Research Update:

Cotuit Fire District, MA GO Debt Rating Lowered To 'AA' On Increasing Debt Service Costs

November 13, 2026

Overview

- S&P Global Ratings lowered its long-term rating on Cotuit Fire District, Massachusetts' outstanding general obligation (GO) debt to 'AA' from 'AA+'.
- At the same time, we assigned our 'AA' long-term rating to the district's $18 million GO municipal purpose loan of 2026 bonds.
- S&P Global Ratings also affirmed its 'SP-1+' short-term rating on the district's outstanding bond anticipation notes (BANs).
- The outlook, where applicable, is stable.
- The downgrade reflects our view of the fire district's rising debt service costs and heightened debt load driven by the 2026 issuance that are no longer comparable with those of higher-rated peers.

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Rationale

Security

The district's full-faith-and-credit pledge secures the bonds. The district is empowered to levy property taxes on all taxable property within its borders to pay debt service and operating expenses without limitation as to rate or amount. Although the district is not subject to Proposition 2 1/2, the total amount of taxes that it could levy within the Town of Barnstable is subject to Proposition 2 1/2 limitations and the taxes levied by the Cotuit Fire District may be included in this amount. We rate the limited-tax GO debt on par with our view of the district's general creditworthiness.

The short-term rating reflects our criteria for evaluating and rating BANs. In our view, Cotuit Fire District maintains a strong capacity to pay principal and interest when the notes come due. In our view, the district has 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.

Officials intend to use the bond proceeds to finance the design and construction of a new fire station and permanently finance the BANs outstanding.

Credit highlights

The rating reflects Cotuit Fire District's track record of positive operating performance and above-average incomes compared with national levels, bolstered by a high density of second homes that provide stability to the tax base. Offsetting these strengths are high debt and liabilities costs compared with those of similarly rated peers, nominally thin reserves nearing $2 million, and a lack of formalized management policies for both its fire and water departments.

Operations remained positive over the previous three years ended fiscal 2025 due to predictable revenue sources (70% property taxes) and high property tax collection rates. Cotuit Fire District operates the village's water utility and infrastructure that makes up roughly 20% of revenues and 15% of expenditures in fiscal 2025. In addition, we expect the district's polyfluoroalkyl substances (PFAS) mitigation needs will increase capital and debt expenses. We note the district maintains additional budgetary flexibility through a separate levy from the towns and municipalities, allowing it to raise taxes as needed in support of its budget. For fiscal 2026, the district raised taxes by a large 24%, providing $1 million of additional revenue; with tax revenue growth, increased water usage revenues, and higher interest earnings, we expect the district will record another operating surplus for the year. The fiscal 2027 budget reflects reduced expenditures following the completion of a large-scale demolition project, which we expect to result in continued operating surpluses and reserve growth.

Following this issuance, the district's net debt will total $19.8 million, more than doubling its debt service costs and elevating its debt per capita to high levels compared with those of similarly rated peers. In our view the town's population is somewhat understated, as it roughly doubles during the summer, and adjusted per capita debt metrics are somewhat more manageable at the current rating.

The rating additionally reflects our view of:

- The district's economy is primarily residential, characterized by a stable, year-round retiree population and significant seasonal spikes in population during the summer months; consequently, local income metrics may be understated. While the district's economic output is weaker than the national average, the seasonal influx of residents provides a critical boost to the local economy.
- Management practices and policies are generally consistent with those of similarly rated fire districts. The district employs conservative budgeting practices and continual monitoring of revenue and expenses that we believe support a history of operational balance. The district lacks formal long-term capital and financial planning, although it maintains an informal, rolling five-year capital-plan for the largest capital costs, such as fire apparatus, that informs the annual budget. There are no formal policies for reserves or debt management, and the district's investment management policy follows state guidelines for investments. Cotuit Fire District has taken measures to mitigate cyber risk.
- Positive net performance contributes to improved reserves, and management has no plans to spend them down materially. However, the buildup of reserves could fluctuate due to the costs associated with purchasing new equipment, a common practice for fire districts. There are no near-term plans to purchase new equipment that would result in a draw from current funds.

- Long-term obligations are elevated compared with those of peers. We believe elevated debt service and net direct debt per capita are primary credit weaknesses and are inconsistent compared with those of higher-rated peers. The district contributes to Barnstable County Retirement Board, which is 69% funded, for eligible employees. It also provides other postemployment benefits (OPEB) for eligible retirees. The unfunded OPEB liability is reported at $356,275. The district has an OPEB trust to fund the liability, which is funded at 95%. Due to the size of the district's long-term liabilities and low pension plan funded ratio, we expect retirement costs will continue to increase and potentially pressure future budgets.
- For more information on our institutional framework assessment for Massachusetts local governments, see "Institutional Framework Assessment: Massachusetts Local Governments," Sept. 9, 2024.
- Physical risks are somewhat elevated compared with those of its peers due to its location on the Nantucket Sound, making it more susceptible to inland flooding and severe weather. Barnstable manages these risks through various coastal resiliency initiatives and rising sea-level mitigation projects. District officials report recent weather events have not resulted in major flooding; otherwise, there has been very minimal damage.

Outlook

The stable outlook reflects our expectation that the district's consistent property tax base will support its financial position and healthy reserves.

Downside scenario

We could lower the rating if reserves decrease materially without a plan to restore them or if its debt load continues to increase.

Upside scenario

We could raise the rating if the district reduces its debt and liabilities costs and implements stronger management planning and policies.

Cotuit Fire District, Massachusetts--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	2.24
Economy	1.0
Financial performance	2
Reserves and liquidity	1
Management	2.95
Debt and liabilities	4.25

Cotuit Fire District, Massachusetts--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	--	--	93	90
County PCPI % of U.S.	--	--	133	132

Cotuit Fire District, Massachusetts--key credit metrics

	Most recent	2025	2024	2023
Market value ($000s)	--	2,643,533	2,555,978	2,267,710
Market value per capita ($)	--	1,057,413	1,022,391	666,974
Top 10 taxpayers % of taxable value	--	5.9	5.8	14.2
County unemployment rate (%)	--	5.2	4.7	4.4
Local median household EBI % of U.S.	--	123	115	127
Local per capita EBI % of U.S.	--	126	123	128
Local population	--	2,500	2,500	3,400
Financial performance				
Operating fund revenues ($000s)	--	5,414	4,976	4,947
Operating fund expenditures ($000s)	--	5,139	4,852	4,614
Net transfers and other adjustments ($000s)	--	(144)	(46)	(179)
Operating result ($000s)	--	131	78	154
Operating result % of revenues	--	2.4	1.6	3.1
Operating result three-year average %	--	2.4	(0.3)	2.5
Reserves and liquidity				
Available reserves % of operating revenues	--	46.5	47.9	46.6
Available reserves ($000s)	--	2,515	2,384	2,306
Debt and liabilities				
Debt service cost % of revenues	--	7.2	7.5	7.7
Net direct debt per capita ($)	7,951	1,649	1,253	845
Net direct debt ($000s)	19,876	4,122	3,133	2,874
Direct debt 10-year amortization (%)	34	74	65	--
Pension and OPEB cost % of revenues	--	11.0	12.0	11.0
NPLs per capita ($)	--	1,640	1,742	1,318
Combined NPLs ($000s)	--	4,099	4,355	4,481

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 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$18,000,000 Cotuit Fire District, Massachusetts, General Obligation Municipal Purpose Loan of 2026 Bonds, dated: Date of Delivery, due: December 1, 2055		
Long Term Rating	AA/Stable	
Downgraded		
	To	**From**
Local Government		
Cotuit Fire Dist, MA Limited Tax General Operating Pledge	AA/Stable	AA+/Stable
Ratings Affirmed		
Local Government		
Cotuit Fire District, MA Limited Tax General Obligation	SP-1+	

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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