

RatingsDirect®

Summary:

Bellingham, Massachusetts; General Obligation

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Summary:

Bellingham, Massachusetts; General Obligation

Credit Profile

Bellingham GO

Long Term Rating

AA+/Stable

Upgraded

Rationale

Standard & Poor's Ratings Services raised its rating on Bellingham, Mass.' general obligation (GO) debt to 'AA+' from 'AA', based on our local GO criteria released Sept. 12, 2013. The outlook is stable.

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

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

- We consider Bellingham's economy very strong, with its projected per capita effective buying income at 118% of the U.S. and per capita market value of \$133,542. The town also participates in the broad and diverse economy of the Boston metropolitan area, and the Norfolk County unemployment rate for calendar year 2012 was 5.3%.
- The town's budgetary flexibility remains very strong. Audited fiscal 2012 reserves were \$6.2 million, or 12.5% of expenditures. Management is anticipating 2013 reserves will remain in line with years past.
- Bellingham's budgetary performance has been strong, in our view, with a surplus in the general fund in fiscal 2012 of \$947,000, equal to 1.9% of expenditures. Across all funds, the town also realized a surplus, after adjusting for capital spent from bond proceeds. For fiscal 2014, the town anticipates balanced operating results.
- Supporting the town's finances is liquidity we consider very strong, with total government available cash at 27% of total governmental fund expenditures and roughly 3x debt service. Moreover, based on past debt issuance, we believe the town has strong access to capital markets to provide for liquidity needs, if necessary.
- We view the town's management conditions as strong with good financial practices.
- In our opinion, Bellingham's debt and contingent liabilities profile is adequate. The town maintains roughly \$35 million of total direct debt. Of that amount, we calculate roughly \$1.7 million is tax-secured enterprise debt with partial self-support. Overall, Bellingham's total governmental fund debt service is 8.3% of total governmental fund expenditures, and net direct debt is 57% of total governmental fund revenue. Further bolstering our view of the town's debt profile is that overall net debt is a low 1.7%, and that principal amortization is aggressive, at 86% over 10 years.
- An additional long-term credit consideration are the town's long-term pension and other postemployment benefit (OPEB) liabilities, which we believe are manageable. Currently pension and OPEB costs amount to 9% of expenditures. For pensions, the town participates in the Norfolk County Retirement System and pays 100% of its required contribution. For OPEBs, the town's liability is \$30.6 million. Bellingham funds this liability on a pay-as-you-go basis.
- We consider the Institutional Framework score for Massachusetts cities as strong.

Outlook

The stable outlook reflects our view of Bellingham's focus on maintaining strong operating flexibility. We believe an improved economic outlook and predictable operating profile will result in balanced operations. Strong management conditions are also a stabilizing rating factor. For these reasons, we do not expect to change the rating within the two-year outlook horizon.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013

Related Research

- U.S. State And Local Government Credit Conditions Forecast, Dec. 17, 2013
- Institutional Framework Overview: Massachusetts Local Governments

Ratings Detail (As Of March 6, 2014)

Bellingham GO

Unenhanced Rating

AA+(SPUR)/Stable

Upgraded

Many issues are enhanced by bond insurance.

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