

ISSUER COMMENT

13 July 2018

RATING

General Obligation (or GO Related) ¹

A1 No Outlook

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Town of Tiverton, RI

Annual Comment on Tiverton

Issuer Profile

The Town of Tiverton is located in Newport County in southeastern Rhode Island, bounded on the north and east by the Massachusetts state line, approximately 20 miles southeast of Providence. The county has a population of 82,714 and a moderate population density of 795 people per square mile. The county's median family income is \$91,985 (1st quartile) and the April 2018 unemployment rate was 3.6% (3rd quartile) ². The largest industry sectors that drive the local economy are accommodation/food services, health services, and retail trade.

Credit Overview

Tiverton has a sound credit position, however, its A1 rating is slightly beneath the median rating of Aa3 for US cities. Key credit factors include a strong wealth and income profile, a sizable tax base, a very solid financial position and moderate debt and pension liabilities.

Economy and Tax Base: The economy and tax base of Tiverton are very healthy and are relatively favorable when compared to the assigned rating of A1. The town's full value per capita (\$126,327) is above the US median, and rose slightly between 2013 and 2017. Moreover, the median family income equates to a healthy 122.4% of the US level. Lastly, the total full value (\$2 billion) is consistent with other Moody's-rated cities nationwide.

Finances: Overall, Tiverton has a strong financial position, which is relatively favorable with respect to its A1 rating. The cash balance as a percent of operating revenues (32.5%) approximates the US median, and did not change between 2013 and 2017. On the other hand, the town's fund balance as a percent of operating revenues (8.8%) is much lower than the US median.

Debt and Pensions: Overall, the debt and pension liabilities of Tiverton are moderate and are consistent with the assigned rating of A1. The Moody's-adjusted net pension liability to operating revenues (1.2x) favorably is slightly lower than the US median, and remained flat from 2013 to 2017. In addition, the net direct debt to full value (2.3%) is materially higher than the US median.

Management and Governance: Rhode Island cities have an Institutional Framework score ³ of A, which is moderate compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. Increases in property taxes, the sector's major revenue source, are subject to a 4% cap, which can be overridden at the local level. The 4% cap provides for moderate revenue-raising ability. 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. Rhode

Island has public sector unions and additional constraints, which limit the ability to cut expenditures. Unpredictable expenditure fluctuations tend to be minor, under 5% annually.

Sector Trends - Rhode Island Cities

Rhode Island cities benefit from strong state fiscal oversight but are pressured due to a lagging economy and relatively high pension liabilities. The national housing market recovery has largely bypassed Rhode Island, despite its proximity to economically vibrant Boston. Unemployment, while down significantly from last year, remains higher than the nation. Year-over-year financial metrics for most cities improved over the past year, positioning the sector well for the year ahead. In particular, the most stressed cities are stabilizing. Debt levels will remain manageable.

EXHIBIT 1

Key Indicators ⁴ ⁵ Tiverton

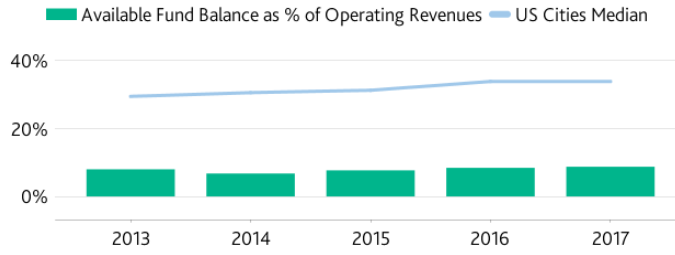
	2013	2014	2015	2016	2017	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$1,932M	\$1,937M	\$1,945M	\$1,977M	\$1,995M	\$1,867M	Stable
Full Value Per Capita	\$122,263	\$122,614	\$122,964	\$125,194	\$126,327	\$89,200	Stable
Median Family Income (% of US Median)	130%	131%	128%	122%	122%	113%	Weakened
Finances							
Available Fund Balance as % of Operating Revenues	8.0%	6.8%	7.7%	8.4%	8.8%	33.9%	Stable
Net Cash Balance as % of Operating Revenues	30.2%	17.9%	28.3%	25.1%	32.5%	36.9%	Stable
Debt / Pensions							
Net Direct Debt / Full Value	1.8%	2.0%	1.9%	1.7%	2.3%	1.1%	Stable
Net Direct Debt / Operating Revenues	0.72x	0.77x	0.76x	0.67x	0.85x	0.88x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	2.8%	3.1%	3.1%	2.9%	3.2%	1.8%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	1.12x	1.19x	1.20x	1.12x	1.21x	1.51x	Stable
	2013	2014	2015	2016	2017	US Median	
Debt and Financial Data							
Population	15,805	15,805	15,818	15,795	15,795	N/A	
Available Fund Balance (\$000s)	\$3,867	\$3,359	\$3,807	\$4,318	\$4,606	\$7,419	
Net Cash Balance (\$000s)	\$14,604	\$8,884	\$13,994	\$12,833	\$17,082	\$8,404	
Operating Revenues (\$000s)	\$48,331	\$49,653	\$49,483	\$51,189	\$52,572	\$21,930	
Net Direct Debt (\$000s)	\$34,675	\$38,326	\$37,410	\$34,489	\$44,928	\$18,580	
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$54,111	\$59,109	\$59,599	\$57,212	\$63,462	\$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

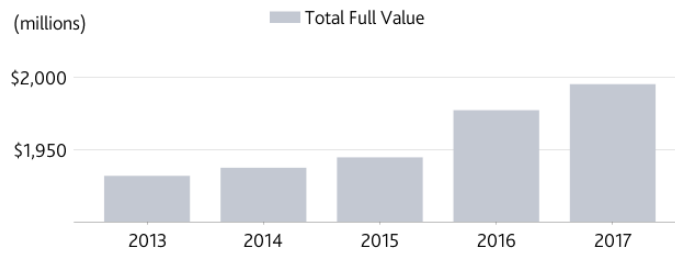
Available fund balance as a percent of operating revenues was stable overall from 2013 to 2017



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

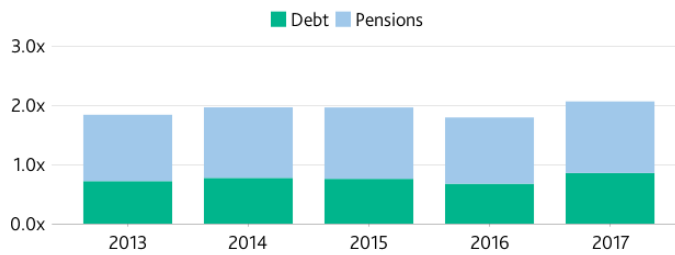
Full value of the property tax base increased from 2013 to 2017



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

EXHIBIT 4

Moody's-adjusted net pension liability to operating revenues remained stable from 2013 to 2017



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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