

RatingsDirect®

Summary:

Sandwich, Massachusetts; General Obligation

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Summary:

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Credit Profile

Sandwich Twn GO		
<i>Long Term Rating</i>	AA+/Stable	Upgraded
Sandwich Twn GO rfdg bnds (Bank Qual)		
<i>Long Term Rating</i>	AA+/Stable	Upgraded
Sandwich Twn GO		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Upgraded

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services raised its rating on the Town of Sandwich, Mass.' general obligation (GO) bonds to 'AA+' from 'AA' based on our local GO criteria released Sept. 12, 2013. The outlook is stable.

A pledge of the town's faith and credit secures the bonds.

The rating reflects our assessment of the following factors for the town:

Sandwich, with a population of approximately 21,000, has a very strong economy, in our view, with projected per capita effective buying income at 131.3% of that of the U.S. and a per capita market value of \$174,031. The town, which is 60 miles south of Boston on Cape Cod, also benefits from the broad and diverse economy of the Barnstable metropolitan statistical area.

- In our opinion, Sandwich's budgetary flexibility is strong, with available reserves at 8.5% in fiscal 2012, and no expectations to draw on them.
- The town's budgetary performance has been strong, in our view, with surpluses in both the general fund and total governmental funds of 1.1% and 0.9%, respectively, in fiscal 2012.
- Supporting Sandwich's finances is liquidity we consider very strong, with total governmental cash as a percent of governmental funds expenditures at 12.0% and as a percent of total governmental funds debt service at 232.8%. This is realized after adjusting for restricted cash and cash equivalents in the Community Preservation Act and other government funds. Sandwich also has what we consider to be strong access to external liquidity as it has issued GO bonds in the most recent 15 years.
- We view the town's management conditions as strong, with good financial practices and policies. This indicates that financial practices exist in most areas, but that officials might not formalize or regularly monitor all of them. Highlights include conservative assumptions in budgeting for revenue and expenditures, a five-year capital improvement plan, and budget-to-actual results presented regularly to the Board of Selectmen. Sandwich's investment policy mirrors state guidelines and holdings are presented to the selectmen monthly. The town does not maintain a formal reserve policy.
- In our opinion, Sandwich's debt and contingent liability profile is strong. The town has \$26.4 million of total direct

debt outstanding. Total governmental fund debt service as a percent of total governmental fund expenditures is 5.1%, and net direct debt as a percent of total governmental fund revenue is 32.2%. We consider overall net debt to be low, at 0.8% of market value.

- Sandwich participates in the Barnstable County Retirement System and contributed \$2.6 million in fiscal 2012, which equaled its annual required contribution. The system is funded at 55%. The pension contribution represented 3.4% of total government expenditures.
- The town's large unfunded other postemployment benefits (OPEB) liabilities are a long-term credit consideration. Combined pension cost and OPEB pay-as-you-go contributions were 6.9% of total governmental funds expenditures in fiscal 2012 and we believe costs will continue to rise because funding ratios are low. As of June 30, 2010, the OPEB unfunded actuarial accrued liability (UAAL) was more than \$85 million. Moreover, the town's share of pension UAAL is about \$33.2 million. Combined pension cost and OPEB pay-as-you-go contributions were 6.9% of total governmental funds expenditures in fiscal 2012 and we believe costs will continue to rise.
- We consider the Institutional Framework score for Massachusetts municipalities as strong. See Institutional Framework score for Massachusetts, published Sept. 12, 2013.

Outlook

The stable outlook reflects Standard & Poor's opinion of Sandwich's very strong economy and liquidity profiles. A consideration of a positive rating action over time would involve the town continuing to improve and sustain its budgetary performance and flexibility, as well as take actions to mitigate the effects of its long-term liabilities. While unlikely, significant declines in Sandwich's financial performance and flexibility, caused by rising pension and OPEB costs, could pressure the rating.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Massachusetts Local Governments, Sept. 12, 2013

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