

## ISSUER COMMENT

29 July 2021

### RATING

#### General Obligation (or GO Related) <sup>1</sup>

Aa1 No Outlook

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## Town of Duxbury, MA

### Annual Comment on Duxbury

#### Issuer Profile

The Town of Duxbury is located in Plymouth County in southeastern Massachusetts, approximately 30 miles southeast of Boston. The county has a population of 515,303 and a moderate population density of 780 people per square mile. The county's median family income is \$109,679 (1st quartile) and the May 2021 unemployment rate was 6.4% (4th quartile) <sup>2</sup>. The largest industry sectors that drive the local economy are health services, retail trade, and local government.

#### Credit Overview

Duxbury's credit position is very strong. Its Aa1 rating is higher than the median rating of Aa3 for cities nationwide. The key credit factors include a very strong wealth and income profile, a sizable tax base and a healthy financial position. It also reflects moderate debt and pension liabilities.

**Economy and Tax Base:** The town has an exceptionally healthy economy and tax base overall, which are slightly favorable with respect to the assigned rating of Aa1. The median family income is a robust 195% of the US level. Moreover, Duxbury's full value per capita (\$269,751) is much stronger than other Moody's-rated cities nationwide, and increased markedly from 2016 to 2020. That said, the total full value (\$4.3 billion) is larger than the US median.

**Finances:** The financial position of the town remains healthy, and largely aligned in relation to its Aa1 rating. Duxbury's cash balance as a percent of operating revenues (19.5%) is lower than the US median, and contracted between 2016 and 2020. Furthermore, the fund balance as a percent of operating revenues (16.7%) is below other Moody's-rated cities nationwide. Massachusetts local governments tend to have financial ratios lower than US medians because they generally derive a majority of revenues from stable property taxes and their financials typically incorporate school operations which are predictable.

**Debt and Pensions:** Overall, the town has manageable debt and pension burdens. The net direct debt to full value (1.7%) is above the US median. Yet, this metric decreased markedly from 2016 to 2020. Additionally, Duxbury's Moody's-adjusted net pension liability to operating revenues (0.81x) favorably is materially below the US median.

**Management and Governance:** Massachusetts cities have an institutional framework score <sup>3</sup> 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 cities 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 costs are generally less 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.

## EXHIBIT 1

Key Indicators <sup>4.5</sup> Duxbury

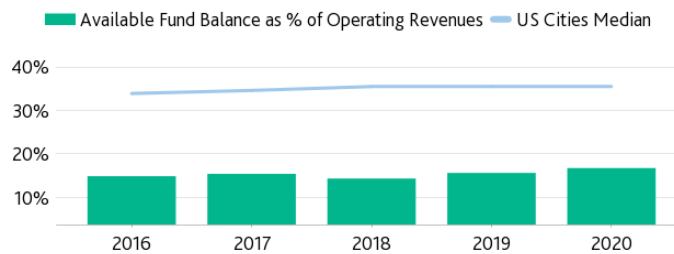
	2016	2017	2018	2019	2020	US Median	Credit Trend
<b>Economy / Tax Base</b>							
Total Full Value	\$3,475M	\$3,855M	\$3,855M	\$4,265M	\$4,265M	\$2,024M	Improved
Full Value Per Capita	\$225,032	\$247,592	\$245,526	\$269,751	\$269,751	\$97,657	Improved
Median Family Income (% of US Median)	200%	196%	201%	195%	195%	114%	Weakened
<b>Finances</b>							
Available Fund Balance as % of Operating Revenues	14.8%	15.4%	14.3%	15.6%	16.7%	35.5%	Stable
Net Cash Balance as % of Operating Revenues	25.5%	26.3%	25.6%	23.2%	19.5%	40.0%	Weakened
<b>Debt / Pensions</b>							
Net Direct Debt / Full Value	2.7%	2.2%	2.1%	1.8%	1.7%	1.1%	Improved
Net Direct Debt / Operating Revenues	1.23x	1.05x	0.95x	0.88x	0.80x	0.82x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	1.8%	1.7%	1.7%	1.6%	1.7%	1.9%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	0.80x	0.80x	0.79x	0.78x	0.81x	1.57x	Stable
	2016	2017	2018	2019	2020	US Median	
<b>Debt and Financial Data</b>							
Population	15,444	15,572	15,703	15,812	15,812	N/A	
Available Fund Balance (\$000s)	\$11,491	\$12,533	\$12,080	\$13,821	\$15,342	\$8,489	
Net Cash Balance (\$000s)	\$19,743	\$21,413	\$21,609	\$20,524	\$17,864	\$9,759	
Operating Revenues (\$000s)	\$77,398	\$81,484	\$84,405	\$88,595	\$91,783	\$36,135	
Net Direct Debt (\$000s)	\$95,222	\$85,574	\$80,514	\$77,773	\$73,278	\$19,137	
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$62,152	\$65,272	\$66,554	\$69,397	\$74,109	\$38,399	

Source: Moody's Investors Service

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.

## EXHIBIT 2

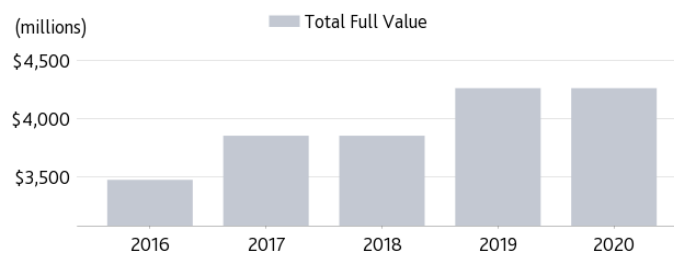
## Available fund balance as a percent of operating revenues increased from 2016 to 2020



Source: Issuer financial statements; Moody's Investors Service

## EXHIBIT 3

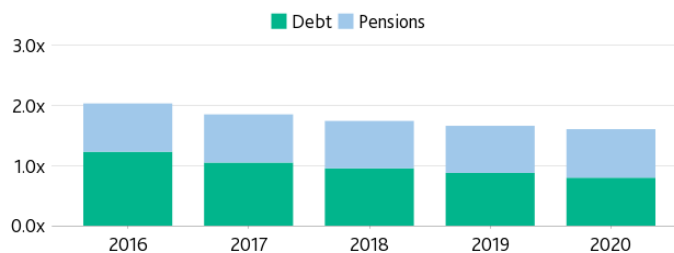
## Full value of the property tax base increased from 2016 to 2020



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

## EXHIBIT 4

## Moody's-adjusted net pension liability to operating revenues increased from 2016 to 2020



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

## Endnotes

- 1 The rating referenced in this report is the issuer's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally backed by the full faith and credit pledge and total taxing power of the issuer. GO-related securities include general obligation limited tax, annual appropriation, lease revenue, non-ad valorem, and moral obligation debt. The referenced ratings reflect the government's underlying credit quality without regard to state guarantees, enhancement programs or bond insurance.
- 2 The demographic data presented, including population, population density, per capita personal income and unemployment rate are derived from the most recently available US government databases. Population, population density and per capita personal income come from the American Community Survey while the unemployment rate comes from the Bureau of Labor Statistics.

The largest industry sectors are derived from the Bureau of Economic Analysis. Moody's allocated the per capita personal income data and unemployment data for all counties in the US census into quartiles. The quartiles are ordered from strongest-to-weakest from a credit perspective: the highest per capita personal income quartile is first quartile, and the lowest unemployment rate is first quartile.

- 3 The institutional framework score assesses a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. See [US Local Government General Obligation Debt \(July 2020\)](#) methodology report for more details.
- 4 For definitions of the metrics in the Key Indicators Table, [US Local Government General Obligation Methodology and Scorecard User Guide \(July 2014\)](#). Metrics represented as N/A indicate the data were not available at the time of publication.
- 5 The medians come from our most recently published local government medians report, [Medians - Tax base and revenue increases outpace growth of long-term liabilities \(May 2021\)](#) which is available on Moodys.com. The medians presented here are based on the key metrics outlined in Moody's GO methodology and the associated scorecard.

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