

RatingsDirect®

Summary:

New Bedford, Massachusetts; General Obligation; Non-School State Programs; Note

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Table Of Contents

Credit Highlights

Outlook

Summary:

New Bedford, Massachusetts; General Obligation; Non-School State Programs; Note

Credit Profile

US\$40.776 mil GO BAN dtd 04/10/2025 due 04/10/2026

<i>Short Term Rating</i>	SP-1+	New
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US\$6.59 mil GO st qual mun purp loan bnds ser 2025 due 04/01/2045

<i>Long Term Rating</i>	AA+/Stable	New
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<i>Underlying Rating for Credit Program</i>	AA-/Stable	New
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Credit Highlights

- S&P Global Ratings assigned its 'AA+' long-term (enhanced) rating and 'AA-' underlying rating (SPUR) to New Bedford, Mass.' roughly \$6.59 million series 2025 general obligation (GO) bonds.
- At the same time, S&P Global Ratings assigned its 'SP-1+' short-term rating to the city's roughly \$40.78 million series 2025 GO bond anticipation notes (BANs).
- In addition, S&P Global Ratings affirmed its 'AA-' SPUR on the city's outstanding GO debt and 'SP-1+' short-term rating on the city's outstanding GO BANs.
- The outlook is stable.
- The rating reflects the application of our "Methodology For Rating U.S. Governments" criteria, published Sept. 9, 2024, on RatingsDirect.

Security

The city's full-faith-and-credit pledge, subject to Proposition 2 1/2 limitations, secures the series 2025 bonds and BANs. We rate the SPUR at the same level as our view of New Bedford's general creditworthiness.

The short-term rating reflects our opinion of New Bedford's general creditworthiness and market-risk profile, which we consider low. The low market-risk profile reflects our view of the city's strong legal authority to issue long-term debt to take out the BANs and its ongoing disclosure to market participants.

We rate bonds in the Massachusetts Qualified Bond program on par with the 'AA+' issuer credit rating (ICR) on Massachusetts, reflecting the commonwealth's commitment to pay debt service on behalf of eligible participants from legally available funds. Under the Massachusetts Qualified Bond Act (Massachusetts General Law, Chapter 44A), approval by the Municipal Finance Oversight Board, which oversees and monitors the program, is required. There is no appropriation risk related to the debt service payment. (For more information regarding the program rating, see "Massachusetts Qualified Bond Program," published May 4, 2018.)

Management plans to use series 2025 bond proceeds to provide new-money financing and permanently finance existing BANs, issued to fund various capital projects, including public-safety software and various facility

improvements.

Officials intend to use series 2025 BAN proceeds to roll over a portion of BANs outstanding and provide new-money financing for elementary school construction and school roof feasibility studies.

Credit overview

New Bedford's rating is supported by its diversifying local economy, stable financial performance, and increasing reserves. These strengths are offset, however, by local incomes, reserve levels as a percentage of operating revenue, and per capita liabilities that are weaker than many similarly rated peers. The city's economic profile has benefited from its diversification away from traditional dependence on port activities, as well as from its relative affordability and investments to support offshore wind development. Ongoing efforts to diversify the economy, focus on conservative financial management, and the use of federal and commonwealth funding for key projects should provide ongoing credit profile stability. However, expenditure growth could outpace reserve growth.

Reserves decreased in fiscal 2022 due to a union-contract settlement and retroactive pay that led to the use of stabilization funds. Fiscal 2023 and 2024 results reflect a surplus, increasing reserves. The adopted fiscal 2025 budget totals \$469 million, which is a 4% increase from fiscal 2024. Management reports fiscal 2025 should result in another general fund surplus. While some expenditures, including personnel costs, are higher than budgeted so far, these costs are expected to be offset by savings from a hiring freeze in place through the end of the year. For fiscal 2026, the budget will include compensation increases and may be impacted by the settlement of collective bargaining agreements, which according to city policy are funded from supplemental budget requests or free cash, depending on the time of the year each is settled. However, we expect management to make necessary adjustments, to maintain at least balanced operating results.

After the series 2025 issuances, New Bedford will have about \$453 million of total direct debt outstanding, including leases and Massachusetts Clean Water Trust (MCWT) bonds and notes. The city will issue debt to support its capital-improvement plan and approved school projects during the next few years, which are eligible for approximately 75% cost reimbursement from Massachusetts School Building Authority, limiting our view of the long-term effect of those projects on the city's debt profile. We do not expect current debt plans to change our view of overall debt because we expect new-money debt will likely equal, or be less than, principal paydown during the next couple of years.

The rating also reflects our view of New Bedford's:

- Growing local economy and steady pipeline of residential and commercial development with significant investment in the port area for offshore wind-turbine construction and the city's downtown area, even as the county GCP per capita metrics indicated lower activity than the nation. The city also benefits from commonwealth investments, including a Massachusetts Bay Transportation Authority commuter-rail expansion that is expected to enhance access to Boston and promote transit-oriented development.
- Expected fiscal 2025 surplus, continuing its record of, at least, balanced operating results despite pressure from retirement and other costs, supported by conservative budgeting and predictable revenue, coupled with an expectation the city will likely maintain reserves at least at current levels. The management expects stabilization funds to increase from \$19 million to about \$23 million by the end of fiscal 2026. We note that the budgeted use of

Summary: New Bedford, Massachusetts; General Obligation; Non-School State Programs; Note

American Rescue Plan Act of 2021 (ARPA) funds partially supported results during the past few fiscal years.

- Forward-looking and conservative management with well embedded financial-management policies and practices--including its quarterly review of budget-to-actual reports; detailed five-year capital plan that it updates annually, including planned funding sources; investment-management policy that adheres to commonwealth statutes with a regular review of holdings; debt-management policy that identifies affordability and capacity targets; reserve policy that sets a stabilization-reserve-balance target of 2%-6% of the current-year general fund budget; and transfers 25% of free cash into the stabilization fund and 10% into an other postemployment benefit (OPEB) trust fund.
- Manageable, but sizable, debt, pension, and OPEB liabilities, including a net pension liability of \$416 million through New Bedford Contributory Employees' Retirement System, which is 52.7% funded, and an OPEB liability of \$480 million.
- Massachusetts municipalities have a predictable operating framework with some statutory flexibility to raise local-source revenue for operations despite commonwealth limits on property tax levy growth. For more information on our assessment of Massachusetts municipalities, see "Institutional Framework Assessment: Massachusetts Local Governments," published Sept. 9, 2024.

Environmental, social, and governance

We have analyzed the city's social and governance factors relative to its economy, management, financial measures, and debt-and-liability profile; we view them both as neutral in our rating analysis. As a city on the Atlantic Coast, New Bedford has exposure to elevated physical risk, notably hurricanes, wind, inland flooding, and sea-level rise. The city has built a hurricane barrier using federal grants, and it is currently working on an update of the hazard-mitigation plan.

Outlook

The stable outlook reflects S&P Global Ratings' expectation that the city's prudent management and adherence to adopted financial-management policies will likely allow for, at least, breakeven financial performance and maintenance of consistent reserves.

Downside scenario

We could lower the rating if financial performance or reserves weaken on a consistent basis.

Upside scenario

We could raise the rating if reserves increase to levels more in line with higher rated peers while the city's key economic metrics improved as well, assuming all other rating factors remain stable or improve.

Table 1

New Bedford, Massachusetts--credit summary	
Institutional framework (IF)	2
Individual credit profile (ICP)	3.04
Economy	4.5
Financial performance	2
Reserves and liquidity	3
Management	1.70

Summary: New Bedford, Massachusetts; General Obligation; Non-School State Programs; Note

Table 1

New Bedford, Massachusetts--credit summary (cont.)	
Debt and liabilities	4.00

Table 2

New Bedford, Massachusetts--key credit metrics				
	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	--	--	69	71
County PCPI % of U.S.	--	--	96	97
Market value (\$000s)	--	10,574,290	8,600,484	7,388,365
Market value per capita (\$)	--	104,017	84,601	74,922
Top 10 taxpayers % of taxable value	--	4.6	5.7	6.5
County unemployment rate (%)	--	4.4	4.1	4.5
Local median household EBI % of U.S.	--	--	73	71
Local per capita EBI % of U.S.	--	--	75	73
Local population	--	--	101,659	98,614
Financial performance				
Operating fund revenues (\$000s)	--	487,127	463,878	412,185
Operating fund expenditures (\$000s)	--	493,978	454,175	415,898
Net transfers and other adjustments (\$000s)	--	7,199	281	4
Operating result (\$000s)	--	348	9,984	(3,709)
Operating result % of revenues	--	0.1	2.2	(0.9)
Operating result three-year average %	--	0.4	0.5	--
Reserves and liquidity				
Available reserves % of operating revenues	--	7.8	8.1	6.4
Available reserves (\$000s)	--	38,195	37,538	26,237
Debt and liabilities				
Debt service cost % of revenues	--	2.4	2.6	3.9
Net direct debt per capita (\$)	4,462	3,083	3,203	2,949
Net direct debt (\$000s)	453,577	313,440	325,620	290,855
Direct debt 10-year amortization (%)	58	--	--	--
Pension and OPEB cost % of revenues	--	6.0	6.0	7.0
NPLs per capita (\$)	--	4,097	4,189	3,450
Combined NPLs (\$000s)	--	416,472	425,843	340,256

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings Detail (As Of March 17, 2025)		
New Bedford Go state qualified mun purpose loan of 2022		
Long Term Rating	AA+/Stable	Current
Underlying Rating for Credit Program	AA-/Stable	Affirmed

Summary: New Bedford, Massachusetts; General Obligation; Non-School State Programs; Note

Ratings Detail (As Of March 17, 2025) (cont.)		
New Bedford GO state qualified municipal purp loan		
<i>Long Term Rating</i>	AA+/Stable	Current
<i>Underlying Rating for Credit Program</i>	AA-/Stable	Affirmed
New Bedford GO st enhancement prog		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
<i>Underlying Rating for Credit Program</i>	AA-/Stable	Affirmed
New Bedford GO st qual mun purp loan bnds		
<i>Long Term Rating</i>	AA+/Stable	Current
<i>Underlying Rating for Credit Program</i>	AA-/Stable	Affirmed
New Bedford GO st qual mun purp loan bnds		
<i>Long Term Rating</i>	AA+/Stable	Current
<i>Underlying Rating for Credit Program</i>	AA-/Stable	Affirmed
New Bedford GO st qual mun purp loan of 2023 bnds		
<i>Long Term Rating</i>	AA+/Stable	Current
<i>Underlying Rating for Credit Program</i>	AA-/Stable	Affirmed
New Bedford GO BANs		
<i>Short Term Rating</i>	SP-1+	Affirmed
New Bedford GO BAN dtd 04/10/2025 due 04/10/2026		
<i>Short Term Rating</i>	SP-1+	Affirmed
New Bedford GO State Enhancement Prog		
<i>Long Term Rating</i>	AA+/Stable	Current
<i>Unenhanced Rating</i>	NR(SPUR)	
<i>Underlying Rating for Credit Program</i>	AA-/Stable	Affirmed

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