

MASSACHUSETTS CLEAN WATER TRUST

LOAN QUESTIONNAIRE

PURPOSE

This questionnaire relates to a Project expected to be financed with a Loan from the Massachusetts Clean Water Trust (the "Trust"). It is intended to provide the Trust with information necessary to permit the Trust to fund the Loan using tax-exempt bonds.

Please enter a response for each question.

If a particular question is not applicable, please respond "N/A".

If a particular question requests information that is unavailable, please include an explanation of *why* the information is unavailable.

If you have any questions regarding this form please contact your bond counsel or the Trust at 617-367-9333, Attention: Sue Perez, Executive Director (Extension 816).

GENERAL INFORMATION

- A. Borrower (Name of City, Town, District, etc.): City of New Bedford
- B. Employer Identification Number: 04-6001402
- C. DUNS Number:
- D. Loan and Project Identification:

<u>Commitment No.</u>	<u>DEP Project No.</u>	<u>Aggregate Loan Obligation</u>
<u>CW-19-48</u>	<u>CWSRF 4510</u>	<u>\$ 2,500,000</u>

- E. Wire Transfer Instructions for Loan Disbursements:

Bank:	Citizens Bank, NA
Account No.	1104139461
ABA No.	011500120

CONTACT INFORMATION

A. *Chief Financial Officer*

Name: Ari Sky
Title: Chief Financial Officer
Address: 133 William Street
 New Bedford, MA 02740

E-mail Address: ari.sky@newbedford-ma.gov
Telephone: (508) 979-1441

B. *Treasurer*

Name: R. Renee Fernandes
Address: 133 William Street
 New Bedford, MA 02740

E-mail Address: renee.fernandes@newbedford-ma.gov
Telephone: (508) 979-1441

C. *Department of Public Works Contact Person*

Name: Rebecca Gomes
Title: Executive Finance & Operations Specialist
Address: 1105 Shawmut Ave.
 New Bedford, MA 02740

E-mail Address: rebecca.gomes@newbedford-ma.gov
Telephone: (508) 979-1550

D. Bond Counsel:

Firm Name: Locke Lord LLP
 Attention: Brenda M. McDonough
 Address: 111 Huntington Avenue
 Boston, MA 02199

E-mail Address: brenda.mcdonough@lockelord.com
 Telephone: (617) 239-0684

E. Financial Advisor:

Firm Name: First Southwest a Division of Hilltop Securities
 Attention: Cinder McNerney
 Address: 54 Canal Street
 Suite 320
 Boston, MA 02114

E-mail Address: cinder.mcnerney@hilltopsecurities.com
 Telephone: (617) 619-4408

FINANCIAL REVIEW

- A. Current Credit Rating(s) (**Attach** most recent rating report for each rating received):
1. S&P: AA-
 2. Fitch: _____
 3. Moody's: A1/stable
 4. Other (specify): _____
- B. Source(s) of Loan repayment (*check all that apply*)
1. ☒ Utility Rate Increase
 2. ☐ Tax Increase
 3. ☐ Betterments
 4. ☒ Other (Describe): Current rates
- C. Cash flow sufficiency. **Attach** a cash flow statement showing that the source(s) listed above will provide sufficient funds to make each estimated semiannual debt service payment on the Loan.

THE PROJECT *(your Department of Public Works may be helpful with this information)***A. Brief description of the Project:**

The purpose of this project is to help the City of New Bedford finance the construction programs that are recommended in the previous planning studies. The City of New Bedford is submitting this Clean Water SRF Project Evaluation Form Calendar Year 2019 Intended Use Plan for implementation of a Wastewater Collection System Improvements Program. The Projects involved include the following:

Interceptor and Collector Sewer Rehabilitation Program & Lateral Sewer Rehabilitation Program

B. Estimated Total Cost of the Project *(include all eligible and ineligible costs of the Project, regardless of source of financing, and any contingency included in the Project budget):* \$ 2,500,000**C. Sources of Financing of Estimated Total Project Cost:****Trust Loans:**

This Loan:\$ 2,500,000

Prior Loans:

Loan No.\$

Loan No.\$

Future Loans:

Approved by DEP\$

Pending DEP Approval\$

Other Long-Term Debt of the Borrower:

Prior Bond Issues\$

Future Bond Issues:

Authorized\$

To be Authorized\$

BANs to be Retired from Revenues\$

Grants:

Federal\$

State\$

Appropriation from (specify)\$

Estimated investment earnings⁽¹⁾\$

Other (specify):\$

Estimated Total Cost of the Project⁽²⁾:\$ 2,500,000

(1) Excluding investment earnings on this Loan.

(2) Amount should equal Estimated Total Cost of the Project listed at D(2) above

D. Design and construction schedule

1. Has design/engineering of the Project commenced?

i. ☒ Yes; orii. ☐ No, design/engineering is expected to commence on / /

2. Has construction of the Project commenced?

i. ☐ Yes; orii. ☒ No, construction is expected to commence on 09 / 01 / 203. The Project is expected to be completed/placed-in-service on 4 / 30 / 21

E. Payment Schedule (Loan Eligible Costs Only)

1. Final payment of Project Costs from the Loan is expected to be made on

4 / 30 / 21i. **Attach** a schedule showing the expected amounts of Project Costs to be paid with this Loan monthly, from the date of this questionnaire until all proceeds of this Loan are spent.

2. Payments to date:

i. No Project Costs have yet been paid ☒; orii. Project Costs were first paid on / / **and** Project Costs to date have been paid from (*check all that apply*):1. ☐ BAN proceeds2. ☐ Revenue cash3. ☐ Bond proceeds4. ☐ Other (specify) 3. This Loan was authorized on 11 / 23 / 2016 (**Attach** a copy of the borrowing authorization).4. Were any Project Costs paid *before* the borrowing authorization?i. ☒ No; orii. ☐ Yes.

If Yes, describe the amount, timing, and purpose of such payments.

<u>Date(s)</u>	<u>Amount(s)</u>	<u>Purpose(s)</u>
<u> </u> / <u> </u> / <u> </u>	<u> </u>	<u> </u>
<u> </u> / <u> </u> / <u> </u>	<u> </u>	<u> </u>

F. **Capitalization of Costs.** Will any Loan proceeds be used to pay (or reimburse the payment of) non-capitalized costs (*e.g., supplies, ordinary repairs and maintenance, salaries, utilities, or other operating costs, including interest on debt*)?

1. ☒ No; or

2. ☐ Yes. (*If Yes, answer the following two questions*):

i. Describe the nature and amount of the non-capitalized costs and the relationship of such costs to capitalized costs of the Project.

ii. Will any non-capitalized costs be incurred *after* the Project is placed in service?

1. ☐ Yes; or

2. ☐ No.

G. **Private Use.** Will any portion of the Project be owned, leased, managed/operated, or otherwise used (other than as a member of the general public*) by a person or entity other than a state or local governmental unit?

1. ☒ No; or

2. ☐ Yes. (*If Yes, answer questions i through v below*):

i. Identify the user: _____

ii. Check the line(s) below which best describe the *use*:

☐ Owned (**attach** documents allowing Borrower's use)

☐ Leased (**attach** lease)

☐ Managed/operated (**attach** the applicable contract)

☐ Other (**attach** related documents/agreements)

iii. Check the line(s) below which best describe the *user*:

☐ Federal governmental unit

☐ Private, for profit entity

☐ 501(c)(3) nonprofit organization

☐ Other (describe) _____

* The use of a project in the same manner as other members of the general public is not a "private use" for purposes of this question. For example, the provision of sewer service to a private company is not a private use, even if the charges reflect a volume discount, *so long as* the same service is available to other members of the public on the same basis. On the other hand, take or pay contracts or other output contracts with private businesses should be noted.

iv. Will the nongovernmental user pay for use of the Project?

1. ☐ No; or
2. ☐ Yes. (If Yes, describe such payments, including amounts and period over which payments are to be made).

v. List the Total area or volume of the Project (in square feet or by volume)

vi. List the managed/operated by, leased to, owned by, or otherwise used by the users listed above (if the entire Project is to be managed/operated, leased, owned or otherwise used by the user, simply enter "All" under the appropriate column)

	Area (or volume) used by non-governmental entity	% of total area (or volume) of Project to be used by non-governmental entity(s)
Managed/operated by:		0.00%
Leased to:		0.00%
Owned by:		0.00%
Other use by:		0.00%
Total Percentage		0.00%

REFINANCING OF DEBT

A. BANs. Will any proceeds of the Loan be applied to the payment of outstanding BANs (or other temporary debt)?

1. ☒ No ; or
2. ☐ Yes (provide the following information separately for each issue of BANs to be repaid in whole or in part from the proceeds of the Loan):

i. Total BAN principal outstanding: \$ _____

- ii. Amount of BAN used for Project (*dollar amount or "All"*) \$ _____
- iii. BAN issue date (if BAN refunded another borrowing, list 'new money' issue date): ____/____/____
- iv. BAN maturity date: ____/____/____
- v. Is BAN prepayable prior to maturity?
 - 1. ____ No; or
 - 2. ____ Yes, BAN is prepayable on or after ____/____/____
- vi. Estimate total investment earnings on BAN proceeds: \$ _____
- vii. Such investment earnings were (will be) used to pay:
 - 1. ____ Debt Service
 - 2. ____ Project Costs
 - 3. ____ Other (specify) _____

B. **Bonds.** Will any proceeds of the Loan be applied to the payment of outstanding bonds (or other long-term debt)?

- 1. ☒ No ; or
- 2. ____ Yes (**attach** a copy of the closing transcript for the bonds, **and** provide the following information separately for each bond issue to be repaid in whole or in part from proceeds of this Loan):
 - i. Unspent proceeds
 - 1. ____ All proceeds have been spent; or
 - 2. \$ _____ of unspent bond proceeds remain; they are expected to be spent on or before ____/____/____
 - ii. Investment earnings
 - 1. ____ There were (will be) no investment earnings; or
 - 2. ____ Investment earnings were (will be) used for:
 - a. ____ Debt Service
 - b. ____ Project Costs
 - c. ____ Other (specify) _____

LITIGATION

- A. Is any action, suit, proceeding, inquiry or investigation before or by any court, public board or other body presently pending or, to your knowledge, threatened, against or affecting the Borrower seeking to restrain or enjoin the execution and delivery by the Borrower of a Loan Agreement for the Loan or the issuance and delivery of the Borrower's Local Governmental Obligations to evidence and secure the Loan or challenging any proceeding of the Borrower with respect to the Loan or the Project, or contesting or affecting the validity or enforceability of the Loan Commitment, the Loan or any such proceedings?
1. ☒ No ; or
 2. ☐ Yes*
- B. Is any litigation or other proceeding pending or, to your knowledge, threatened against or affecting the Borrower which, if determined adversely to the Borrower, would likely result, either individually or in the aggregate, in final judgments which would materially adversely affect the ability of the Borrower to repay the Loan?
1. ☒ No ; or
 2. ☐ Yes*

* If you answered Yes to *either* of the questions in this LITIGATION section, **attach** a detailed description of the litigation, inquiry, investigation, claim or other proceeding, **and** list contact information for your counsel for this purpose in the fields below:

Firm:

Attorney:

Address:

Telephone:

LOAN STRUCTURING

- A. Please check the preferred loan term:
1. ☒ 20 Years
 2. ☐ 30 Years (Please see B(2) below)
 3. ☐ Other: _____ years (Please see B(2) below)
- B. **Attach** engineer's determination of useful life of the Project for
1. All water meter or planning projects; and
 2. All other Projects with a term greater than 20 years

C. Please check the preferred loan amortization:

1. ☐ Level principal
2. ☒ Level debt service

OTHER INFORMATION. If you have any other relevant information to provide or an additional structuring or other request to make, please include it below.

By signing below, I certify that, to the best of my knowledge and belief, all information set forth in this Loan Questionnaire is correct and complete as of the date below.

Date: 3/31/2020

By: R. Reie Ferrante
 Authorized Officer
 Name: R. Reie Ferrante
 Title: TREASURER

Part II

Project Section Information

1. Planning Schedule and Cost	Start (mm/dd/yy)	Complete (mm/dd/yy)	Total Cost (\$)	Eligible Cost (\$)
	01/01/2019	4/30/2021	\$2,413,000	\$2,413,000

2. Cash Flow Projection			
Month/Year		Total cost	Eligible Cost
A. Prior Approval	Source/Amount	Incurred to Date	
N/A	N/A	\$0	\$0
B. Proposed Project		Projected Disbursement	
Feb-2020		\$600,000	\$600,000
Mar-2020		\$129,500	\$129,500
Apr-2020		\$129,500	\$129,500
May-2020		\$129,500	\$129,500
June-2020		\$129,500	\$129,500
July-2020		\$129,500	\$129,500
Aug-2020		\$129,500	\$129,500
Sep-2020		\$129,500	\$129,500
Oct-2020		\$129,500	\$129,500
Nov-2020		\$129,500	\$129,500
Dec-2020		\$129,500	\$129,500
Jan-2021		\$129,500	\$129,500
Feb-2021		\$129,500	\$129,500
Mar-2021		\$129,500	\$129,500
Apr-2021		\$129,500	\$129,500
TOTALS		\$2,413,000	\$2,413,000



Treas

CITY OF NEW BEDFORD

CITY COUNCIL

October 13, 2016

A BOND ORDER TO AUTHORIZE A BORROWING TO PAY THE COSTS OF PROJECTS OUTLINED IN THE CITY'S LONG TERM CSO CONTROL AND INTEGRATED CAPITAL IMPROVEMENTS PLAN INCLUDING SUPPLEMENTAL INTEGRATED CAPITAL PLANNING, WASTEWATER COLLECTION SYSTEM IMPROVEMENTS, PUMPING STATION IMPROVEMENTS, A WASTEWATER COLLECTION SYSTEM INVESTIGATION PROGRAM AND MS4 PERMIT COMPLIANCE AND REPORTING, AND GENERAL SYSTEM IMPROVEMENTS

BE IT ORDERED, BY THE CITY COUNCIL OF THE CITY OF NEW BEDFORD AS FOLLOWS:

That \$25,000,000 is appropriated for the purpose of financing the costs of projects outlined in the City's Long Term CSO Control and Integrated Capital Improvements Plan including Supplemental Integrated Capital Planning, Wastewater Collection System Improvements consisting of improvements to interceptor and collector sewers and improvements to the Shawmut Avenue and MacArthur Drive Sewers, Pumping Station Improvements consisting of improvements at the Front Street and Merrimac Street Pumping Stations, a Wastewater Collection System Investigation Program including field investigations and design recommendations for outlining conveyance system improvements for the next 20- years, MS4 Permit Compliance and Reporting including field mapping and preparation of planning documents, and general system improvements, including without limitation all costs thereof as defined in Section 1 of Chapter 29C of the General Laws; that to meet this appropriation the Treasurer with the approval of the Mayor and the Committee on Finance is authorized to borrow \$25,000,000 and issue bonds or notes therefore under Chapter 44 of the General Laws and/or Chapter 29C of the General Laws; that such bonds or notes shall be general obligations of the City unless the Treasurer with the approval of the Mayor and the Committee on Finance determines that they should be issued as limited obligations and may be secured by local system revenues as defined in Section 1 of Chapter 29C; that the Treasurer with the approval of the Mayor and the Committee on Finance is authorized to borrow all or a portion of such amount from the Massachusetts Clean Water Trust (the "Trust") established pursuant to Chapter 29C of the General Laws; and in connection therewith to enter into a loan agreement and/or a security agreement with the Trust and otherwise to contract with the Trust and the Department of Environmental Protection with respect to such loan and for any federal or state aid available for the project or for the financing thereof; that the Mayor is authorized to enter into a project regulatory agreement with the Department of Environmental Protection, to expend all funds available for the project and to take any other action necessary to carry out the project.

FURTHER ORDERED: That any premium received by the City upon the sale of any bonds or notes approved by this order, less the cost of preparing issuing and marketing them, and any accrued interest received upon the delivery of such bonds or notes, shall be applied to the payment of project costs approved by this order, thereby reducing the amount authorized to be borrowed to pay such costs by a like amount.

FURTHER ORDERED: That the Treasurer is authorized to file an application with the appropriate officials of The Commonwealth of Massachusetts (the "Commonwealth") to qualify under Chapter 44A of the General Laws any and all bonds of the City authorized by this Order, and to provide such information and execute such documents as such officials of the Commonwealth may require in connection therewith.

IN CITY COUNCIL, October 13, 2016

Referred to the Committee on Finance.

Dennis W. Farias, City Clerk

IN CITY COUNCIL, October 27, 2016

Passed to a Second Reading.

Dennis W. Farias, City Clerk

IN CITY COUNCIL, November 22, 2016

Adopted and Rule 40 Waived – Yeas 11, Nays 0.

Dennis W. Farias, City Clerk

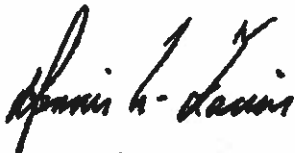
Presented to the Mayor for approval November 23, 2016.

Dennis W. Farias, City Clerk

Approved November 23, 2016.

Jonathan F. Mitchell, Mayor

a true copy attest:



City Clerk

MOODY'S

INVESTORS SERVICE

CREDIT OPINION

10 April 2018

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Contacts

Nicholas Lehman +1.617.535.7694
VP-Senior Analyst
nicholas.lehman@moodys.com

Gregory W. Lipitz +1.212.553.7782
VP-Sr Credit Officer/
Manager
gregory.lipitz@moodys.com

CLIENT SERVICES

Americas 1-212-553-1653
Asia Pacific 852-3551-3077
Japan 81-3-5408-4100
EMEA 44-20-7772-5454

New Bedford (City of) MA

Update to credit analysis

Summary

New Bedford (A1 stable) has a large tax base that continues to grow after significant declines incurred during the recession. The resident income levels are below average while poverty and unemployment are elevated compared to state and US levels. The financial position will remain stable with limited change to reserves and liquidity. Additionally, overall city management is strong, having formal and multi-year financial, capital and debt plans. While the debt burden will likely remain manageable, the pension and OPEB liabilities are significant and will remain a drag on the overall credit profile.

Credit strengths

- » Sizeable tax base
- » Strong fiscal management
- » Continued trend of positive economic development

Credit challenges

- » Significant pension and OPEB liabilities
- » Below average wealth and income levels with an elevated poverty rate
- » Limited operating flexibility under Proposition 2½

Rating outlook

The outlook on the underlying rating reflects continued stability in the city's overall financial operations that is expected to continue over the near term. The city is bolstered by strong management which adheres to comprehensive policies that, if coupled with a trend of improved reserves and continued tax base growth could help mitigate the large long term liabilities and lead to positive rating pressure.

Factors that could lead to an upgrade

- » Continued trend of stability in financial operations
- » Growth in general fund reserves and liquidity
- » Continued growth trend in the tax base
- » Maintenance of current debt burden
- » Material decline in the pension liability

Factors that could lead to a downgrade

- » Increase in the debt burden or pension liability
- » Trend of general fund operating deficits
- » Stagnant tax base valuation

Key indicators

Exhibit 1

New Bedford (City of) MA	2013	2014	2015	2016	2017
Economy/Tax Base					
Total Full Value (\$000)	\$5,818,718	\$5,818,718	\$5,366,954	\$5,366,954	\$5,618,295
Population	94,927	94,873	94,909	94,988	95,032
Full Value Per Capita	\$61,297	\$61,332	\$56,548	\$56,501	\$59,120
Median Family Income (% of US Median)	68.9%	69.5%	69.9%	70.3%	70.3%
Finances					
Operating Revenue (\$000)	\$299,935	\$306,140	\$295,463	\$318,243	\$339,063
Fund Balance (\$000)	\$26,735	\$26,127	\$21,340	\$26,359	\$26,477
Cash Balance (\$000)	\$25,252	\$29,071	\$27,838	\$31,611	\$36,289
Fund Balance as a % of Revenues	8.9%	8.5%	7.2%	8.3%	7.8%
Cash Balance as a % of Revenues	8.4%	9.5%	9.4%	9.9%	10.7%
Debt/Pensions					
Net Direct Debt (\$000)	\$102,699	\$108,196	\$117,503	\$134,069	\$140,176
3-Year Average of Moody's ANPL (\$000)	\$384,223	\$557,953	\$542,923	\$572,809	\$621,617
Net Direct Debt / Operating Revenues (x)	0.3x	0.4x	0.4x	0.4x	0.4x
Net Direct Debt / Full Value (%)	1.8%	1.9%	2.2%	2.5%	2.5%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	1.3x	1.8x	1.8x	1.8x	1.8x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	6.6%	9.6%	10.1%	10.7%	11.1%

As of June 30 fiscal year end; Net direct debt does not include self supporting wastewater and water fund related debt service

Source: Moody's Investors Service and New Bedford's audited financial statements

Profile

New Bedford is one of Massachusetts is a major fishing port. The tax base is predominantly residential with a diverse commercial and industrial presence. The city has a population of 94,988 and is located on the southcoast, approximately 56 miles south of Boston.

Detailed credit considerations

Massachusetts Qualified Bond Program Enhancement

The enhanced Aa2 rating and stable outlook on the city's bonds reflect the credit enhancement provided by the QBP. The program is a direct payment system whereby the Commissioner of Revenue authorizes the State Treasurer to deduct from the city's monthly state aid payments an amount sufficient to meet the city's debt service on qualified securities.

The State Treasurer acts as the paying agent on the bonds and makes debt service payments directly to DTC. The city is expected to receive aid from the commonwealth totaling more than 13 times total state qualified debt service (based on fiscal 2018 state aid and maximum annual debt service assumptions). We believe the commonwealth's strong commitment to state aid for municipalities and the program's sound payment mechanisms, which do not rely on the trigger of a notice of potential default, enhance the likelihood of full and timely debt service payment.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody.com for the most updated credit rating action information and rating history.

The programmatic rating is linked to the Commonwealth of Massachusetts' general obligation rating of Aa1 with a stable outlook.

Economy and tax base: Sizeable tax base with growing economy; below average wealth and income

New Bedford, located on Buzzards Bay on the southeast shore of Massachusetts, is a local industrial center and a major national fishing port with a deep water harbor. The \$5.6 billion tax base (2017-18 equalized value) is very large compared to the median size for the rating category. Equalized valuation increased 4.7% in 2017, the first positive gain since the recession. Additionally, the 2017 assessed value jumped 6.3%, marking four years of positive growth. Valuations will likely continue to trend upward with modest growth over the near-term, since the housing market is improving and a long-term plan for economic development is now taking root.

New-growth revenue in 2018 was over \$2 million, the strongest year in over ten years. New development is underway across the city from north to south and ranges from smaller entrepreneurial opportunities, downtown redevelopment including a second, new 67 room hotel, and continued redevelopment of old mills into market-rate condos and apartments.

New Bedford's historic identity as a port city will continue to play a critical role in its overall economic health. The city is home to the nation's largest commercial fishing workforce, which contributes to roughly 2% of the commonwealth's GDP. While the fishing industry continues to have its challenges, New Bedford's industry is relatively diverse and stable.

Expanding the use of the port with the recent creation of the southcoast terminal has positioned the city to benefit from offshore wind energy. The site will be used for deployment, operations and training for offshore wind in the coming years. The state has a mandate to develop 1,600 megawatts of wind energy by 2027, and this first procurement could allow for up to 800 megawatts. There are currently three companies that have wind leases south of Martha's Vineyard.

Wealth levels are below average with median family income equal to 70% of the US median. The unemployment rate has improved over the years but still elevated at 5.5% (December 2017) compared to 3.1% of the state and 3.9% of the nation. Additionally, the labor force continues to see year over year growth. The poverty rate of 23% of population below the poverty line and a still elevated unemployment rate continue to dampen the improving economic condition of the city.

Financial operations, reserves and coverage: Stable position expected to continue due to strong fiscal management

The city's financial position will likely remain stable, subject to improvements in reserves from positive variance in revenues and more volatile expenses like snow and ice and health insurance.

Fiscal 2017 audited results reflect balanced operations in the general fund with a slight \$68,000 operating surplus. The balanced operating result reflects positive variance in both revenues and expenses that offset minimal use of free cash for operating and capital needs. The available general fund balance remained relatively unchanged at \$26.5 million or 7.8% of revenues, below the median for A1 and Aa3 rated municipalities across Massachusetts.

The fiscal 2018 general fund budget increased 3.2% from the prior year driven by pension contributions, health insurance and assessments. The budget was balanced with a tax levy increase to the 2.5% limit plus new growth and a 3.6% increase in state aid. No reserves were used to balance operations. Year-to-date revenues and expenditures are marginally positive compared to budget and the city expects to end the year with around a \$700,000 surplus in the general fund.

The primary revenue source is state aid, representing 55% of 2017 revenues followed by property taxes at 33%. In fiscal 2018, the city had \$4 million in unused levy capacity or 1.2% of revenues, providing some additional operating flexibility under Proposition 2 ½. The city has shown an ability to tap the unused levy capacity; having used around \$5.7 million since 2014. The long range financial forecast (2018-2022) projects balanced operations while maintaining reserves at just over 8% of revenues in 2022.

LIQUIDITY

Cash and investments at the end of fiscal 2017 were \$36.3 million, or 10.7% of revenues. The cash position covers a limited 89% of the outstanding BANs being issued should market access be an issue at maturity in May 2018. Mitigating the liquidity position is consistent market access over the last five years.

Debt and pensions: Manageable debt burden with large pension and OPEB liabilities

The direct net debt burden of 2.8% of 2017-18 equalized value and 0.5 times 2017 general fund revenues will remain manageable over the near term given a formal debt policy that will ensure affordability for the city's limited flexibility for capital funding. The net direct

debt remains manageable because of the self supporting nature of the wastewater fund and water fund for which we subtract \$109 million from the total amount outstanding. The gross direct debt, which includes all the self-supporting debt, materially increases to 5.2%. The self-supporting nature of the wastewater and water funds are a key credit factor.

The five-year capital improvement plan (2018-2022) totals \$93.6 million, a material increase from last year largely attributable to more comprehensive project planning and rise in costs. The plan funding sources include \$83.5 million of projects financed through debt issuance. The tax supported debt is expected to keep annual General Fund debt service around 3.5% of expenditures through 2022.

DEBT STRUCTURE

The entire debt portfolio is fixed rate with 63% of principal retired in ten years. Fiscal 2017 general fund debt service represented \$11.4 million or a limited 3.4% of general fund expenditures.

DEBT-RELATED DERIVATIVES

New Bedford is not subject to any swap agreements or other derivative products.

PENSIONS AND OPEB

New Bedford is a member of the City of New Bedford Retirement System, a multi-employer cost-sharing plan for all employees other than teachers and certain administrators who are covered by the state teachers plan through on behalf payments made to the city. The city paid its 2017 actuary determined contribution of \$26.7 million representing 7.9% of expenditures. The 2017 three-year average Moody's Adjusted Net Pension Liability (ANPL), under Moody's methodology for adjusting reported pension data, is \$539 million or an average, 1.6 times revenues but elevated 9.6% of equalized value. The plan funding date is currently 2034.

The city is funding its OPEB liability on a pay-as-you-go basis plus deposits into an OPEB trust. In 2017, the city funded 54% of the ARC, representing \$17.4 million. The total Unfunded Actuarially Accrued Liability is \$485.5 million as of the valuation report dated July 1, 2016. In fiscal 2017 the city adopted a funding policy to make annual contributions equal to 10% of free cash. As of the last valuation, the liability was 0.17% funded.

Total fixed costs in 2017, including debt service, required pension contributions and retiree healthcare payments, represented \$55.5 million or 16.3% of expenditures.

Management and governance: Strong city management helps bolster weaker credit constraints of tax base and limited reserves

The city's management team is very strong. The city adheres to comprehensive fiscal policies that have stabilized operations over the last five years and positioned the city to implement a manageable capital plan and project balanced operations over the near term.

Massachusetts cities have an Institutional Framework score of Aa, which is high compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. Massachusetts cities major revenue source, property taxes, are subject to the Proposition 2 1/2 cap which can be overridden with voter approval only. However, the cap of 2.5% still allows for moderate revenue-raising ability. Unpredictable revenue fluctuations tend to be minor, or under 5% annually. Across the sector, fixed and mandated costs are generally greater than 25% of expenditures. However, Massachusetts has public sector unions, which can limit the ability to cut expenditures. Unpredictable expenditure fluctuations tend to be minor, under 5% annually.

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Summary:

**New Bedford, Massachusetts; General
Obligation; Non-School State
Programs; Note**

Primary Credit Analyst:

Christian Richards, Boston (1) 617-530-8325; christian.richards@spglobal.com

Secondary Contact:

Steven E Waldeck, Boston (1) 617-530-8128; steven.waldeck@spglobal.com

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Credit Profile

US\$22.424 mil GO BANs dtd 05/03/2019 due 05/01/2020

<i>Short Term Rating</i>	SP-1+	New
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US\$11.740 mil GO st qual mun purp loan of 2019 bnds due 03/01/2048

<i>Long Term Rating</i>	AA/Stable	New
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<i>Underlying Rating for Credit Program</i>	AA-/Stable	New
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Rationale

S&P Global Ratings assigned its 'AA' long-term rating and 'AA-' underlying rating for credit program to the city of New Bedford, Mass.' 2019 state qualified municipal purpose general obligation (GO) bonds. At the same time, we affirmed our 'AA-' underlying rating on the city's GO debt outstanding. The outlook on the long-term rating is stable, reflecting the outlook on the state of Massachusetts, and the outlook on the underlying rating is stable.

While historically a fishing port and home to the largest fishing fleet on the East Coast, New Bedford continues to see economic development in other maritime industries, such as offshore wind and maritime-related tourism. The very strong management environment has led to consistent and predictable financial results, which we expect will continue. Although the city faces challenges from long-term retirement liabilities, we expect continued stability at this time.

Additionally, we assigned our 'SP-1+' short-term rating to the city's GO bond anticipation notes (BANs) and affirmed our 'SP-1+' short-term rating on the city's outstanding BANs that mature May 3, 2019. The short-term rating reflects our criteria for evaluating and rating notes. In our view, New Bedford maintains a very strong capacity to pay principal and interest when the notes come due. The city has what we view as a low market risk profile because it has strong legal authority to issue long-term debt to take out the notes and is a frequent issuer that regularly provides ongoing disclosure to market participants.

New Bedford's full-faith-and-credit pledge, subject to the limitations of Proposition 2-1/2, secures the bonds and BANs. We rate the city's underlying rating at the same level with our view of New Bedford's general creditworthiness. Additional security on the bonds is provided through the bonds' participation in the Massachusetts' qualified bond program. We rate issuances under this program on par with Massachusetts' issuer credit rating (ICR; 'AA/Stable'), reflecting the commonwealth's commitment to pay debt service on behalf of eligible participants from legally available funds. Under the Qualified Bond Act (Massachusetts General Law, Chapter 44A), approval by the Municipal Finance Oversight Board, which oversees and monitors the program, is required. Once a participant is approved, the state treasurer pays debt service on the related bond issue directly to the paying agent from amounts withheld from the borrower's annual state aid appropriation. If necessary, the state treasurer advances debt service from legally available funds and after payment withholds from the distributable aid or any other amount payable to the municipality or

school district for the amount paid. There is no appropriation risk related to the debt service payment.

We understand officials intend to use bond proceeds for school construction, airport improvements, and other municipal purposes. We further understand that the BAN proceeds will refunding outstanding BANs and provide new-money funding for various capital improvement projects.

The long-term rating reflects our assessment of the following factors for the city:

- Adequate economy, with projected per capita effective buying income (EBI) at 72.6% and market value per capita of \$64,959, though that is advantageously gaining from access to a broad and diverse metropolitan statistical area (MSA);
- Very strong management, with strong financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Strong budgetary performance, with a slight operating surplus in the general fund and an operating surplus at the total governmental fund level in fiscal 2018;
- Adequate budgetary flexibility, with an available fund balance in fiscal 2018 of 5.6% of operating expenditures;
- Very strong liquidity, with total government available cash at 8.7% of total governmental fund expenditures and 1.7x governmental debt service, and access to external liquidity we consider strong;
- Adequate debt and contingent liability position, with debt service carrying charges at 5.2% of expenditures and net direct debt that is 38.0% of total governmental fund revenue, as well as low overall net debt at less than 3% of market value, but a large pension and other postemployment benefit (OPEB) obligation and the lack of a plan to sufficiently address the it; and
- Strong institutional framework score.

Adequate economy

We consider New Bedford's economy adequate. The city, with an estimated population of 96,313, is in Bristol County in the Providence-Warwick MSA, which we consider to be broad and diverse. It has a projected per capita EBI of 72.6% of the national level and per capita market value of \$64,959. Overall, market value grew by 6.2% over the past year to \$6.3 billion in 2019. Over the past year, over 1,500 new jobs were created in the city and in 2017, the county unemployment rate was 4.7%.

In recent years, New Bedford has worked to redefine its local economy. The city's location on the Massachusetts coast enabled it to become one of the region's largest fishing ports, as well as a manufacturing hub. While the fishing industry continues to thrive as one of the largest commercial fishing ports in the country, the city has looked to develop in areas outside of the maritime industry to diversify and expand the economy, particular through the expansion of arts programming and cultural tourism.

Perhaps most notably, Vineyard Wind, a New Bedford-based offshore wind development company, is currently underway in developing the nation's first commercial, offshore wind turbine project 14 miles of the coast of Massachusetts and south of Martha's Vineyard. This project will use the terminal in New Bedford's harbor to house the onshore components of the project. Management anticipates that this project will benefit the community by bringing operations, maintenance, and port services jobs, in addition to increasing the need for additional hotels, housing, and

services for the new employees. The project, valued at over \$2 billion, will begin construction at the end of this calendar year. We also note that the port has a hurricane barrier, which may provide some protection from potential negative environmental events.

Additionally, New Bedford continues to see expansion and development in other areas. Currently, its Business Park covers 1,300 acres and is home to 39 companies that employ more than 3,200 people. In 2018, Plumbers Supply, a large plumbing, heating, fire protection and piping service and supply company in the region, began construction in the park on a new \$20 million headquarters and distribution center. Further, the city has proposed plans for three historic mills that would transform them into housing developments. This plan includes nearly 450 residential units and has a total value of more than \$100 million.

Management is very active in promoting economic development. Recent projects to redevelop downtown have helped expand tourism, resulting in a new \$11 million boutique hotel, two new brewpubs, and other new small businesses. Management is currently evaluating the possibility of building a convention center, focused on maritime industry collaboration, due to the large and varied maritime presence in the community. Given management's hands-on approach to economic development, we expect that the city's tax base will continue to expand. The city is also well positioned to make great strides over the medium-to-long term if the marine terminal or business park projects stimulate other major developments. However, the underlying economy remains somewhat challenged, as evidenced by the wealth and income metrics. We expect that the city will continue to see expansion of the tax base, but that the economy will remain adequate over the two-year outlook period.

Very strong management

We view the city's management as very strong, with strong financial policies and practices under our FMA methodology, indicating financial practices are strong, well embedded, and likely sustainable.

New Bedford's key budgeting practices include the use of historical data and trend analysis to guide its revenue and expenditure assumptions. In preparing its annual revenue projections, management considers state and county tax assessments and the city estimates nontax revenues when calculating the annual tax levy. For expenditures, management accounts for principal and interest on debt service and adjustments to contractual obligations. Furthermore, it monitors budgetary performance and reports budget-to-actuals to the city council quarterly, addressing budget trends and variances. These reports are easily accessible on the city's website, increasing transparency. Supplemental appropriations and transfers between appropriation items may be made during the course of the fiscal year with approval of the city council.

The city maintains a comprehensive five-year capital improvement plan (CIP) that describes and prioritizes major projects and capital vehicle replacements by municipal department. The plan is prepared annually, in coordination with the budget process, and identifies internal and external funding sources. At the same time, the city has a limited long-term financial plan, and management is working internally and with outside entities to revise and improve it.

New Bedford maintains a formal investment policy in accordance with state statutes. In addition, the city treasurer delivers a quarterly earnings and holdings report to the CFO. There is also a written debt management policy which identifies debt affordability and capacity targets based on outstanding debt as a percentage of per capita income, outstanding debt as a percentage of assessed valuation (not to exceed 10%), and annual debt service as a percentage

of general fund expenditures (not to exceed 10%). The policy also includes a goal to amortize 60% to 70% of tax-supported debt within 10 years. Furthermore, the city's reserve policy targets a stabilization reserve balance of 2%-6% of the current year's general fund budget, and free cash balances of no lower than 1% of the operating budget. Additionally, at least 25% of free cash is to be transferred to a stabilization fund and 10% to the OPEB trust fund. The city is currently in compliance with its reserve policies.

Strong budgetary performance

New Bedford's budgetary performance is strong, in our opinion. The city had slight surplus operating results in the general fund of 0.9% of expenditures, and surplus results across all governmental funds of 3.0% in fiscal 2018. General fund operating results of the city have been stable over the last three years, with results of 0.0% in 2017 and 1.5% in 2016.

We adjusted the city's budgetary performance to account for recurring transfers and one-time expenditures, including a \$3.9 million expenditure for retroactive wage payments stemming from a settlement related to staff furloughs. We do not anticipate any additional labor settlement charges. Management identifies pension contributions, employee health care, and charter schools as its main sources of expenditure growth; we expect they will continue to monitor and adjust the budget for these expenses.

Management indicates that revenues and expenditures for fiscal 2019 are on target. Notably, a shift in health care design in January 2019 is leading to better-than-budgeted health care expenditures, and the city expects to report at least break-even results, although an addition to fund balance at year-end is likely. The fiscal 2020 budget is in the process of being finalized. Management is continuing to work to constrain health care expenditure growth, while also aiming to fund more capital with cash. At this time, no major budgetary changes are expected, relative to recently adopted budgets. We note that changing state school aid could affect the city's education budget, but we expect management will make the necessary adaptations to maintain balance in the short term. However, we note New Bedford may be somewhat susceptible to state-aid decreases over time, since intergovernmental revenue accounts for 56% of general fund revenue and 57% of total governmental funds revenue; commonwealth revenue has been relatively stable and management has done well to revise its budget to reflect state aid changes. We note property taxes generate 34% of general fund revenue, and property tax collections improved to 98% in fiscal 2018. Additionally, while pension and OPEB carrying charges totaled 7.3% of total governmental funds expenditures in fiscal 2018, if these costs grow, they could further pressure the budget. Based on management's projections for fiscal 2019 and its clear efforts to produce year-end balanced results, we expect that the city will continue to produce strong budgetary performance through careful budgeting, monitoring of actual revenues and expenditures, and budgetary amendments and adjustments as needed.

Adequate budgetary flexibility

New Bedford's budgetary flexibility is adequate, in our view, with an available fund balance in fiscal 2018 of 5.6% of operating expenditures, or \$19.6 million.

Available fund balance declined as a percentage of expenditures to 5.6% from 7.8%. This primarily reflects a reclassification of reserves to nonspendable fund balance from unassigned. We included the city's stabilization fund in our calculation, as it can be made available for use by the city council; these funds are accounted for in general fund

committed reserves. New Bedford's reserve policy is based on the stabilization account, with which it is currently in compliance, at 3.0% of 2018 budgeted general fund expenditures. We note the city has nearly \$4 million in levy capacity (about 11% of fiscal 2018 adjusted general fund expenditures), which provides some additional flexibility in raising revenues. We do not expect the available fund balance to decline on a nominal basis, but it may shrink further as a percentage of expenditures depending on fiscal 2019 year-end results. Currently, we expect that that budgetary flexibility will remain adequate.

Very strong liquidity

In our opinion, New Bedford's liquidity is very strong, with total government available cash at 8.7% of total governmental fund expenditures and 1.7x governmental debt service in 2018. In our view, the city has strong access to external liquidity if necessary.

New Bedford is a regular market participant that has issued debt frequently over the past several years, including GO bonds and BANs. The city does not have any variable-rate or direct-purchase debt, nor does it have any contingent liquidity risks from financial instruments with payment provisions that change on the occurrence of certain events. We adjusted our view of the city's internal liquidity to account for restricted bond proceeds and other restricted funds.

City investments are subject to state statutes and New Bedford's formal investment policy allows it to invest its cash in low-risk assets, including the state's short-term investment funds, certain mutual and money market funds, U.S. securities and municipal obligations, or short-term certificates of deposit (CDs). Currently, the majority of its cash is invested in money market funds and CDs that mature in less than one year. For these reasons, the available cash position remains very strong and stable, and we expect the liquidity profile to remain very strong over the next two fiscal years.

Adequate debt and contingent liability profile

In our view, New Bedford's debt and contingent liability profile is adequate. Total governmental fund debt service is 5.2% of total governmental fund expenditures, and net direct debt is 38.0% of total governmental fund revenue. Overall net debt is low at 2.7% of market value, which is, in our view, a positive credit factor. In our opinion, a credit weakness is New Bedford's large pension and OPEB obligation, without a plan in place that we think will sufficiently address it. New Bedford's combined required pension and actual OPEB contributions totaled 7.3% of total governmental fund expenditures in 2018. The city made its full annual required pension contribution in 2018. The funded ratio of the largest pension plan is 47.3%.

With this issuance, the city will have about \$264.2 million in total direct debt outstanding. We except that it will issue debt in line with its CIP. Additionally, the city is exploring additional issuances for a dam project, a public safety communications project, and construction at the South Public Safety Facility. We do not expect its current debt plans to change our view of the overall debt profile, as we expect new-money debt would be equal to or less than principal paydown over the next several years.

The city participates in the New Bedford Contributory Employees' Retirement System, of which it represents approximately 87% of the total system liability and contributions. The system is 47.3% funded, which we consider very low. In the last fiscal year, it changed the actuarial assumptions including updated mortality calculations and a reduction in the discount rate to 7.50% from 7.75%. Concurrently, the city revised its pension funding target to 2035

from 2034, to limit annual cost increases. Its proportionate share of the net pension liability was approximately \$324.3 million, as of Dec. 31, 2017. It paid \$27.7 million for its proportionate share of the required contribution in 2018. Historically, it has fully funded its actuarially determined contribution in full and management expects it will continue to do so. The city's teachers participate in the Massachusetts Teachers' Retirement System (MTRS), which has a special funding situation. The state makes all contributions on behalf of the city, which has no obligation or liability under MTRS.

New Bedford also provides OPEBs in the form of health and life insurance to eligible retirees and their dependents. In December 2015, the city council voted to establish an OPEB trust fund, which currently has a balance of about \$1.5 million. The city's net OPEB liability, using updated reporting under GASB Statement No. 75, is \$507 million. New Bedford's OPEB trust funding policy is to contribute at least 10% of certified free cash to the trust each year. In 2018, it contributed \$150,000.

We expect the city's retirement liabilities to remain significant in the short-to-medium term, with annual costs potentially accelerating and pressuring the budget, as the city approaches the 2035 pension funding target. While we recognize the retirement system's efforts to adopt increasingly conservative assumptions, we believe the discount rate remains above average nationwide. Should the discount rate decrease further, we would anticipate that the unfunded liability and required contributions would increase, likely further pressuring the budget.

Strong institutional framework

The institutional framework score for Massachusetts municipalities is strong.

Outlook

The stable outlook reflects our opinion of New Bedford's very strong management, which is supported by the city's emphasis on maintaining and adhering to formal plans, policies, and practices. It also reflects the city's ability to sustain its very strong liquidity, in conjunction with consistent budgetary performance and flexibility. While New Bedford's economy remains somewhat challenged, we believe it will remain adequate due to its participation in the broad and diverse Providence-Warwick MSA. In addition, we expect that the debt and liability profile will remain relatively stable over the next several years. For these reasons, we do not expect to change the rating within the next two years.

Upside scenario

All else being equal, we could raise the rating if the city's wealth and income metrics and budgetary flexibility were to increase to levels we consider commensurate with those of higher rated peers, while also mitigating its long-term pension and OPEB liabilities.

Downside scenario

We could lower the rating if the city experiences a significant deterioration in budgetary performance, leading to weakened fund balance reserves and liquidity constraints.

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
- Local Government Pension And Other Postemployment Benefits Analysis: A Closer Look, Nov.8, 2017

Ratings Detail (As Of April 12, 2019)

New Bedford GO st enhancement prog

<i>Long Term Rating</i>	AA/Stable	Affirmed
<i>Underlying Rating for Credit Program</i>	AA-/Stable	Affirmed

New Bedford GO st qual mun purp loan bnds

<i>Long Term Rating</i>	AA/Stable	Affirmed
<i>Underlying Rating for Credit Program</i>	AA-/Stable	Affirmed

New Bedford GO BANs

<i>Short Term Rating</i>	SP-1+	Affirmed
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New Bedford GO State Enhancement Prog

<i>Long Term Rating</i>	AA/Stable	Affirmed
<i>Unenhanced Rating</i>	NR(SPUR)	
<i>Underlying Rating for Credit Program</i>	AA-/Stable	Affirmed

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Summary: New Bedford, Massachusetts; General Obligation; Non-School State Programs; Note

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