

RatingsDirect®

Summary:

Scituate Town, Massachusetts; General Obligation

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Credit Profile		
US\$7.805 mil GO mun purp loan of 2023 bnds due 12/01/2043		
Long Term Rating	AA+/Stable	New
Scituate Twn GO		
Long Term Rating	AA+/Stable	Affirmed
Scituate Twn GO muni purpose loan of 2020 bnds due 11/01/2040		
Long Term Rating	AA+/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AA+' rating to Scituate Town, Mass.' approximately \$7.805 million series 2023 general obligation (GO) 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

Scituate's full-faith-and-credit pledge, subject to Proposition 2 1/2 limitations, secures the bonds and existing GO debt. Despite limitations imposed by the commonwealth's levy-limit law, we did not make a rating distinction between the limited- and unlimited-tax GO pledges because of the town's operating flexibility under the levy limit. The town has exempted a portion of the bonds and debt outstanding from Proposition 2 1/2 limits.

Officials intend to use series 2023 bond proceeds to finance sewer-infiltration and water-main improvements, marina docks, and a roof replacement at one of the town's schools.

Credit overview

The rating reflects our view of Scituate's very strong economy and steady operating results during the past several fiscal years. Scituate has about 57 miles of coastline with a primarily residential property tax base that has grown by 47% during the past five years. The largely built-out Scituate's recent projects include mixed-use developments, market-rate and affordable-housing units, and additional units under construction. Recent zoning changes and the possibility of sewer-service expansion in north Scituate could attract additional development.

For analytical consistency, we have adjusted annual budgetary performance to account for recurring transfers among the general, nonmajor governmental, and enterprise funds. In addition, we accounted for the expenditure of bond proceeds and special revenue funds within nonmajor governmental funds. Financial operations remain stable, supported by property tax revenue, which accounts for 75% of general fund revenue; other local revenue, such as a meals tax, has also recovered from disruption due to COVID-19, contributing to surplus results.

Unaudited, town-provided fiscal 2023 results show another year of surpluses with continued available fund balance growth, which is up by about 23% over the past three fiscal years. While available reserves are below higher-rated peers, Scituate does not currently plan to draw on these funds. The town has adopted an approximately \$48 million fiscal 2024 budget, a 4.4% increase over fiscal 2023. The budget is a level service budget that includes assumptions for recently settled contracts, including a \$1.2 million new growth assumption (the actual amount is \$1.9 million). According to officials, the budget is performing as expected to date.

Scituate will have about \$126 million in total debt outstanding following the series 2023 issuance. The town has about \$88.5 million in authorized, but unissued, debt remaining. We understand Scituate will rescind a portion of this amount; a town meeting has recently approved the rescission of about \$4 million in authorizations, including water, sewer, and school-roof projects. We understand \$50 million of the authorization is for a debt exclusion authorized for the water-treatment plant. The town expects a spring 2024 community vote to approve up to \$120 million in borrowing for the replacement of elementary schools. We do not expect the additional debt will likely have a meaningful effect on our view of the town's debt profile.

The rating reflects our opinion of Scituate's:

- Very strong local economy, benefiting from participation in the Boston metropolitan statistical area, which we consider broad and diverse, and a growing tax base that has benefited from residential development, including some allowed by recent zoning changes;
- Strong management with well-embedded policies and practices we consider good under our Financial Management Assessment (FMA) methodology--highlighted by its formal reserve and debt- and investment-management policies with the maintenance of long term-financial and capital plans, with structural balance a clear goal--and strong Institutional Framework score;
- Recent positive financial results, extended through fiscal 2023, due to property tax and other local revenue strength, which has supported available fund balance growth to more than 15%; and
- Manageable debt with pension and other postemployment benefit (OPEB) obligations we consider a credit weakness--The town participates in Plymouth County Contributory Retirement System, which is 67% funded, with a \$42 million proportionate share of the net pension liability, and Scituate's defined-benefit, health-care plan that provides health-care insurance to retirees, which is 2.76% funded, with an OPEB liability of about \$74 million; the town does meet its actuarially determined pension contribution annually.

Environmental, social, and governance

We have assessed Scituate's environmental, social, and governance (ESG) risks. We view social and governance risks as neutral in our credit-rating analysis. Physical risk is higher than average for the sector, in our opinion, due to the town's coastal location. Scituate has been successful in pursuing grant funding for its efforts, including home elevations; hazard-mitigation-plan updates; and drainage studies, as well as other coastal assessment and resiliency projects.

Scituate has a coastal-advisory commission to implement the sustainability plan, and it has developed a downtown-harbor-business-district-sustainability study and harbor-resiliency study; it also participates in the National Flood Insurance Program's community-rating-system program, which qualifies homeowners for a 15% discount on

flood insurance.

Outlook

The stable outlook reflects S&P Global Ratings' expectation that Scituate's economy will likely remain very strong and that finances will likely support sustained reserve strength, providing budgetary flexibility for the town to handle liabilities and climate-risk exposure.

Downside scenario

We could lower the rating if budgetary performance were to deteriorate, leading to a material and sustained draw on reserves.

Upside scenario

We could raise the rating if reserves were to continue to improve to levels we consider consistent with higher-rated peers and if pension metrics, including the funded ratio and aggressive actuarial assumptions and liabilities, were to improve.

Scituate Town, Massachusetts--key credit metrics				
	Most recent	--Historical information--		
		2023	2022	2021
Very strong economy				
Projected per capita effective buying income (EBI) (%) of U.S.	193.6			
Market value per capita (\$)	349,507			
Population			19,552	19,038
County unemployment rate(%)			4.0	
Market value (\$000)	6,833,558	6,833,558	5,725,569	
10 leading taxpayers as a % of taxable value	2.1			
Strong budgetary performance				
Operating fund result as a % of expenditures		3.3	3.9	3.7
Total governmental fund result as a % of expenditures		8.2	5.1	(0.4)
Very strong budgetary flexibility				
Available reserves as a % of operating expenditures		15.7	14.3	13.3
Total available reserves (\$000)		15,643	13,257	12,699
Very strong liquidity				
Total government cash % of governmental fund expenditures		40.1	35.1	30.2
Total government cash % of governmental fund debt service		532.8	384.4	472.0
Strong management				
Financial Management Assessment	Good			
Adequate debt and long-term liabilities				
Debt service as a % of governmental fund expenditures		7.5	9.1	6.4
Net direct debt as a % of governmental fund revenue	69.9			
Overall net debt as a % of market value	1.3			

Scituate Town, Massachusetts--key credit metrics (cont.)

	Most recent	--Historical information--		
		2023	2022	2021
Direct debt 10-year amortization (%)	64.5			
Required pension contribution as a % of governmental fund expenditures		5.4		
Other postemployment benefits actual contribution as a % of governmental fund expenditures		2.7		

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
- 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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