

# RatingsDirect®

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## Summary:

# Great Barrington, Massachusetts; General Obligation

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Summary:

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Credit Profile		
US\$11.575 mil GO mun purp loan of 2023 bnds ser 2023 due 11/15/2043		
Long Term Rating	AAA/Stable	New
Great Barrington GO		
Long Term Rating	AAA/Stable	Affirmed
Great Barrington GO mun purp loan bnds ser 2021 due 07/15/2040		
Long Term Rating	AAA/Stable	Affirmed

## Credit Highlights

- S&P Global Ratings assigned its 'AAA' rating to Great Barrington, Mass.'s roughly \$11.6 million general obligation (GO) municipal purpose loan of 2023 bonds.
- At the same time, S&P Global Ratings affirmed its 'AAA' rating on the town's outstanding GO debt.
- The outlook is stable.

## Security

The town's full-faith-and-credit pledge, subject to Proposition 2-1/2 and Chapter 40Q limitations, secures its GO bonds. Despite commonwealth levy limit laws, we do not make a rating distinction between the town's limited-tax debt and its general creditworthiness because our analysis of the town's financial and economic conditions already includes the statutory limitation imposed on its revenue-raising ability.

Bond proceeds will fund various capital projects and retire outstanding notes issued for the same purpose.

## Credit overview

A rural and residential community in southern Berkshire County with a large second-home presence, high housing costs--made higher by increased interest in the town during the pandemic--continue to be a financial pressure for many year-round residents of Great Barrington. About 400 housing units, mostly multifamily units, are in various stages of development, which management expects will create additional lower-cost housing options; the town also used most of its \$2 million in American Rescue Plan Act funds to create incentives for affordable housing development. Great Barrington's income metrics are a notable weakness compared to its 'AAA' rated peers, but we believe this weakness is offset by other credit factors, including the town's extremely strong market values, consistent operating performance, significant reserves, and manageable debt profile.

Following three consecutive years of general fund operating results greater than 9%, management expects a smaller surplus in fiscal 2023, primarily because the town no longer receives cannabis host community fees in accordance with

a change in commonwealth law, although it still collects cannabis local taxes. The fiscal 2024 budget totals \$40.0 million and consistent with the town's recent practice, includes \$5.8 million in free cash (unexpended funds from prior year) for tax relief (\$4.2 million) and assorted one-time capital needs (\$1.6 million). We believe it is likely that the town will continue to regenerate its free cash annually through positive budgetary variance and expect balanced-to-positive results during the outlook period. Despite its recent surpluses, we understand that Great Barrington has no plans to reduce taxes or materially drawdown its very strong reserves, and we expect reserves to remain at roughly current levels, well above the town's policy to maintain fund balance at a minimum of 10% of operating expenditures. We also view the town's \$2.0 million in unused levy capacity as a credit strength that provides Great Barrington flexibility to raise additional revenue under the levy limit if it faces cost pressures.

The town established an other postemployment benefit (OPEB) trust beginning in fiscal 2024 to address its \$15.2 million unfunded OPEB liability, which it currently funds on a pay-as-you-go basis. The town initially funded the trust with \$829,000 and plans to contribute \$100,000 to \$250,000 annually. We view creation of the trust positively and believe OPEB will remain a manageable budgetary cost despite potential cost increases, given the town's manageable debt service and pension costs and unused levy capacity.

The rating further reflects our view of Great Barrington's:

- Predominantly residential tax base (82% of assessed value or AV) and extremely strong market values due partially to second homes, and new residential and commercial development, including the creation and expansion of various small businesses;
- Smaller surplus expected in fiscal 2023, following three years general fund operating results greater than 9%, due primarily to hotel, meals, and cannabis taxes and licenses, permits, and fees, exceeding extremely cautious estimates, as well as across-the-board expenditure savings, with expected maintenance of very strong flexibility and liquidity;
- Comprehensive budgeting process, monthly budget-to-actual reports, an annually updated capital plan but no long-term financial planning, comprehensive investment policy and monthly investment monitoring, debt management policy that establishes a debt service target of no more than 10% of operating expenditures, a reserve policy, a strong institutional framework, and steps to mitigate cyber risk; and
- Approximately \$33.4 million in direct debt, \$7.6 million of which we consider self-supporting, with planned issuances only for small capital projects, participation in multiemployer pension plan with a net asset, and the recent creation of an OPEB trust.

### **Environmental, social, and governance**

We view the town's projected population decline of 2.7% as a social capital risk, which could indirectly result in slowing revenue trends should it persist and could alter our view of its creditworthiness if the projected population decline exceeds 5.0%. In addition, the town's focus on addressing housing affordability challenges may support long-term population stability. We consider its environmental and governance factors neutral in our credit rating analysis.

## Outlook

The stable outlook reflects our expectation that Great Barrington will continue producing balanced-to-positive operating results and maintain its current level of reserves.

### Downside scenario

We could lower the rating if the local economy weakens relative to similarly rated peers, including if population decline accelerates, or if the town's reserves materially decreased, either due to budgetary imbalance or a one-time drawdown, without a plan to restore them.

### Rating above the sovereign

Great Barrington's GO bonds are eligible to be rated above the sovereign because we believe the town can maintain better credit characteristics than the U.S. in a stress scenario. Local sources, consisting primarily of property taxes, comprise over 90% of operating revenues. The town has independent taxing authority and independent treasury management from the federal government.

Great Barrington, Massachusetts--Key credit metrics				
	Most recent	Historical information		
		2022	2021	2020
<b>Strong economy</b>				
Projected per capita EBI % of U.S.	105			
Market value per capita (\$)	277,154			
Population		6,714	6,542	6,643
County unemployment rate(%)	4.4			
Market value (\$000)	1,860,811	1,691,449	1,540,737	
Ten largest taxpayers % of taxable value	4.4			
<b>Strong budgetary performance</b>				
Operating fund result % of expenditures		13.4	9.4	10.7
Total governmental fund result % of expenditures		12.7	8.8	5.8
<b>Very strong budgetary flexibility</b>				
Available reserves % of operating expenditures		56.6	45.0	37.4
Total available reserves (\$000)		17,261	13,072	10,324
<b>Very strong liquidity</b>				
Total government cash % of governmental fund expenditures		69	59	48
Total government cash % of governmental fund debt service		1,132	1,011	904
<b>Strong management</b>				
Financial Management Assessment	Good			
<b>Very strong debt &amp; long-term liabilities</b>				
Debt service % of governmental fund expenditures		6.1	5.9	5.3
Net direct debt % of governmental fund revenue	68			
Overall net debt % of market value	1.5			

Great Barrington, Massachusetts--Key credit metrics (cont.)				
	Most recent	Historical information		
		2022	2021	2020
Direct debt 10-year amortization (%)	79			
Required pension contribution % of governmental fund expenditures		2.9		
OPEB actual contribution % of governmental fund expenditures		1.4		
<b>Strong institutional framework</b>				
EBI--Effective buying income. OPEB--Other postemployment benefits. Data points and ratios may reflect analytical adjustments.				

## Related Research

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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