

RatingsDirect®

Summary:

Yarmouth, Massachusetts; General Obligation

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Summary:

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Credit Profile

Yarmouth GO

Long Term Rating

AA+/Stable

Upgraded

Rationale

Standard & Poor's Ratings Services has raised its rating on Yarmouth, Mass.' general obligation (GO) bonds two notches to 'AA+' from 'AA-', based on its local GO criteria released Sept. 12, 2013. The outlook is stable.

A pledge of the town's full faith credit and credit secures the bonds.

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

- We consider Yarmouth's economy very strong, with its projected per capita effective buying income at 112% of the U.S. and per capita market value of over \$200,000. The town also has access to the broad and diverse economy of Barnstable, and the county unemployment rate for calendar 2012 was 7.4%.
- We view the town's management conditions as strong with good financial practices. The town conducts trend analysis for estimated revenues and expenditures, and regularly completes budget-to-actual reports presented to the board of selectmen monthly. Yarmouth recently began completing five-year operating budget projections but has not yet incorporated this into their budgeting process, and maintains a 10-year capital improvement plan that identifies funding sources and is reviewed annually. The town has a formal investment policy that follows state guidelines and the investment committee meets regularly with the town treasurer. The town has a written reserve policy with a goal of maintaining \$2 million in the stabilization fund, to be funded through appropriation of free cash and conservative budgeting. We acknowledge the town has not maintained a balance of at least \$2 million in the stabilization account since 2009, but we anticipate the town will exceed the target by the end of fiscal 2014. Yarmouth also maintains a debt policy that limits debt within Proposition 2 1/2 to road work and improvements and requires all other debt to be exempt.
- In our opinion, the town's budgetary flexibility is strong with reserves of 7.2% of expenditures for fiscal year 2012. Additionally, the town has also shown the ability and willingness to raise taxes through permanent operating overrides, the most recent being \$1.1 million in fiscal year 2014 for roads. Looking ahead, we anticipate reserves will continue and improve over the near term as there are no plans to considerably draw on them, and as we anticipate budgetary performance remaining stable.
- Yarmouth's budgetary performance has been strong overall, in our view, with a slight surplus of 2.3% for the general fund in fiscal 2012, and an increase of 3.6% across all total governmental funds. We anticipate similar operating reserves in 2013 and 2014. The town has been very conservative in its budgeting and has improved financial management policies, practices, over the past few years. State aid and local receipts have also been stable. On the whole, property taxes comprise 80% of revenues and state aid accounts for 3%. Property tax collections are strong and stable, with the town typically receiving 98% on a current basis.
- Supporting the town's finances is liquidity we consider very strong, with total government available cash at 28% of total governmental fund expenditures and over 500% of debt service. Bolstering our view of the town's overall liquidity is that we believe the town has strong access to external liquidity. It has issued bonds frequently over the

past several years, including GO bonds and short-term bond anticipation notes (BANs).

- In our opinion, Yarmouth's debt and contingent liabilities profile is very strong, with total governmental fund debt service at 5.5% of total governmental fund expenditures, and with net direct debt at 16% of total governmental fund revenue. The town's overall net debt is very low, at 0.4% of market value and amortization is rapid, in our opinion, with 92.4% of debt retired over 10 years.
- The town participates in the Barnstable County Retirement Association. In fiscal 2013, contributions totaled \$3.3 million, which equaled the annual required contribution. Yarmouth funds other postemployment benefits (OPEBs) on a pay-as-you-go basis, with fiscal 2013 contributions totaling \$624,222. The unfunded actuarial accrued liability as of the last valuation was \$24 million. The combined pension costs and other OPEB pay-as-you-go costs for fiscal 2012 were less than 10% of expenditures, and we do not expect these costs will increase substantially in the near term.
- We consider the Institutional Framework score for Massachusetts cities as strong.

Outlook

The stable outlook reflects our view of Yarmouth's strong economy with access to the broad and diverse Barnstable employment base and its recent focus on improving financial management practices and budgetary flexibility. We believe the town's budgetary performance will remain at least adequate due to the stability and predictability of its primary revenue source, property taxes.

If reserves improve to a level we consider very strong and management continues to adhere to its recently adopted financial policies and goals and achieves positive operating results, we may consider a higher rating, all else being equal. Currently, we do not expect to change the rating within the two-year outlook horizon.

Related Criteria And Research

Related Criteria

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

Related Research

- Institutional Framework Overview: Massachusetts Local Governments

Ratings Detail (As Of March 20, 2014)

Yarmouth GO

Unenhanced Rating

AA+(SPUR)/Stable

Upgraded

Many issues are enhanced by bond insurance.

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