

# RatingsDirect®

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## Summary:

# West Tisbury, Massachusetts; General Obligation

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## Summary:

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### Credit Profile

US\$3.7 mil GO mun purp loan bnds ser 2013 due 11/15/2028

*Long Term Rating* AA+/Stable New

West Tisbury Twn GO

*Long Term Rating* AA+/Stable Upgraded

## Rationale

Standard & Poor's Ratings Services raised its rating on West Tisbury, Mass.' general obligation (GO) bonds to 'AA+' from 'AA'. We also assigned our 'AA+' long-term rating to West Tisbury's series 2013 GO municipal purpose loan bonds. The outlook is stable.

The town's full faith and credit secures the bonds. West Tisbury intends to use the proceeds to pay previously issued bond anticipation notes (BANs) outstanding and authorized to fund improvements to the town library and fund road construction projects.

In our view, the rating is based on our recently released local GO criteria and reflects our assessment of the following factors:

- Very strong tourism-based economy in affluent Martha's Vineyard, although not tied into a broad and diverse regional economy;
- Very strong budgetary flexibility with 2013 available reserves projected to be above 14% of general fund expenditures and with 3% of unused levy capacity providing additional operating flexibility;
- Strong budgetary performance due to conservative budgetary assumptions and a very stable and consistent revenue profile;
- 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 town treasurer and town accountant; and
- Very strong debt and contingent liabilities position.

### Very strong economy

West Tisbury is a 26-square-mile town on the island of Martha's Vineyard. The population in this predominantly residential community swells in the summer to more than 6,800 from a year-round population of 2,766. We don't consider the town tied to any broad and diverse economy. Nevertheless, income and wealth measures are very high. The town itself maintains a modest employment base that is largely tourism based. Its projected per-capita effective buying income is 157% of the U.S. level, and unemployment in Dukes County averaged 6.9% in 2012, down from 7.3% and 7.6% in 2011 and 2010, respectively.

West Tisbury's assessed value (AV) totaled \$2.3 billion, and per-capita market values were \$856,918, reflecting the

wealth of its tax base. The property tax base is almost entirely residential, resulting in little taxpayer concentration. The 10 leading taxpayers account for less than 10% of total AV and all are residential properties. West Tisbury has many homes with extremely high values, many at more than \$1 million and some property AVs as high as \$45 million. While we acknowledge that AV has declined 11% since 2008, we are seeing signs that real-estate values are stabilizing. Based on our regional forecasts, recent data indicate that median home prices are improving.

### **Very strong budget flexibility**

West Tisbury's financial position has remained strong over the past few years, in our opinion. It maintains a policy that limits available reserves to 10% of expenditures. For fiscal 2012, audited reserves (unassigned and assigned general fund balance) closed with a balance of \$1.9 million, equal to 13.8% of expenditures. For the 2013, the town is again expecting reserves to improve to roughly \$2.07 million, further enhancing these measures.

Bolstering our view of West Tisbury's operating flexibility is that the town maintains an unused levy capacity of \$562,000, equal to 3.7% of expenditures. The unused levy capacity provides additional flexibility because the town is able to raise the tax levy by an equivalent amount without a Proposition 2-1/2 voter-approved override.

### **Strong budgetary performance**

West Tisbury's budgetary performance has been strong overall, in our view. The town closed audited fiscal 2012 with a \$570,000 general fund decrease, however, that was primarily due to a transfer of about \$706,000 to the Dukes County Pooled OPEB [other postemployment benefit] Trust Fund (DCPOTF).

Based on our calculations, the town had a surplus of \$136,000, or 1.0% for the general fund and 0.1% surplus across all governmental funds. We calculate similar operating results occurred in the 2010 and 2011 fiscal years.

For the 2013 fiscal year, town is estimating an additional general fund surplus. The town's revenue profile is very stable. About 83% of general fund revenues are property taxes, while 8.6% is state aid. Revenue collections have been strong, and expenditures have also traditionally fared well compared to budget. Education is the largest expenditure, and has been the largest cost driver affecting the budget. However, the town still maintains about \$562,000 in unused levy capacity, providing the community added operating flexibility to fund future budget growth without affecting budgetary performance. The 2014 budget totals \$14.9 million and represents an increase of 2.2% over the prior year.

### **Strong management conditions**

We view the town's management conditions as strong, with good financial practices combined with a capable and experienced treasurer and town accountant. We consider West Tisbury's financial management practices "good" under our Financial Management Assessment methodology, indicating that financial practices exist in most areas, but that officials might not formalize or regularly monitor all of them.

The town maintains basic policies on several areas of financial management, including debt. It is generally very conservative in its budget estimates and routinely monitors budgetary performance monthly with department heads. The town's selectman receives monthly consolidated reports ensuring budgetary amendments are done on a timely basis. As mentioned, West Tisbury maintains a formal policy limiting reserves to 10% of expenditures, a level it has traditionally adhered to. The town does some budget forecasting and also maintains a five-year capital budget that is prioritized and with funding sources identified.

### **Very strong liquidity**

Supporting West Tisbury's finances is what we consider strong liquidity, with total government available cash at 18.1% of total governmental fund expenditures and at 276% of debt service. In our calculations, we exclude cash and equivalents from the community preservation fund deemed restricted. Further enhancing our view of the town's liquidity position is that West Tisbury maintains strong access to external liquidity. The town is a regular market participant, having issued bonds frequently over the past several years, including GO bonds and short-term BANs. Moreover, in fiscal 2012, it borrowed \$1.5 million in revenue anticipation notes following a regionwide delay in setting the tax rates. The town does not anticipate the need to issue revenue anticipation notes in fiscal 2014 and had not issued them for the five fiscal years prior to the fiscal 2012 issuance.

### **Very strong debt and contingent liability profile**

Following this bond issue, West Tisbury has roughly \$10.4 million of total direct debt outstanding. Included in this calculation is roughly \$2.4 million of BANs outstanding coming due in 2014. Overall, the town's total governmental funds debt service is 6.5% of total governmental funds expenditures and net direct debt is 68.9 % of total governmental funds revenue, levels we consider adequate. Bolstering our view of the town's debt profile, however, is that overall net debt is a very low 0.5% of market value, and that roughly 75% of principal debt will be retired over 10 years.

In our opinion, the town's pension and OPEB liabilities remain manageable. Pension and OPEB costs have risen over the past few years to about 2.8% of total governmental fund expenditures in 2012. For pensions, West Tisbury participates in the Dukes County Retirement system. The system is 67% funded as of the last actuarial valuation in 2011. The town's share of the unfunded liability is about \$2.2 million. The town's pension payment in 2013 was budgeted at about \$311,000, equivalent to 2.1% of expenditures.

West Tisbury's latest valuation of its OPEBs shows a \$5.3 million unfunded liability with an annual required contribution of \$446,000, about 3% of budget. The town has made changes to its benefits which will result in a reduced liability. Furthermore, over the past several years, management has been building up reserves toward this liability, and as noted, transferred those funds to the DCPOTF in the 2012. In 2013, the town voted to appropriate an additional \$175,000 to the trust, again affirming its commitment to funding the liability. To date, the its contribution to the OPEB trust fund was \$881,377.

### **Strong institutional framework**

We consider the institutional framework score for Massachusetts towns as strong. (See the Institutional Framework Overview: Massachusetts Local Governments.)

## **Outlook**

The stable outlook reflects Standard & Poor's expectation that West Tisbury will continue to manage well through the modest recovery. The town's stable revenue profile, good management, and unused levy capacity should translate to budgetary performance and its budgetary flexibility remaining strong. For these reasons, we do not anticipate revising the rating during the two-year outlook horizon.

## **Related Criteria And Research**

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Bond Anticipation Note Rating Methodology, Aug. 31, 2011
- . U.S. State And Local Government Credit Conditions Forecast, July 8, 2013
- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Massachusetts Local Governments

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