

RatingsDirect®

Summary:

New Bedford, Massachusetts; Note

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Summary:

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Credit Profile

US\$18.246 mil GO BANs ser 2021 dtd 02/16/2021 due 04/15/2022

Short Term Rating

SP-1+

New

New Bedford GO BANs ser 2021 dtd 02/16/2021 due 04/15/2022

Short Term Rating

SP-1+

Affirmed

Rating Action

S&P Global Ratings assigned its 'SP-1+' rating to the \$18.3 million general obligation bond anticipation notes (BANs) for the city of New Bedford, Mass.

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 notes and its ongoing disclosure to market participants.

The notes are a full faith and credit obligation of the city of New Bedford. On Sept. 28, 2020, we affirmed the city's underlying rating on its general obligation (GO) bonds at 'AA-' with a stable outlook.

Management plans to use the note proceeds to fund various capital projects, including public safety, communications, infrastructure and school renovation projects in the city.

Credit overview

While historically a fishing port and home to the largest fishing fleet on the East Coast, New Bedford continues to see economic development in other maritime industries, such as offshore wind and maritime-related tourism. The very strong management environment has led to consistent and predictable financial results, which we expect will continue. As a result of the recent recession and ongoing slow recovery, the city expects its operating results for fiscal 2020 will remain positive, though at more modest levels compared with previous years. Although the city faces challenges from long-term retirement liabilities, and remains vulnerable to potential decreases in state aid, we expect continued stability, given management's ongoing efforts to cultivate economic development and recently implemented austerity measures in the fiscal 2021 budget cycle.

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

- Adequate economy, with projected per capita effective buying income at 74.0% and market value per capita of \$69,129, that is gaining advantage from access to a broad and diverse metropolitan statistical area (MSA);
- Very strong management, with strong financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Adequate budgetary performance, with balanced operating results in the general fund and a slight operating surplus

at the total governmental fund level in fiscal 2019;

- Adequate budgetary flexibility, with an available fund balance in fiscal 2019 of 6.0% of operating expenditures;
- Strong liquidity, with total government available cash at 7.6% of total governmental fund expenditures and 1.5x governmental debt service, and access to external liquidity we consider strong;
- Weak debt and contingent liability profile, with debt service carrying charges at 5% of expenditures and net direct debt that is 48% of total governmental fund revenue, as well as a large pension and other postemployment benefit obligation and the lack of a plan to sufficiently address the obligation; and
- Strong institutional framework score.

Environmental, social, and governance factors

We analyzed the district's social risks relative to its economy, management, financial measures, and debt and liability profile, and determined that all are in line with our view of the sector standard. As it is a port city on the Atlantic coast, New Bedford is exposed to elevated environmental risks, notably hurricanes and sea-level rise. City administrators have taken several steps to diminish the elevated environmental risks by building a hurricane barrier in the city's harbor to mitigate potential damage from flooding risk.

For more information on New Bedford, please see our report published Sept. 28, 2020.

Related Research

Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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