

CREDIT OPINION

11 July 2019

 Rate this Research

Contacts

Tiphany Lee-Allen +1.212.553.4772
 VP-Senior Analyst
 tiphany.lee-allen@moodys.com

Tatiana Killen +1.212.553.2895
 VP-Senior Analyst
 tatiana.killen@moodys.com

Leonard Jones +1.212.553.3806
 MD-Public Finance
 leonard.jones@moodys.com

CLIENT SERVICES

Americas 1-212-553-1653

Asia Pacific 852-3551-3077

Japan 81-3-5408-4100

EMEA 44-20-7772-5454

Cary (Town Of) NC

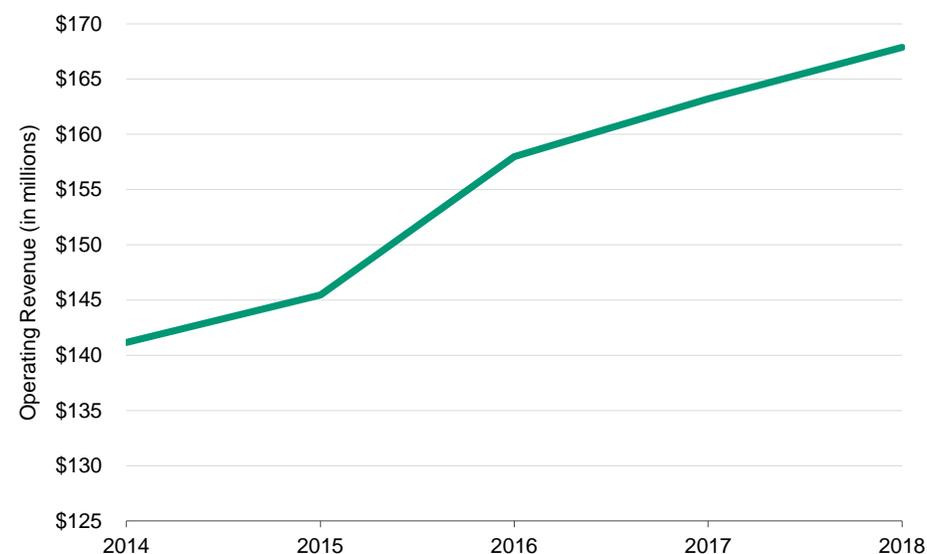
Update to analysis

Summary

The Town of Cary (Aaa,stable) benefits from a large and stable tax base in the Research Triangle Park (RTP) with stabilizing institutional presence. The town continues to benefit from a steady in-migration driving consistent revenue growth (see Exhibit).

Exhibit 1

Sound revenue growth trend expected to continue Total operating fund revenue (millions)



Source: Cary, NC

The town's consistently solid financial position and manageable debt profile is supported by management's long-term adherence to sound fiscal policies. Additionally, management proactively monitors revenues and expenditures on a monthly basis and has historically made adjustments to revenue and expenditure projections throughout the fiscal year.

Credit strengths

- » Large, diverse and growing local economy with stabilizing institutional presence
- » Above average socio-economic indices
- » Prudent fiscal management resulting in sound financial operations

- » Manageable liabilities relative to full value and expenditures

Credit challenges

- » Moderate exposure to economically sensitive revenues (21.5% of 2018 revenues)

Rating outlook

The stable outlook reflects our expectation that the town will continue to benefit from RTP as well as ongoing growth in the local economy. The outlook further reflects the expectation of continued sound financial operations.

Factors that could lead to an upgrade

- » Not applicable

Factors that could lead to a downgrade

- » Significant reductions in general fund reserves and liquidity
- » Substantial declines in tax base values

Key indicators

Exhibit 2

Cary (Town Of) NC	2014	2015	2016	2017	2018
Economy/Tax Base					
Total Full Value (\$000)	\$22,552,761	\$22,800,436	\$23,654,830	\$25,851,827	\$26,414,090
Population	146,041	151,186	155,822	159,715	163,930
Full Value Per Capita	\$154,428	\$150,810	\$151,807	\$161,862	\$161,130
Median Family Income (% of US Median)	172.7%	170.9%	167.3%	165.6%	165.6%
Finances					
Operating Revenue (\$000)	\$141,158	\$145,467	\$157,974	\$163,224	\$167,879
Fund Balance (\$000)	\$91,686	\$92,470	\$99,101	\$97,878	\$84,923
Cash Balance (\$000)	\$86,557	\$86,707	\$93,869	\$91,862	\$78,280
Fund Balance as a % of Revenues	65.0%	63.6%	62.7%	60.0%	50.6%
Cash Balance as a % of Revenues	61.3%	59.6%	59.4%	56.3%	46.6%
Debt/Pensions					
Net Direct Debt (\$000)	\$139,924	\$129,245	\$121,152	\$110,331	\$127,330
3-Year Average of Moody's ANPL (\$000)	\$103,103	\$106,871	\$109,633	\$144,435	\$167,984
Net Direct Debt / Full Value (%)	0.6%	0.6%	0.5%	0.4%	0.5%
Net Direct Debt / Operating Revenues (x)	1.0x	0.9x	0.8x	0.7x	0.8x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	0.5%	0.5%	0.5%	0.6%	0.6%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	0.7x	0.7x	0.7x	0.9x	1.0x

Source: Moody's Investors Service, Town of Cary, NC, US Census

Profile

The Town of Cary is located in the center of [North Carolina](#) (Aaa, stable) and includes property in both [Wake](#) (Aaa, stable) and [Chatham](#) (Aa1) Counties. The Town is in the middle of the Research Triangle Park Area, a location that repeatedly ranks among the top places in the nation to begin or expand a 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 for the most updated credit rating action information and rating history.

Economy and tax base: local economy continues to grow; benefiting from RTP and higher education presence

Cary continues to be well positioned for stability and moderate near to medium-term economic growth. The town is a key contributor to the greater Raleigh economy, which benefits from the Research Triangle Park (RTP) and the state capital of [Raleigh](#) (Aaa, stable). The stabilizing presence of higher education institutions including [University of North Carolina at Chapel Hill](#) (Aaa, stable), [Duke University](#) (Aa1 stable) and [NC State University-Raleigh](#) (Aa1 stable) has made the area attractive to a number of high-tech companies. Ongoing investments of bio and other high-tech companies at RTP contribute to the town's positive long-run economic look. Town officials report close to 5,000 jobs created, and over \$240 million invested by 15 different companies since 2014. SAS Institute, the world's largest privately held software company is the town's largest employer, employing over 5,000 people and continues to invest in the town.

The town's \$26 billion tax base continues to grow annually largely driven by ongoing new development. Values are expected to grow an estimated 3.5% in 2020, the next county-wide revaluation effective in FY 2021. In 2018, several economic development projects were announced that are projected to provide \$16.2 million in investment and 302 new jobs.

Wealth indices remain solid, outperforming both the state and nation. Median Family Income (MFI) in 2017 totaled 165.6% of the US.

Financial operations and reserves: sound management practices drive financial flexibility

Cary's financial position will remain sound given management's conservative budgeting practices and commitment to maintaining sound reserve levels. Total fund balance has remained strong over the last five years totaling \$88 million in fiscal 2018 or 52.7% of revenues.

The town has achieved operating surpluses in four of the past six fiscal years. In 2018, the town budgeted \$30 million from fund balance for one-time and pay go capital projects. Of that appropriation, the town drew down \$12.9 million due to favorable performance of revenues and expenditures. Of the total appropriated amount, officials used approximately \$4.6 million for street improvements, \$5 million for parks and recreation projects and \$7 million to finance a parking deck in downtown Cary.

Fiscal 2019 General Fund revenues are budgeted at approximately \$175 million. Sales tax and other local tax revenues are budgeted at \$37.4 million. The town has some exposure to economically sensitive sales tax revenues which can be more volatile than other revenue sources however, these revenues continue to perform favorable to budget.

Despite using reserves for these one-time projects, the town's financial position remains sound. Going forward, Moody's expects that the town will maintain healthy finances and structurally balanced operations as doing so will remain a key component in maintaining the Aaa rating.

LIQUIDITY

Cary maintains sound liquidity and strong financial flexibility driven by sizable cash reserves totaling \$78.2 million in fiscal 2018 or 46.6% of revenues.

Debt and pensions: manageable debt and CIP with significant pay-go component

Cary's low average direct debt burden (0.5% of 2018 full value) will remain manageable despite a sizable capital projects plan given a conservative approach to debt financing and ongoing tax base expansion. Approximately \$65 million of outstanding GO debt is self supported by water and sewer revenues and not included in the net direct debt burden. Cary's \$313 million 5-year capital plan includes mostly transportation and parks projects. Approximately \$90 million of the CIP will be funded with GO debt.

Total fixed costs (debt service, pension ARC and OPEB pay go) accounted for a manageable 13% of fiscal 2018 operating expenditures.

2019 Bond Referendum to fund transportation and parks projects

The town is planning a \$225 million bond referendum in October with \$113 million for proposed transportation related projects and \$112 million for parks and recreation projects. If the referendum is successful, officials expect issuance(s) over the next 7-10 years.

DEBT STRUCTURE

Variable rate debt accounts for approximately 13% (\$29.2 million Series 2006 bonds) of total debt outstanding, representing a liquidity risk which is mitigated by a strong balance sheet.

DEBT-RELATED DERIVATIVES

The town is not a party to any derivative agreements.

PENSIONS AND OPEB

The town contributes to the North Carolina Local Government Employees Retirement System (NCLGERS), defined benefit retirement plan administered by the State of North Carolina.

In addition to participating in the state plan, the town has a separate law enforcement plan. Cary's combined adjusted net pension liability for both plans, under Moody's methodology for adjusting reported pension data, is \$178 million, or approximately 1.07 times operating revenues. Moody's uses the adjusted net pension liability to improve comparability of reported pension liabilities. The adjustments are not intended to replace the town's reported liability information, but to improve comparability with other rated entities. We determined the town's share of liability for the state-run plan in proportion to its contributions to the plan.

Management and governance: very strong institutional framework

Cary benefits from conservative fiscal management and formally adopted policies.

North Carolina towns have an institutional framework score of "Aaa," or very strong. Revenues are highly predictable as cities primarily rely on property taxes. Economically sensitive revenues typically account for less than a sixth of operating revenues. Towns have a high ability to increase revenues through virtually unlimited property tax increases. Expenditures are highly predictable and towns have a high ability to reduce costs quickly if needed given a modest fixed cost burden and no collective bargaining units.

Rating methodology and scorecard factors

The US Local Government General Obligation Debt 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

Cary (Town Of) NC

Rating Factors	Measure	Score
Economy/Tax Base (30%) ^[1]		
Tax Base Size: Full Value (in 000s)	\$26,414,090	Aaa
Full Value Per Capita	\$161,130	Aaa
Median Family Income (% of US Median)	165.6%	Aaa
Finances (30%)		
Fund Balance as a % of Revenues	50.6%	Aaa
5-Year Dollar Change in Fund Balance as % of Revenues	-3.1%	Baa
Cash Balance as a % of Revenues	46.6%	Aaa
5-Year Dollar Change in Cash Balance as % of Revenues	-2.2%	Baa
Management (20%)		
Institutional Framework	Aaa	Aaa
Operating History: 5-Year Average of Operating Revenues / Operating Expenditures	1.0x	A
Notching Factors: ^[2]		
Unusually Strong or Weak Budgetary Management and Planning		Up
Debt and Pensions (20%)		
Net Direct Debt / Full Value (%)	0.5%	Aaa
Net Direct Debt / Operating Revenues (x)	0.8x	A
3-Year Average of Moody's Adjusted Net Pension Liability / Full Value (%)	0.6%	Aaa
3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues (x)	1.0x	A
	Scorecard-Indicated Outcome	Aaa
	Assigned Rating	Aaa

Source: Town Of Cary, NC CAFRs, US Census Bureau, Moody's Investors Service

[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 dated December 16, 2016.

[3] Standardized adjustments are outlined in the GO Methodology Scorecard Inputs updated for 2018 publication

The principal methodology used in this rating was US Local Government General Obligation Debt published in December 2016. Please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

© 2019 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY'S PUBLICATIONS MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$2,700,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY250,000,000.

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

REPORT NUMBER

1184908

Contacts

Tiphany Lee-Allen
VP-Senior Analyst
tiphany.lee-allen@moody's.com

+1.212.553.4772

Tatiana Killen
VP-Senior Analyst
tatiana.killen@moody's.com

+1.212.553.2895

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454