

Research Update:

Falmouth Town, MA Series 2025 Municipal Purpose GO Bonds Rated 'AAA'; Existing GO Debt Affirmed At 'AAA'; Outlook Stable

September 15, 2025

Overview

- S&P Global Ratings assigned its 'AAA' rating to the town of [Falmouth](#), Mass.' \$8.885 million series 2025 general obligation (GO) municipal purpose loan bonds.
- We also affirmed our 'AAA' rating on the town's GO debt outstanding.
- The outlook is stable.

Rationale

Security

Falmouth's full faith and credit, subject to the limitations of Proposition 2 1/2, secures the bonds and GO debt outstanding. Due to the town's revenue-raising ability and fungibility of financial resources, we do not make a rating distinction between the limited pledge and the town's general creditworthiness.

Bond proceeds will fund wastewater system infrastructure improvements and the elementary school roof.

Credit highlights

The 'AAA' rating reflects our view of Falmouth's stable financial performance trend, supported by comprehensive forward-looking financial planning and its wealthy property tax base. The town has substantial capital needs, particularly its water and wastewater infrastructure, and a sizeable other postemployment benefits (OPEB) liability at more than 1x the operating budget. However, we believe management is planning for these needs by incorporating them into both annual budgets and long-term financial plans, and that current costs will remain affordable given the size and wealth of the underlying taxing base.

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The town's net performance results have been stronger in recent years, because local receipts and other miscellaneous revenue (such as investment income) came in higher than initially budgeted. Fiscal 2025 preliminary year-end estimates indicate another fund balance addition is likely. While we expect the town's budgetary performance will likely remain positive, we also anticipate results will likely moderate and become more in line with historical trends. These stronger budget results have also supported a build-up in the capital reserve in anticipation of future needs; officials regularly use free cash (reported as unassigned fund balance in the audit) toward the capital budget and to add to specific reserve accounts, but we do not anticipate a material draw on fund balance in the near term.

Falmouth has additional capital needs over the near to medium term, particularly facilities, infrastructure, and for the wastewater system. Officials are planning for a new police station project estimated at about \$55 million, which would be contingent on town meeting approval and a debt exclusion vote, along with an estimated \$150 million school project with the Massachusetts School Building Authority program. Furthermore, management anticipates the wastewater treatment project will be funded by state revolving loan funds. We anticipate that debt metrics could weaken as the town undertakes these various projects but also note that debt remains very low relative to the tax base (below 1% of market value).

The rating further reflects our view of Falmouth's:

- Stable local tax base that is supported by the renowned Woods Hole Oceanographic Institution, second homes, tourism, and access to Martha's Vineyard via ferry. The town's local incomes are comparable with Barnstable County's, both of which are comparably stronger than national averages.
- Consistent financial performance given conservative budgeting assumptions, particularly for local receipts, resulting in typically positive net results. The predictable revenue environment also underpins performance trends since local property taxes are the primary revenue source, and local receipts that can be more economically sensitive make up a small portion of general fund operations.
- Thorough budgeting process that takes a two-step approach to funding operations and capital, with the operating budget approved in the spring and the capital budget approved in the autumn. Officials maintain multi-year financial and capital plans that support annual needs and long-range planning. There are formal policies guiding investments, debt, and reserves.
- Debt burden of \$112 million following this issuance, including Massachusetts Clean Water Trust (MCWT) loans for wastewater infrastructure, resulting in somewhat elevated per capita liabilities given the size of the year-round population. However, current costs are affordable and likely to remain manageable in the budget despite additional debt plans over the medium term and ongoing wastewater infrastructure needs likely funded by more MCWT loans.
- Elevated per capita retirement liabilities through participation in the Falmouth Contributory Retirement System (74% funded, \$69 million net pension liability) and its own other postemployment benefits (4.5% funded, \$137 million net liability). We anticipate costs will increase as the pension system works toward full funding, and although the town plans to redirect pension assessment savings toward its OPEB trust plan, it will likely be a long-term credit weakness given the size of the liability.
- Massachusetts municipalities have a predictable operating framework with some statutory flexibility to raise local-source revenue for operations, despite commonwealth limits on property tax levy growth. For more information on our institutional framework assessment for

Massachusetts municipalities, see "[Institutional Framework Assessment: Massachusetts Local Governments](#)," Sept. 9, 2024.

Environmental, social, and governance

We consider Falmouth's environmental risks to be elevated, since its location along the Atlantic Ocean exposes it to physical risks from inland and coastal flooding. Officials are working to minimize environmental risks through its participation in the state's Municipal Vulnerability Preparedness Program, along with developing strategies on hazard mitigation planning, hardening wastewater infrastructure, potentially relocating wastewater infrastructure that is most susceptible to flooding risks, and seeking grants to assist with coastal erosion mitigation. The town plans to incorporate these strategies into both its long-term financial and capital plans. We view governance and social risks as neutral within our analysis.

Rating above the sovereign

Falmouth's GO bonds are eligible to be rated above the sovereign because we believe the town can maintain better credit characteristics than the nation in a stress scenario. The town has a predominately locally derived revenue source, with independent taxing authority and treasury management from the federal government.

Outlook

The stable outlook reflects our view that Falmouth's finances will remain stable, supported by proactive management and an expanding tax base.

Downside scenario

We could lower the rating if financial performance deteriorates significantly, particularly due to increasing retirement costs, leading to a reserve drawdown with no plan to restore it. We could also consider a rating action if the town issues a substantial and material amount of additional debt, beyond current expectations.

Falmouth, MA--Credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	1.71
Economy	1.0
Financial performance	2
Reserves and liquidity	1
Management	1.30
Debt and liabilities	3.25

Falmouth, MA-- Key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GDP per capita % of U.S.	--	--	93	93

Falmouth, MA-- Key credit metrics

	Most recent	2024	2023	2022
County PCPI % of U.S.	--	--	133	131
Market value (\$000s)	--	19,919,239	17,223,537	14,373,945
Market value per capita (\$)	--	598,337	517,892	454,598
Top 10 taxpayers % of taxable value	--	3.0	3.0	2.8
County unemployment rate (%)	--	4.6	4.4	4.5
Local median household EBI % of U.S.	--	109	121	125
Local per capita EBI % of U.S.	--	148	153	144
Local population	--	33,291	33,257	31,619
Financial performance				
Operating fund revenues (\$000s)	--	182	169	158
Operating fund expenditures (\$000s)	--	172	162	149
Net transfers and other adjustments (\$000s)	--	1	--	(4)
Operating result (\$000s)	--	10,864	7,276	4,503
Operating result % of revenues	--	6.0	4.3	2.8
Operating result three-year average %	--	4.4	3.1	1.5
Reserves and liquidity				
Available reserves % of operating revenues	--	27.0	25.4	22.8
Available reserves (\$000s)	--	49,059	42,965	36,040
Debt and liabilities				
Debt service cost % of revenues	--	5.2	5.8	6.6
Net direct debt per capita (\$)	3,354	2,736	2,652	3,923
Net direct debt (\$000s)	111,642	91,078	88,207	124,045
Direct debt 10-year amortization (%)	65	66	68	--
Pension and OPEB cost % of revenues	--	9.0	8.0	8.0
NPLs per capita (\$)	--	2,074	2,370	1,317
Combined NPLs (\$000s)	--	69,040	78,826	41,632

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and

**Falmouth, MA--
Key credit
metrics**

	Most recent	2024	2023	2022
issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.				

Ratings List

New Issue Ratings

US\$8.885 mil GO mun purp loan of 2025 bnds due 10/01/2045

Long Term Rating AAA/Stable

Ratings Affirmed

Local Government

Falmouth Twn, MA Limited Tax AAA/Stable
General Operating Pledge

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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