

## ISSUER COMMENT

3 December 2020

### RATING

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

Aaa Stable

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## Town of Dover, MA

### Annual Comment on Dover

#### Issuer Profile

The Town of Dover is located in Norfolk County in southeastern Massachusetts, about 20 miles southwest of Boston. The county has a population of 698,249 and a high population density of 1,747 people per square mile. The county's median family income is \$125,259 (1st quartile) and the September 2020 unemployment rate was 9.2% (4th quartile) <sup>2</sup>. The largest industry sectors that drive the local economy are health services, retail trade, and professional/scientific/technical services.

We regard the coronavirus outbreak as a social risk under our environmental, social and governance framework, given the substantial implications for public health and safety and the economy. We do not see any material immediate credit risks for Dover. However, the situation surrounding coronavirus is rapidly evolving and the longer term impact will depend on both the severity and duration of the crisis. If our view of the credit quality of Dover changes, we will update our opinion at that time.

#### Credit Overview

The credit position for Dover is superior, and its Aaa rating is significantly above the median rating of Aa3 for cities nationwide. Key credit factors include a strong financial position, an exceptionally light debt burden and an affordable pension liability. It also reflects a very strong wealth and income profile and a healthy tax base.

**Finances:** The town has a robust financial position, which is comparable to the assigned rating of Aaa. Dover's cash balance as a percent of operating revenues (41.7%) is on par with the US median, and rose slightly between 2015 and 2019. Furthermore, the fund balance as a percent of operating revenues (39.3%) is consistent with other Moody's-rated cities nationwide. This is notable, as 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 debt and pension liabilities of the town are very small and are in line with its Aaa rating. The net direct debt to full value (0.2%) is materially below the US median, and slightly declined from 2015 to 2019. Also, Dover's Moody's-adjusted net pension liability to operating revenues (0.61x) favorably is materially lower than the US median.

**Economy and Tax Base:** The town has an exceptionally strong economy and tax base, which are comparable to the Aaa rating assigned. The median family income equals a robust

337% of the US level. Also, the full value per capita (\$442,032) is above other Moody's-rated cities nationwide, and rose materially between 2015 and 2019. Lastly, the total full value (\$2.6 billion) is slightly stronger than the US median.

The coronavirus is driving an unprecedented economic slowdown. We currently forecast US GDP to decline significantly during 2020 with a gradual recovery commencing toward the end of the year. Local governments with the highest exposure to tourism, hospitality, healthcare, retail, and oil and gas could suffer particularly severe impacts.

**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 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.

### Sector Trends - Massachusetts Cities

Massachusetts cities will generally benefit from an expanding state economy. The vibrant expansion throughout the greater Boston region will continue to bolster most of the state, resulting in favorable employment trends relative to the nation as a whole. We expect the operating environment of cities to be favorable due to the growing residential and commercial real estate markets which will boost property tax revenues. However, Massachusetts cities will remain somewhat challenged by relatively low housing affordability and very high costs of doing business.

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 1

Key Indicators <sup>4.5</sup> Dover

	2015	2016	2017	2018	2019	US Median	Credit Trend
<b>Economy / Tax Base</b>							
Total Full Value	\$2,310M	\$2,310M	\$2,504M	\$2,504M	\$2,646M	\$1,904M	Improved
Full Value Per Capita	\$397,384	\$393,996	\$422,862	\$418,271	\$442,032	\$94,106	Improved
Median Family Income (% of US Median)	306%	302%	295%	337%	337%	111%	Improved
<b>Finances</b>							
Available Fund Balance as % of Operating Revenues	30.4%	31.7%	34.8%	35.3%	39.3%	34.6%	Improved
Net Cash Balance as % of Operating Revenues	36.9%	32.9%	36.6%	41.1%	41.7%	39.6%	Stable
<b>Debt / Pensions</b>							
Net Direct Debt / Full Value	0.6%	0.5%	0.4%	0.3%	0.2%	1.1%	Stable
Net Direct Debt / Operating Revenues	0.39x	0.34x	0.29x	0.19x	0.15x	0.84x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	1.1%	1.0%	0.9%	0.9%	0.9%	1.9%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	0.74x	0.69x	0.60x	0.61x	0.61x	1.56x	Stable

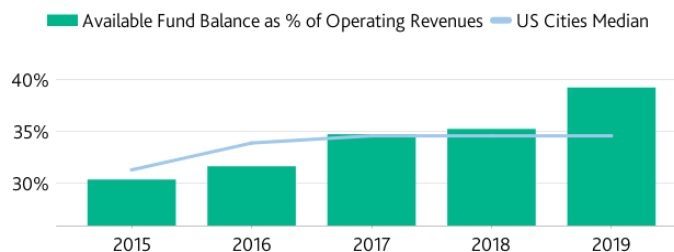
  

	2015	2016	2017	2018	2019	US Median
<b>Debt and Financial Data</b>						
Population	5,814	5,864	5,922	5,987	5,987	N/A
Available Fund Balance (\$000s)	\$10,032	\$11,048	\$12,888	\$13,192	\$15,406	\$8,028
Net Cash Balance (\$000s)	\$12,198	\$11,493	\$13,571	\$15,369	\$16,376	\$9,530
Operating Revenues (\$000s)	\$33,032	\$34,903	\$37,086	\$37,408	\$39,229	\$23,172
Net Direct Debt (\$000s)	\$12,972	\$11,832	\$10,706	\$7,264	\$5,886	\$19,139
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$24,462	\$23,976	\$22,224	\$22,961	\$24,061	\$35,448

Source: Moody's Investors Service

## EXHIBIT 2

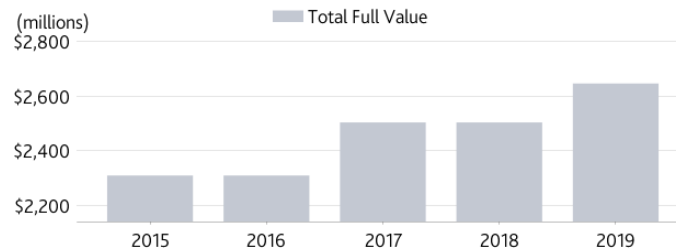
## Available fund balance as a percent of operating revenues increased from 2015 to 2019



Source: Issuer financial statements; Moody's Investors Service

## EXHIBIT 3

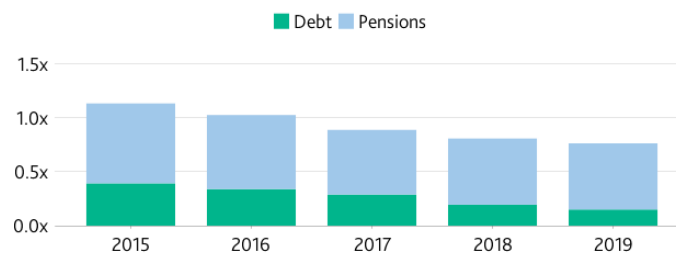
## Full value of the property tax base increased from 2015 to 2019



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

## EXHIBIT 4

## Moody's-adjusted net pension liability to operating revenues decreased from 2015 to 2019



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 \(September 2019\)](#) 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 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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