

RatingsDirect®

Summary:

Hamilton Town, Massachusetts; General Obligation

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Summary:

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Credit Profile

US\$7.245 mil GO mun purp loan of 2024 bnds due 01/15/2044

Long Term Rating AAA/Stable New

Hamilton ICR

Long Term Rating AAA/Stable Affirmed

Hamilton GO

Long Term Rating AAA/Stable Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AAA' long-term rating to the 'Town of Hamilton, Mass.' issue of general obligation (GO) municipal purpose loan of 2024 bonds (\$7.25 million).
- S&P Global Ratings also affirmed its 'AAA' long-term rating on the town's GO debt outstanding.
- The outlook is stable.

Security

The town's full-faith-and-credit pledge secures the bonds, subject to the limits of Proposition 2 1/2, and is therefore a limited-tax GO. We rate the limited tax based on the application of the "Issue Credit Ratings Linked To U.S. Public Finance Obligors' Creditworthiness" criteria (published Jan. 22, 2018). Towns have the power to levy ad valorem taxes on all the property within their respective territorial limits, subject to the limits of Proposition 2 1/2. However, due to Hamilton's revenue-raising ability, we have not made a rating distinction between the limited and unlimited nature of the pledge. A portion of the town's existing GO debt is excluded from the limits of Proposition 2 1/2.

Proceeds of the bonds will be used for various capital projects, including improvement to the town hall and water treatment system.

Credit overview

Hamilton's credit characteristics are characterized by an affluent residential community with a growing economy, supported by a wealthy property tax base with very strong household incomes, and with access to the Boston metropolitan statistical area (MSA). In our opinion, these factors, along with stable financial operations and conservative management practices, including a number of formalized policies and practices, support the 'AAA' rating. Although we think long-term retirement liabilities and costs could add some pressure to the budget, we expect Hamilton will continue to manage these costs prudently.

The town ended fiscal 2023 with a \$1.4 million surplus, increasing reserves to \$9.0 million or 25% of expenses.

Management attributes the surplus to conservative budgeting and better-than-expected revenues, particularly in local receipts. According to management, the budget for fiscal 2024 continues to be conservative with no material changes relative to the previous year. Management anticipates ending the year with balanced operations and without a material change to reserves. With Hamilton's property tax levy accounting for more than 90% of general fund revenue, the town benefits from property tax base diversity and strength. In our opinion, tax collections have historically remained strong, with current collections averaging 99% over the past five years. Including delinquent-tax collections for the previous year, the town has exceeded 100% of its tax levy. Hamilton maintains a minimum fund balance policy equal to 8%-12% of the annual combined revenue budget, as well as a 5% stabilization reserve.

Following this issuance, we estimate the town will have about \$10.8 million in net direct debt. Additional capital needs consist mainly of school projects; however, we do not anticipate Hamilton's debt profile materially changing. In addition, total retirement costs remain manageable. The town participates in the Essex Regional Retirement System. The pension plan is currently funded at 57.6%, using the plan's fiduciary net position as a percent of the total pension liability. Hamilton's proportionate share of the net pension liability was approximately \$12.8 million. The town's OPEB liability stands at \$4.7 million.

The rating reflects our opinion of Hamilton's:

- Affluent, primarily residential economy located in Essex County within the Boston-Cambridge-Newton MSA, with close proximity to the Atlantic seashore providing easy access to beaches and coastal reservations;
- Strong financial performance that has increased general fund available reserves, which at the end of fiscal 2023 stood at \$9.0 million, or what we consider to be a very strong 25% of expenses, supported by strong management policies, including a host of formalized financial policies and practices and a strong institutional framework score;
- Low debt levels that we expect will remain low given limited future capital needs, in addition to manageable retirement liabilities.

Environment, social, and governance

Although Hamilton is proximate to the coast, it does not have direct coastal exposure. As a result, environmental risks consist primarily of infiltration flooding. The town devised a municipal vulnerability preparedness plan in 2019 to address these risks. We view social and governance risks as generally in line with those of peers and credit neutral within our analysis.

Outlook

The stable outlook reflects S&P Global Ratings' opinion that Hamilton will likely sustain its very healthy reserves as a result of the town's strong management practices and conservative operating profile. We believe the town's growing economy provides additional underlying strength; therefore, we do not expect to change the rating within our two-year outlook period.

Downside scenario

We could lower the rating if costs associated with long-term liabilities begin to weaken budgetary performance, leading to a sustained deterioration of reserves.

Ratings Above Sovereign

We rate Hamilton higher than the sovereign, because we believe the town can maintain better credit characteristics than the U.S. in a stress scenario, due to its predominantly locally derived revenue base and our view that pledged revenue supporting debt service on the bonds is at limited risk of negative sovereign intervention. In 2023, local property taxes generated about 90% of general fund revenue, demonstrating a lack of dependence on central government revenue. (See "Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions," published Nov. 19, 2013.)

	Most recent	Historical information		
		2023	2022	2021
Very strong economy				
Projected per capita EBI % of U.S.	157			
Market value per capita (\$)		229,861	203,545	203,816
Population (no.)		8,746	8,746	8,518
County unemployment rate(%)		3.2	3.9	6.1
Market value (\$000)		2,010,368	1,780,207	1,736,105
Ten largest taxpayers % of taxable value	3.9			
Strong budgetary performance				
Operating fund result % of expenditures		3.8	5.2	3.9
Total governmental fund result % of expenditures		5.3	6.4	5.3
Very strong budgetary flexibility				
Available reserves % of operating expenditures		25.3	24.7	19.3
Total available reserves (\$000)		9,030	8,441	6,396
Very strong liquidity				
Total government cash % of governmental fund expenditures		30	27	23
Total government cash % of governmental fund debt service		1,429	1,109	1,074
Strong management				
Financial Management Assessment	Good			
Very strong debt & long-term liabilities				
Debt service % of governmental fund expenditures		2.1	2.4	2.2
Net direct debt % of governmental fund revenue	27			
Overall net debt % of market value	0.7			
Direct debt 10-year amortization (%)	66			
Required pension contribution % of governmental fund expenditures		3.1		
OPEB actual contribution % of governmental fund expenditures		0.9		
Strong institutional framework				

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

Related Research

- 2023 Update Of Institutional Framework For U.S. Local Governments, Nov. 28, 2023
- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022
- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Criteria Guidance: Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings, Oct. 7, 2019

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