

RatingsDirect®

Summary:

Brunswick, Maine; General Obligation

Primary Credit Analyst:

Tyler Fitman, Boston (1) 617-530-8021; tyler.fitman@spglobal.com

Secondary Contact:

Jennifer K Garza (Mann), Dallas + 1 (214) 871 1422; jennifer.garza@spglobal.com

Table Of Contents

Rating Action

Stable Outlook

Credit Opinion

Related Research

Summary:

Brunswick, Maine; General Obligation

Credit Profile

US\$13.856 mil GO bnds ser 2022 due 11/01/2046

<i>Long Term Rating</i>	AA+/Stable	New
-------------------------	------------	-----

Brunswick GO

<i>Long Term Rating</i>	AA+/Stable	Affirmed
-------------------------	------------	----------

Brunswick 2020 GO bnds

<i>Long Term Rating</i>	AA+/Stable	Affirmed
-------------------------	------------	----------

Rating Action

S&P Global Ratings affirmed its 'AA+' long-term rating, with a stable outlook, on Brunswick, Maine's previously issued general obligation (GO) bonds. At the same time, S&P Global Ratings assigned its 'AA+' long-term rating to the town's estimated \$13.8 million series 2022 GO bonds.

The series 2022 bonds and debt outstanding are general obligations of the town, for which it has pledged its full faith and credit. Brunswick can levy ad valorem property taxes for bond repayment, subject to the state's LD-1 legislation limitations on existing debt. We rate the existing limited-tax GO debt on par with our view of Brunswick's general creditworthiness, since the ad valorem tax is not derived from a measurably narrower tax base and there are no limitations on the fungibility of resources, which supports our view of the town's overall ability and willingness to pay debt service.

The bonds are being issued to provide funds for the purchase of property for, and construction of, a new central fire station and to provide funds to finance the purchase of a fire truck.

Credit overview

Brunswick's management team has implemented strong financial policies and procedures that have contributed to the town's track record of positive operating performance through 2021. The town benefits from a strong real estate market; access to Portland, which is the largest city in the state; and tax base growth from single-family homes and development projects. We note that while this growth has in turn led to wealth and income growth, these metrics continue to lag those of higher-rated peers. We expect that these factors will contribute to positive operating results and growing reserves going forward.

The rating also reflects our view of the town's:

- Strong tax base, with participation in the strong and diverse Portland-South Portland metropolitan statistical area (MSA);
- Good management environment and strong institutional framework;
- High reserves, enabled by consistent positive operating performance; and

- Low overall net debt burden, coupled with manageable fixed costs.

Environmental, social, and governance

Given Brunswick's location along the Atlantic coast, the town's environmental risks are above the sector standard as the town is susceptible to flooding, hurricane events, and sea-level rise. The town is working on updating the comprehensive plan and incorporating climate change risks into the long-term strategy. We analyzed the town's risks relative to its economy, management, financial measures, and debt and liability profile, and determined that social and governance risks are in line with our view of the sector standard.

Stable Outlook

Upside scenario

We could consider a positive rating action should economic metrics improve to be more in line with those of higher-rated peers without deterioration in other credit factors.

Downside scenario

We could consider a negative rating action if the town's budgetary performance were to deteriorate, leading to a decline in reserves.

Credit Opinion

Growing tax base with access to a broad and diverse MSA

Brunswick is the largest town in Maine, with an estimated population of 21,756. The town is located in Cumberland County in the broad and diverse Portland-South Portland, ME MSA. Residents of Brunswick benefit from access to Portland, located 26 miles south and the largest city in Maine. The town also benefits from train service to Boston, Massachusetts. The town is a center for commercial activity in the area. Mid-Coast Parkview Health and Bath Iron Works are the two largest employers in the town. Brunswick is also home to Bowdoin College, which employs 984 people. We expect wealth and income metrics may continue to benefit from the town's desirable location in the state and New England as a whole, as well as continued development in the town itself.

The most notable economic development in town is Brunswick Landing, which is the mixed-use redevelopment at the former Naval Air Station Brunswick, which closed in 2011. Midcoast Regional Redevelopment Authority is the state agency that is responsible for redevelopment at the former base. Development at Brunswick Landing has contributed \$90 million in taxable property growth. Redevelopment at the base has included retail, medical office space, and higher education programs from the Maine Community College System. The redevelopment has also included new apartments and the sale of former Navy-owned homes. The development at Brunswick Landing has also increased development at the nearby Cook's Corner, where recent additions include apartments and new medical facilities.

Good financial management practices and stable management team

We view the town's management as strong, with good financial policies and practices under our Financial Management Assessment methodology, indicating financial practices exist in most areas.

Management uses conservative assumptions based on historical trend analysis and careful tracking of state aid and local tax revenue when developing the budget. Management 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 and a reserve policy 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 and has adopted a debt disclosure policy that governs procedures for new issuance disclosures and continuing disclosures on existing debt. The town complies with debt limitations imposed by state statute, which we do not view as restrictive. Management also maintains an informal five-year financial forecast, which it updates annually. Management is also taking steps to mitigate risks associated with cyber attacks. The town has had personnel stability in key financial management positions and the former finance director is now the town manager, which has allowed for overall stability in financial management practices.

Growing fund balance supported by consistent operating surplus

We have adjusted for recurring transfers in and out of the general fund, and adjusted out one-time capital expenditures funded with bond proceeds. Brunswick had a large operating surplus in fiscal 2021, at approximately 6% of expenditures. Due to uncertainties caused by the COVID-19 pandemic, the town used conservative estimates when budgeting revenues. Property tax revenues came in at \$2 million over budget. Excise tax, state revenue sharing, and building permit and fee revenues were also higher than expected. The town benefited from an increase in property values, as well as permit and fee revenue increases due to commercial and residential development, including permits for 75 new single-family homes. Expenditures were \$2 million under budget, with large savings in personnel costs, trash and recycling, and snow and ice removal. Total available fund balance in 2021 was \$19.7 million, an increase from \$16.6 million. Unassigned fund balance was \$17.1 million at the end of the year, which is \$4.5 million above the target set by policy, and an increase from \$12 million in 2020. Additionally, the school department expenditures came in under budget by \$2.6 million due to unique circumstances related to the pandemic, including allowed uses of Elementary and Secondary School Emergency Relief (ESSER) funding. The school department accounted for \$5 million of the \$6 million in COVID-19-related grants the town received in fiscal 2021. The town is currently assessing potential uses of its \$2.2 million American Rescue Plan Act (ARPA) funding. While no decisions have been made on spending these funds, stormwater improvement and additional pay for first-responders are among the considerations.

The 2022 budget was established with a 6.3% increase in expenditures over 2021. Wages, benefits, and additional staffing drove this increase. The town has also accomplished its goal in funding a pavement replacement and repair program on a pay-go basis, the budget of which has been doubled over the last few years and is now budgeted at \$2 million per year. The town also budgeted for a 6.9% increase in excise tax revenue and 10% increase in ambulance fees. The budget was amended when the state budget passed with an increase in state revenue sharing for the town. The town does budget for use of reserves each year, but due to conservative budgeting practices has consistently produced positive operating results.

The town closed the Graham Road Landfill in April 2021. There are \$7.7 million in costs associated with closing the landfill. The town had worked to build up cash reserves to cover this cost, and the closure costs have qualified for 75% reimbursement through the Maine Municipal Landfill Closure and Remediation Program. While the town has been

approved for reimbursement, it is unclear when the funding will be made available. The town will budget approximately \$75,000 annually from the general fund for monitoring of the closed landfill; therefore, we do not expect it will pressure the town's performance or reserve position. Overall, we expect reserves will remain very strong and in line with the town's reserve policy.

The town's liquidity position remains very strong, after adjusting out restricted cash, and maintains strong access to external liquidity by issuing GO and bond anticipation notes during the last 20 years. The town has four direct borrowings with the Maine Municipal Bond Bank totaling \$11.3 million. Upon review of the direct borrowing loan agreements, we do not view these borrowings as a contingent liquidity risk as the events of default are standard and remedies do not include acceleration of principal.

Very strong debt profile with limited plans for additional near-term debt

After this issuance, the town will have \$51.3 million in total direct debt outstanding. The town does not have any additional debt authorized at this time. The town's capital improvement plan does include various projects that, if approved, may be funded through the issuance of debt. Some of these projects are also eligible for various levels of grant funding, and about half may be funded by tax increment financing revenues. The plan indicates approximately \$770,000 in debt for these projects over the next two years.

Manageable pension and other postemployment benefits (OPEB) liabilities:

We do not view pension costs as a credit pressure for Brunswick due to the high funded ratio, low costs, and overall manageable liabilities. The town has consistently made its required annual contributions for all plans.

Brunswick participates in the following plans:

- Maine Public Employees Retirement System Consolidated Plan for Local Participating Districts (PLD), which is 88.4% funded with a proportionate share of the town's net pension liability at \$7.9 million, assuming a 6.75% discount rate; and
- Maine Public Employees Retirement System State Employee and Teacher Plan (SET), which is 81.0% funded with a proportionate share of the town's net pension liability at \$336,440, assuming a 6.75% discount rate.

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 \$280,500 as of June 30, 2021, 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; the total liability amounts to \$1.6 million. 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. Since contributions come from the state, this does not contribute to overall fixed costs.

Strong institutional framework

The institutional framework score for Maine municipalities is strong.

Brunswick--Key Credit Metrics

	Most recent	Historical information		
		2021	2020	2019
Very strong economy				
Projected per capita EBI % of U.S.	111			
Market value per capita (\$)	124,833			
Population		20,795	20,948	
County unemployment rate(%)		5.3		
Market value (\$000)	2,595,900	2,595,900	2,509,500	2,319,900
Ten largest taxpayers % of taxable value	10.1			
Strong budgetary performance				
Operating fund result % of expenditures		5.6	1.8	0.9
Total governmental fund result % of expenditures		4.5	(1.2)	(0.0)
Very strong budgetary flexibility				
Available reserves % of operating expenditures		27.4	24.1	24.3
Total available reserves (\$000)		19,771	16,600	15,875
Very strong liquidity				
Total government cash % of governmental fund expenditures		35	45	30
Total government cash % of governmental fund debt service		732	1261	801
Strong management				
Financial Management Assessment	Good			
Very strong debt & long-term liabilities				
Debt service % of governmental fund expenditures		4.7	3.6	3.7
Net direct debt % of governmental fund revenue	58			
Overall net debt % of market value	2.1			
Direct debt 10-year amortization (%)	52			
Required pension contribution % of governmental fund expenditures		2.6		
OPEB actual contribution % of governmental fund expenditures		0.1		
Strong institutional framework				

EBI--Effective buying income. OPEB--Other postemployment benefits.
Data points and ratios may reflect analytical adjustments.

Related Research

- Alternative Financing: Disclosure Is Critical To Credit Analysis In Public Finance, Feb. 18, 2014
- Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020

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.

Copyright © 2022 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.