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Summary:

Chilmark, Massachusetts; General Obligation

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Credit Profile

US\$1.685 mil GO mun purp loan bnds ser 2015 dtd 03/10/2015 due 12/15/2022

<i>Long Term Rating</i>	AAA/Stable	New
Chilmark Town GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Chilmark GO		
<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' rating and stable outlook to town of Chilmark, Mass.' general obligation (GO) bonds. At the same time, Standard & Poor's affirmed its 'AAA' rating, with a stable outlook, on the town's existing GO debt.

A pledge of the town's full faith and credit secures these bonds.

The rating reflects our assessment of the following factors for the town:

- Very strong economy, with projected per capita effective buying income at 198.7% of that of the U.S. and a per capita market value of \$3.6 million.
- Very strong budgetary flexibility, with available reserves above 10% of general fund expenditures for the most recent three audited years;
- Strong budgetary performance, with consistent operating surpluses in the general fund;
- Very strong liquidity, providing very strong cash levels to cover both debt service and expenditures;
- Strong management conditions, with formal policy and consistent ability maintain balanced budgets;
- Very strong debt and contingent liability position; and
- Strong Institutional Framework score.

Very strong economy

One of six towns on the island of Martha's Vineyard and part of Dukes County (GO rating: AAA/Stable), Chilmark is a small residential and resort community. Its economy is centered on real estate and tourism, with a year-round population of 874 that swells to 5,737 in the summer months. Wealth and income levels are very strong, with per capita effective income levels at 198.7% of the national average. Similarly, the unemployment rate is low at 7.3%. Chilmark has one of the highest per capita market values in the state at \$3,599,466 per capita (\$550,655 per capita when including the seasonal population.) Market values have remained relatively stable, despite the recession, averaging 0.2% growth in the past five years. Although the town is physically isolated from the mainland economy and is not projecting substantial commercial growth, we expect it to remain a popular destination for wealthy vacationers.

Very strong budget flexibility

In our opinion, the town's budgetary flexibility remains very strong. Audited fiscal 2014 available general fund reserves were \$1.2 million, or 15.1% of expenditures. Management aims to maintain available fund balance above 15% of expenditures. Property taxes remain the town's primary revenue source, accounting for 86% of general fund revenues.

Strong budgetary performance

The town's budgetary performance has been strong overall, with a slight spend-down of reserves in fiscal 2014 to pay for minor capital projects, such as road paving. Fiscal 2014 operating results were \$267,000, netting out \$350,000 used for the capital projects. Total governmental funds showed a surplus of \$312,000 or 3% of total governmental funds expenditures. With more than six months remaining in the current fiscal year, management projects an operating surplus, mainly due to conservative spending.

Very strong liquidity

Supporting Chilmark's finances is what we consider very strong liquidity, with total government available cash at 16.2% of total governmental fund expenditures and at 222% of debt service. We believe the town has strong access to external liquidity. The town is a regular market participant, having issued GO bonds over the past several years.

Strong management

We view Chilmark's management conditions as strong, with "good" financial management practices under our Financial Management Assessment methodology. This indicates that financial practices exist in most areas, but that officials might not formalize or regularly monitor all of them. The town maintains a formal debt management policy. Other highlights include a zero-based approach to the budgeting process and monthly budget-to-actual results presented to the board of selectmen. The town's investment policy mirrors state guidelines and holdings are presented to the selectmen monthly. Management maintains an available reserves target of at least 15% of operating expenditures.

Very strong debt and contingent liability profile

In our opinion, the town's debt and contingent liability profile is very strong, with total governmental funds debt service at 7.3% total governmental funds expenditures and net direct debt at 45.6% of total governmental funds revenue. Overall net debt to market value is 0.2%, with officials planning to retire 88% of the town's debt in 10 years. There are no plans for additional debt issuance in the near future.

Chilmark participates in the Dukes County Retirement System and contributed \$301,000 in fiscal 2015, which equaled its annual required contribution. The system is funded at 68.6%. The pension contribution represented 2.9% of total government expenditures for fiscal 2015. The town also provides other postemployment benefits (OPEB) to its employees. In 2009, the town established an OPEB trust fund, which it has been funding with annual allocations of \$100,000. The current balance of the trust is \$701,365. The OPEB liability is funded on a pay-as-you-go basis, and the town contributed \$267,609, or 55% of the annual required contribution, in fiscal 2014. The unfunded liability of this plan equaled \$6.3 million, and was 11.21% funded as of Dec. 31, 2014.

Strong Institutional Framework

We consider the Institutional Framework score for Massachusetts towns as strong.

Outlook

The stable outlook reflects Standard & Poor's opinion of the town's very strong budgetary flexibility and liquidity. The town's very strong debt and contingent liability profile, coupled with the lack of any additional debt needs, provide further rating stability. Furthermore, the town benefits from a very strong economy and strong management. Although unlikely, we could lower the rating if the town were to draw significantly on its reserves or if market values were to deteriorate precipitously. However, we do not expect to change the rating during our two-year horizon.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Massachusetts Local Governments

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