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Summary:

North Attleborough, Massachusetts; General Obligation

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Credit Profile

US\$7.815 mil GO mun purp loan of 2023 bnds ser 2023 dtd 04/27/2023 due 04/15/2043

<i>Long Term Rating</i>	AA+/Stable	New
North Attleborough GO bnds		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
North Attleborough GO (AGM)		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Credit Highlights

- S&P Global Ratings assigned its 'AA+' rating to North Attleborough, Mass.' roughly \$7.815 million series 2023 general obligation (GO) municipal-purpose bonds.
- At the same time, S&P Global Ratings affirmed its 'AA+' rating on the town's existing GO debt.
- The outlook is stable.

Security

North Attleborough's full-faith-and-credit pledge, subject to Proposition 2 1/2 limitations, secures the bonds. Despite limitations imposed by the commonwealth's levy-limit law, we do not make a rating distinction between the town's general creditworthiness and limited-tax GO debt because we include the limitation on its ability to raise revenue and resource flexibility in our analysis of its financial and economic conditions.

Officials intend to use series 2023 bond proceeds to finance the town's water-and-sewer improvements; police headquarters' heating, ventilation, and air-conditioning work; telephone system purchase; and high-school athletic-complex project.

Credit overview

The rating reflects our opinion of North Attleborough's consistent maintenance of very strong reserves and cash balances due to consistent operating performance. While the town's economic profile is very strong, in our opinion, wealth and income remains below higher-rated peers; however, the property tax base provides stability because property tax revenue is the single largest revenue source. Our view of elevated pension and other postemployment benefit (OPEB) liabilities has an effect on the liability profile.

Operating surpluses continued in fiscal 2022, supported by continued strength in property tax revenue, the town's primary revenue source. Results during fiscal 2022 supported available reserve growth to more than \$21 million, an increase of about 75% since fiscal 2019; officials do not expect a decrease in reserves. The fiscal 2023, \$115.6 million

budget is a 1.2% increase compared with fiscal 2022. The town increased the property tax levy by 3.4% to approximately \$68 million. The town also benefits from cannabis revenue, which contributed an additional \$500,000 to the budget in the first half of fiscal 2023. Management indicates budget-to-actual results are currently in-line with the budget. We posit that management will likely maintain structural balance and that settled labor contracts will likely provide budget predictability and stability for the next two fiscal years. However, the town could face some long-term budgetary challenges as fixed costs grow.

After the series 2023 issuance, the town will have approximately \$61 million of debt outstanding. The town's capital-improvement plan typically results in \$5 million-\$10 million in new debt annually, but the town could limit borrowing due to higher borrowing costs. Officials will rely on use of free cash to support most capital needs.

We think pension and OPEB liabilities will likely remain a long-term credit concern due to lower OPEB funding, large liabilities, and our expectation costs will likely increase. Because the pension plan's actuarially determined pension contribution reflects, what we view as, somewhat weak assumptions and methodologies, particularly the discount rate of 7%, we imagine unexpected contribution-escalation risk will likely increase. However, we also expect higher contributions will likely remain affordable, at least during the next few fiscal years, due to the strength of the town's revenue base, strong reserves, and conservative budgeting. Although the town funds OPEB 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 of mitigating escalating costs. The town also maintains an OPEB trust with a \$5.2 million balance.

The rating reflects our opinion of the town's:

- Primarily residential economy that benefits from participation in the Providence-Warwick metropolitan statistical area and that is likely to see incremental tax base growth due to redevelopment at a mall, its leading taxpayer;
- Consistent surplus financial operations that have contributed to reserves at more than 20% of expenditures and stabilization reserves above the adopted stabilization-reserve policy of maintaining 5% of expenditures;
- Well-embedded good financial-management policies, practices under our Financial Management Assessment (FMA) methodology--including its maintenance of a five-year capital-improvement plan, debt-management policy that limits GO debt in the general fund to 1.5% of equalized value (EV), policy of maintaining no more than 5% of EV for total indebtedness, and net debt service carrying charges at 7.5% of general fund expenditures--and strong Institutional Framework score; and
- Manageable debt with pension and OPEB liabilities that are elevated at 11% of expenditures, which could be a long-term credit pressure.

Environmental, social, and governance

We have evaluated North Attleborough's environmental, social, and governance (ESG) risks relative to the town's economy, financial measures, management, and debt-and-long-term-liability profile; we view them as neutral within our credit analysis. Ten Mile River runs through the town, and it is prone to flooding; the town has received federal and commonwealth grants to support mitigation efforts.

Outlook

The stable outlook reflects S&P Global Ratings opinion of the town's financial stability, supported by prudent management and strong property tax revenue. We do not expect to change the rating during the two-year outlook.

Downside scenario

We could lower the rating if higher costs due to debt-and-liability pressure were to lead to financial deterioration and lower reserves because of increased costs.

Upside scenario

We could raise the rating if the town's underlying economic metrics were to improve while sustaining very strong operating reserves through a period of weak economic growth and fixed-cost escalation.

North Attleborough, Massachusetts Select Key Credit Metrics

	Most recent	--Historical information--		
		2022	2021	2020
Very strong economy				
Projected per capita effective buying income (EBI) (% of U.S.	124.9			
Market value per capita (\$)	172,022			
Population			29,930	29,810
County unemployment rate(%)			6.5	
Market value (\$000)	5,148,609	4,538,971	4,259,287	
10 largest taxpayers as a % of taxable value	5.3			
Strong budgetary performance				
Operating fund result as a % of expenditures		2.1	6.9	2.8
Total governmental fund result as a % of expenditures		8.9	7.3	4.0
Very strong budgetary flexibility				
Available reserves as a % of operating expenditures		21.2	17.5	12.1
Total available reserves (\$000)		21,835	18,087	12,511
Very strong liquidity				
Total government cash as a % of governmental fund expenditures		74.5	29.4	29.9
Total government cash as a % of governmental fund debt service		2,371.5	1,025.6	854.2
Strong management				
Financial Management Assessment	Good			
Strong debt and long-term liabilities				
Debt service as a % of governmental fund expenditures		3.1	2.9	3.5
Net direct debt as a % of governmental fund revenue	35.3			
Overall net debt as a % of market value	0.9			
Direct debt 10-year amortization (%)	65.9			
Required pension contribution as a % of governmental fund expenditures		3.9		

North Attleborough, Massachusetts Select Key Credit Metrics (cont.)

	Most recent	--Historical information--		
		2022	2021	2020
Other postemployment benefits actual contribution as a % of governmental fund expenditures		7.1		

Strong Institutional Framework

Data points and ratios may reflect analytical adjustments.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015
- 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
- 2022 Update Of Institutional Framework For U.S. Local Governments
- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

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