

RatingsDirect®

Summary:

Norfolk, Massachusetts; General Obligation

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Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

Norfolk, Massachusetts; General Obligation

Credit Profile

Norfolk Twn GO bnds

Long Term Rating

AA+/Stable

Upgraded

Norfolk Twn GO

Unenhanced Rating

AA+(SPUR)/Stable

Upgraded

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services raised its long-term rating on Norfolk, Mass.' general obligation (GO) bonds two notches to 'AA+' from 'AA-', based on its local GO criteria released Sept. 12, 2013. The outlook is stable.

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

The rating reflects our assessment of the following factors:

- Very strong economy as it is in the Boston-Cambridge-Newton metropolitan statistical area (MSA);
- Strong management conditions with what we consider "good" financial policies and practices based on our Financial Management Assessment (FMA) methodology;
- Adequate budgetary flexibility based on what we consider a good available fund balance;
- Strong budgetary performance with a history of positive general fund results;
- Very strong liquidity providing very strong cash levels to cover both debt service and expenditures;
- Strong debt and contingent liabilities position, which includes overall net debt at less than 3% of market value.

Very strong economy

Norfolk, with a population estimate of 11,347, is just 20 miles southwest of Boston. The town is primarily residential. Residents find local employment at the medium-security Massachusetts Correctional Institution at Norfolk. Residents also have access to additional jobs in Boston via the Massachusetts Bay Transportation Authority's commuter rail, which has a stop in the town. Norfolk County unemployment averaged 6% in 2013, below the commonwealth and national rates.

Residential properties account for about 93% of total assessed valuation (AV), with commercial and industrial properties accounting for 5%. Norfolk's AV has been stable the past three fiscal years. For fiscal 2014, total AV was \$1.49 million; we consider Norfolk's market value per capita extremely strong at about \$131,000. The town's property tax base is very diverse, as the 10 leading taxpayers account for 4% of total AV.

Strong management

Standard & Poor's considers Norfolk's financial management practices "good" under its FMA methodology, indicating practices exist in most areas, although not all may be formalized or regularly monitored by governance officials.

Adequate budgetary flexibility

In our opinion, budgetary flexibility is adequate. Over the past three fiscal years, the town has maintained stable operations and kept its general fund balances at a level we consider good, at 6.5% of expenditures for fiscal 2013.

Strong budgetary performance

We consider the town's budgetary performance strong. Norfolk's tax base provides financial stability. Property taxes are the town's leading revenue source, accounting for 74% of general fund revenues, and collections have historically averaged about 99% on a current basis. The town ended fiscal 2013 with a general fund and total governmental fund operating surplus of less than 1% of expenditures. Projections for fiscal 2014 suggest the town will end with a surplus based on better-than-expected tax collections.

Very strong liquidity

Norfolk has a very strong liquidity position, with total government available cash at 9% of total governmental fund expenditures. We believe the town has strong access to external liquidity, having issued GO bonds within the past 10 years. This does not include \$7.25 million of restricted cash it maintains primarily in its community preservation fund.

Strong debt and contingent liability profile

The debt and contingent liability profile is strong. Overall net debt is 2.1% of market value and amortization is average, with repayment of 63% of principal over 10 years. The town may issue additional debt in the next two years for construction of a new police center.

Norfolk participates in the Norfolk County Retirement System and contributed its full annual required contribution of \$1.3 million in 2013. As of its 2012 valuation, the system was about 54% funded. The town also provides other postemployment benefits (OPEBs) in the form of health insurance and contributed \$436,219 in fiscal 2013 on a pay-as-you-go basis. As of its July 1, 2012 valuation, the OPEB plan had an unfunded liability of \$15.4 million. In fiscal 2013, the combined pension and OPEB payments represented about 5% of total government expenditures.

Strong institutional framework

We consider the Institutional Framework score for Massachusetts municipalities strong.

Outlook

The stable outlook reflects Norfolk's historically stable record of operating with modest reserves, given its strong tax base with high wealth levels, a low debt burden, and good management policies and practices. Holding all other factors constant, should the town's financial reserves improve to levels we consider strong or very strong and the profile of long-term liabilities improve, we could raise the rating. If, on the other hand, the town's financial reserve position further decreases and budgetary performance worsens, we may lower the rating.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008

Summary: Norfolk, Massachusetts; General Obligation

- USPF Criteria: Financial Management Assessment, June 27, 2006
- USPF Criteria: Debt Statement Analysis, Aug. 22, 2006

Related Research

- U.S. State And Local Government Credit Conditions Forecast, April 7, 2014
- 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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