

Town of Brunswick, Maine

**Finance Committee Meeting
Thursday, January 23, 2020
6:30 – 8:00 PM
85 Union Street – Council Chambers**

Agenda

1. Select chair and vice chair **(ACTION)**
2. Acknowledgement that meeting was properly noticed
3. Adjustments to agenda / Public comment
4. Approval of meeting minutes from 12/19/19
REQUESTED ACTION – Approval of minutes
5. Review Finance Committee policy
6. 2020 proposed calendar/schedule of work **(POSSIBLE ACTION)**
7. Review of 2020 G.O. Bonds
 - a. Moody's and S&P ratings
 - b. Bids received
 - c. Amortization schedule / estimated tax rate impact
 - d. Debt ratios
8. Capital Improvement Program – DRAFT #2
9. Adjourn

Town of Brunswick, Maine

**Finance Committee Meeting
Thursday, December 19, 2019
6:00 – 7:30 PM
85 Union Street – Council Chambers**

Meeting Minutes (DRAFT)

Elected Officials: Christopher Watkinson (chair), Dan Ankeles, John Perreault

Staff: John Eldridge, Julia Henze, Branden Perreault

1. Acknowledgement that meeting was properly noticed

JH confirmed that the meeting was properly noticed.

2. Adjustments to agenda / Public comment

No adjustments to the agenda.

James Trusiani – would like to know more about the financing process of the new school project.

3. Approval of meeting minutes from 11/21/19

JP moved, DA seconded, unanimously approved.

4. Review of Preliminary Official Statement for the 2020 G.O. Bonds

JH presented the Preliminary Official Statement (POS) to the FC, which, in accordance with the Town's policy, is tasked with reviewing and approving a near-final draft of the POS before the bond sale. JE reminded the committee that the POS is provided to prospective purchasers of the bonds to review the information about the bonds as well as the town's financial condition.

JH provided an overview of the document. The first fourteen pages of the POS describes the form of the bond and is written by the bond advisor. The continuing disclosure (also known as the secondary disclosure) covenants are on page 11. The portion of the POS written by Town staff begins on page 15. The FC reviewed various pieces of this section, discussing the economic information about Brunswick, looking at largest employers and building permits. JH pointed out the capital improvement program, and the indebtedness section. The "budgetary process" and "budget commentary" (beginning on page 32 and 33 of the POS) is important to investors as it highlights the current budgetary (FY2020) environment for the town, in contrast to the CAFR which reports on the outcome of FY2019.

JH noted that the CAFR is part of the POS, appearing as Appendix A, followed by the proposed form of legal opinion, which is completed by bond counsel, and the proposed form of continuing disclosure agreement.

FC discussed the logic behind obtaining a bond anticipation note (BAN) during the construction process rather than bonding the project from the beginning, the potential for borrowing too much, and paying more interest than needed during the construction phase.

Approval of POS

JP moved, DA seconded, unanimously approved.

5. Report on Property Tax Assistance Program

BP presented the committee with a redacted listing of the 47 qualified applications and their corresponding rebate amounts. Of the 47 applications that qualified for rebates, \$3 was the lowest rebate, \$1,200 was the highest and the average qualified application rebate came in at \$669.31.

General consensus of the FC was to allow the program to go through another year before considering adjustments to the program criteria.

FC inquired about the most prominent reason(s) why some people didn't qualify for a rebate. BP explained that for most it was the income limit. The State of Maine defines income limits in terms of gross payments received from retirement, social security, interest/ dividends, etc. Applicants often assumed that their federal adjusted gross income (AGI) was an equivalent representation of what the State considered "income", but not all of their social security benefits are taxable on the federal return and included in their federal AGI. Because of this, federal AGI would be less than the State of Maine's determination of income as it relates to the Maine Property Tax Fairness Credit program.

6. Review of 2019 Finance Committee

FC reviewed the 2019 meeting calendar and activities/accomplishments.

7. Adjourn

Town of Brunswick, Maine
Finance Committee

Purpose. The Finance Committee is established as a sub-committee of the Town Council, intended to provide Councilors with an opportunity for in-depth review and analysis of the Town's financial matters, resulting in feedback for staff and recommendations to the Town Council. The purpose of this policy is to establish the composition and responsibilities of the Town's Finance Committee.

Members.

- The Finance Committee shall be a standing committee of the Town Council.
- The Committee shall be comprised of three members of the Town Council appointed by the Council Chair.
- Members shall be appointed annually at the Town Council's first meeting in January, or as soon thereafter as possible. Members shall each serve terms of one year and until a successor is appointed.
- It is recommended that councilors serve at least one year on the Committee.
- To enable as many councilors as possible to serve on the Committee, Councilors shall serve no longer than three consecutive terms. Councilors may be re-appointed to the Committee after a one year absence.
- At its first meeting, the Committee shall select its chair and vice chair.
- Should, in the opinion of the Council Chair, circumstances require the extension of the sitting Committee's term beyond the end of the year, the Chair shall announce his/her determination to the Town Council and the terms shall be temporarily extended. The succeeding Committee shall serve the remainder of the term.

Meetings. The Committee shall meet at least once per month. The meeting dates shall be established at the Committee's first meeting. The Committee chair shall call additional meetings as the chair deems necessary, as voted by a majority of the Committee's members, or as directed by the Town Council. The Committee shall give public notice of its meetings in accordance with Maine's Freedom of Access Act (FOAA) and rules established by the Town Council, and when possible the meetings should be held in the Council Chambers and be televised. A majority of the members appointed to the Committee shall constitute a quorum. A majority of concurring votes shall be necessary to constitute an action on any matter.

Responsibilities. The Finance Committee shall perform the following tasks and functions:

1. Encourage and participate in long-range financial planning.
2. Review the annual budget as recommended by the town manager and provide commentary to the Town Council.
3. Review monthly budget to actual statements as prepared by the Finance Department.
4. Review ordinances, official statements and other documents connected with the issuance of debt.
5. Review and suggest updates to the Master Schedule of Revenues, Charges, Fees and Fines, Appendix B to the Municipal Code of Ordinances.

6. Review the Town's risk management activities and insurance coverage.
7. Review, as requested by the town manager, bid specifications and requests for proposals for the purchase of goods or services.
8. In consultation with the Town's administration, assist or prepare policies and/or procedures relating to the financial affairs of the Town.
9. The Finance Committee shall assume the duties of the Capital Improvement Plan Committee.
10. The Finance Committee shall assume the duties of the Audit Committee.
11. Review and report on the Town's investments.
12. Receive and review the reports and recommendations of the Town's Trust Fund Advisory Committee.
13. Perform such other tasks and functions as may be delegated to it by the Town Council from time to time.

The Finance Committee may adopt rules of procedure, consistent with this policy, to enable it to perform its functions.

Conflict of Interest. Members of the Finance Committee shall adhere to the conflict of interest policy which was established by the Town Council in its Rules and Procedures.

Administration. The Finance Director shall be responsible to provide for the administration of the affairs of the Finance Committee, including preparing agendas and minutes, posting public hearings, handling correspondence, and maintaining all official records.

Proposed to Town Council: July 21, 2014

Adopted by Town Council: August 4, 2014

Amended by Town Council: February 16, 2016

Amended by Town Council: November 7, 2016

Amended by Town Council: June 4, 2018

**Town of Brunswick
2020 Meeting Calendar
DRAFT**

RESPONSIBLE	DATE	DAY	TIME	*	ACTION	COMMENTS
Fin Committee	1/23/2020	Thu	6:30 PM		Finance Committee meeting	Finance Committee Policy/2020 schedule 2020 Bond & Debt ratios; CIP Draft #2
Fin Committee	2/27/2020	Thu	6:30 PM		Finance Committee meeting	Joint meeting w/ School - Auditors presentation Police Dept fees
Fin Committee	3/19/2020	Thu	6:30 PM		Finance Committee meeting	Tax Acquired RE Policy Review TAP properties
Fin Committee	4/16/2020	Thu	6:30 PM		Finance Committee meeting	Property Tax Assistance Program
Fin Committee	5/14/2020	Thu	6:30 PM		Finance Committee meeting	Fund Balance Policy/Review Fund Balance Long-term Financial planning
Fin Committee	6/18/2020	Thu	6:30 PM		Finance Committee meeting	Proprietary Funds
Fin Committee	7/16/2020	Thu	6:30 PM		Finance Committee meeting	Investment Policy / Review Cash & Investments Long-term Financial planning
Fin Committee	8/20/2020	Thu	6:30 PM		Finance Committee meeting	Prelim 2019-20 results
Fin Committee	9/17/2020	Thu	6:30 PM		Finance Committee meeting	2020 Tax Commitment Tax Increment Financing
Fin Committee	10/15/2020	Thu	6:30 PM		Finance Committee meeting	Joint meeting w/ School - auditors' update
Fin Committee	11/5/2020	Thu	6:30 PM	CIP	Finance Committee workshop	CIP Workshop - CIP Draft 1
Fin Committee	11/12/2020	Thu	6:30 PM	CIP	Finance Committee workshop	CIP Workshop
Fin Committee	11/19/2020	Thu	6:30 PM		Finance Committee meeting	Review Master Fee Schedule Review Property Tax Assistance Program
Fin Committee	12/3/2020	Thu	6:30 PM	CIP	Finance Committee workshop	CIP Workshop
Fin Committee	12/17/2020	Thu	6:30 PM		Finance Committee meeting	Review Debt Disclosure Policy & Procedures Continuing Disclosure for bonds

CREDIT OPINION

9 January 2020

 Rate this Research

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Brunswick (Town of) ME

Update to credit analysis

Summary

Brunswick, ME (Aa2) benefits from a moderately-sized tax base with slightly above average income levels, stabilized financial position with satisfactory reserves, and manageable debt and pension burdens. The town benefits from the presence of Bowdoin College (Aa2 stable) and Mid Coast-Parkview Health, who are among the largest employers in the area.

Credit strengths

- » Satisfactory reserves bolstered by a formal fund balance policy
- » Low fixed costs
- » Below average pension liability and low OPEB liability

Credit challenges

- » Large capital plan for school upgrades
- » Increasing debt burden

Rating outlook

Moody's does not usually assign outlooks to local government credits with this amount of debt outstanding.

Factors that could lead to an upgrade

- » Trend of operating surpluses that leads to significant growth in reserve levels
- » Sustained trend of material tax base growth and significant improvement in income levels
- » Material increase in the tax base

Factors that could lead to a downgrade

- » Material decline in reserves or liquidity
- » Increased reliance on reserve appropriations to balance budgets
- » Material declines in the tax base or deterioration of income levels
- » Growth in debt burden

Key indicators

Exhibit 1

Brunswick (Town of) ME	2015	2016	2017	2018	2019
Economy/Tax Base					
Total Full Value (\$000)	\$1,898,617	\$1,913,782	\$1,911,919	\$2,192,780	\$2,183,365
Population	20,378	20,497	20,523	20,523	20,523
Full Value Per Capita	\$93,170	\$93,369	\$93,160	\$106,845	\$106,386
Median Family Income (% of US Median)	112.7%	113.9%	115.4%	115.4%	115.4%
Finances					
Operating Revenue (\$000)	\$56,991	\$58,833	\$61,517	\$62,945	\$65,228
Fund Balance (\$000)	\$10,196	\$11,447	\$13,494	\$14,813	\$15,875
Cash Balance (\$000)	\$19,103	\$19,823	\$23,561	\$23,966	\$16,170
Fund Balance as a % of Revenues	17.9%	19.5%	21.9%	23.5%	24.3%
Cash Balance as a % of Revenues	33.5%	33.7%	38.3%	38.1%	24.8%
Debt/Pensions					
Net Direct Debt (\$000)	\$25,220	\$23,122	\$23,944	\$21,976	\$19,723
3-Year Average of Moody's ANPL (\$000)	\$27,196	\$30,495	\$34,250	\$37,565	\$36,939
Net Direct Debt / Full Value (%)	1.3%	1.2%	1.3%	1.0%	0.9%
Net Direct Debt / Operating Revenues (x)	0.4x	0.4x	0.4x	0.3x	0.3x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	1.4%	1.6%	1.8%	1.7%	1.7%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	0.5x	0.5x	0.6x	0.6x	0.6x

Source: Moody's Investors Service and issuer's audited financial statements

Profile

The town of Brunswick has a population of approximately 20,500 and is located on the southern coast of Maine, approximately 25 miles northeast of Portland and 30 miles south of Augusta.

Detailed credit considerations

Economy and Tax Base: Residential and commercial tax base sees continued redevelopment of former naval air station

Despite the closure of the Brunswick Naval Air Station in May 2011 and some property value depreciation from the recession, the town's tax base has been fairly resilient and we expect the recent modest growth to continue. After a revaluation in 2018 where assessed values increased by 64%, assessed value growth was flat in 2019. We expect new growth will continue to be modest and will come from continued development in the former naval base, currently named Brunswick Landing and Brunswick Executive Airport.

Brunswick benefits from the presence of Bowdoin College and Mid Coast-Parkview Health, who employ approximately 961 and 1,060 people, respectively. The town's second largest taxpayer and largest employer, Bath Iron Works, a government shipbuilding contractor currently employs approximately 1,300 workers in Brunswick.

Median family income represents 115% of the nation, while median home values represent 113% of the national median. Unemployment levels are very low at just 2% compared to the national average of 3.3%.

Financial Operations and Reserves: Despite recent drawdowns, reserves remain satisfactory

The town's financial position remains satisfactory and, positively, management has continued to reduce its reliance on reserves to balance budgets. Fiscal 2019 operating results reflect a \$572,000 surplus driven by conservative budgeting. That surplus increased available fund balance to \$15.9 million or 24% of revenues. Property taxes represent the largest revenue source at 73%, while state aid provides 22%. The largest expenditures are education at 58% and public safety at 14%.

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 for the most updated credit rating action information and rating history.

Fiscal 2020 year to date results suggest a slight surplus at year end driven by stronger than expected revenues. The budget increased by 6.2% from the prior year and was balanced with a 4.2% increase in the tax levy and \$500,000 of appropriated fund balance. During the year, the town welcomed over 100 asylum seekers, which required management to increase community services, especially at the school department.

Going forward, we expect management will continue to reduce its reliance on reserve appropriations for town operations and remain in compliance with the formal policy. Given the expected increase in debt over the near term, annually increasing reserves to keep up with budgetary growth will be a key factor in future reviews. Material drawdowns could lead to negative credit pressure.

LIQUIDITY

Reported cash and investments at the end of fiscal 2019 represented \$16.2 million or 25% of revenues, however, actual cash on hand today is significantly higher. The town spent money on construction for the new school building before issuing BANs after June 30, 2019. Today, cash balances are closer to the historical norm of \$23 million or about 40% of total revenues.

Debt and Pensions: Debt burden increasing; below average pension and OPEB liabilities

Post issuance, the town will have a debt burden of about 2% of full value, which is elevated compared to the state average of 1.5% for Maine towns and cities. Following this issuance, the town is talking about a fire station project, which could cost around \$14 million. Outside of that project, there are no major debt plans on the horizon. Given the already large debt burden, continued debt issuance over and above what is planned combined with weaker reserves could result in future negative rating action.

DEBT STRUCTURE

The entire debt portfolio is fixed rate with 86% of principal retired in ten years. Fiscal 2019 debt service represented \$2.6 million or 4% of revenues.

DEBT-RELATED DERIVATIVES

The town is not party to any interest rate swaps or derivative agreements.

PENSIONS AND OPEB

The town's unfunded pension and OPEB liabilities are larger than its debt burden and represent a potential future credit challenge. The town participates in two multiple employer cost-sharing pension plans and funds OPEB on a pay-go basis. The table below summarizes the town's 2019 pension and OPEB contributions and unfunded liabilities.

Exhibit 2

Brunswick's 2019 debt, pension, and OPEB liabilities

	Amount (\$ thousands)	% of Operating Revenues	Discount Rate
Operating Revenue	65,228		
Reported Unfunded Pension Liability	5,892	9.03%	6.75%
Moody's Adjusted Net Pension Liability	28,503	43.70%	4.14%
Reported Net OPEB Liability	8,412	12.90%	-
Moody's Adjusted Net OPEB Liability	8,263	12.67%	-
Pension Contribution	1,952	2.99%	-
Pension Tread Water Gap [1]	(49)	-0.08%	-
OPEB Contribution	279	0.43%	-
Net Direct Debt	19,723	30.24%	-
Debt Service	2,629	4.03%	-
Total Fixed Costs	4,860	7.45%	-

[1] A negative pension tread water gap reflects pension contribution in excess of the amount required to prevent the unfunded liability from increasing if all plan assumptions are realized. A positive tread water gap reflects the opposite.

Source: Moody's Investors Service and issuer's audited financial statements

Favorably, the town's 2019 pension contributions slightly exceeded tread water, the amount required to prevent the unfunded liability from increasing if all plan assumptions are realized. To the extent that the multiple-employer pension plans in which the town participates experience returns on assets that fall short of their assumptions, the town's required pension contribution will increase.

Fiscal 2019 fixed costs, comprised of pensions, OPEB and debt service, represented a low 7.5% of operating revenues. However, return on assets in the state run pension plans and future escalation of OPEB costs could materially affect fixed costs going forward.

Management and Governance

Management is about to construct the final fiscal 2021 budget. We expect the tax rate to increase in line with the additional debt service that will be added once the new bonds are issued.

Maine towns and cities have an Institutional Framework score 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.

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.

Exhibit 3

Brunswick (Town of) ME

Rating Factors	Measure	Score
Economy/Tax Base (30%)^[1]		
Tax Base Size: Full Value (in 000s)	\$2,183,365	Aa
Full Value Per Capita	\$106,386	Aa
Median Family Income (% of US Median)	115.4%	Aa
Finances (30%)		
Fund Balance as a % of Revenues	24.3%	Aa
5-Year Dollar Change in Fund Balance as % of Revenues	8.8%	A
Cash Balance as a % of Revenues	24.8%	Aa
5-Year Dollar Change in Cash Balance as % of Revenues	-5.1%	Baa
Notching Factors:^[2]		
Other Analyst Adjustment to Finances Factor:		Up
Management (20%)		
Institutional Framework	Aa	Aa
Operating History: 5-Year Average of Operating Revenues / Operating Expenditures (x)	1.0x	A
Debt and Pensions (20%)		
Net Direct Debt / Full Value (%)	2.0%	A
Net Direct Debt / Operating Revenues (x)	0.7x	A
3-Year Average of Moody's Adjusted Net Pension Liability / Full Value (%)	1.7%	Aa
3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues (x)	0.6x	Aa
	Scorecard-Indicated Outcome	Aa2
	Assigned Rating	Aa2

[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.

[3] Standardized adjustments are outlined in the GO Methodology Scorecard Inputs publication

Source: US Census Bureau, Moody's Investors Service

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

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Japan	81-3-5408-4100
EMEA	44-20-7772-5454

RatingsDirect®

Summary:

Brunswick, Maine; General Obligation

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Rationale

Outlook

Related Research

Summary:

Brunswick, Maine; General Obligation

Credit Profile

US\$26.25 mil 2020 GO bnds due 11/01/2044

Long Term Rating

AA+/Stable

New

Brunswick GO

Long Term Rating

AA+/Stable

Affirmed

Rationale

S&P Global Ratings assigned its 'AA+' rating and stable outlook to Brunswick, Maine's series 2020 general obligation (GO) bonds and affirmed its 'AA+' rating, with a stable outlook, on the town's previously issued GO debt.

The series 2020 bonds and debt outstanding are general obligations of the town, for which it has pledged its full faith and credit. As a school project, the bonds are exempt from the limitations of the state's LD-1 levy limitations. However, the town maintains debt outstanding that is payable from ad valorem taxes levied on all property within Brunswick's territorial limits, which are subject to levy limitations under the LD-1 property tax levy law (Maine Revised Statutes Title 30-A, section 5721-A). Based on the application of our criteria, titled "Issue Credit Ratings Linked To U.S. Public Finance Obligors' Creditworthiness" (published Nov. 20, 2019), we do not differentiate between the town's limited-tax GO debt and its general creditworthiness because the tax limitation imposed on the Brunswick's ability to raise revenue, and the fungibility of those resources, is already embedded in our analysis of its financial and economic conditions.

Officials plan to use bond proceeds to renew previously issued bond anticipation notes (BANs) outstanding and provide additional funds toward a new elementary school project.

The long-term rating reflects our opinion of Brunswick's strong property tax base growth and desirable location in New England, supporting continued positive strong budgetary performance that has led to improved reserves. In our view, debt is manageable, including a planned \$17 million of additional debt for a new fire station and various other projects

The town's general creditworthiness reflects our opinion of its:

- Strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Strong management, with good financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Strong budgetary performance, with a slight operating surplus in the general fund but break-even operating results at the total governmental fund level in fiscal 2019;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2019 of 25% of operating expenditures;
- Very strong liquidity, with total government available cash at 29.7% of total governmental fund expenditures and

8.0x governmental debt service, and access to external liquidity we consider strong;

- Strong debt and contingent liability profile, with debt service carrying charges at 3.7% of expenditures and net direct debt that is 63.1% of total governmental fund revenue, as well as low overall net debt at less than 3% of market value; and
- Strong institutional framework score.

Strong economy

We consider Brunswick's economy to be strong. The town, with an estimated population of 20,942, is in Cumberland County in the Portland-South Portland, ME MSA, which we consider to be broad and diverse. The town has a projected per capita effective buying income of 107.8% of the national level and per capita market value of \$110,020. Overall, the town's market value grew by 1.2% over the past year, to \$2.3 billion in 2020. The county unemployment rate was 2.7% in 2018.

Brunswick is in southern Maine's Mid-Coast region. Area residents benefit from access to Portland, Maine's largest city, which is 26 miles south. Brunswick is also 18 miles southeast of Lewiston-Auburn and eight miles west of Bath. The town serves as the commercial and business center for several surrounding communities. Brunswick is home to Bowdoin College, a well-known liberal arts school, which employs 931 people. Other leading employers include Mid-Coast Parkview Health Services and Bath Iron Works Corp.

Economic developments include the redevelopment of the former Naval Air Station Brunswick, once one of the state's leading employers, which closed in 2011 as part of the 2005 base realignment and closure process. Midcoast Regional Redevelopment Authority, a state-appointed agency responsible for implementing a master-reuse plan, is leading the base's redevelopment in addition to development at the former base. This area of town has seen significant increase in traffic and is now experiencing increased development activity, including new medical facilities and renovation of a shopping center. Two adopted tax-increment-financing districts contain most of the base's property, with up to 50% of tax revenue made available to Midcoast Regional Redevelopment Authority for redevelopment. The 10 leading taxpayer concentration is diverse, at 11% of assessed value.

Strong management

We view the town's management as strong, with good financial policies and practices under our FMA methodology, indicating financial practices exist in most areas, but that governance officials might not formalize or monitor all of them on a regular basis.

When developing the budget, the town uses conservative assumptions grounded in a historical trend analysis and careful tracking of state aid and local tax revenue. Management regularly monitors budgetary performance and presents monthly reports to department heads, elected officials, and the town manager. Brunswick maintains a five-year capital improvement program that identifies funding sources, as well as a reserve target of maintaining an unassigned fund balance at or above 16.6% of budgeted revenue.

Management maintains its own formal investment policy, and monitors and reports on investments monthly. The town has a formal post-issuance debt-compliance policy. The town also maintains an informal five-year financial forecast, which it updates annually.

Strong budgetary performance

Brunswick's budgetary performance is strong, in our opinion. The town had slight surplus operating results in the general fund of 0.9% of expenditures, but a break-even result across all governmental funds in fiscal 2019. General fund operating results of the town have been stable over the past three years, with a result of 1.4% in 2018 and a result of 2.7% in 2017.

We have adjusted fiscal 2019 audited general fund and total governmental-funds operating results for recurring transfers, as well as one-time capital expenditures paid for with bond proceeds.

Management attributes the fiscal 2019 surplus to higher-than-budgeted property tax, excise taxes, investment income, building permit fees, and ambulance revenues. The town also had lower-than-anticipated school department, police, and public works costs during the year, which contributed to the positive performance. We recognize this surplus is in line with previous fiscal years, as a result of revenue exceeding the budget and the town's conservative budgeting practice. Real estate and personal property taxes generated 72% of fiscal 2019 revenue and intergovernmental aid accounted for 23%.

The adopted fiscal 2020 budget totals \$67.9 million, a 5.9% increase over fiscal 2019. In line with previous fiscal years, the fiscal 2020 budget has \$2.7 million of appropriated restricted fund balance. Management does not currently plan to use these funds, as it is budgeting conservatively, and expects to end fiscal 2020 with at least break-even results. Officials indicate budget-to-actuals are generally on target. Although the town is experiencing some higher-than-budgeted school department and municipal personnel costs, it has also had increases in different revenue areas, including property taxes, excise taxes, and state revenue sharing. Therefore, we expect general and total governmental-funds budgetary performance will remain strong, because Brunswick does not expect any fiscal imbalances in fiscal 2020.

Very strong budgetary flexibility

Brunswick's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2019 of 25% of operating expenditures, or \$15.9 million.

The town has consistently maintained very strong reserves over the past three years, at above 20%. For fiscal 2020, the town does not expect any drawdowns in reserves by fiscal year-end. We expect the fund balance will likely remain at least very strong and in line with the policy of maintaining unassigned fund balance at 16.6% of revenue.

Very strong liquidity

In our opinion, Brunswick's liquidity is very strong, with total government available cash at 29.7% of total governmental fund expenditures and 8.0x governmental debt service in 2019. In our view, the town has strong access to external liquidity, if necessary.

Brunswick has demonstrated strong access to external liquidity by issuing GO debt and BANs during the past 20 years. Management confirmed it does not have any contingent liquidity risks from financial instruments with payment provisions that change upon the occurrence of certain events. Therefore, we expect liquidity will likely remain very strong during the next two fiscal years.

Strong debt and contingent liability profile

In our view, Brunswick's debt and contingent liability profile is strong. Total governmental fund debt service is 3.7% of total governmental fund expenditures, and net direct debt is 63.1% of total governmental fund revenue. Overall net debt is low, at 2.1% of market value, which is in our view a positive credit factor.

With this issuance, Brunswick will have about \$43.9 million of total direct debt. According to management, it could issue an additional \$17.1 million of debt during the next two years to finance capital improvements, including the construction of a central fire station. However, we do not expect debt metrics will materially weaken as a result.

Brunswick's combined required pension and actual other postemployment benefits (OPEB) contributions totaled 2.8% of total governmental fund expenditures in 2019. The town made its full annual required pension contribution in 2019.

Pension and OPEB highlights include:

- We do not view pension costs as a long-term credit concern because of a high funded ratio, manageable liabilities, and overall low costs.
- We expect any increases in contributions will likely remain affordable, based on the strength of the town's revenue base, strong reserves, and conservative budgeting.

As of June 30, 2019, Brunswick participates in:

- Maine Public Employees Retirement System Consolidated Plan for Local Participating Districts (PLD), which is 91.14% funded with a proportionate share of the town's net pension liability at \$5.6 million, assuming a 6.75% discount rate as of fiscal 2019; and
- Maine Public Employees Retirement System State Employee and Teacher Plan (SET), which is 82.9% funded with a proportionate share of the town's net pension liability at \$327,267, assuming a 6.75% discount rate as of fiscal 2019.

The town also contributes to the PLD OPEB plan, a cost-sharing, multiple-employer OPEB plan administered by the Maine Public Employees Retirement system, for municipal employees and certain school department employees. The town's proportionate share of net pension liability totaled \$437,455 as of June 30, 2019, which we view as manageable.

The town is also a member of the Maine Municipal Employees Health Trust, and the town provides health care benefits for certain retired employees. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage. Therefore, contributions made by the town represent an implicit rate subsidy, and the audited financial statements reflect the percent of premiums which subsidize the retiree health benefits.

Strong institutional framework

The institutional framework score for Maine municipalities is strong.

Outlook

The stable outlook on the long-term rating reflects S&P Global Ratings' opinion of Brunswick's strong economy, supported by its access to the Portland MSA. Its very strong budgetary flexibility and liquidity provide additional rating support. Therefore, we do not expect to change the rating during the two-year outlook period.

Upside scenario

If economic indicators were to improve, coupled with management maintaining very strong budgetary flexibility on par with that of higher-rated peers through consistent positive financial performance, we could raise the rating.

Downside scenario

If budgetary performance were to deteriorate, reserves were to decrease to levels we consider weak, or economic indicators were to decrease, we could lower the rating.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Criteria Guidance: Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings, Oct. 7, 2019
- 2019 Update Of Institutional Framework For U.S. Local Governments

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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From: [Joseph Cuetara](#)
To: [Julia Henze](#); [Branden Perreault](#)
Cc: smueller@bernsteinsur.com; [Zachary B. Brandwein](#)
Subject: Brunswick ME 2020 Bonds - Bid Results
Date: Tuesday, January 14, 2020 11:11:27 AM
Attachments: [COI-Brunswick\(2020\).xls](#)
Importance: High

Brunswick (Town) \$26,250,000 2020 General Obligation Bonds

The following bids were submitted using **PARITY**[®] and displayed ranked by lowest TIC.
Click on the name of each bidder to see the respective bids.

Bid Award*	Bidder Name	TIC
	Raymond James & Associates, Inc.	2.154351
	Robert W. Baird & Co., Inc.	2.164502
	Wells Fargo Bank, National Association	2.171492
	Citigroup Global Markets Inc.	2.174200
	Bank of America Merrill Lynch	2.205981
	BNYMellon Capital Markets	2.239173
	J.P. Morgan Securities LLC	2.243878
	RBC Capital Markets	2.248271
	Mesirow Financial, Inc.	2.281062
	UBS Financial Services Inc.	2.312782
	Janney Montgomery Scott LLC	2.314046



Moors & Cabot is moving!
Please take note of our new
address, effective Monday,
September 17th:

One Federal Street
19th Floor
Boston, MA 02110

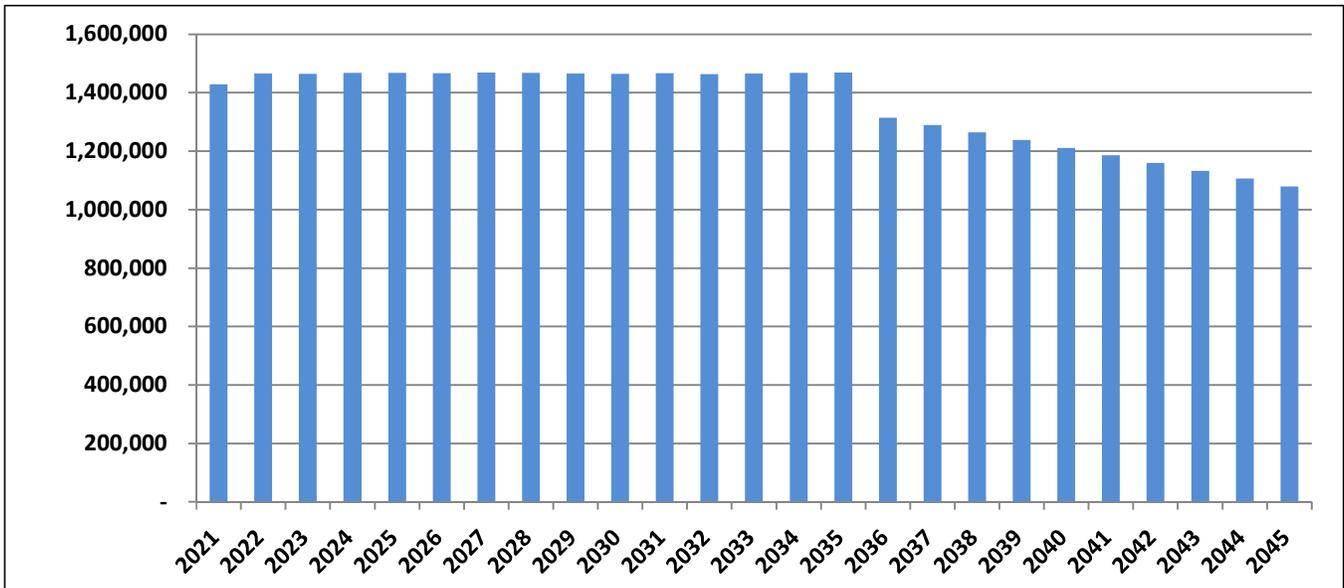
Joseph ("Joe") P Cuetara, SVP
jcuetara@moorscabot.com
(800) 426-0501 (Toll Free)
(617) 314-0258 (Office & Fax)
(617) 519-3484 (Cell)

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TOWN OF BRUNSWICK, MAINE
Bond Amortization Schedule (Level pmts 15 years, declining 10 years)
Kate Furbish Elementary School

Bond Production:	26,400,630	Amount Financed:	24,450,000
Premium:	1,950,630	Total Interest:	9,492,893
Amount Financed:	24,450,000	Total Cost:	33,942,893
Number of Years:	25		
Interest Rate: (TIC)	2.17%		
Start Bond Year:	1	Tax Rate impact where 1% =	460,000
Start Fiscal Year:	2021		

BOND YEAR	FISCAL YR END	PRINCIPAL	INTEREST	TOTAL PAYMENT	BALANCE	CUMULATIVE PRINCIPAL	Tax Rate Impact
1	2021	420,000.00	1,008,658.21	1,428,658.21	24,030,000.00	420,000.00	3.11%
2	2022	690,000.00	775,268.75	1,465,268.75	23,340,000.00	1,110,000.00	0.08%
3	2023	725,000.00	739,893.75	1,464,893.75	22,615,000.00	1,835,000.00	0.00%
4	2024	765,000.00	702,643.75	1,467,643.75	21,850,000.00	2,600,000.00	0.01%
5	2025	805,000.00	663,393.75	1,468,393.75	21,045,000.00	3,405,000.00	0.00%
6	2026	845,000.00	622,143.75	1,467,143.75	20,200,000.00	4,250,000.00	0.00%
7	2027	890,000.00	578,768.75	1,468,768.75	19,310,000.00	5,140,000.00	0.00%
8	2028	935,000.00	533,143.75	1,468,143.75	18,375,000.00	6,075,000.00	0.00%
9	2029	980,000.00	485,268.75	1,465,268.75	17,395,000.00	7,055,000.00	-0.01%
10	2030	1,030,000.00	435,018.75	1,465,018.75	16,365,000.00	8,085,000.00	0.00%
11	2031	1,085,000.00	382,143.75	1,467,143.75	15,280,000.00	9,170,000.00	0.00%
12	2032	1,120,000.00	343,818.75	1,463,818.75	14,160,000.00	10,290,000.00	-0.01%
13	2033	1,145,000.00	321,168.75	1,466,168.75	13,015,000.00	11,435,000.00	0.01%
14	2034	1,170,000.00	298,018.75	1,468,018.75	11,845,000.00	12,605,000.00	0.00%
15	2035	1,195,000.00	273,621.88	1,468,621.88	10,650,000.00	13,800,000.00	0.00%
16	2036	1,065,000.00	248,943.75	1,313,943.75	9,585,000.00	14,865,000.00	-0.34%
17	2037	1,065,000.00	224,315.63	1,289,315.63	8,520,000.00	15,930,000.00	-0.05%
18	2038	1,065,000.00	199,021.88	1,264,021.88	7,455,000.00	16,995,000.00	-0.05%
19	2039	1,065,000.00	173,062.50	1,238,062.50	6,390,000.00	18,060,000.00	-0.06%
20	2040	1,065,000.00	146,437.50	1,211,437.50	5,325,000.00	19,125,000.00	-0.06%
21	2041	1,065,000.00	120,478.13	1,185,478.13	4,260,000.00	20,190,000.00	-0.06%
22	2042	1,065,000.00	94,518.75	1,159,518.75	3,195,000.00	21,255,000.00	-0.06%
23	2043	1,065,000.00	67,893.75	1,132,893.75	2,130,000.00	22,320,000.00	-0.06%
24	2044	1,065,000.00	41,268.75	1,106,268.75	1,065,000.00	23,385,000.00	-0.06%
25	2045	1,065,000.00	13,978.13	1,078,978.13	-	24,450,000.00	-0.06%
26	2046	-	-	-	-	-	-2.35%
TOTAL		24,450,000.00	9,492,892.61	33,942,892.61			



TOWN OF BRUNSWICK, MAINE
General Obligation Debt ratios

<u>Governmental Activities Outstanding Debt</u>				<u>Ratios of Total Outstanding Debt</u>				
<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Capital Lease</u>	<u>Total Outstanding Debt</u>	<u>Percentage of Personal Income (a)</u>	<u>% of Est Actual Taxable</u>		<u>Percentage of Revenues</u>	<u>Percentage of Non-capital Expenditures</u>
					<u>Per Capita</u>	<u>Value of Property (b)</u>		
2006	\$ 9,205,000	\$ 105,628	\$ 9,310,628	2.16%	\$ 439.76	0.55%	16.53%	18.73%
2007	10,315,000	46,536	10,361,536	2.41%	489.40	0.55%	17.67%	19.88%
2008	8,655,000	-	8,655,000	2.01%	408.79	0.42%	13.45%	15.69%
2009	7,175,000	-	7,175,000	1.67%	338.89	0.34%	11.62%	12.77%
2010	5,715,000	-	5,715,000	1.33%	269.93	0.27%	9.48%	10.60%
2011	30,177,250	-	30,177,250	5.42%	1,488.18	1.49%	51.22%	57.06%
2012	27,439,138	-	27,439,138	4.93%	1,353.15	1.41%	47.93%	53.53%
2013	30,211,025	-	30,211,025	5.43%	1,489.84	1.61%	52.60%	58.25%
2014	27,322,912	-	27,322,912	4.91%	1,347.42	1.46%	46.06%	49.95%
2015	25,219,800	-	25,219,800	4.53%	1,243.70	1.33%	40.71%	43.49%
2016	23,121,687	-	23,121,687	4.15%	1,140.24	1.21%	36.13%	39.74%
2017	23,944,475	-	23,944,475	4.30%	1,180.81	1.25%	34.94%	38.68%
2018	21,975,669	-	21,975,669	3.95%	1,083.72	1.00%	31.60%	35.17%
2019	19,722,829	-	19,722,829	3.54%	972.62	0.90%	27.06%	30.33%
2020 est	42,082,308	-	42,082,308	7.56%	2,075.27	1.91%	57.75%	64.72%

(assumes level exp & rev from 2019)

<u>Governmental Activities Debt Service</u>				<u>Ratios of Annual Debt Service</u>				
<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Capital Lease</u>	<u>Total Debt Service</u>	<u>Percentage of Personal Income (a)</u>	<u>% of Est Actual Taxable</u>		<u>Percentage of Revenues</u>	<u>Percentage of Non-capital Expenditures</u>
					<u>Per Capita</u>	<u>Value of Property (b)</u>		
2006	\$ 2,125,188	\$ 63,504	\$ 2,188,692	0.51%	\$ 103.38	0.13%	3.89%	4.40%
2007	2,047,169	63,504	2,110,673	0.49%	99.69	0.11%	3.60%	4.05%
2008	2,017,363	47,628	2,064,991	0.48%	97.53	0.10%	3.21%	3.74%
2009	1,784,225	-	1,784,225	0.41%	84.27	0.09%	2.89%	3.17%
2010	1,714,125	-	1,714,125	0.40%	80.96	0.08%	2.84%	3.18%
2011	1,322,225	-	1,322,225	0.24%	62.45	0.07%	2.24%	2.50%
2012	3,557,022	-	3,557,022	0.64%	175.41	0.18%	6.21%	6.94%
2013	3,432,723	-	3,432,723	0.62%	169.28	0.18%	5.98%	6.62%
2014	3,632,836	-	3,632,836	0.65%	179.15	0.19%	6.12%	6.64%
2015	2,828,230	-	2,828,230	0.51%	139.47	0.15%	4.57%	4.88%
2016	2,458,026	-	2,458,026	0.44%	121.22	0.13%	3.84%	4.23%
2017	2,778,845	-	2,778,845	0.50%	137.04	0.15%	4.05%	4.49%
2018	2,612,850	-	2,612,850	0.47%	128.85	0.12%	3.76%	4.18%
2019	2,702,879	-	2,702,879	0.49%	133.29	0.12%	3.71%	4.16%
2020 est	2,628,705	-	2,628,705	0.47%	129.63	0.12%	3.61%	4.04%
2021 est	4,004,912	-	4,004,912	0.72%	197.50	0.18%	5.50%	6.16%

(assumes level exp & rev from 2019)

<u>Govt Activities Capital Expenditures</u>				<u>Ratios of Annual Debt Service plus Capital Budget</u>				
<u>Fiscal Year</u>	<u>Total Debt Service</u>	<u>Capital Budget</u>	<u>Total Capital Expenditures</u>	<u>Percentage of Personal Income (a)</u>	<u>% of Est Actual Taxable</u>		<u>Percentage of Revenues</u>	<u>Percentage of Non-capital Expenditures</u>
					<u>Per Capita</u>	<u>Value of Property (b)</u>		
2006	\$ 2,188,692	\$ 1,543,000	\$ 3,731,692	0.87%	\$ 176.26	0.22%	6.63%	7.51%
2007	2,110,673	1,756,000	3,866,673	0.90%	182.63	0.21%	6.59%	7.42%
2008	2,064,991	1,725,000	3,789,991	0.88%	179.01	0.18%	5.89%	6.87%
2009	1,784,225	1,857,400	3,641,625	0.85%	172.00	0.17%	5.90%	6.48%
2010	1,714,125	2,152,000	3,866,125	0.90%	182.61	0.18%	6.41%	7.17%
2011	1,322,225	2,195,500	3,517,725	0.63%	166.15	0.17%	5.97%	6.65%
2012	3,557,022	1,491,648	5,048,670	0.91%	248.97	0.26%	8.82%	9.85%
2013	3,432,723	2,702,710	6,135,433	1.10%	302.57	0.33%	10.68%	11.83%
2014	3,632,836	2,954,091	6,586,927	1.18%	324.83	0.35%	11.10%	12.04%
2015	2,828,230	903,860	3,732,090	0.67%	184.05	0.20%	6.02%	6.44%
2016	2,458,026	1,439,351	3,897,377	0.70%	192.20	0.20%	6.09%	6.70%
2017	2,778,845	1,299,858	4,078,703	0.73%	201.14	0.21%	5.95%	6.59%
2018	2,612,850	2,042,910	4,655,760	0.84%	229.60	0.21%	6.69%	7.45%
2019	2,702,879	2,625,074	5,327,953	0.96%	262.75	0.24%	7.31%	8.19%
2020 est	2,628,705	2,700,500	5,329,205	0.96%	262.81	0.24%	7.31%	8.20%
2021 est	4,004,912	2,700,500	6,705,412	1.20%	330.67	0.30%	9.20%	10.31%

(assumes level exp & rev from 2019)

(a) Per capita income and population can be found in Table 16.
(b) For taxable property value data see Table 8.

June 2016 Data - Compiled by PFM Investment Advisors, LLC

