

## West Tisbury, Massachusetts

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### *Credit Profile*

**US\$4.4 mil GO bnds dtd 10/15/2009 due 10/15/2028**

Long Term Rating	AA/Stable	New
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**West Tisbury Twn GO**

Long Term Rating	AA/Stable	Affirmed
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### **Rationale**

Standard & Poor's Ratings Services has assigned its 'AA' rating to West Tisbury, Mass.' general obligation (GO) bonds, series 2009 and affirmed its 'AA' long-term rating, with a stable outlook, on the town's existing GO debt.

In our opinion, the ratings reflect the town's:

- Strong property wealth and income,
- Strong financial position with no dependence on state aid and flexibility under statewide levy limits, and
- Low-to-moderate debt position with rapid amortization of existing debt.

The town's full faith and credit pledge secures the bonds. Officials will use bond proceeds primarily to retire \$4.0 million of bond anticipation notes issued to renovate the town hall.

The 26-square-mile town of West Tisbury is on the island of Martha's Vineyard. Population in this predominantly residential community swells in the summer to more than 6,800 from a year-round population of 2,766. While the town's economy is limited, unemployment has

historically been well below commonwealth and national rates; the 2008 rate was 2.6% and the June 2009 rate was 3.9%. Income levels for permanent residents are, in our opinion, very high: Median household and per capita effective buying income indicators equal 131% and 152%, respectively, of national levels.

The property tax base is almost entirely residential, resulting in a tax base with little concentration; the 10 leading taxpayers account for less than 10% of total assessed value and all residential properties. The town has many homes with extremely high values, with many valued at more than \$1 million; property assessed values are as high as \$51 million. The median single-family home value was \$755,000 in 2007, or 440% of the national level.

Total assessed value increased by about 10% annually in fiscals 2007 and 2008, but declined by about 4% for fiscal 2009 to \$2.61 billion. Based on the year-round population, market value is, in our opinion, an extremely high \$925,000 per capita. Based on seasonal population, market value is, in our opinion, still very high at approximately \$380,000 per capita. For fiscal 2009, the town had \$438,000 of space under Proposition 2 1/2 levy limits, or about 3% of revenues.

West Tisbury's financial position is good, in our view. The town previously had its financial statements audited only every two years, but management decided to implement annual audits beginning in fiscal 2007. The fiscal 2007 and 2008 audited financial statements were not completed until well after the end of those fiscal years. Management attributes this delay to difficulty in scheduling auditor fieldwork due to the change in audit timing. The fiscal 2008 financial results were a \$577,000 reduction in the combined unreserved general fund and the stabilization fund, due primarily to use of fund balance to reduce the tax rate and transfers to a tax appeal account. However, the combined unreserved general fund and stabilization fund balance remained what we consider strong at \$1.5 million, or 11% of expenditures, and in addition to these reserves, \$150,000 was transferred during the year into a separate stabilization fund for other postemployment benefits (OPEB), which management intends to place in a trust fund when one is established.

Management projects break-even for fiscal 2009, which includes another \$150,000 transfer into the fund for OPEB expenditures. The fiscal 2010 budget is slightly smaller than the 2009 budget, and management has appropriated a relatively small amount of fund balance, consistent with recent budgets. West Tisbury has been less affected by recent state aid reductions than many other municipalities in the commonwealth; state aid accounted for just 9% of fiscal 2008 general fund revenues while property taxes generated 83%.

The town's latest valuation of its OPEB liability shows a \$2.3 million unfunded liability, on a prefunding basis, with an annual required contribution of \$164,000. However, since this valuation, the town has made changes to its benefits that management projects will result in a reduced liability. Management recently established an OPEB trust fund.

Standard & Poor's considers West Tisbury's financial management practices "good" under its Financial Management Assessment (FMA) methodology, indicating financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them.

Including this current note issue and overlapping regional school debt, the town's overall net debt burden is, in our opinion, a low 0.3% of market value, or a moderate \$3,030 per capita. Amortization of long-term debt is very rapid, with officials retiring 70% of principal over 10 years. Long-term capital needs include a police station for approximately \$2.2 million and a new library for about \$5.5 million; neither project, however, has been authorized.

***Outlook***

The stable outlook on the long-term rating reflects Standard & Poor's expectation that the town's property tax base will remain a stable property tax revenue source, which, combined with the reserve policy, should allow the town to maintain its strong combined financial position.

***Related Research***

USPF Criteria: "GO Debt," Oct. 12, 2006

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