

# RatingsDirect®

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## Summary:

# Great Barrington, Massachusetts; General Obligation

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### Credit Profile

US\$1.657 mil GO mun purp loan bnds ser 2014 dtd 06/15/2014 due 06/01/2024

<i>Long Term Rating</i>	AA+/Stable	New
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Great Barrington GO

<i>Long Term Rating</i>	AA+/Stable	Affirmed
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#### Great Barrington GO

<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed
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Many issues are enhanced by bond insurance.

## Rationale

Standard & Poor's Ratings Services assigned its 'AA+' long-term rating to Great Barrington, Mass.' series 2014 general obligation (GO) municipal purpose loan bonds. At the same time, we affirmed the 'AA+' long-term rating and underlying rating (SPUR) on the town's outstanding debt. The outlook is stable.

A pledge of the town's full faith credit and resources and an agreement to levy ad valorem property taxes without limitation as to rate or amount secure these bonds. Officials plan to use bond proceeds to finance various capital improvements, including road reconstruction, building renovations, and the purchase of various equipment.

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

- Strong economy with low unemployment and a very diverse tax base;
- Very strong budgetary flexibility, with 2013 available reserves in excess of 30% of general fund expenditures;
- Strong budgetary performance and a stable revenue profile;
- Very strong liquidity, providing very strong cash levels to cover both debt service and expenditures;
- Very strong management conditions with strong financial management practices; and
- Very strong debt and contingent liability profile.

### Strong economy

We consider Great Barrington's economy to be strong, with its projected per capita effective buying income at 107.2% of the U.S. and a per capita market value of \$196,500. The town is mostly residential with a very diverse tax base, as the top 10 taxpayers account for only 5% of total AV. The town serves as the commercial center for southern Berkshire County and has many restaurants and retail stores. Major employers in the area include Butternut Ski Area and Shop (300 seasonal employees), Fairview Hospital (270 permanent employees), and Berkshire Hills Rural School District (230). The Berkshire County unemployment rate for calendar 2013 was 7.1%. The Berkshire Hills Regional School District provides educational services to residents of Great Barrington and other towns in the region.

### **Very strong budgetary flexibility**

The town's budgetary flexibility remains very strong, with reserves above 30% of expenditures for the past several years. Audited fiscal 2013 available fund balance of the general fund was \$7.02 million, or 33.4% of expenditures. In our opinion, Great Barrington's tax collections are strong, averaging 98% since fiscal 2010. The town's unused levy capacity under the Proposition 2 ½ limit was \$1.77 million, or 6.8% of the 2014 budget. In the past six years, Great Barrington has maintained a levy capacity of \$730,000-\$1.77 million. We believe the unused levy capacity is a credit strength because it provides the town with the ability to raise the tax levy without an electorate-approved operating override.

### **Strong budgetary performance**

The town's budgetary performance has been strong with a small surplus of 0.1% for the general fund in audited fiscal 2013 following an operating surplus of 1.1% in 2012. Total governmental funds operating result was a small deficit of 0.1% net of capital costs paid from bond proceeds. The 2013 budget included a \$2.2 million drawdown of fund balance but management ended the year with break-even results. The 2014 budget includes \$2.77 million in appropriated fund balance. With less than two months remaining in the current fiscal year, management projects another year of at least break-even results. Hotel and food taxes are driving these positive results despite higher-than-budgeted snow and ice removal expenditures. In line with historical practices, the 2015 budget includes a \$2.23 million of appropriated fund balance and a tax levy increase within the state's tax levy cap. Property taxes remain the town's primary revenue source, accounting for 85% of general fund revenues, followed by excise taxes at 6.3%.

### **Very strong liquidity**

Supporting the town's finances is liquidity we consider very strong, with total government available cash at 31.3% of total governmental fund expenditures and about 4.5x debt service. We believe the town has strong access to external liquidity and invests its cash in highly liquid collateralized or insured bank deposits.

### **Very strong management conditions**

We view the town's management conditions as very strong with strong financial practices. Highlights include a general undesignated fund balance target of at least 10% of total operating expenditures. Management uses several planning tools to match appropriate service levels to revenue sources. Its five-year capital improvement plan encompasses any project with a life expectancy of two years. Management presents a financial plan to the board each cycle to identify revenues and expenditure trends. The town also has comprehensive investment and debt management policies.

### **Very strong debt and contingent liability profile**

The debt and contingent liability profile is very strong, with total governmental fund debt service at 6.9% of total governmental fund expenditures, and net direct debt at 51.2% of total governmental fund revenue. Overall net debt is low at 1.7% of market value, and about 86% of debt is amortized within the next 10 years. Over the next two years, management anticipates issuing up to \$5 million in new debt for various capital projects. The town recently adopted a community preservation act to collect additional property tax through a surcharge for capital improvement purposes outside of the Proposition 2 ½ limit. Therefore, management anticipates actual borrowing will be much lower than projected.

The town contributes to the Berkshire County Retirement System to provide pension benefits for employees. The county system is funded at 84%. Great Barrington has contributed 100% of the annual required contribution (ARC) to

the system in each of the past three years. The combined ARC and other postemployment benefit pay-as-you-go costs for fiscal 2013 were 4.2% of expenditures. Officials do not expect these costs to increase substantially in the near term.

### **Strong Institutional Framework**

We consider the Institutional Framework score for Massachusetts towns strong.

## **Outlook**

The stable outlook reflects our view of the town's very strong liquidity and strong budgetary flexibility. The town's strong economy and low unemployment enhance stability. We do not anticipate changing the rating in our two-year outlook horizon as we expect management to maintain at least adequate budgetary performance. We believe that the wealth and income indicators of the town limit upward rating potential. While unlikely, a significant deterioration in budgetary performance and available reserves could pressure the rating.

## **Related Criteria And Research**

### **Related Criteria**

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

### **Related Research**

S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013

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