilities; leading employers include Dunkin' Donuts' regional distribution center, employing 250. We consider the town's household income levels very strong: 2010 median household effective buying income was 142% of the national level. Unemployment remains above state levels, despite a recent decline. Based on our economic forecast, we expect regional unemployment to remain flat into 2013. Through September 2012, unemployment averaged 7.8% compared with 6.5% in the state and 7.8% in the nation.

The town's property tax base is 71% residential and 15% commercial and industrial. Assessed value (AV) has decreased by 14% to \$2.1 billion in fiscal 2012 from its peak valuation in fiscal 2007. The decrease stems mainly from the softened residential market. Nevertheless, despite reduced property valuations, market value remains extremely strong, in our opinion, at \$138,000 per capita. While Standard & Poor's believes there are signs of property values stabilizing, it is currently uncertain when that will be reflected in future AV. Based on our forecasts, we believe that the

median home prices throughout New England will be flat or see some modest growth through 2013.

In Bellingham, there are two electric generating plants that account for roughly 12% of AV and roughly 14% of the net tax levy combined. The town, however, maintains a tax stabilization fund legally created to mitigate any effect on the tax levy in case of plant closings; the current fund balance is \$1.5 million. On the whole, the property tax base is diverse, in our opinion, with the 10 leading taxpayers accounting for 18% of AV.

Despite operating challenges reflecting the weak economy, Bellingham's recent financial position has been relatively stable. Over the past five fiscal years, the town has maintained general fund reserves between 6% and 10% of expenditures, indicating relative consistency in general fund operations despite dampened revenues. In fiscal 2012, the town is reporting an operating surplus of \$947,000, roughly 1.8% of the budget. Its total fund balance is \$8.3 million, or roughly 16% of expenditures, which we consider very strong. The total fund balance is made up of \$1.2 million of assigned fund balance (2.5% of expenditures) and \$4.9 million of unassigned fund balance (9.7%). Included in the unassigned general fund balance are the town's stabilization reserves (general and tax stabilization), which have been relatively stable over the past several years.

The town is projecting balanced operations for fiscal year-end June 30, 2013. The total budget is \$50.7 million, roughly 3.3% higher than the previous year. The increases largely reflect higher fixed costs, mainly insurance and benefits. In the first quarter of the fiscal year, most revenues have come in as expected. Property taxes, which we view as a stable revenue source, account for roughly 60% of general fund revenues; tax collections remain above 97% of the tax levy with current trends showing no deviation from that level. State aid makes up 35% of revenues, while local receipts account for about 5%.

Standard & Poor's considers Bellingham's management practices "good" under its Financial Management Assessment methodology, indicating financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them. Highlights include monthly budget reporting of revenue and expenditure variances to town officials. When preparing the budget, the town is very conservative in its estimations, regularly producing positive variances. The town performs five-year revenue and expenditure projections and maintains a five-year capital improvement plan. Management reviews and prioritizes the capital plan yearly. The town does not have any formal debt management or reserve policies; however, it maintains internal practices that it has adhered to historically. When issuing debt, the town likes to maintain a level amortization schedule. For reserves, the town likes to maintain a minimum 5% of expenditures of all reserves combined.

Bellingham's debt levels are low. The town's overall net debt burden is roughly \$2,188 per capita, about 1.7% of market value. Debt ratios are much lower if we factor in the reimbursement by the state of school-related debt service. We note the town's debt-to-expenditure carrying charge is moderate, however, at 11% of expenditures, but this is largely due to the town's rapid debt amortization. The town will retire roughly 84% of principal by fiscal 2022 and 100% by 2033. Additional capital needs are manageable, and officials plan to address these needs mainly through pay-as-you-go financing from available funds.

Bellingham contributes to the Norfolk County Contributory Retirement System. The town contributes 100% of its annual required amount. The 2012 budgeted payment of \$1.7 million is virtually in line with past years' payments and

constitutes roughly 3.5% of the budget. The town also provides other postemployment benefits. As of July 1, 2009, the actuarial liability was \$32.7 million, and the town's annual required contribution (ARC) was \$2.9 million, (6% of expenditures). Bellingham currently pays the liability on a pay-as-you-go basis. In 2011, the town contributed \$1 million, roughly 33% of the ARC. The town currently maintains a retirement reserve with a balance of \$624,000.

Outlook

We do not expect the rating to change within the two-year parameter of the outlook. The stable outlook reflects Standard & Poor's continued expectation that the town should maintain structural balance between recurring revenues and expenditures and sustain reserves at good levels, as it has demonstrated throughout the economic downturn. The outlook also reflects the town's historically strong incomes and property tax base, as well as its access to employment opportunities throughout the Boston and Providence MSAs. Additional capital needs are limited, so the debt burden should remain low.

Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

Ratings Detail (As Of November 12, 2012)		
Bellingham GO		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Bellingham GO		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

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