

RatingsDirect®

Summary:

Wakefield, Massachusetts; General Obligation; Note

Primary Credit Analyst:

Emily Powers, Santa Fe + 1 (312) 233 7030; emily.powers@spglobal.com

Secondary Contact:

Krystal Tena, New York + 1 (212) 438-1628; krystal.tena@spglobal.com

Table Of Contents

Credit Highlights

Outlook

Related Research

Summary:

Wakefield, Massachusetts; General Obligation; Note

Credit Profile		
US\$10.5 mil GO BANs dtd 06/15/2023 due 02/23/2024		
Short Term Rating	SP-1+	New
Wakefield Town GO BANs dtd 06/15/2023 due 02/23/2024		
Short Term Rating	SP-1+	Affirmed
Wakefield Twn GO mun purp loan bnds		
Long Term Rating	AAA/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'SP-1+' short-term rating to Wakefield, Mass.' approximately \$10.5 million general obligation (GO) bond anticipation notes (BANs), dated June 15, 2023.
- At the same time, we affirmed our 'AAA' long-term rating and 'SP-1+' short-term rating on the town's existing GO debt.
- The outlook is stable.

Security

Wakefield's full-faith-and-credit pledge secures its GO debt and BANs, subject to Proposition 2 1/2 limitations. We rate the limited-tax GO debt on par with our view of the town's general creditworthiness because the ad valorem tax is not derived from a measurably narrower property tax base and there are no resource fungibility limitations, supporting our view of the town's overall ability and willingness to pay debt service. The short-term rating reflects our high investment-grade long-term rating on the town and Wakefield's low market-risk profile. In our view, and pursuant to our BAN criteria, we have assessed the town's market risk as low, due to Wakefield's strong market access, information availability, and takeout authorization.

Proceeds of the bonds will be used as the first portion of financing for a large school project and for financing road projects.

Credit overview

The rating reflects our view of Wakefield's continued operational strength, as reflected by several years of steady operations, leading to a strong available reserve position and robust liquidity levels. Steady operations are additionally supported by continued tax base growth, stemming primarily from ongoing residential and mixed-use development to support its growing community. Less than 15 miles from downtown Boston, the town provides a solid location for those that access the greater metropolitan statistical area (MSA) for employment opportunities, which helps bolster our view of its local economy.

The town has experienced mixed operations in the last three fiscal years, primarily due to timing of projects costs and revenue receipts. However, it has managed to sustain a strong reserve position, which we expect to be sustained, particularly in fiscal 2023, for which management has reported better-than-budgeted revenues, namely building permits and excise taxes, which will again increase available reserves come year-end. Preliminary assumptions for the \$101.8 million fiscal 2024 budget include some expenditure increases to expand services at the schools and within the health and human services department; however, management does not expect these increases to affect operations or reserve levels, as these projects are and will be additionally supported by one-time federal funding.

Somewhat mitigating our view of the town's strong financial and economic profiles is its large pension and other postemployment benefits (OPEB) obligation and associated costs, which officials have been managing but that we believe could pressure the budget over the longer term. Additionally, Wakefield's current debt position has worsened slightly, in our view, with the current issuance, and could worsen further as additional school-related debt is layered in. However, debt, pension, and OPEB costs are currently manageable, and we expect will remain so over our outlook period, particularly given the town's strong tax base and budgeting policies, which we expect will continue to support stable operations. For more background on Massachusetts pensions, please see "Pension Spotlight: Massachusetts," published Oct. 14, 2020, on RatingsDirect.

Other credit factors include our view of Wakefield's:

- Steadily growing local residential economy, benefiting from its location and access to the Boston MSA, with a wealthy tax base;
- Conservative and sophisticated management team, with well-embedded financial management policies and practices, producing stable operational performance in recent years, leading to a strong financial position that is expected to be sustained; and
- Moderate debt burden with low carrying charges, although offset by a large pension liability under a poorly funded pension plan.

Environmental, social, and governance

We have assessed social and governance risks relative to Wakefield's management, financial measures, and debt and liability profile, and have determined they are credit neutral in our analysis. Although certain areas of Wakefield are prone to flooding, we also view environmental risks as credit neutral in our analysis since the town has a municipal vulnerability preparedness plan to address hazards posed by climate change and is eligible for grant funding to assist in resiliency planning.

Outlook

The stable outlook reflects our view that the town's economic metrics will remain very strong, while it also maintains at least balanced operations and strong reserves while preserving a manageable debt load.

Downside scenario

We could lower the rating if the town's debt burden were to substantially increase such that budgetary performance weakens beyond current expectations. Accelerating costs associated with labor or other retirement costs, leading to a

deterioration of available reserves and constraints on liquidity, would also be factors that could lower the rating.

Rating above the sovereign

We rate Wakefield higher than the sovereign because we believe the town can maintain better credit characteristics than the nation in a stress scenario due to its predominantly locally derived revenue base and our view that pledged revenue supporting debt service is at limited risk of negative sovereign intervention. In 2022, local property taxes generated 75% of general fund revenue, demonstrating a lack of dependence on central government revenue. (For further information, please see "Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions," published Nov. 19, 2013.)

Wakefield--Key credit metrics				
	Most recent	Historical information		
		2022	2021	2020
Very strong economy				
Projected per capita EBI % of U.S.	154			
Market value per capita (\$)	251,210			
Population		26,879	27,119	
County unemployment rate (%)		4.6		
Market value (\$000)	6,752,281	6,148,311	5,662,634	5,366,559
Ten largest taxpayers % of taxable value	4.7			
Strong budgetary performance				
Operating fund result % of expenditures	(0.2)	0.7	(0.3)	
Total governmental fund result % of expenditures	(0.1)	4.6	0.2	
Strong budgetary flexibility				
Available reserves % of operating expenditures	11.9	12.5	12.4	
Total available reserves (\$000)	13,184	14,083	13,318	
Very strong liquidity				
Total government cash % of governmental fund expenditures	28	25	21	
Total government cash % of governmental fund debt service	670	568	414	
Very strong management				
Financial Management Assessment	Strong			
Adequate debt & long-term liabilities				
Debt service % of governmental fund expenditures	4.1	4.3	5.0	
Net direct debt % of governmental fund revenue	65			
Overall net debt % of market value	1.2			
Direct debt 10-year amortization (%)	46			
Required pension contribution % of governmental fund expenditures	5.5			
OPEB actual contribution % of governmental fund expenditures	4.9			
Strong institutional framework				

EBI--Effective buying income. OPEB--Other postemployment benefits.
Data points and ratios may reflect analytical adjustments.

Related Research

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

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

Copyright © 2023 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.