

# RatingsDirect®

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## Summary:

# Orleans, Massachusetts; General Obligation; Note

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## Summary:

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### Credit Profile

US\$17.439 mil GO BANs ser 2022 dtd 01/27/2023 due 01/26/2024		
<i>Short Term Rating</i>	SP-1+	New
Orleans Twn GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Orleans Twn GO BANs ser 2022 dtd 01/27/2023 due 01/26/2024		
<i>Short Term Rating</i>	SP-1+	Affirmed

### Credit Highlights

- S&P Global Ratings assigned its 'SP-1+' short-term rating to the Town of Orleans, Mass' \$17.439 million 2022 general obligation (GO) bond anticipation notes (BAN).
- At the same time, S&P Global Ratings affirmed its 'AAA' long-term rating on the town's existing GO debt and its 'SP-1+' rating on the town's short-term debt maturing in January 2023.
- The outlook, where applicable, is stable.

The short-term rating reflects our criteria for evaluating and rating BANs. In our view, Orleans maintains a very strong capacity to pay principal and interest when the BANs come due. The town maintains what we view as a low market-risk profile because it has strong legal authority to issue long-term debt to take out the BANs and is a frequent issuer that regularly provides ongoing disclosure to market participants.

### Security

Orleans's full-faith-and-credit pledge secures the BAN and existing GO debt. A portion of this issuance is subject to Proposition 2 1/2 limitations; however, we do not make a rating distinction because we rate the limited obligation at the same level as our view of Orleans's general creditworthiness. We rate the limited-tax GO debt based on the application of our criteria "Issue Credit Ratings Linked To U.S. Public Finance Obligors' Creditworthiness," published Nov. 20, 2019.

Officials plan to use BAN proceeds to retire currently outstanding BANs maturing in January 2023 and will fund a variety of town-wide projects, including water and wastewater projects.

### Credit overview

Orleans has maintained a strong local economy, supported by a healthy real estate market and access to the Barnstable metropolitan statistical area (MSA). We believe the town's very strong management and strong budgetary flexibility, with available reserves at about 27% of expenditures based on fiscal 2022 draft audit results, provide further rating stability. The town has posted positive operational results since fiscal 2019, largely attributable to property tax and building permit revenues outperforming budgeted estimates. The town incorporated contingency measures as of

fiscal 2021 to mitigate budgetary risk against inflationary pressures; namely, it secured collective purchasing agreements for fuel and assumed conservative energy costs in both fiscal 2021 and fiscal 2022. In our opinion, the town has a very weak debt and contingent liability profile; however, we believe its current debt and future debt issuance will likely remain affordable because of Orleans' wealthy tax base, as well as management's commitment, and the demonstrated willingness from taxpayers, to adjust the tax levy accordingly. Furthermore, despite direct exposure to the Atlantic Ocean, Orleans does not experience material flooding or storm surge, and is continuously working to upgrade its infrastructure to mitigate future physical environmental risk, which further supports the town's high credit quality, in our opinion.

### **Rating above the sovereign**

In addition, under our criteria Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions (Nov. 19, 2013), we rate Orleans higher than the sovereign because we think the town can maintain better credit characteristics than the nation in a stress scenario, based on 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 fiscal 2022, local property taxes generated about 90% of total general fund revenue, which demonstrates a lack of dependence on central government revenue.

The rating also reflects our opinion of Orleans':

- Wealthy residential tax base, with access to a broad and diverse MSA;
- Formalized and well-embedded financial management policies and a strong institutional framework score;
- Strengthened financial profile with consistent budgetary performance, posting operational surpluses since fiscal 2019 and a doubling of available fund balance since fiscal 2017;
- High net direct debt as a percent of revenues but expected to remain absorbable, including overall net debt is expected to stay below 3% of market value.

### **Environment, social, and governance factors**

Orleans' physical environmental risks are elevated, in our opinion, because of the town's location on Cape Cod and its direct exposure to the Atlantic Ocean. Over the long-term, we anticipate rising sea levels, ongoing stormwater management needs, and related environmental risks stemming from the town's location could pressure finances or the tax base. However, the town has leveraged state and local county grants to aid its infrastructure upgrades to mitigate this risk. Additionally, we view Orleans' governance risks as being generally in line with those of peers, although pension funding discipline and assumption choices will likely lead to elevated costs for the town. We consider the town's social risks in line with those of the sector.

## **Outlook**

The stable outlook reflects our expectation that the town will continue to produce at least break—even results while maintaining a very strong available fund balance, supported by strong local economic indicators that we do not anticipate to materially weaken.

**Downside scenario**

We could lower the rating if the town experienced sustained negative budgetary performance, leading to weakened flexibility or reduced liquidity to levels we no longer consider commensurate with the rating.

<b>Orleans, Massachusetts Key Credit Metrics</b>				
	<b>Most recent</b>	<b>Historical information</b>		
		<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Strong economy</b>				
Projected per capita EBI % of U.S.	147			
Market value per capita (\$)	835,380			
Population		5,605	5,645	5,663
County unemployment rate(%)		6.7		
Market value (\$000)	4,682,305	4,271,316		
Ten largest taxpayers % of taxable value	2.8			
<b>Strong budgetary performance</b>				
Operating fund result % of expenditures		8.4	0.6	2.0
Total governmental fund result % of expenditures		13.4	5.1	5.6
<b>Very strong budgetary flexibility</b>				
Available reserves % of operating expenditures		22.1	14.2	13.3
Total available reserves (\$000)		8,935	5,677	5,179
<b>Very strong liquidity</b>				
Total government cash % of governmental fund expenditures		20	21	21
Total government cash % of governmental fund debt service		126	118	115
<b>Very strong management</b>				
Financial Management Assessment	Strong			
<b>Very weak debt &amp; long-term liabilities</b>				
Debt service % of governmental fund expenditures		16.1	17.7	18.3
Net direct debt % of governmental fund revenue	136			
Overall net debt % of market value	1.4			
Direct debt 10-year amortization (%)	48			
Required pension contribution % of governmental fund expenditures		5.0		
OPEB actual contribution % of governmental fund expenditures		3.0		
<b>Strong institutional framework</b>				

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

**Ratings Detail (As Of December 16, 2022)**

**Ratings Detail (As Of December 16, 2022) (cont.)**

Orleans Twn GO (FGIC) (National)		
<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Affirmed
Orleans Twn GO BANs		
<i>Short Term Rating</i>	SP-1+	Affirmed

Many issues are enhanced by bond insurance.

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](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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