

RatingsDirect®

Summary:

Barnstable, Massachusetts; General Obligation

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Credit Profile

US\$5.625 mil GO mun purp loan of 2025 bnds due 05/15/2045

Long Term Rating AAA/Stable New

Barnstable GO

Long Term Rating AAA/Stable Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AAA' rating to the Town of Barnstable, Mass.' \$5.6 million general obligation (GO) municipal-purpose bonds, series 2025.
- We also affirmed our 'AAA' long-term rating on the town's existing GO debt.
- The outlook on the long-term rating is stable.
- The rating reflects the application of its criteria, "Methodology For Rating U.S. Governments," published Sept. 9, 2024, on RatingsDirect.

Security

Barnstable's full-faith-and-credit pledge, subject to Proposition 2-1/2 limitations, secures the bonds. We have not made a rating distinction between the town's general creditworthiness and its limited- and unlimited-tax GO debt.

Officials intend to use bond proceeds to fund various capital projects.

Credit overview

Barnstable's general creditworthiness is characterized by its central location on Cape Cod, with robust tax base growth and economic development, along with a long history of surplus financial results that has resulted in increases to reserves, which totaled more than 30% of revenue at the end of fiscal 2023, according to audited results and fiscal 2024 year-end preliminary draft results.

Budgetary performance remains strong, with the town reporting its 11th consecutive general fund operating surplus, with available reserves increasing to a high water mark both on a nominal and a percentage basis to more than 39% of revenue, according to fiscal 2024 unaudited actuals, well above the median for 'AAA' rated communities in the commonwealth. It is anticipating surplus operations for fiscal 2025, with revenue and expenditures again outperforming budgetary estimates, and balanced operations for fiscal 2026 as the town is in the process of finalizing its budget.

Barnstable receives most of its general fund revenue from property taxes and state aid, at 68% and 11%, respectively, and collections remained in line with previous years. In addition to the general fund, the town maintains nine enterprise fund operations and the Comprehensive Wastewater Management Plan operating budget. The enterprise funds have all been performing well, and all maintain solid reserve and liquidity balances.

Summary: Barnstable, Massachusetts; General Obligation

The town maintains \$310 million in authorized but unissued debt for various public improvements, and management indicates it could potentially borrow up to \$30 million annually over the next three years, primarily to fund a major sewer-related project that will eventually convert residents to a municipal sewer system from a septic system. Barnstable, like other Cape communities, is under pressure to comply with federal regulations to reduce nitrogen levels in area waterways. Although we think Barnstable's debt plans, along with its long-term retirement liabilities, will result in higher costs over time, the town has ample operating flexibility given its strong growth prospects and a wealthy tax base.

Additional rating factors include our opinion of Barnstable's:

- Affluent residential economic base at the center of Cape Cod, with a high presence of second homes and a population that increases to more than 120,000 in the summer, which is among the largest in the commonwealth, albeit with some exposure to physical risks given its coastal location;
- Comprehensive set of formalized financial policies and practices, including conservative budget assumptions that the town consistently outperforms, robust long-term projections with both formalized financial and capital projections updated on an annual basis, in addition to a range of formalized policies, including a reserve, debt, and investment policy;
- History of surplus financial results, with increases to available reserves, which now stand at more than 30% of revenue based on both audited fiscal 2023 and unaudited fiscal 2024 results, with no plans to materially spend down reserves; and
- Manageable debt burden and contingent liability profile, especially when measured against revenue and as a percentage of total market value, offset in part by additional debt plans and elevated retirement costs, with the town contributing to the Barnstable County Retirement Association (64% funded, with a proportionate share of the town's net pension liability equal to \$120 million) and an other postemployment benefit liability that is 8.6% funded with a liability of \$97.9 million.
- We expect the operating environment for Massachusetts municipalities will remain stable. For more information, see "Institutional Framework Assessment: Massachusetts Local Governments," published Sept. 11, 2024.

Environmental, social, and governance

Barnstable is a coastal community along the Atlantic Ocean with exposure to climate change and sea-level rise. The town is managing these risks through various coastal resiliency initiatives and rising sea-level mitigation projects. It regularly undertakes community resilience planning and has adopted a Hazard Mitigation Plan, with key initiatives included in its annual capital planning. We analyzed Barnstable's social and governance risks relative to the town's credit factors and determined that these risks are credit neutral within our analysis.

Rating above the sovereign

Under our criteria, "Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions" (published Nov. 19, 2013), we rate Barnstable higher than the sovereign because we believe the town can maintain better credit characteristics than the nation in a stress scenario, based on its predominantly locally derived revenue base and our view that pledged revenue supporting bond debt service is at limited risk of negative sovereign intervention.

Outlook

The stable outlook reflects our view that the town will maintain its strong overall financial performance throughout the two-year outlook horizon, supported by an affluent economic base and manageable fixed-cost debt burden.

Downside scenario

We could lower the rating if costs increase at a faster pace than expected, pressuring the budget and lowering reserves to levels below those of similarly rated peers.

Table 1

| Barnstable, Massachusetts--Credit summary | |
|---|------|
| Institutional framework (IF) | 2 |
| Individual credit profile (ICP) | 1.30 |
| Economy | 1.0 |
| Financial performance | 1 |
| Reserves and liquidity | 1 |
| Management | 1.00 |
| Debt and liabilities | 2.50 |

Table 2

| Barnstable, Massachusetts--Key credit metrics | | | | |
|---|-------------|------------|------------|------------|
| | Most recent | 2023 | 2022 | 2021 |
| Economy | | | | |
| Real GCP per capita % of U.S. | | 93 | 93 | 91 |
| County PCPI % of U.S. | | 132 | 130 | 131 |
| Market value (\$000s) | | 21,870,831 | 17,364,497 | 15,978,500 |
| Market value per capita (\$) | | 439,783 | 392,055 | 367,356 |
| Top 10 taxpayers % of taxable value | | 3.1 | 3.6 | |
| County unemployment rate (%) | | 4.4 | 4.6 | 6.3 |
| Local median household EBI % of U.S. | | 127 | 124 | 109 |
| Local per capita EBI % of U.S. | | 128 | 134 | 123 |
| Local population | | 49,731 | 44,291 | 43,496 |
| Financial performance | | | | |
| Operating fund revenues (\$000s) | | 205,728 | 186,913 | 191,104 |
| Operating fund expenditures (\$000s) | | 195,397 | 183,626 | 185,467 |
| Net transfers and other adjustments (\$000s) | | 1 | | |
| Operating result (\$000s) | | 10,332 | 3,287 | 5,637 |
| Operating result % of revenues | | 5.0 | 1.8 | 2.9 |
| Operating result three-year average % | | 3.2 | 2.7 | 2.6 |
| Reserves and liquidity | | | | |
| Available reserves % of operating revenues | | 33.0 | 30.7 | 28.3 |
| Available reserves (\$000s) | | 67,918 | 57,448 | 53,990 |

Table 2

Barnstable, Massachusetts--Key credit metrics (cont.)

| | Most recent | 2023 | 2022 | 2021 |
|--------------------------------------|-------------|---------|---------|---------|
| Debt and liabilities | | | | |
| Debt service cost % of revenues | | 3.4 | 3.8 | 3.7 |
| Net direct debt per capita (\$) | 2,571 | 2,253 | 2,465 | 2,514 |
| Net direct debt (\$000s) | 127,866 | 112,048 | 109,164 | 109,353 |
| Direct debt 10-year amortization (%) | 60 | | | |
| Pension and OPEB cost % of revenues | | 7.0 | 8.0 | 7.0 |
| NPLs per capita (\$) | | 2,417 | 1,841 | 2,424 |
| Combined NPLs (\$000s) | | 120,219 | 81,520 | 105,432 |

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. GCP--Gross county product. PCPI--Per capita personal income. EBİ--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings Detail (As Of April 30, 2025)

| | | | |
|-------------------------|------------|--|----------|
| Barnstable GO | | | |
| <i>Long Term Rating</i> | AAA/Stable | | Affirmed |
| Barnstable GO | | | |
| <i>Long Term Rating</i> | AAA/Stable | | Affirmed |

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