

RatingsDirect®

Summary:

Bedford, Massachusetts; General Obligation

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Credit Profile

US\$4.03 mil GO mun purp loan bnds ser 2014 due 10/15/2034

Long Term Rating AAA/Stable New

Bedford Twn GO

Long Term Rating AAA/Stable Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' long-term rating to Bedford, Mass.' series 2014 general obligation (GO) municipal purpose bonds and affirmed its 'AAA' long-term rating on the town's existing GO debt. The outlook is stable.

A pledge of the town's full faith and credit secures the bonds. The town plans to use the proceeds for various capital improvements.

The rating reflects our assessment of the following factors, specifically the town's:

- Very strong economy as part of the Boston-Cambridge-Newton metropolitan statistical area (MSA);
- Very strong management conditions with what we consider "strong" financial policies and practices based on our Financial Management Assessment (FMA) methodology;
- Strong budgetary flexibility based on what we consider a strong available fund balance;
- Strong budgetary performance with a history of stable general fund results;
- Very strong liquidity providing very strong cash levels to cover both debt service and expenditures;
- Very strong debt and contingent liabilities position, which includes overall net debt at less than 3% of market value and rapid amortization of principal.

Very strong economy

Bedford, with a population estimate of 13,800 is primarily an affluent and mature suburb 15 miles northwest of Boston along Interstate 95 and State Route 3. Middlesex County unemployment averaged 5.6% in 2013. Residents have access to additional employment in the broad and diverse Boston-Cambridge-Newton MSA. Projected per capita effective buying income is a very strong 188% of the national level.

Residential properties account for about 79.5% of total assessed valuation (AV), with commercial and industrial properties accounting for 17.7%. Bedford's AV has seen modest increases the past three fiscal years. For fiscal 2014, total AV was \$2.863 billion; we consider Bedford's market value per capita extremely strong, at about \$208,000. The town's property tax base is very diverse, as the 10 leading taxpayers account for 8.8% of total AV.

Very strong management conditions

Standard & Poor's considers Bedford's financial management practices "strong" under its FMA methodology, indicating practices are well embedded and likely sustainable. We revised our FMA to "strong" from "good" as the

town revised and formalized its policies in November 2013. Highlights include a formal fund balance policy to maintain its stabilization fund at 2%-6% of budget, five-year long-term financial planning for general fund operations and expenditures, and a comprehensive five-year capital improvement plan.

Strong budgetary flexibility

In our opinion, budgetary flexibility is strong. Over the past three fiscal years, the town has maintained positive general fund performance and grown available reserves to a strong 11% of expenditures for fiscal 2013. Management estimates favorable results for fiscal 2014 and an addition to fund balance and expects positive results for fiscal 2015 due to a recent property revaluation.

Strong budgetary performance

We consider the town's budgetary performance strong, resulting in stable general fund results the past three fiscal years. Bedford's tax base provides financial stability. Property taxes are the town's leading revenue source, accounting for 71% of general fund revenues, and collections have historically averaged near 100% on a current basis. This, coupled with expenditure flexibility, limits exposure to federal and state revenues. The town ended fiscal 2013 with a general fund operating surplus of about 2.4% of expenditures and a total governmental fund surplus of 1% of expenditures.

According to management, fiscal 2014 also reports a surplus due to better-than-expected revenue collections and positive variances in expenditures. Early into fiscal 2015, management expects an operating surplus due largely to a revaluation that will add to its tax base for the year.

Very strong liquidity

Bedford has a very strong liquidity position, with total government available cash at 17% of total governmental fund expenditures and 2x debt service. We believe the town has strong access to external liquidity, having issued GO bonds within the past five years.

Very strong debt and contingent liability profile

The debt and contingent liability profile is very strong. The town's initial debt profile is adequate, with net direct debt 56% of revenue and with total governmental fund debt service 8.5% of total governmental fund expenditures. The town's debt profile improves when considering overall net debt at less than 3% of market value and rapid amortization of principal with 85% retired within 10 years. The town has about \$1.7 million of authorized, but unissued debt.

Bedford participates in the Middlesex County Retirement System and contributed its full annual required contribution of \$2.9 million in 2012. As of its 2013 valuation, the system was about 43.7% funded. The town also provides other postemployment benefits (OPEBs) in the form of health insurance and contributed \$1.3 million in fiscal 2013 on a pay-as-you-go basis. As of its July 1, 2012 valuation, the OPEB plan had an unfunded liability of \$48.9 million. In fiscal 2013, the combined pension and OPEB payments represented 5% of total government expenditures. While pension costs are expected to increase given the low plan funding level, current contributions are manageable, but could create future budgetary pressures.

We note that in fiscal 2013, the town appropriated \$525,000 into an OPEB trust with annually increasing contributions. The town contributed \$538,000 in fiscal 2014 and \$551,000 in fiscal 2015. Recently, the town moved to the state GIC

plan, which reduced its OPEB unfunded actuarial accrued liability by about \$30 million.

Strong institutional framework

We consider the Institutional Framework score for Massachusetts municipalities strong.

Outlook

The stable outlook reflects Standard & Poor's expectation that Bedford will continue to adjust its budget to maintain structural balance while maintaining its strong reserves. The underlying wealth and income levels provide rating stability.

However unlikely, should operating performance weaken along with reserves, we may lower the rating. We do not anticipate changing 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
- USPF Criteria: Financial Management Assessment, June 27, 2006
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013

Related Research

- U.S. State And Local Government Credit Conditions Forecast, July 8, 2014
- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Massachusetts Local Governments

Ratings Detail (As Of September 12, 2014)		
Bedford Twn GO		
<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

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