

CREDIT OPINION

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 Rate this Research

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Whitman (Town of) MA

Update to credit analysis

Summary

Whitman (Aa3) has a moderate, expanding, and favorably located tax base in Plymouth County and a stable financial position supported by balanced operations and sound reserves. The debt burden is modest, and fixed costs are manageable despite an above average pension burden.

Credit strengths

- » Stable financial position, with sound liquidity and reserves
- » Expanding tax base
- » Modest debt burden with affordable fixed costs

Credit challenges

- » Above average pension liability
- » Below average wealth levels for Massachusetts
- » Revenue raising limitations due to the property tax cap

Rating outlook

Moody's typically does not assign outlooks to local government credits with this amount of debt outstanding.

Factors that could lead to an upgrade

- » A trend of operating surpluses, leading to growth in liquidity and reserves
- » Significant tax base expansion

Factors that could lead to a downgrade

- » A trend of operating deficits, leading to declines in liquidity and reserves
- » Tax base contraction
- » Significant increase in fixed costs or the debt burden

Key indicators

Exhibit 1

Whitman (Town of) MA	2014	2015	2016	2017	2018
Economy/Tax Base					
Total Full Value (\$000)	\$1,407,347	\$1,328,008	\$1,328,008	\$1,492,980	\$1,492,980
Population	14,643	14,715	14,767	14,864	14,496
Full Value Per Capita	\$96,111	\$90,249	\$89,931	\$100,443	\$102,993
Median Family Income (% of USMedian)	142.1%	136.5%	136.1%	130.7%	130.7%
Finances					
Operating Revenue (\$000)	\$27,713	\$27,482	\$30,371	\$30,978	\$32,059
Fund Balance (\$000)	\$6,723	\$5,763	\$6,062	\$6,673	\$6,835
Cash Balance (\$000)	\$7,220	\$6,673	\$6,448	\$7,493	\$7,676
Fund Balance as a % of Revenues	24.3%	21.0%	20.0%	21.5%	21.3%
Cash Balance as a % of Revenues	26.1%	24.3%	21.2%	24.2%	23.9%
Debt/Pensions					
Net Direct Debt (\$000)	\$13,684	\$8,894	\$8,574	\$7,976	\$7,568
3-Year Average of Moody's ANPL (\$000)	N/A	\$38,600	\$35,886	\$35,624	\$36,099
Net Direct Debt / Full Value (%)	1.0%	0.7%	0.6%	0.5%	0.5%
Net Direct Debt / Operating Revenues (x)	0.5x	0.3x	0.3x	0.3x	0.2x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	N/A	2.9%	2.7%	2.4%	2.4%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	N/A	1.4x	1.2x	1.1x	1.1x

As of June 30 fiscal year end; total full value (\$000) grew to \$1,638,288 in 2019

Source: Moody's Investors Service; town's audited financial statements

Profile

The Town of Whitman is located approximately 25 miles southeast of Boston in Plymouth County. The population was approximately 14,864 as of 2017.

Detailed credit considerations

Economy and Tax Base: Moderately-sized and growing residential tax base

Whitman's moderate, \$1.6 billion equalized tax base (2019-20) has grown in recent years and will maintain steady growth as the largely residential town benefits from new development and a strong local housing market. The local economy is supported by its favorable location near multiple employment centers.

After contracting approximately 17% during the recession, assessed values have grown 23.3% in the last four years, driven by an improving real estate market, a new 42-unit housing development, and utility infrastructure upgrades. Management expects continued growth, driven by residential appreciation and approximately 100 permitted condo or townhouse units expected to break ground in the coming years.

Income levels are average for Massachusetts but high for the U.S., with median family income at 98.4% of the state median and 130.7% of the U.S. median. While full value per capita (78.2% of the state median) and average home values (82.2% of the state median) are weak for Massachusetts, poverty is low, and unemployment (2.9% as of December 2018) tracks below the national rate (3.7%).

Financial Operations and Reserves: Stable financial position with healthy reserves

Whitman's sound financial position will remain stable, given healthy reserves and management's conservative budgeting practices.

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The town has achieved three consecutive annual general fund surpluses, bringing available fund balance to a healthy \$6.8 million (21.3% of revenues). Tax base expansion and a small Prop 2 ½ override drove increased tax revenues in the 2018 fiscal year and conservative budgeting contributed to favorable expenditure variances.

The fiscal 2019 budget increased 5.4%, driven partly by greater expenditures for education, and was balanced with a 3.7% levy increase (within the levy cap). The town reports operations are trending favorably in fiscal 2019, and management projects a modest surplus.

In 2018, the state Office of Dam Safety requested that the town make up to \$1.25 million in repairs to the town's two dams. Management expects to fund its own assessment of the dams through the fiscal 2020 budget, and begin any necessary repairs once the assessment is complete. The town had \$3.8 million in unassigned fund balance as of the end of fiscal 2018, and is well positioned to absorb the cost of any needed repairs.

LIQUIDITY

Whitman's net cash position at the end of fiscal 2018 was \$7.5 million, or 24.2% of revenues.

Debt and Pensions: Manageable overall leverage with low fixed costs

The town's modest debt burden and affordable fixed costs should remain stable in the near-term given the town's level debt service requirements, commitment to funding required pension contributions, and pay-go OPEB contributions.

Net of refunding bonds to be issued March 2019, the town has \$9.6 million in net direct debt and \$7.2 million in debt associated with the town's self-supporting water-sewer enterprise fund. The town expects to use capital reserves for upcoming vehicle replacements, and has no immediate additional debt plans.

DEBT STRUCTURE

All of Whitman's debt is fixed rate, with 88.5% repaid within ten years. Debt service comprised a low 3% of fiscal 2018 operating expenditures.

DEBT-RELATED DERIVATIVES

The town is not party to any interest rate swaps or derivative agreements.

PENSIONS AND OPEB

The town participates in the Plymouth County Retirement System, a multi-employer, defined benefit retirement plan. Teachers participate in the Massachusetts Teachers Retirement System (TRS) employee contributions to which are covered through on-behalf payments made by the commonwealth. The town fully funds its annual required contribution, which was \$1.9 million in fiscal 2018, representing 5.9% of revenues. Based on the valuation report dated January 1, 2017 the city's proportional share of its retirement system's net pension liability is \$14.8 million using a 8% discount rate. The town's 2018 three-year average adjusted net pension liability, under Moody's methodology for adjusting reported pension data, is \$36.1 million, or an above-average 2.4% of full value.

The OPEB liability is funded on a pay-as-you-go basis, and the town contributed \$541,909 in fiscal 2018. The net OPEB liability is \$12.4 million as of June 30, 2017, the most recent valuation report. The town recently established an OPEB trust fund, for which its contributions are financed by a meals tax and amount to approximately \$140,000 annually. The fund had \$345,275 invested in the Plymouth County OPEB Trust Program as of the end of fiscal 2018.

Total fixed costs for fiscal 2018, including required pension contributions, retiree healthcare payments and debt service, represented \$3.5 million, or a manageable 10.5% of annual revenues.

Management and Governance

Town management is strong, as demonstrated by conservative budgeting practices and compliance with the town's formal fund balance policy requiring maintenance of unassigned general fund balance between 8-12% of annual expenditures.

Massachusetts towns have an Institutional Framework score of Aa, which is high compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. Massachusetts towns major revenue source, property taxes, are subject to the Proposition 2 1/2 cap which can be overridden with voter approval only. However, the cap of 2.5% still allows for moderate revenue-raising ability. Unpredictable revenue fluctuations tend to be minor, or under 5% annually. Across the

sector, fixed and mandated costs are generally greater than 25% of expenditures. However, Massachusetts has public sector unions, which can limit the ability to cut expenditures. Unpredictable expenditure fluctuations tend to be minor, under 5% annually.

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