

ISSUER COMMENT

16 August 2019

RATING

General Obligation (or GO Related) ¹

A1 No Outlook

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Town of River Bend, NC

Annual Comment on River Bend

Issuer Profile

The Town of River Bend is located in Craven County in the central Atlantic coastal region of North Carolina, approximately 70 miles northeast of Wilmington. The county has a population of 103,374 and a moderate population density of 146 people per square mile. The county's median family income is \$57,991 (3rd quartile) and the June 2019 unemployment rate was 4.8% (4th quartile) ². The largest industry sectors that drive the local economy are the military, retail trade, and local government.

Credit Overview

River Bend has a sound credit position. On the other hand, its A1 rating is a little weaker than the US cities median of Aa3. The notable credit factors include a robust financial position, an exceptionally light debt burden and a mid-ranged pension liability. It also reflects a healthy wealth and income profile and a limited tax base.

Finances: The town's financial position is very strong and is a notable strength relative to the A1 rating assigned. The fund balance as a percent of operating revenues (158.4%) far exceeds the US median, and saw an impressive increase from 2014 to 2018. In addition, the cash balance as a percent of operating revenues (152.8%) is far superior to other Moody's-rated cities nationwide.

Debt and Pensions: Overall, the debt and pension liabilities of the town are negligible and are very favorable in comparison to its A1 rating. River Bend's net direct debt to full value (0%) is materially lower than the US median, and declined between 2014 and 2018. Most of the town's debt is self-supporting debt paid from utility system revenues. Moreover, the Moody's-adjusted net pension liability to operating revenues (1.1x) favorably is slightly below the US median.

Economy and Tax Base: The town has a solid economy and tax base overall, which are aligned with the assigned rating of A1. The full value per capita (\$99,207) is stronger than the US median. That said, it contracted from 2014 to 2018. Additionally, the median family income equates to a solid 105.7% of the US level. On the contrary, the total full value (\$300 million) is well below other Moody's-rated cities nationwide.

Management and Governance: North Carolina cities have an Institutional Framework score ³ of Aaa, which is high compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. Property taxes, the sector's major revenue source, is subject to a cap which can be overridden with voter approval. However, the cap of \$15 per \$1,000 of assessed value still allows for significant revenue-raising ability. 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. North Carolina is a Right to Work state, providing significant expenditure-cutting ability. Unpredictable expenditure fluctuations tend to be minor, under 5% annually.

Sector Trends - North Carolina Cities

North Carolina cities will generally benefit from a robust state economy, although rural areas still transitioning from a high reliance on textile, furniture and tobacco employment will lag the rest of the state. Most cities benefit from diverse economic expansion of the technology, pharmaceutical, financial and tourism sectors. Sales tax collections are increasing and an improving housing market has bolstered property tax revenues. Pensions are well funded and not expected to have an outsized negative impact on the credit quality of cities as a whole.

EXHIBIT 1

Key Indicators ⁴ ⁵ River Bend

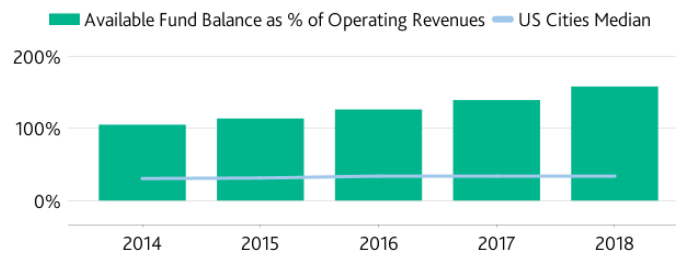
	2014	2015	2016	2017	2018	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$341M	\$334M	\$336M	\$298M	\$299M	\$1,867M	Weakened
Full Value Per Capita	\$108,355	\$105,930	\$106,376	\$96,416	\$99,207	\$89,200	Weakened
Median Family Income (% of US Median)	87%	93%	98%	106%	106%	113%	Improved
Finances							
Available Fund Balance as % of Operating Revenues	105.4%	113.9%	126.5%	139.5%	158.4%	33.9%	Improved
Net Cash Balance as % of Operating Revenues	99.1%	106.7%	120.1%	134.4%	152.8%	36.9%	Improved
Debt / Pensions							
Net Direct Debt / Full Value	0.9%	0.8%	0.0%	0.0%	0.0%	1.1%	Improved
Net Direct Debt / Operating Revenues	1.76x	1.63x	0.00x	0.00x	0.00x	0.88x	Improved
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	0.4%	0.4%	0.4%	0.5%	0.6%	1.8%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	0.76x	0.77x	0.72x	0.89x	1.08x	1.51x	Stable
	2014	2015	2016	2017	2018	US Median	
Debt and Financial Data							
Population	3,151	3,161	3,164	3,095	3,019	N/A	
Available Fund Balance (\$000s)	\$1,753	\$1,912	\$2,142	\$2,463	\$2,710	\$7,419	
Net Cash Balance (\$000s)	\$1,649	\$1,790	\$2,034	\$2,372	\$2,614	\$8,404	
Operating Revenues (\$000s)	\$1,664	\$1,678	\$1,694	\$1,765	\$1,711	\$21,930	
Net Direct Debt (\$000s)	\$2,935	\$2,730	\$0.00	\$0.00	\$0.00	\$18,580	
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$1,265	\$1,287	\$1,225	\$1,578	\$1,841	\$32,507	

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

EXHIBIT 2

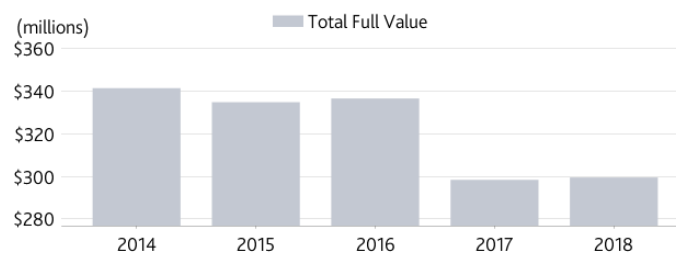
Available fund balance as a percent of operating revenues increased from 2014 to 2018



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

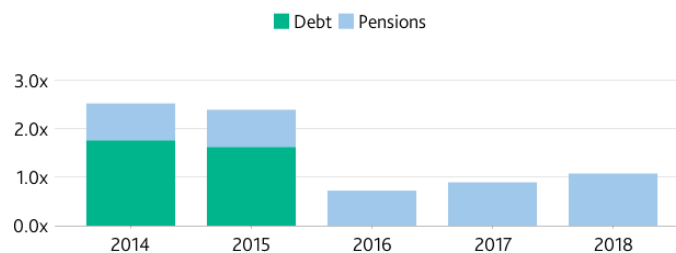
Full value of the property tax base decreased from 2014 to 2018



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 2014 to 2018



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 \(December 2016\)](#) 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 - Property values key to stability, but pension burdens remain a challenge \(March 2018\)](#) 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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