

## CREDIT OPINION

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# Town of Wake Forest, NC

## Update to credit analysis

### Summary

[Wake Forest, NC's](#) (Aaa) credit profile reflects its growing population and tax base in the Research Triangle metropolitan area that will continue to be driven by strong residential permitting activity and the appeal of the town to potential new residents. The town's strong financial position will continue to be supported by robust fiscal policies and long-term capital planning. The town's moderate long-term liabilities will increase substantially in the medium-term owing to the issuance of \$75 million in authorized general obligation debt, inclusive of the Series 2024 bonds, and a planned referendum for additional general obligation authorization in November 2026.

On September 16, 2024, we assigned a Aaa rating to the town's estimated \$1.5 million Series 2024A and estimated \$22.1 million Series 2024B General Obligation Public Improvement bonds, totaling \$23.5 million.

### Credit strengths

- » Preferential location in a growing metropolitan area that will support population and tax base growth, and continue to support strong resident incomes
- » Robust fiscal policies and long-term capital planning that will continue to support a strong financial position

### Credit challenges

- » Multiple issuances of new debt expected in the medium term that will lead to an increase in long-term liabilities

### Rating outlook

We do not assign outlooks to local governments with this amount of debt outstanding.

### Factors that could lead to an upgrade

- » N/A

### Factors that could lead to a downgrade

- » Sustained decline of local economy, reflected by a loss in population and contraction of the tax base
- » Substantial weakening of the town's financial position, reflected by an available fund balance and liquidity ratio of under 35% and 40% of revenue respectively

## Key indicators

Exhibit 1

### Wake Forest (Town of) NC

	2020	2021	2022	2023	Aaa Medians
<b>Economy</b>					
Resident income ratio (%)	161.5%	154.3%	155.8%	N/A	170.6%
Full Value (\$000)	\$5,659,865	\$6,799,783	\$7,131,769	\$7,445,945	\$8,680,662
Population	44,068	46,387	48,047	N/A	36,119
Full value per capita (\$)	\$128,435	\$146,588	\$148,433	N/A	N/A
Annual Growth in Real GDP	0.4%	8.5%	3.5%	N/A	4.9%
<b>Financial Performance</b>					
Revenue (\$000)	\$73,094	\$85,803	\$96,575	\$103,311	\$101,733
Available fund balance (\$000)	\$16,979	\$30,114	\$37,179	\$48,553	\$62,520
Net unrestricted cash (\$000)	\$15,660	\$30,734	\$39,821	\$45,497	\$88,880
Available fund balance ratio (%)	23.2%	35.1%	38.5%	47.0%	61.7%
Liquidity ratio (%)	21.4%	35.8%	41.2%	44.0%	91.1%
<b>Leverage</b>					
Debt (\$000)	\$43,018	\$49,445	\$44,765	\$39,089	\$68,781
Adjusted net pension liabilities (\$000)	\$44,619	\$64,946	\$78,071	\$62,967	\$105,726
Adjusted net OPEB liabilities (\$000)	\$9,646	\$11,213	\$13,075	\$11,514	\$11,674
Other long-term liabilities (\$000)	\$1,531	\$2,158	\$2,306	\$2,534	\$3,903
Long-term liabilities ratio (%)	135.2%	148.9%	143.1%	112.4%	258.2%
<b>Fixed costs</b>					
Implied debt service (\$000)	\$3,496	\$3,081	\$3,468	\$3,126	\$4,899
Pension tread water contribution (\$000)	\$1,700	\$2,044	\$2,213	\$3,223	\$3,333
OPEB contributions (\$000)	\$295	\$259	\$280	\$326	\$503
Implied cost of other long-term liabilities (\$000)	\$102	\$110	\$151	\$161	\$262
Fixed-costs ratio (%)	7.7%	6.4%	6.3%	6.6%	11.2%

For definitions of the metrics in the table above please refer to the [US Cities and Counties Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [US Cities and Counties Median Report](#).

The real GDP annual growth metric cited above is for the Raleigh-Cary, NC Metropolitan Statistical Area Metropolitan Statistical Area.

Sources: US Census Bureau, Wake Forest (Town of) NC's financial statements and Moody's Ratings, US Bureau of Economic Analysis

## Profile

The Town of Wake Forest is located in [Wake County](#) (Aaa stable) and [Franklin County](#) (Aa2), approximately 10 miles northeast of [Raleigh](#) (Aaa stable). The town provides public safety, solid waste collection, and general governmental services to a growing population of approximately 48,000 per the 2022 American Community Survey (ACS).

## Detailed credit considerations

Wake Forest benefits from a growing local economy driven primarily by its location in the growing Research Triangle region and secondarily by its appeal as a residential community. The town's ample greenway and redeveloped downtown have spurred a demand for and construction of residential real estate that has resulted in a 46.6% growth in its tax base to \$11.7 billion in fiscal 2025 following revaluation. High demand for homes is also reflected by the town's strong median household incomes, estimated at 155.8% of the national median adjusted for regional price parity. In addition to a strong trend of ongoing residential permitting and construction activity, planned industrial development will also continue to support the town's growing population and tax base and its strong resident incomes.

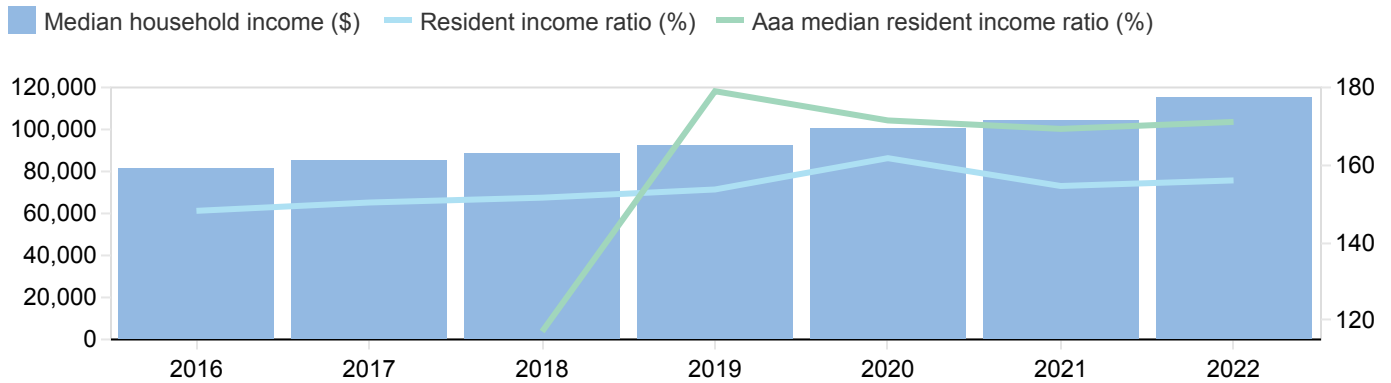
The town's strong financial position reflects its robust fiscal management policies and conservative budgeting that will continue to provide ample budgetary flexibility. The town maintains a general fund balance policy of maintaining unassigned fund balances between 20-25% of expenditures and total fund balances equal to at least 35% of expenditures. Unaudited estimates from fiscal 2024 indicate that the general fund will grow by a modest \$2.7 million in fiscal 2024 and the fiscal 2025 budget estimates a balanced budget; the town will likely exceed budgeted estimates given a record of exceeding conservative budget estimates. The town's financial

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position will continue to be supported by growing revenues. Ad valorem taxes, the town's largest source of revenue, are budgeted to grow to \$48.8 million in fiscal 2025 from an unaudited estimate of \$40.2 million in fiscal 2024 owing to a post-revaluation tax rate of 42 cents per \$1,000 in assessed value (AV) that exceeds the revenue-neutral rate of 34.6 cents per \$1,000 in AV. Sales taxes, the town's second largest source of revenue, are conservatively budgeted to decline in fiscal 2025, but will remain supported by a growing population and a growing retail presence in its downtown. The town formed a new stormwater utility enterprise in fiscal 2025 that will be funded entirely through standalone fees.

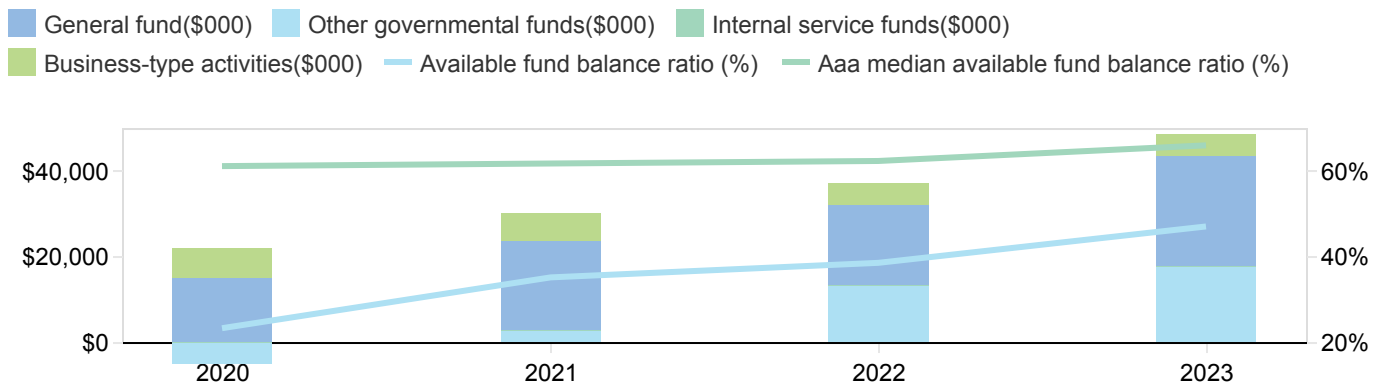
The town's moderate leverage position will increase in the medium-term owing to an estimated \$53.0 million in remaining general obligation bond authorization following the issuance of the Series 2024 bonds and a planned referendum for additional general obligation authorization in November 2026. The town's debt burden will remain manageable owing to its robust capital improvement planning process. The town's modest OPEB liabilities will decline materially in the near-term owing to the creation of a new OPEB trust fund in fiscal 2024 that will continue to receive appropriated funds in future fiscal years.

Exhibit 2  
Resident Income



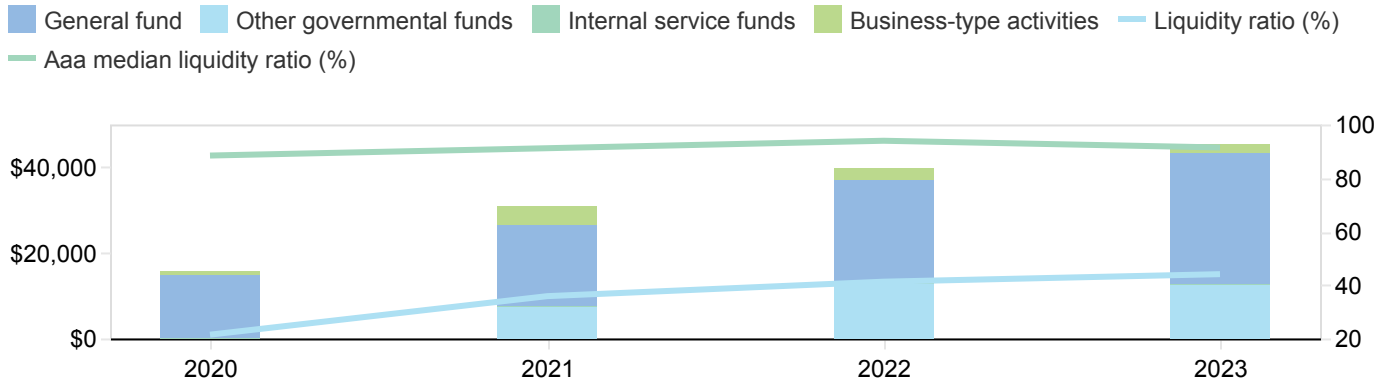
Source: Moody's Ratings

Exhibit 3  
Fund Balance



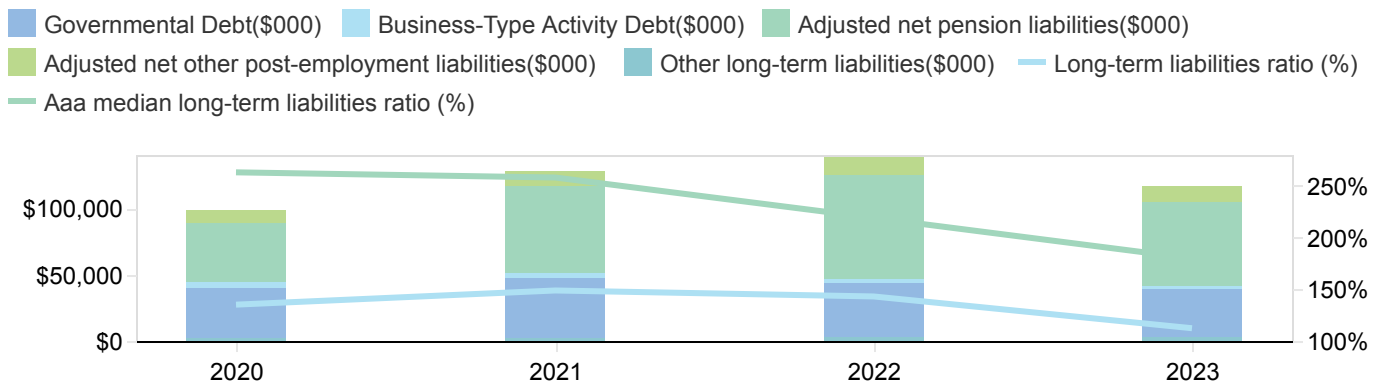
Source: Moody's Ratings

Exhibit 4  
Cash



Source: Moody's Ratings

Exhibit 5  
Total Primary Government - Long Term Liabilities



Source: Moody's Ratings

## ESG considerations

Wake Forest (Town of) NC's ESG credit impact score is CIS-1

Exhibit 6  
ESG credit impact score

# CIS-1

NEGATIVE IMPACT : : POSITIVE IMPACT

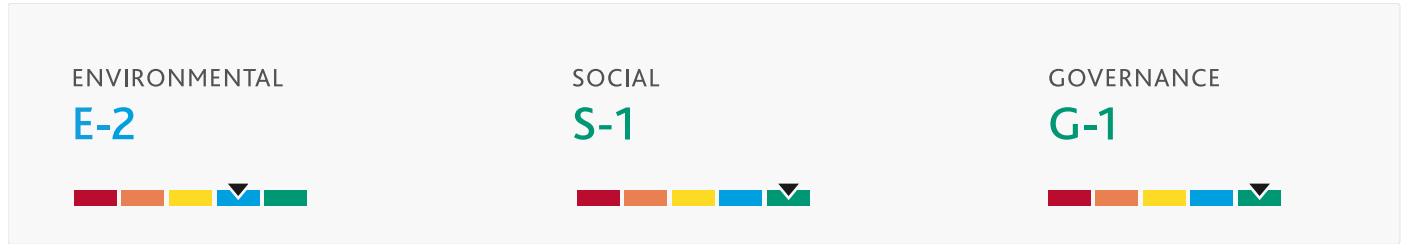
ESG considerations have a positive impact on the current rating which is higher than it would have been in the absence of ESG considerations.

Source: Moody's Ratings

Wake Forest's **CIS-1** indicates that ESG considerations support the town's Aaa credit rating. The town's exposure to environmental risks is nonmaterial and it benefits from positive social considerations and strong governance.

Exhibit 7

**ESG issuer profile scores**



Source: Moody's Ratings

**Environmental**

Wake Forest's exposure to environmental risks is not material to its credit quality. The town has limited exposure to risks associated with its physical climate, waste and pollution, and carbon transition.

**Social**

Wake Forest benefits from positive trends related to demographics, labor and income, health and safety, educational attainment, and access to basic services. The town faces limited exposure to risks relating to housing affordability.

**Governance**

A strong management and governance profile supports Wake Forest's credit ratings and is reflected in its strong institutional framework, demonstrated policy credibility and effectiveness, and robust budget management.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Rating methodology and scorecard factors

The US Cities and Counties Methodology includes a scorecard, which summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 8

### Wake Forest (Town of) NC

	Measure	Weight	Score
<b>Economy</b>			
Resident income ratio	155.8%	10.0%	Aaa
Full value per capita	154,972	10.0%	Aa
Economic growth metric	2.0%	10.0%	Aaa
<b>Financial Performance</b>			
Available fund balance ratio	47.0%	20.0%	Aaa
Liquidity ratio	44.0%	10.0%	Aaa
<b>Institutional Framework</b>			
Institutional Framework	Aaa	10.0%	Aaa
<b>Leverage</b>			
Long-term liabilities ratio	137.4%	20.0%	Aa
Fixed-costs ratio	6.6%	10.0%	Aaa
<b>Notching factors</b>			
No notchings applied			
Scorecard-Indicated Outcome			Aaa
<b>Assigned Rating</b>			<b>Aaa</b>

The Economic Growth metric cited above compares the five-year CAGR of real GDP for Raleigh-Cary, NC Metropolitan Statistical Area Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.

Sources: US Census Bureau, Wake Forest (Town of) NC's financial statements and Moody's Ratings

## Appendix

Exhibit 9

### Key Indicators Glossary

	Definition	Typical Source*
<b>Economy</b>		
Resident income ratio	Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI	MHI: US Census Bureau - American Community Survey 5-Year Estimates RPP: US Bureau of Economic Analysis
Full value	Estimated market value of taxable property in the city or county	State repositories; audited financial statements; continuing disclosures
Population	Population of the city or county	US Census Bureau - American Community Survey 5-Year Estimates
Full value per capita	Full value / population	
Economic growth metric	Five year CAGR of real GDP for Metropolitan Statistical Area or county minus the five-year CAGR of real GDP for the US	Real GDP: US Bureau of Economic Analysis
<b>Financial performance</b>		
Revenue	Sum of revenue from total governmental funds, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services funds, excluding transfers and one-time revenue, e.g., bond proceeds or capital contributions	Audited financial statements
Available fund balance	Sum of all fund balances that are classified as unassigned, assigned or committed in the total governmental funds, plus unrestricted current assets minus current liabilities from the city's or county's business-type activities and internal services funds	Audited financial statements
Net unrestricted cash	Sum of unrestricted cash in governmental activities, business type activities and internal services fund, net of short-term debt	Audited financial statements
Available fund balance ratio	Available fund balance (including net current assets from business-type activities and internal services funds) / Revenue	
Liquidity ratio	Net unrestricted cash / Revenue	
<b>Leverage</b>		
Debt	Outstanding long-term bonds and all other forms of long-term debt across the governmental and business-type activities, including debt of another entity for which it has provided a guarantee disclosed in its financial statements	Audited financial statements; official statements
Adjusted net pension liabilities (ANPL)	Total primary government's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Adjusted net OPEB liabilities (ANOL)	Total primary government's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Other long-term liabilities (OLTL)	Miscellaneous long-term liabilities reported under the governmental and business-type activities entries	Audited financial statements
Long-term liabilities ratio	Debt + ANPL + ANOL + OLTL / Revenue	
<b>Fixed costs</b>		
Implied debt service	Annual cost to amortize city or county's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Investors Service
Pension tread water contribution	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Investors Service
OPEB contribution	City or county's actual contribution in a given period	Audited financial statements
Implied cost of OLTL	Annual cost to amortize city or county's other long-term liabilities over 20 years with level payments	Audited financial statements; Moody's Investors Service
Fixed-costs ratio	Implied debt service + Pension tread water + OPEB contributions + Implied cost of OLTL / Revenue	

\*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US Cities and Counties Methodology](#).

Source: Moody's Ratings

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