

## CREDIT OPINION

11 June 2019

 Rate this Research

### Contacts

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

Robert Weber +1.212.553.7280  
 VP-Senior Analyst  
 robert.weber@moodys.com

### CLIENT SERVICES

Americas 1-212-553-1653

Asia Pacific 852-3551-3077

Japan 81-3-5408-4100

EMEA 44-20-7772-5454

# Georgetown (Town of) MA

## Update to credit analysis

### Summary

Georgetown (Aa3) has a moderately sized tax base with high resident wealth and income levels. The financial position has begun to stabilize after multiple years of modest operating deficits. The debt burden is modest and the pension and OPEB liabilities are expected to remain manageable.

### Credit strengths

- » Above-average resident wealth and incomes
- » History of taxpayer support for debt exclusions and general tax levy overrides

### Credit challenges

- » Modest debt burden and pension liability
- » Limited operating flexibility under Proposition 2½

### Rating outlook

Outlooks are typically not assigned to local governments with this amount of debt outstanding.

### Factors that could lead to an upgrade

- » Substantial increase in reserves and liquidity
- » Material growth in the tax base
- » Decline in the debt burden

### Factors that could lead to a downgrade

- » Decline in reserves and liquidity
- » General fund operating deficits
- » Material increase in the debt burden and/or unfunded pension liability

## Key indicators

Exhibit 1

<b>Georgetown (Town of) MA</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Economy/Tax Base</b>					
Total Full Value (\$000)	\$1,186,674	\$1,172,757	\$1,172,757	\$1,211,493	\$1,211,493
Population	8,379	8,441	8,514	8,569	8,569
Full Value Per Capita	\$141,625	\$138,936	\$137,744	\$141,381	\$141,381
Median Family Income (% of US Median)	196.6%	186.6%	187.4%	190.6%	190.6%
<b>Finances</b>					
Operating Revenue (\$000)	\$27,136	\$28,127	\$29,853	\$32,265	\$33,326
Fund Balance (\$000)	\$3,478	\$2,819	\$2,915	\$2,752	\$2,987
Cash Balance (\$000)	\$4,904	\$4,522	\$3,247	\$4,314	\$4,802
Fund Balance as a % of Revenues	12.8%	10.0%	9.8%	8.5%	9.0%
Cash Balance as a % of Revenues	18.1%	16.1%	10.9%	13.4%	14.4%
<b>Debt/Pensions</b>					
Net Direct Debt (\$000)	\$38,440	\$30,205	\$32,812	\$33,860	\$31,369
3-Year Average of Moody's ANPL (\$000)	\$32,853	\$36,884	\$35,832	\$33,864	\$34,558
Net Direct Debt / Full Value (%)	3.2%	2.6%	2.8%	2.8%	2.6%
Net Direct Debt / Operating Revenues (x)	1.4x	1.1x	1.1x	1.0x	0.9x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	2.8%	3.1%	3.1%	2.8%	2.9%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	1.2x	1.3x	1.2x	1.0x	1.0x

As of June 30 fiscal year end

Sources: Moody's Investors Service and Georgetown's audited financial statements

## Profile

Georgetown is primarily a residential community with a population of 8,569 (2017 ACS), located 31 miles north of Boston (Aaa stable).

## Detailed credit considerations

### Economy and tax base: Moderate residential tax base with high wealth and income levels

Georgetown's \$1.3 billion tax base (2019-20 equalized value) will likely remain stable over the near term and return to pre-recession levels of \$1.4 billion in the next few years due to an improved housing market and recent increase in industrial development projects. The 2019-20 equalized value increased by a healthy 9.3% since 2018. Additionally, the 2019 assessed value increased by 3%, bringing the five year compound annual growth rate to 2.6%. The town has also embraced the medical, and recently approved recreational, marijuana markets with one recreational store expected to begin sales in July, as well as the potential of four growing and processing companies in development. Each company has a community host agreement with the town that will generate new revenue. Additional new development includes four separate condo and apartment complexes in the approval process and three industrial sites outlined for development. The top ten taxpayers represent a small 3.7% of 2019 assessed value.

Resident incomes are above average with median family income equal to 144% of the commonwealth and 191% of the US medians. The town's unemployment rate is low at 2.5% (April 2019) and continues to trend below the commonwealth and US rates.

### Financial operations and reserves: Financial position is expected to stabilize over near term

The town's financial position is expected to stabilize over the near term after multiple years of modest operating deficits. Prior year operations relied on greater use of reserves to balance operations, leading to the decline in reserves. More recently, the operating budget is structurally balanced without the use of reserves and operations are trending positive.

Fiscal 2018 audited financials reflect an operating surplus of \$235 thousand due to positive variance in both revenues and expenditures. The surplus increased the available general fund balance to just under \$3 million or 8.9% of revenues. The town's primary revenue source is property taxes representing 61% of general fund revenues. Education is the largest cost driver representing 46% of general fund expenditures.

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's.com](http://www.moody's.com) for the most updated credit rating action information and rating history.

Fiscal 2019 operations are trending favorable with positive variance in revenues and expenses that indicate an operating surplus of around \$800,000 on a budgetary basis. The positive operations should be enough to offset \$175,000 in free cash used to cover a snow and ice deficit. The surplus also includes \$194,000 in unbudgeted host community payments related to marijuana facilities.

The fiscal 2020 budget increased by 3.5% to \$31.4 million driven by education, health insurance, debt service and public safety costs. The budget is balanced with an anticipated 4% increase in the tax levy and no use of reserves.

#### LIQUIDITY

Cash and investments at the end of fiscal 2018 represented \$4.8 million or 14.3% of general fund revenues.

#### Debt and pensions: Moderate debt burden and pension liability expected to remain manageable

The direct debt burden post new issuance of 2.1% of equalized value and 0.8 times general fund revenues is expected to remain modest given the slower principal amortization but remain manageable. Positively, the town has excluded debt service on 81% of principal including the new issuance. The 2020 capital plan indicates no future borrowing plans and smaller capital needs funded on a pay-go basis mostly for equipment.

#### DEBT STRUCTURE

The entire debt portfolio is fixed rate with 58% of principal retired in ten years. Fiscal 2018 debt service was \$2.9 million or representing 8.8% of expenditures.

#### DEBT-RELATED DERIVATIVES

Georgetown is not party to any interest rate swaps or other derivative agreements.

#### PENSIONS AND OPEB

Town employees, other than teachers, participate in the Essex Regional Retirement System, a multi-employer defined benefit pension plan. Teachers participate in the Massachusetts Teachers Retirement System (TRS) employee contributions to which are covered through on behalf payments made by the commonwealth. Based on the valuation report dated January 1, 2018 the town's proportional share of its retirement system's net pension liability is \$17.2 million using a 7.5% discount rate and an expected funding date of 2036. The 2018 three year average Moody's Adjusted Net Pension Liability (ANPL), under Moody's methodology for adjusting reported pension data, was \$34.6 million, equal to 2.85% of equalized value and 1 times general fund revenues.

The annual contribution to the county plan was \$1.7 million in 2018, representing 5% of general fund expenditures. From 2015-2017, the town's pension contributions averaged 85% of the 'tread water' benchmark, the contribution amount needed to cover the year's newly accrued service costs and implied interest on the reported net pension liability, resulting in no increase in unfunded liability.

The OPEB liability is funded on a pay-as-you-go basis and in 2018 the town contributed \$983,045. An OPEB trust was established in 2015 with an initial deposit of \$50 thousand. No deposits have been made since, although the town expects to make one in 2020. The net OPEB liability is \$30 million with a fiduciary net position of 4.4% of the total OPEB liability.

Total fixed costs for 2018 including debt service, required pension contributions and retiree healthcare payments totaled \$5.6 million or a manageable 16.8% of general fund expenses.

#### Management and governance: Conservative management bolstered by new formal policies

In fiscal 2019 the town adopted formal fiscal policies that include the development of a multi-year budget forecast. The policy includes minimum thresholds for free cash and stabilization funds and recommended levels as a percent of the budget. We expect these formal policies to enhance the conservative budget practices going forward.

Massachusetts towns have an Institutional Framework score of "Aa", which is strong. The sector's major revenue source of property taxes, are subject to the Proposition 2 1/2 tax levy cap which can be overridden with voter approval only. However, the cap of 2.5% still allows for moderate revenue-raising ability. Expenditures primarily consist of personnel costs, as well as education costs for towns that manage school operations, and are highly predictable given state-mandated school spending guidelines and employee contracts. 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. Fixed costs are driven mainly by debt service and pension costs. Unpredictable expenditure fluctuations tend to be minor, under 5% annually.

## Rating methodology and scorecard factors

The US Local Government General Obligation Rating Methodology includes a scorecard, a tool providing a composite score of a local government's credit profile based on the weighted factors we consider most important, universal and measurable, as well as possible notching factors dependent on individual credit strengths and weaknesses. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to analyze and compare local government credits.

Georgetown (Town of) MA		
Rating Factors	Measure	Score
Economy/Tax Base (30%) <sup>[1]</sup>		
Tax Base Size: Full Value (in 000s)	\$1,323,463	A
Full Value Per Capita	\$154,448	Aaa
Median Family Income (% of US Median)	190.6%	Aaa
Finances (30%)		
Fund Balance as a % of Revenues	9.0%	A
5-Year Dollar Change in Fund Balance as % of Revenues	0.1%	A
Cash Balance as a % of Revenues	14.4%	Aa
5-Year Dollar Change in Cash Balance as % of Revenues	1.0%	A
Management (20%)		
Institutional Framework	Aa	Aa
Operating History: 5-Year Average of Operating Revenues / Operating Expenditures	1.0x	A
Debt and Pensions (20%)		
Net Direct Debt / Full Value (%)	2.1%	A
Net Direct Debt / Operating Revenues (x)	0.8x	A
3-Year Average of Moody's Adjusted Net Pension Liability / Full Value (%)	2.6%	A
3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues (x)	1.0x	A
	Scorecard-Indicated Outcome	Aa3
	Assigned Rating	Aa3

[1] Economy measures are based on data from the most recent year available. [2] Notching Factors are specifically defined in the US Local Government General Obligation Debt methodology dated December 16, 2016. [3] Standardized adjustments are outlined in the GO Methodology Scorecard Inputs Updated for 2018 publication.

Sources: US Bureau of Economic Analysis, Moody's Investors Service

© 2019 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY'S PUBLICATIONS MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$2,700,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody.com](http://www.moody.com) under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY250,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

## CLIENT SERVICES

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