

RatingsDirect®

Summary:

Greenfield, Massachusetts; General Obligation

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Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

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Credit Profile

US\$28.857 mil GO st qual mun purp loan bnds ser 2014 due 03/01/2039		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	New
Greenfield GO st qual mun purp loan bnds ser 2014 due 03/01/2039		
<i>Long Term Rating</i>	AA/Stable	Rating Assigned
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Rating Assigned
Greenfield GO (AGM)		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services assigned its 'AA' long-term rating and 'AA-' underlying rating to Greenfield, Mass.' series 2014 general obligation (GO) state qualified municipal purpose loan. At the same time, Standard & Poor's affirmed its 'AA-' long-term rating on the town's series 2009 bonds. The outlook on all ratings is stable.

We base the 'AA' rating on the bonds' eligibility under the commonwealth's Chapter 44A Qualified Bond Act.

The town's full faith and credit secures the bonds. We understand that proceeds of the notes will be used to fund various capital improvement projects and equipment purchases.

In our view, the 'AA-' ratings reflect our assessment of the following factors:

- A weak economy, with lower wealth and incomes, but that is considered broad and diverse;
- Strong budgetary flexibility, with available reserves above 8% of general fund expenditures;
- Strong budgetary performance, with consistent general and total governmental funds results;
- Very strong liquidity providing very strong cash levels to cover both debt service and expenditures;
- Strong management conditions led by good financial policies and an experienced and capable management team; and
- An adequate debt and contingent liability position, mostly reflecting the town's low debt burden, which is being offset by sizable pension and other postemployment benefits (OPEB) liabilities.

Strong budget flexibility

In our opinion, the town's budgetary flexibility has improved, with available reserves above 8% of expenditures as per the draft fiscal 2013 audit, and Greenfield has no plans to significantly spend down the reserves. Management reported that the town ended fiscal 2013 with an available fund balance of \$4.2 million, or 8.4% of expenditures. Year-to-date, the town projects to end fiscal 2014 with at least break-even results.

Strong budgetary performance

Greenfield's budgetary performance has been strong overall, in our view, with an projected operating surplus of 1.2% in the general fund and operating deficit of 0.5% in the total governmental fund in fiscal 2013. About 53% of the town's revenues are from property tax, and 39% from intergovernmental aid. Management adopted a balanced general fund budget for 2014 without plans to draw down on the town's reserves.

Very strong liquidity

Supporting Greenfield's finances is what we consider to be very strong liquidity, with total government available cash as a percent of total governmental fund expenditures at 12% and as a percent of debt service at more than 300%. We believe the town has strong access to external liquidity. It has issued GO bonds and bond anticipation notes frequently in the past 15 years.

Strong management

We view the town's management conditions as strong with good financial practices and policies.

Adequate debt and contingent liability profile

In our opinion, Greenfield's debt and contingent liability profile is adequate, with total governmental fund debt service as a percent of total governmental fund expenditures at 4%, and with net direct debt as a percent of total governmental fund revenue at 52%. We consider overall net debt to be low, at 2.8% of market value. The town might issue additional debt of \$2.5 million for improvement related to its high school within the next two years.

Greenfield participates in a cost-sharing, multiple-employer, defined-benefit pension plan administered by the Greenfield Contributory Retirement Board (the system). The town contributed \$3.2 million to the system in fiscal 2013, or 4.8% of total governmental expenditures. The system is funded at 54%. A long-term credit consideration is Greenfield's OPEB liability. The city's OPEB unfunded actuarial accrued liability was \$74 million, or 100% of total governmental expenditures, as of July 2011. The OPEB's 2013 annual required contribution was \$6.5 million, and the town's actual pay-as-you-go contribution was \$3.0 million (about 4.4% of total governmental expenditures). The town has set up an OPEB trust and contributed about \$150,000 to it; however, management is still in discussion to fund the trust on a regular basis.

Weak economy

We consider Greenfield's economy to be weak, with projected per capita effective buying income as a percent of the U.S. at 89% and per capita market value of \$75,000. The town is largely rural and residential in nature. Residents have some employment opportunities in Amherst and Springfield, Mass., about 18 miles and 36 miles, respectively, south of Greenfield.

Strong Institutional Framework

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 on the program rating reflects our outlook on the commonwealth rating. The stable outlook on the

underlying rating reflects Greenfield's strong budget flexibility and performance, supported by very strong liquidity and good financial policies and practices. Precluding a higher rating is the town's weak economy, as well as large pension and OPEB liabilities and costs. We could lower the rating if Greenfield's budgetary performance or reserve decline significantly due to rising long-term liabilities. With these reasons, we do not expect to change the rating within our two-year outlook horizon.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: State Credit Enhancement Programs, Nov. 13, 2008

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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