

ISSUER COMMENT

7 April 2020

RATING

General Obligation (or GO Related) ¹

Aa3 No Outlook

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City of Brewer, ME

Annual Comment on Brewer

Issuer Profile

The City of Brewer is located in Penobscot County in south central Maine, approximately 60 miles northeast of Augusta. The county has a population of 151,748 and a low population density of 45 people per square mile. The county's median family income is \$63,874 (3rd quartile) and the January 2020 unemployment rate was 4.3% (2nd quartile) ². The largest industry sectors that drive the local economy are health services, retail trade, and state government.

Brewer is not susceptible to immediate material credit risks related to coronavirus. The longer term impact will depend on both the severity and duration of the crisis. The situation surrounding coronavirus is rapidly evolving. If our view of the credit quality of Brewer changes, we will publish our updated opinion at that time.

Credit Overview

The credit position for Brewer is good, and its Aa3 rating matches the US cities median of Aa3. Key credit factors include a healthy financial position, an average wealth and income profile, a modestly sized tax base, a manageable pension liability, but a high debt burden.

Finances: Brewer has a healthy financial position, which is consistent with the assigned rating of Aa3. However, the city's cash balance as a percent of operating revenues (22.1%) is smaller than the US median, after increasing modestly between 2015 and 2019. In addition, the fund balance as a percent of operating revenues (15.9%) is materially below the US median. That said, the city's fund balance has trended upwards over the last five fiscal years.

Economy and Tax Base: The economy and tax base of Brewer are satisfactory, yet this factor is slightly unfavorable when compared to the assigned rating of Aa3. The city's full value per capita (\$80,952) is slightly lower than the US median, despite growing from 2015 to 2019. Additionally, the median family income is average at 97% of the US level. Lastly, the total full value (\$733 million) is smaller than other Moody's-rated cities nationwide.

Debt and Pensions: The pension liability of Brewer is manageable and is a modest credit strength when compared to its Aa3 rating. The Moody's-adjusted net pension liability to operating revenues (0.59x) favorably is materially below the US median, and remained stable from 2015 to 2019. Conversely, the debt burden of the city is large and is a weakness when compared to the assigned rating of Aa3. The net direct debt to full value (4.6%) far exceeds the US median.

Management and Governance: Maine Cities have an institutional framework score ³ of "Aa", which is strong. The sector's major revenue source of property taxes are subject to

a cap, which can be overridden at the local level. The cap is based on statewide personal income growth and local property growth. The cap allows for moderate revenue-raising ability. Taxes raised for school purposes, including school debt service, are not subject to the cap. Unpredictable revenue fluctuations tend to be minor, or under 5% annually. Across the sector, fixed and mandated costs are generally less than 25% of expenditures. Fixed costs are driven mainly by debt service. Unpredictable expenditure fluctuations tend to be minor, under 5% annually.

Sector Trends - Maine Cities

Maine's economy continues to underperform, resulting in slow state revenue growth and therefore marginal increases in state aid to cities. As a result, cities will continue to increase property taxes, within the limits of the state-wide property tax cap, to fund expenditure growth. Positively, most cities have excess levy capacity under the cap that could mitigate future unexpected declines in state aid. Property values are stable, but new growth remains limited. Cities will only experience slight benefits from employment growth as this growth is primarily in low paying jobs.

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.

EXHIBIT 1

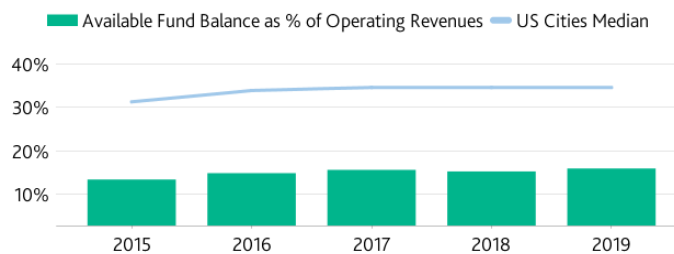
Key Indicators [4.5](#) Brewer

	2015	2016	2017	2018	2019	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$707M	\$721M	\$718M	\$721M	\$732M	\$1,904M	Stable
Full Value Per Capita	\$75,731	\$77,698	\$78,423	\$79,660	\$80,952	\$94,106	Improved
Median Family Income (% of US Median)	109%	108%	97%	97%	97%	111%	Weakened
Finances							
Available Fund Balance as % of Operating Revenues	13.4%	14.9%	15.6%	15.3%	15.9%	34.6%	Stable
Net Cash Balance as % of Operating Revenues	18.5%	20.9%	23.2%	22.6%	22.1%	39.6%	Stable
Debt / Pensions							
Net Direct Debt / Full Value	5.5%	5.2%	5.1%	5.1%	4.6%	1.1%	Improved
Net Direct Debt / Operating Revenues	1.08x	1.03x	0.99x	0.98x	0.90x	0.84x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	2.7%	2.9%	2.6%	3.0%	3.0%	1.9%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	0.52x	0.57x	0.52x	0.57x	0.59x	1.56x	Stable
	2015	2016	2017	2018	2019	US Median	
Debt and Financial Data							
Population	9,341	9,284	9,167	9,051	9,051	N/A	
Available Fund Balance (\$000s)	\$4,829	\$5,347	\$5,721	\$5,711	\$5,976	\$8,028	
Net Cash Balance (\$000s)	\$6,647	\$7,510	\$8,488	\$8,449	\$8,287	\$9,530	
Operating Revenues (\$000s)	\$36,024	\$35,960	\$36,610	\$37,407	\$37,477	\$23,172	
Net Direct Debt (\$000s)	\$38,895	\$37,152	\$36,417	\$36,649	\$33,607	\$19,139	
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$18,769	\$20,585	\$19,013	\$21,494	\$22,107	\$35,448	

Source: Moody's Investors Service

EXHIBIT 2

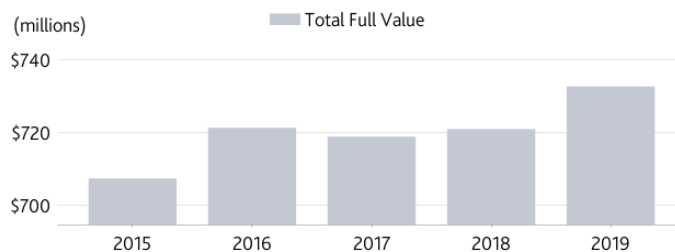
Available fund balance as a percent of operating revenues increased from 2015 to 2019



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

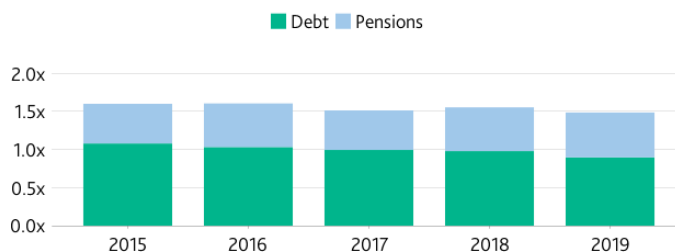
Full value of the property tax base increased from 2015 to 2019



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 2015 to 2019



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

Endnotes

- 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.
 - 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.
- 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 \(December 2016\)](#) methodology report for more details.
 - 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.
 - The medians come from our most recently published local government medians report, [Medians - Tax base growth underpins sector strength, while pension challenges remain \(May 2019\)](#) which is available on Moody's.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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