S&P Global
Ratings

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Summary:

Winchendon, Massachusetts; General Obligation

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Credit Profile		
Winchendon st qual GO mun purp loan bnds ser 2015 dtd 11/16/2015 due 12/01/2032		
Long Term Rating	AA+/Stable	Affirmed
Underlying Rating for Credit Program	AA/Stable	Upgraded

Credit Highlights

- S&P Global Ratings raised its underlying rating (SPUR) on Winchendon, Mass.' general obligation (GO) debt one notch to 'AA' from 'AA-'.
- The outlook is stable.
- The rating action reflects our view of recent property tax base growth and consistent finances during the past several fiscal years.

Security

The bonds are a GO of the town. The Massachusetts Qualified Bond Act provides additional security for the series 2015 bonds.

Credit overview

Winchendon is a small residential community with a limited, but stable, local economy. The town has benefited from steady property tax base growth due to continued commercial and residential development, which--combined with management's forward-looking planning and overall conservative approach to budget development--has helped support stable budgetary performance and available reserve growth during the past several fiscal years.

Winchendon has seen recent commercial development in the town center and a steady pace of residential development, including an upcoming single-family subdivision project. The town also expects development of a marijuana-cultivation facility and additional solar-energy developments. These developments have increased market value to more than $1 billion and resulted in market value per capita increasing to more than $96,000, which supports our revision of the rating.

Winchendon has produced strong operating results in each of the past several fiscal years. Management attributes these results to a conservative approach to budgeting expenditures and strength in property tax revenue, which account for 42% of revenue; the largest revenue source is state aid, which Winchendon receives primarily to support its schools. Reserves have increased by 29% during the past three fiscal years despite a slight decrease in fiscal 2022 due to a decrease in assigned funds for purchase orders and appropriation for capital projects.

The town has consistently grown general-stabilization funds, and it does not have any immediate plans to draw on these funds; rather, it intends to contribute to stabilization funds with the town recently committing about $80,000 in free cash to general stabilization. Management estimates final fiscal 2023 results will show a surplus less than fiscal

2022. The fiscal 2024 budget includes a new town-engineer position; otherwise, it maintained all town services.

The electorate has recently authorized about $9.5 million in borrowing through Massachusetts Clean Water Trust for water-infrastructure improvements. The electorate has also authorized funding to begin designing a new fire station. Officials expect to seek approval for borrowing at the spring town meeting to finance the fire station's construction, and total borrowing will likely be in the $6 million-$8 million range.

Due to current debt ratios and minimal near-term new-money debt issuances, we expect the debt profile will likely remain stable through the two-year outlook. We do not view the town's pension and other postemployment benefit (OPEB) liabilities as a financial or credit pressure; however, Worcester Regional Retirement System's 7.5% discount is, in our opinion, higher than average, which could support volatility and contribution escalation. Although the town pays OPEB on a pay-as-you-go basis, costs remain manageable.

The rating reflects our view of Winchendon's:

- Stable, primarily residential tax base with expected continued growth supported by a mix of commercial and residential development and a local economy that benefits from participation in the Worcester metropolitan statistical area, which we consider broad and diverse;
- Strong management with good financial-management practices, policies under our Financial Management Assessment (FMA) methodology--highlighted by its generally conservative budgetary assumptions, annually updated multiyear capital and financial plans, monthly budget reporting to the finance committee, formal policy of maintaining reserves at 5%-15% of operating expenditures, formal debt-management policy limiting debt service to no more than 10% of general fund revenue, and outlining instances where issuance is permitted--and strong Institutional Framework score;
- Expected continuation of, at least, balanced operating results, contributing to reserve growth, supported by its limited demand for additional services and positions, stable revenue, and conservative and forward-looking budgeting approach; and
- Manageable fixed costs and overall stable debt profile, which we expect will likely remain despite plans to issue additional debt, with about $4 million in debt outstanding.

Environmental, social, and governance

We have assessed environmental, social, and governance (ESG) factors relative to the town's economy, management, financial measures, and debt-and-liability profile; we view all of them as neutral within our credit analysis.

Outlook

The stable outlook reflects S&P Global Ratings' view that the town will likely maintain balanced operations and very strong available reserves, supported by conservative budgeting and a stable tax base. In addition, limited long-term liabilities and relatively low fixed costs further support the stable outlook.

Downside scenario

We could lower the rating if finances were to deteriorate due to fixed costs or other pressure, leading to a sustained draw on reserves without a plan to restore reserves.

Upside scenario

While unlikely within the two-year outlook, we could raise the rating further if economic metrics were to improve to levels we consider consistent with higher-rated peers and if sustained finances were to lead to a continued increase in reserves.

Winchendon, Massachusetts--key credit metrics				
	Most recent	**--Historical information--**		
		2022	**2021**	**2020**
Strong economy				
Projected per capita effective buying income (EBI) (%) of U.S.	95.4			
Market value per capita ($)	96,885			
Population		10,937	10,732	10,764
County unemployment rate(%)		3.9		
Market value ($000)	1,059,629	911,033		
10 leading taxpayers as a % of taxable value	2.4			
Strong budgetary performance				
Operating fund result as a % of expenditures		0.5	4.6	1.3
Total governmental fund result as a % of expenditures		6.6	8.8	7.6
Strong budgetary flexibility				
Available reserves as a % of operating expenditures		14.5	14.8	11.1
Total available reserves ($000)		4,744	4,813	3,688
Very strong liquidity				
Total government cash % of governmental fund expenditures		28.5	33.9	25.6
Total government cash % of governmental fund debt service		2,451.9	2,569.4	1,591.0
Strong management				
Financial Management Assessment	Good			
Very strong debt and long-term liabilities				
Debt service as a % of governmental fund expenditures		1.2	1.3	1.6
Net direct debt as a % of governmental fund revenue	9.2			
Overall net debt as a % of market value	0.4			
Direct debt 10-year amortization (%)	81.2			
Required pension contribution as a % of governmental fund expenditures		4.7		
Other postemployment benefits actual contribution as a % of governmental fund expenditures		1.4		
Strong Institutional Framework				

Data points and ratios may reflect analytical adjustments.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local

Government GO Criteria, Sept. 2, 2015

- 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
- 2022 Update Of Institutional Framework For U.S. Local Governments
- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022