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Ratings

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## Summary:
# Wakefield, Massachusetts; General Obligation; Note

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**Summary:**

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| 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