

RatingsDirect®

Summary:

Great Barrington, Massachusetts; General Obligation

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Summary:

Great Barrington, Massachusetts; General Obligation

Credit Profile

US\$4.580 mil GO mun purp loan of 2024 bnds due 10/15/2044		
<i>Long Term Rating</i>	AAA/Stable	New
Great Barrington GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Great Barrington GO mun purp loan bnds ser 2021 due 07/15/2040		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AAA' rating to the Town of Great Barrington, Mass.' approximately \$4.6 million general obligation (GO) municipal purpose loan of 2024 bonds, based on the application of its "Methodology For Rating U.S. Governments," published Sept. 9, 2024.
- At the same time, S&P Global Ratings affirmed its 'AAA' rating on the town's GO debt outstanding.
- The outlook is stable.

Security

The town's full-faith-and-credit pledge, subject to Proposition 2 1/2 limitations, secures its GO bonds. Despite commonwealth levy limit laws, we do not make a rating distinction between Great Barrington'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 permanently finance outstanding notes issued for various town projects.

Credit overview

The 'AAA' rating reflects the town's rural and residential nature in southern Berkshire County with a large second-home presence, with high housing costs that continue to appreciate, and a history of surplus financial operations that have resulted in the build-up of available reserves, which at the end of fiscal 2023 stood at more than 55% of revenues. Although Great Barrington's income and economic output metrics are a notable weakness compared with those of 'AAA' rated peers, we believe this weakness is offset by other credit factors, including the town's tax base supported by secondary residences, consistently robust operating performance and sizable available reserves, along with some unused levy capacity (\$1.3 million) and manageable fixed costs.

Following years of surplus general fund operating results, which over the past three years have averaged more than 8% of revenues, management conservatively indicates it could use up to \$2.0 million of its reserves in fiscal 2024, in part because the town no longer receives cannabis host community fees in accordance with a change in commonwealth

law. Nevertheless, management points to unspent operating appropriations along with local receipts coming in significantly higher than budget due to increases in town fees as reasons for another strong year. As a result, we expect available reserves will remain above 45% of revenues, which is well above the town's policy to maintain the fund balance at a minimum of 10% of operating expenditures. Despite the strength of available reserves, we understand that Great Barrington has no plans for tax decreases or additional reserve drawdowns. We also view the town's \$1.3 million in unused levy capacity as a credit strength that provides flexibility to raise additional revenue under the levy limit if it faces cost pressures.

The fiscal 2025 budget totals \$46.1 million and consistent with the town's recent practice, includes \$4.7 million in free cash (unexpended funds from previous year) for tax relief and assorted one-time capital needs. Ultimately, we believe it is likely that Great Barrington will continue to regenerate its free cash annually through positive budgetary variance and expect balanced-to-positive results during the outlook period.

Great Barrington's annual fixed costs are highly manageable, accounting for roughly 10% of revenues. composed primarily of debt costs, in addition to low retirement costs given the town participates in a nearly fully funded pension plan. In addition, the town established an other postemployment benefit (OPEB) trust beginning in fiscal 2024 to address its \$15.6 million unfunded OPEB liability, which it currently funds on a pay-as-you-go basis. Great Barrington initially funded the trust with \$829,000 and plans to contribute up 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 (83% of assessed value) that serves as a highly desirable summery resort as well as a winter ski resort with extremely strong market values per capita along with a large presence of second homes;
- Historical maintenance of surplus operations despite a slight drawdown expected in fiscal 2024, following three years of general fund operating results averaging greater than 8%, primarily due to routinely conservative budgets that the town consistently outperforms and specifically to good growth in hotel, meals, and cannabis taxes and licenses, permits, and fees, which have exceeded extremely cautious estimates;
- Robust budgeting process, with conservative revenue and expense assumptions that ties in annually updated five-year capital planning with results monitored monthly through budget-to-actual reports, in addition to comprehensive investment, debt and reserve policies; however, the town does not currently produce formalized long-term financial projections beyond the budget year;
- Approximately \$30.7 million in direct debt, \$7.6 million of which we consider self-supporting, as well as participation in a multiemployer pension plan that is nearly full funded, and the recent creation of an OPEB trust to help address the town's \$15.6 million unfunded liability, resulting in what we view as manageable fixed costs that we expect will remain stable due in part to the lack of additional bonding plans; and
- For more information on our institutional framework assessment for Massachusetts municipalities, see "Institutional Framework Assessment: Massachusetts Local Governments," published Sept. 9, 2024, on RatingsDirect.

Environmental, social, and governance

We view Great Barrington's environmental, social, and governance factors to be credit neutral within our analysis. We believe the town's focus on addressing housing affordability challenges may support long-term population stability.

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. (See "Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions," Nov. 19, 2013.)

Outlook

The stable outlook reflects our expectation that Great Barrington will continue producing balanced-to-positive operating results and maintain its current level of available reserves, along with relatively stable fixed costs.

Downside scenario

We could lower the rating if Great Barrington's reserves materially decreased, either due to a budgetary imbalance or a one-time drawdown, without a plan to restore them, or if the town fails to follow its internal financial policies and practices.

Table 1

Great Barrington, Massachusetts--credit summary	
Institutional framework (IF)	2
Individual credit profile (ICP)	1.74
Economy	2.0
Financial performance	1
Reserves and liquidity	1
Debt and liabilities	3.00
Management	1.70

Table 2

Great Barrington, Massachusetts--key credit metrics				
	Most recent	2023	2022	2021
Economy				
GCP per capita % of U.S.	84	84	84	84
County PCPI % of U.S.	99	99	99	100
Market value (\$000s)	2,001,678	1,860,811	1,691,449	1,540,737
Market value per capita (\$)	277,126	257,623	251,929	235,515
Top 10 taxpayers % of taxable value	4	4	6	6
County unemployment rate (%)	3.5	3.6	4.3	6.3
Local median household EBI % of U.S.	94	99	99	102
Local per capita EBI % of U.S.	96	103	104	121
Local population	7,223	7,223	6,714	6,542

Table 2

Great Barrington, Massachusetts--key credit metrics (cont.)				
	Most recent	2023	2022	2021
Financial performance				
Operating fund revenues (\$000s)	--	33,518	34,561	31,801
Operating fund expenditures (\$000s)	--	32,478	30,470	29,056
Net transfers and other adjustments (\$000s)	--	192	96	--
Operating result (\$000s)	--	1,232	4,187	2,745
Operating result % of revenues	--	3.7	12.1	8.6
Operating result three-year average %	--	8.1	10.1	7.2
Reserves and liquidity				
Available reserves % of operating revenues	--	55.2	49.9	41.1
Available reserves (\$000s)	--	18,495	17,261	13,072
Debt and liabilities				
Debt service cost % of revenues	6.1	6.1	5.4	5.4
Net direct debt per capita (\$)	4,251	3,300	3,469	3,336
Net direct debt (\$000s)	30,707	23,833	23,293	21,826
Direct debt 10-year amortization (%)	72.0	60.0	--	--
Pension and OPEB cost % of revenues	4	4	4	4
Net pension liabilities per capita (\$)	375	375	--	169
Combined net pension liabilities (\$000s)	2,711	2,711	--	1,104

GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits.

Related Research

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022
- 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

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