

**New Issue: Easton (Town of) MA**

**MOODY'S ASSIGNS MIG 1 TO TOWN OF EASTON'S (MA) \$9.62 MILLION BANS**

**AFFIRMS A2 RATING ON \$46.8 MILLION OUTSTANDING GO DEBT**

Municipality  
MA

**Moody's Rating**

<b>ISSUE</b>	<b>RATING</b>
Bond Anticipation Notes	MIG 1
<b>Sale Amount</b> \$9,620,000	
<b>Expected Sale Date</b> 04/15/09	
<b>Rating Description</b> Bond Anticipation Notes	

**Opinion**

NEW YORK, Apr 14, 2009 -- Moody's Investors Service has assigned a MIG 1 rating to the Town of Easton's (MA) \$9.62 million Bond Anticipation Notes (dated April 24, 2009 and payable April 23, 2010). Concurrently, Moody's has affirmed the A2 rating on the town's outstanding \$46.8 million long-term general obligation bonds. Of the current issue, \$7 million carries the town's general obligation unlimited tax pledge as voters have exempted the debt service from the levy limits of Proposition 2 1/2. The remainder of the issue is secured by the town's limited tax pledge. The MIG 1 rating reflects the town's demonstrated market access and underlying credit strength. Affirmation of the long-term A2 rating incorporates the town's balanced financial operations overseen by a strong management team, satisfactory available reserves, a moderately-sized tax base and a manageable debt burden. Of this issue \$6.99 million will renew maturing notes originally issued to fund several capital projects including school construction, while the \$2.6 million remainder provides new money short-term financing for stadium and school construction as well as equipment purchases.

**DEMONSTRATED MARKET ACCESS**

Moody's expects Easton to continue to demonstrate satisfactory access to the capital markets given a history of competitive bids on its previous borrowings. The town received four bids on its most recent note sale dated April 25, 2008, seven bids on its prior sale dated May 3, 2007 and three bids each on its June 9, 2006 and December 13, 2005 note sales. All bids were received from major regional and national financial institutions. Moody's believes this history coupled with the medium-grade credit quality of the town indicates an ability to refund the current issue, if necessary, at its April 23, 2010 maturity.

**MODERATE RESERVES AND FLEXIBILITY UNDER PROPOSITION 2 1/2**

Management's efforts to stabilize the town's financial position have begun to take hold and Moody's expects the town to maintain satisfactory available reserve balances going forward. Preliminary financial results for fiscal 2008 indicate a decline in general fund balance to \$4 million, a slim 6.4% of general fund revenues, but relatively stable available reserve (including unreserved general fund and stabilization fund) position of \$4.6 million, a satisfactory 7.4% of revenues. Following a successful operating override effective for fiscal 2007, the town posted a substantial \$1.9 million surplus, with the majority attributable to careful expenditure budgeting. Fiscal 2007 results indicate General Fund balance improved to \$5.3 million (an adequate 7.2% of revenues) from \$3.4 million (6.3% of revenues) in fiscal 2006. The town has reserved approximately \$1.1 million of this sum to offset debt service payments related to voted debt exclusions and will liquidate these funds over the next two years. Importantly, management has maintained its commitment to increasing the stabilization fund, depositing \$500,000 for the second consecutive year and boosting available reserves (unreserved General Fund balance plus stabilization funds) to \$4.7 million or a satisfactory 6.4% of revenues.

Despite a mid-year state aid reduction of \$265,000 and a snow and ice deficit of \$549,000, operations in fiscal 2009 are projected to be roughly balanced before a planned transfer of \$500,000 to Easton's stabilization fund. The fiscal 2010 budget is still being developed, and options to close the \$1.4 million gap between revenues and expenditures may include a one-time use of \$1.5 million of stabilization funds, despite the town's goal to grow the stabilization fund to \$4 million in the medium term. Personnel reductions in all

departments, including the schools, are likely to close the gap. The town does not have plans to propose another operating override in the near term, however Moody's believes future budgets will remain pressured due to rising expenditures, particularly in personnel-related costs, as well as limited revenue growth. The town's ability to achieve structural balance while maintaining adequate reserve levels will be critical to maintaining credit strength.

#### MODEST VALUE DECLINES IN MODERATELY SIZED TAX BASE

A weakened housing market is expected to continue to depress tax base growth in this \$3.5 billion base in the medium term. Located 24 miles south of Boston (rated Aa1/stable outlook), this predominantly residential (87%) community has land available for development, though management reports construction of new single-family homes has declined to less than half of that experienced in recent years. Indicative of this trend, Easton's fiscal 2009 new growth levy was \$372,000, down more than 60% from over \$1 million in 2006. In fiscal 2009 assessed values slipped 2.6% from 2008, and management projects an additional decline in 2010. Officials report a particular slowdown in construction of high-end homes, with values exceeding \$700,000, experiencing significant deceleration. New growth is expected from a proposed new mixed-use development with over 300 units of rental and ownership housing, Queset Commons, which has received local approval but has not been permitted yet. While Moody's believes that the slowed new growth will limit future budgetary increases allowed under Proposition 2 ½, the town remains able to increase its existing levy by 2 ½%, somewhat insulating Easton's levying ability against the expected decline in assessed value. Income levels are above state medians and equalized value per capita is a solid \$153,508.

#### FAVORABLE DEBT POSITION WITH LIMITED FUTURE BORROWING PLANS

Moody's expects the town's direct debt burden (1.7% of equalized value) to remain manageable given a significant level of state school building aid reimbursement and modest future borrowing plans. The town's overall debt burden drops to a reasonable 1.5% after accounting for anticipated commonwealth building aid of 65% to 70% of project costs; principal amortization is average at 72.1% retired in 10 years. In addition to the anticipated permanent financing of these notes at their April 2010 maturity, management reports no additional borrowing in the medium term other than a proposed borrowing for a \$425,000 boiler. Minor capital needs are expected to be funded on a pay-as-you-go basis. Easton has issued fixed rate debt exclusively and has no exposure to derivative products.

#### KEY STATISTICS

2007 Estimated population: 22,969 (+3% since 2000 census)

2009 Equalized Valuation: \$3.5 billion

2009 Equalized Value per capita: \$153,508

Equalized Valuation Annual Average Growth (2003-2009): 10.2%

Overall debt burden: 1.7% (adjusted for commonwealth school construction aid: 1.5%)

Amortization of principal (10 years): 72.1%

FY 2007 General Fund balance: \$5.28 million (8.9% of General Fund revenues)

FY 2007 Available Reserves: \$4.6 million (7.9% of General Fund revenues)

FY 2008 General Fund balance (unaudited): \$4 million (6.4% of General Fund revenues)

FY 2006 Available Reserves (unaudited): \$4.6 million (7.4% of General Fund revenues)

1999 Median Family Income: \$82,190 (133.3% of commonwealth; 142.4% of U.S.)

1999 Per Capita Income: \$30,732 (118.4% of commonwealth; 164.2% of U.S.)

Outstanding long-term general obligation debt: \$46.8 million

#### METHODOLOGY AND LAST RATING ACTION TAKEN

The principal methodology used in rating the current issue was "Bond Anticipation Notes and Other Short-Term Capital Financings," which can be found at [www.moody.com](http://www.moody.com) in the Credit Policy & Methodologies directory, in the Index of Special Reports - U.S. Public Finance. Other methodologies and factors that may

have been considered in the process of rating this issuer can also be found in the Credit Policy & Methodologies directory.

The last rating action was on April 14, 2008 when the A2 rating for the Town of Easton, MA was affirmed.

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