

# RatingsDirect®

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## Summary:

# Winchendon, Massachusetts; General Obligation

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### Credit Profile

Winchendon st qual GO mun purp loan bn ds ser 2015 dtd 11/16/2015 due 12/01/2032

<i>Long Term Rating</i>	AA+/Stable	Affirmed
<i>Underlying Rating for Credit Program</i>	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.

	Most recent	--Historical information--		
		2022	2021	2020
<b>Strong economy</b>				
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			
<b>Strong budgetary performance</b>				
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
<b>Strong budgetary flexibility</b>				
Available reserves as a % of operating expenditures		14.5	14.8	11.1
Total available reserves (\$000)		4,744	4,813	3,688
<b>Very strong liquidity</b>				
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
<b>Strong management</b>				
Financial Management Assessment	Good			
<b>Very strong debt and long-term liabilities</b>				
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		
<b>Strong Institutional Framework</b>				

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

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