

RatingsDirect®

Summary:

Hadley, Massachusetts; General Obligation

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Summary:

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Credit Profile

Hadley GO		
<i>Long Term Rating</i>	AA+/Stable	Upgraded
Hadley GO (CIFG)		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Upgraded

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services raised its rating on Hadley, Mass.' general obligation (GO) debt by one notch to 'AA+' from 'AA', based on our local GO criteria released Sept. 12, 2013. The outlook is stable.

A pledge of the towns full faith credit and credit secures the bonds.

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

- We consider Hadley's economy very strong, with its projected per capita effective buying income at 115% of the U.S. and per capita market value of \$175,450. The town also participates in the broad and diverse economy of the Springfield metropolitan area, and the county unemployment rate for calendar year 2012 was 5.6%.
- In our view, the town's budgetary flexibility is very strong, with reserves above 15% of expenditures for the past several years and no plans to significantly spend them down. Audited fiscal 2013 reserves were \$3.7 million or 25.9% of expenditures. Management is anticipating 2014 balances will remain in line with prior years.
- Hadley's budgetary performance has been strong overall, in our view, with a surplus the general fund in fiscal 2013 of 491,000 equal to 3.4% of expenditures. Across all funds, the town also realized a surplus equal to 4% of expenditures. We anticipate budgetary should remain strong due to the town's conservative nature in budgeting, as well as its rather predictable revenue and expenditure profile.
- Supporting the town's finances is liquidity we consider very strong, with total government available cash at 29% of total governmental fund expenditures and roughly 5x debt service. Moreover, based on past debt issuance, we believe the town has strong access to capital markets to provide for liquidity needs, if necessary.
- We view the town's management conditions as strong with good financial practices.
- In our opinion, Hadley's debt and contingent liabilities profile is very strong. The town maintains roughly \$6.6 million of total direct debt. Total governmental fund debt service at 5.8% of total governmental fund expenditures, and net direct debt is 34.6% of total governmental fund revenue. Further bolstering our view of the town's debt profile is that overall net debt is a low 0.7% and amortization of principal is aggressive at 81% over 10 years.
- An additional long-term credit consideration are the town's long-term pension and other postemployment benefit (OPEB) liabilities. Pension and OPEB costs amount to 5% of expenditures. For pensions, the town participates in the Hampshire County Retirement System. The town fully funds its annual required contribution, which was \$705,000 in 2013, or 3.8% of total governmental funds expenditures.
- We consider the Institutional Framework score for Massachusetts cities as strong.

Outlook

The stable outlook reflects our view of Hadley's focus on maintaining strong operating flexibility. We believe an improved economic outlook and predictable operating profile will result in balanced operations. For these reasons, we do not expect to change the rating within the two-year outlook horizon.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Financial Management Assessment, June 27, 2006

Related Research

- U.S. State And Local Government Credit Conditions Forecast, Dec. 17, 2013
- Institutional Framework Overview: Massachusetts Local Governments

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