

RatingsDirect®

Summary:

New Bedford, Massachusetts; General Obligation

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Credit Profile

US\$41.2 mil Go state qualified mun purpose loan of 2022 ser 2022 due 09/01/2052

Long Term Rating

AA-/Stable

New

Credit Highlights

S&P Global Ratings assigned its 'AA' long-term rating and 'AA-' underlying rating for credit program to the city of New Bedford, Mass' \$41.2 million general obligation (GO) bonds. The outlook is stable.

The bonds and notes are a full faith and credit obligation of the city of New Bedford, subject to the limitations of Proposition 2-1/2. We rate the city's underlying rating at the same level with our view of New Bedford's general creditworthiness. Additional security on the bonds is provided through the bonds' participation in the Massachusetts' qualified bond program. We rate issuances under this program on par with our issuer credit rating on Massachusetts, reflecting the commonwealth's commitment to pay debt service on behalf of eligible participants from legally available funds. There is no appropriation risk related to the debt service payment.

Management plans to use the bond proceeds to fund various capital projects, including a central kitchen facility for its school system, and city wastewater projects.

Credit overview

The rating reflects our opinion of the city's continued economic expansion beyond its historical status as a fishing port and home to the largest fishing fleet on the East Coast. During the past several years, New Bedford has seen economic development in the offshore wind industry, dining, and hospitality industries. Residential development has increased, with over 450 housing units expected to come online. The city's prudent management practices have produced solid and predictable financial results, through fiscal 2021. Its reserve position increased modestly in fiscal 2021, as a result of the general fund surplus. Management expects to record a more modest operating surplus in fiscal 2022, similar to the prior-year results. Although the city faces challenges from long-term retirement liabilities, and remains vulnerable to potential decreases in state aid, we expect the financial profile to remain stable. Management's ongoing efforts to expand the economy, focus on cost reductions, as well as federal receipts should foster stability in the credit profile.

The long-term rating reflects our assessment of the following factors for the city:

- Three fiscal years of modest growth in reserves and in the general fund in fiscal 2022;
- Very strong management and institutional framework score;
- Local economy that while adequate, is gaining advantage from access to a broad and diverse metropolitan statistical area and diversifying tax base; and
- Manageable debt, but with large pension and other postemployment benefit obligation liabilities.

Environmental, social, and governance

We analyzed the city's social risks relative to its economy, management, financial measures, and debt and liability profile, and determined that all are neutral in our credit analysis. As it is a port city on the Atlantic coast, New Bedford is exposed to elevated environmental risks, notably hurricanes, wind, inland flooding, and sea-level rise. Using federal grant monies, the city is reinforcing its harbor to mitigate potential damage from flooding risk, among other resiliency measures. The city's resiliency plan is monitored continually and formally updated every five years. Furthermore, we believe that management is taking steps to mitigate cybersecurity risks.

Outlook

Downside scenario

We could consider a negative rating action if a trend of general fund deficits emerge, or if the city's reserve position declines from current levels during the next one to two years.

Upside scenario

While we do not expect to raise the rating during the next two years given our view of the city's wealth and economic indicators, we could consider a positive rating action if management records a trend of increasingly robust general fund surpluses and increases the city's reserve position to levels we consider commensurate with those of a higher rating.

New Bedford, Massachusetts Key Credit Metrics				
	Most recent	Historical information		
		2021	2020	2019
Weak economy				
Projected per capita EBI % of U.S.	74			
Market value per capita (\$)	76,374			
Population			96,739	96,526
County unemployment rate(%)			10.2	
Market value (\$000)	7,388,365	7,090,489	6,672,738	
Ten largest taxpayers % of taxable value	6.3			
Strong budgetary performance				
Operating fund result % of expenditures		0.3	0.6	0.4
Total governmental fund result % of expenditures		0.1	(2.7)	1.0
Adequate budgetary flexibility				
Available reserves % of operating expenditures		6.9	6.7	6.0
Total available reserves (\$000)		28,378	25,872	21,831
Very strong liquidity				
Total government cash % of governmental fund expenditures		21	12	8
Total government cash % of governmental fund debt service		468	268	151
Very strong management				
Financial Management Assessment	Strong			

New Bedford, Massachusetts Key Credit Metrics (cont.)

	Most recent	Historical information		
		2021	2020	2019
Weak debt & long-term liabilities				
Debt service % of governmental fund expenditures		4.6	4.6	5.1
Net direct debt % of governmental fund revenue	56			
Overall net debt % of market value	3.9			
Direct debt 10-year amortization (%)	44			
Required pension contribution % of governmental fund expenditures		7.2		
OPEB actual contribution % of governmental fund expenditures		0.1		

Strong institutional framework

EBI--Effective buying income. OPEB--Other postemployment benefits. Data points and ratios may reflect analytical adjustments.

Related Research

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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