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Summary:

North Attleborough, Massachusetts; General Obligation

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Credit Profile

US\$10.36 mil GO mun purp loan of 2024 bnds dtd 06/05/2024 due 06/01/2044

<i>Long Term Rating</i>	AA+/Stable	New
North Attleborough GO bnds		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
North Attleborough GO (AGM)		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Credit Highlights

- S&P Global Ratings assigned its 'AA+' rating to North Attleborough, Mass.' roughly \$10.4 million series 2024 general obligation (GO) municipal-purpose bonds.
- At the same time, S&P Global Ratings affirmed its 'AA+' rating on the town's existing GO debt.
- The outlook is stable.

Security

North Attleborough's full-faith-and-credit pledge, subject to Proposition 2 1/2 limitations, secures the bonds. Despite limitations imposed by the commonwealth's levy-limit law, we do not make a rating distinction between the town's general creditworthiness and limited-tax GO debt because we include the limitation on its ability to raise revenue and resource flexibility in our analysis of its financial and economic conditions.

Officials intend to use series 2024 bond proceeds to finance various capital improvements.

Credit overview

The rating reflects our opinion of North Attleborough's consistent maintenance of very strong reserves and cash balances due to steady operating performance. While the town's economic profile is very strong, in our opinion, wealth and income remain below higher-rated peers; however, the property tax base provides stability because property tax revenue is the single leading revenue source. At the same time, we continue to view the town's combined pension and other postemployment benefit (OPEB) liabilities as elevated, which could lead to budgetary pressure.

Management attributes the fiscal 2023 general fund drawdown to its onetime use of reserves, specifically free cash and capital stabilization, to fund various capital projects. This is after the town improved reserves to \$21.8 million in fiscal 2022 from \$12.5 million in fiscal 2020.

For fiscal 2024, officials indicate budget-to-actual results are on target; they currently expect to end fiscal 2024 with

balanced operations. For fiscal 2025, the town does not expect any major budget changes compared with fiscal 2024 with just a modest planned expenditure increase. In addition, the town does not currently plan to draw down reserves.

After the series 2024 issuance, the town will have approximately \$66 million of debt outstanding. It currently expects to issue about \$5.3 million of additional debt during the next two years for various capital improvements, which we expect will likely weaken current debt metrics but remain affordable.

We think pension and OPEB liabilities will likely remain a long-term credit concern due to lower OPEB funding, large liabilities, and our expectation costs will likely increase. Combined pension and OPEB liabilities totaled \$209.1 million as of fiscal 2023. The town's pension plan, however, is 77.2% funded. Because actuarially determined pension contributions reflect, what we view as, somewhat weak assumptions and methodologies, particularly the 7% discount, we imagine unexpected contribution-escalation risk will likely increase. However, we also expect higher contributions will likely remain affordable, at least during the next few fiscal years, due to the strength of the town's revenue base, strong reserves, and conservative budgeting.

Although the town funds OPEB on a pay-as-you-go basis, which--due to claims volatility and medical-cost and demographic trends--is likely to lead to escalating costs, the town has legal flexibility to alter OPEB, which we view as a potential means of mitigating escalating costs. The town also maintains an OPEB trust with a \$6.7 million balance as of fiscal 2023.

The rating reflects our opinion of the town's:

- Primarily residential economy that benefits from participation in the Providence-Warwick metropolitan statistical area and that is likely to see incremental tax base growth with redevelopment at a mall, its leading taxpayer, and continued economic development in different areas of the town;
- Balanced financial operations and continued maintenance of very strong available reserves, including stabilization reserves still higher than the adopted stabilization-reserve policy of maintaining 5% of expenditures;
- Strong management with well-embedded, good financial-management policies, practices under our Financial Management Assessment (FMA) methodology--including its maintenance of a five-year capital-improvement plan, five-year long-term financial plan, and formal debt-management and reserve policies--and strong Institutional Framework score; and
- Manageable debt with pension and OPEB liabilities we consider elevated, which could be a long-term credit pressure.

Environmental, social, and governance

We have evaluated North Attleborough's environmental, social, and governance (ESG) factors relative to its economy, financial measures, management, and debt-and-long-term-liability profile; we view them all as neutral within our credit analysis. Ten Mile River runs through the town, and it is prone to flooding; the town has received federal and commonwealth grants to support mitigation efforts.

Outlook

The stable outlook reflects S&P Global Ratings opinion of the town's financial stability, supported by prudent management and strong property tax revenue. We do not expect to change the rating during the two-year outlook.

Downside scenario

We could lower the rating if higher costs due to debt-and-liability pressure were to lead to financial deterioration and lower reserves because of increased costs.

Upside scenario

We could raise the rating if underlying economic metrics were to improve while the town sustains very strong operating reserves through balanced operations and reduces long-term retirement liabilities.

North Attleborough,. Massachusetts--key credit metrics

	Most recent	--Historical information--		
		2023	2022	2021
Very strong economy				
Projected per capita effective buying income (EBI) (% of U.S.	124.4			
Market value per capita (\$)	187,379			
Population			30,811	29,930
County unemployment rate(%)			4.6	
Market value (\$000)	5,773,340	5,148,609	4,538,971	
10 leading taxpayers as a % of taxable value	4.9			
Adequate budgetary performance				
Operating fund result as a % of expenditures		(1.8)	2.1	6.9
Total governmental fund result as a % of expenditures		5.5	8.9	2.0
Very strong budgetary flexibility				
Available reserves as a % of operating expenditures		16.5	21.2	17.5
Total available reserves (\$000)		18,739	21,835	18,087
Very strong liquidity				
Total government cash % of governmental fund expenditures		49.8	51.7	27.9
Total government cash % of governmental fund debt service		1,531.0	1,646.9	1,025.6
Strong management				
Financial Management Assessment	Good			
Strong debt and long-term liabilities				
Debt service as a % of governmental fund expenditures		3.3	3.1	2.7
Net direct debt as a % of governmental fund revenue	29.3			
Overall net debt as a % of market value	0.7			
Direct debt 10-year amortization (%)	66.7			
Required pension contribution as a % of governmental fund expenditures		3.7		
Other postemployment benefits actual contribution as a % of governmental fund expenditures		5.7		

North Attleborough, Massachusetts--key credit metrics (cont.)

	Most recent	--Historical information--		
		2023	2022	2021
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
- 2023 Update Of Institutional Framework For U.S. Local Governments, Nov. 28, 2023
- 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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