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STANDARD & POOR'S GLOBAL REAFFIRMS EDGARTOWN'S AAA BOND RATING

Edgartown, MA – The Town of Edgartown is pleased to announce that Standard & Poor's (S&P) Global Ratings has assigned its 'AAA' long-term rating to Edgartown's \$1.75 million general obligation (GO) municipal-purpose loan bonds and affirmed the 'AAA' rating on existing GO debt. Additionally, a short-term rating of 'SP-1+' was assigned to Edgartown's \$2.5 million GO bond anticipation notes (BANs), maturing on July 1, 2025. The outlook remains stable.

According to S&P, Edgartown's management exhibits excellence through conservative budgeting, robust financial management, and strategic fiscal policies that ensure stability and resilience.

Key highlights from the rating report include:

Very Strong Management: Edgartown's financial management policies include a five-year capital improvement plan, revenue and expenditure forecasting, and strict reserve policies. These are complemented by budget-to-actual reporting and formal debt and investment management policies.

Extremely Strong Tax Base: Edgartown benefits from a high wealth and income tax base, supported by a strong tourism sector and a vibrant real estate market.

Consistently Positive Finances: The town has maintained positive fiscal performance, driven by conservative budgeting and strong reserves with no plans to draw them down.

This rating follows a comprehensive review call with the Town's Financial Management Team, Financial Advisors, and S&P Analysts to discuss the issuance of the GO bonds. The bond proceeds will finance the Town's North Wharf Project, while the short-term borrowing will fund the initial stages of the New Fire Station Project.

Town Administrator James Hagerty stated, "This rating reflects the diligent work and strategic planning of our financial team. It will lead to significant taxpayer savings in capital costs as we proactively plan for the future."

The report also highlighted Edgartown's proactive steps in addressing coastal flooding and erosion risks, ensuring long-term sustainability and resilience.

RatingsDirect®

Summary:

Edgartown Town, Massachusetts; General Obligation; Note

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Credit Profile

US\$2.5 mil GO BANs unlt'd tax dtd 07/01/2024 due 07/01/2025		
<i>Short Term Rating</i>	SP-1+	New
US\$1.75 mil GO WHARF bnds unlt'd tax dtd 06/25/2024 due 06/15/2034		
<i>Long Term Rating</i>	AAA/Stable	New
Edgartown Twn GO mun purp loan of 2022 bnds		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AAA' long-term rating to Edgartown Town, Mass.' roughly \$1.75 million series 2024 general obligation (GO) municipal-purpose-loan bonds.
- S&P Global Ratings also assigned its 'SP-1+' short term rating to the town's roughly \$2.5 million GO bond anticipation notes (BANs), maturing July 1, 2025.
- S&P Global Rating also affirmed its 'AAA' long-term rating on the town's existing GO debt.
- The outlook is stable.

Security

Edgartown's full-faith-and-credit GO pledge secures the bonds and BANs. We understand the town has voted to exclude debt service on the bonds and BANs from Proposition 2 1/2 levy limits; therefore, we base the rating on the town's unlimited-tax GO pledge.

The short-term rating reflects our view of the town's strong ability to make principal-and-interest payments when BANs come due. Edgartown's market-risk profile is low, in our opinion, because the town maintains strong legal authority to issue long-term debt to take out the BANs and because it is a frequent issuer, providing regular disclosure to market participants.

Officials intend to use series 2024 bond proceeds to fund the town's restoration of its north wharf and note proceeds to finance the construction of a new fire station.

Credit overview

Edgartown is a wealthy residential, resort community in the commonwealth's prestigious island of Martha's Vineyard. While the town's local economy maintains an important tourist component and its property tax base includes highly valued second and primary homes, the town has a small year-round population. Economic activity has remained stable during the past few years. We understand local residents generally find employment throughout the island's various

small and medium-sized businesses that support tourism, as well as the regional school district.

Management primarily attributes the fiscal 2023 general fund surplus to conservative budgeting that led to various budget savings. Edgartown currently expects to end fiscal 2024 with another general fund surplus because revenue exceeds the budget and expenditures are tracking below estimates.

The fiscal 2025 budget reflects a 7.6% increase over fiscal 2024 with most increases related to education, debt-service, and health-insurance costs. However, the town has also budgeted for increases in local receipts, including room-occupancy taxes, as well as property tax revenue. Overall, we understand the town does not currently plan to draw down reserves.

With these issuances, Edgartown will have about \$13.3 million of total direct debt outstanding. We understand the town currently plans to issue about \$19 million for a new fire-station project during the next two years.

Although we do not view pension and other postemployment benefit (OPEB) liabilities as an immediate credit pressure for Edgartown, due to manageable costs, we view its combined OPEB and pension liability as large compared with the budget. However, the town has set up an OPEB trust fund, which it is actively funding and which we view as positive. The OPEB liability totaled \$35.1 million as of fiscal 2023, which is 10.97% funded. For the pension, the town contributes to Dukes County Retirement System, which is 79.2% funded as of fiscal 2023, with a net pension liability of \$13.4 million.

The rating reflects our view of Edgartown's:

- Extremely strong tax base with very high wealth and income and a local economy that centers on strong tourism and real estate activity, where the population significantly increases during the spring and fall;
- Consistently positive finances during the past few fiscal years due to conservative budgeting and very strong reserves with no plans to draw down reserves, coupled with a strong revenue profile predominantly made up of property taxes;
- Very strong management with strong formal financial-management policies, practices--including its formal five-year capital-improvement plan and revenue and expenditure forecast, formal reserve policy that limits reserves of no less than 10% of expenses, monthly reporting of budget-to-actual results, and formal debt- and investment-management policies--and strong Institutional Framework score; and
- Manageable debt and fixed costs--However, we view combined retirement liabilities as large relative to the budget; the town continues to make annual contributions toward its OPEB trust fund, and pension contributions have exceeded what we consider minimum-funding progress in fiscal 2023.

Environmental, social, and governance

Edgartown's location on Martha's Vineyard exposes it to potential coastal flooding, and its shoreline is at risk of coastal erosion. As part of the commonwealth's municipal-vulnerability-preparedness-grant program, the town completed a climate-change vulnerability study that allowed it to identify its most-vulnerable areas and take action to mitigate risks in those areas. The town also has a municipal dredge that has led to it conducting an aggressive beach-nourishment program.

We understand Edgartown experienced two major storms in January 2024 that caused beach and road damage, which it has since repaired. The town has also invested in rebuilding and raising its wharfs, and it is evaluating whether to raise the Chappaquiddick Ferry's ramps and adjacent roadways.

We have evaluated social and governance factors relative to Edgartown's economy, financial measures, management, and debt-and-long-term-liability profile; we view both as neutral in our credit-rating analysis.

Outlook

The stable outlook reflects S&P Global Ratings' view of Edgartown's extraordinary strong residential tax base and stable tourism industry that will likely continue to support positive budgetary performance. We also expect debt-and-retirement costs will likely remain manageable and not have a material effect on finances.

Downside scenario

We could lower the rating if Edgartown were to reduce fund balance significantly due to negative finances from misaligning revenue and expenses, coupled with increases in fixed costs.

Rating above the sovereign

Edgartown is eligible to be rated above the sovereign because we think the town can maintain better credit characteristics than the nation in a stress scenario. Under our criteria, titled "Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions," published Nov. 19, 2013, on RatingsDirect, the town has a predominantly locally derived revenue source, supporting our view that debt repayments are at limited risk of negative sovereign intervention.

Edgartown Town, Massachusetts--key credit metric				
	Most recent	--Historical information--		
		2023	2022	2021
Very strong economy				
Projected per capita effective buying income (EBI) (% of U.S.	169.7			
Market value per capita (\$)	3,019,038			
Population			4,402	4,264
County unemployment rate(%)			5.2	
Market value (\$000)	13,289,805	12,674,808	10,605,892	
10 leading taxpayers as a % of taxable value	3.2			
Very strong budgetary performance				
Operating fund result as a % of expenditures		9.9	12.8	14.1
Total governmental fund result as a % of expenditures		8.5	12.8	15.5
Very strong budgetary flexibility				
Available reserves as a % of operating expenditures		40.6	40.8	35.1
Total available reserves (\$000)		17,835	16,788	14,181
Very strong liquidity				
Total government cash % of governmental fund expenditures		56.4	54.8	45.0

Edgartown Town, Massachusetts--key credit metric (cont.)

	<u>Most recent</u>	<u>--Historical information--</u>		
		2023	2022	2021
Total government cash % of governmental fund debt service		4,294.8	1,593.4	1,111.8
Very strong management				
Financial Management Assessment	Strong			
Very strong debt and long-term liabilities				
Debt service as a % of governmental fund expenditures		1.3	3.4	4.0
Net direct debt as a % of governmental fund revenue	18.1			
Overall net debt as a % of market value	0.1			
Direct debt 10-year amortization (%)	65.3			
Required pension contribution as a % of governmental fund expenditures		4.2		
Other postemployment benefits actual contribution as a % of governmental fund expenditures		3.4		
Strong Institutional Framework				

Data points and ratios may reflect analytical adjustments.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015
- Criteria Guidance: Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings, Oct. 7, 2019
- 2023 Update Of Institutional Framework For U.S. Local Governments, Nov. 28, 2023
- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

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.spglobal.com/ratings for further information. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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