New Issue: MOODY'S ASSIGNS A2 RATING TO THE TOWN OF EASTON'S (MA) $6.4 MILLION G.O. MUNICIPAL PURPOSE LOAN OF 2010 BONDS AND MIG 1 RATING TO $3 MILLION G.O. BANS

Global Credit Research - 14 Apr 2010

A2 RATING APPLIES TO APPROXIMATELY $46.4 MILLION IN G.O. DEBT, INCLUDING THE CURRENT ISSUE

Municipality
MA

Moody's Rating

ISSUE		RATING
General Obligation Municipal Purpose Loan of 2010 Bonds		A2
Sale Amount	$6,400,000	
Expected Sale Date	04/14/10	
Rating Description	General Obligation	
General Obligation Bond Anticipation Notes		MIG 1
Sale Amount	$3,000,000	
Expected Sale Date	04/14/10	
Rating Description	Bond Anticipation Notes	

Opinion

NEW YORK, Apr 14, 2010 -- Moody's Investors Service has assigned an A2 rating to the Town of Easton's (MA) $6.4 million General Obligation Municipal Purpose Loan of 2010 Bonds and a MIG 1 rating to $3 million General Obligation Bond Anticipation Notes (dated April 23, 2010; payable February 23, 2011). Concurrently, Moody's has affirmed the A2 rating on the town's $40 million in previously issued outstanding rated debt. The notes, as well the $4 million bond portion associated with school improvements, are secured by the town's unlimited general obligation tax pledge, as voters have excluded debt service from the levy limitations of Proposition 2 ½; the remaining $2.4 million bond portion is secured by the town's limited general obligation tax pledge. The long term A2 rating incorporates the town's satisfactory financial position with narrowing reserves, large tax base with above-average socioeconomic indicators, and a manageable debt burden. The MIG 1 rating reflects the town's demonstrated market access and underlying credit strength. Bond proceeds will redeem notes maturing on April 23, 2010 while note proceeds will renew a portion of the same.

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 15, 2009, four bids on its prior sale dated April 15, 2008 and seven bids on a its May 3, 2007 sale date. 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 22, 2011 maturity.

SATISFACTORY FINANCIAL POSITION EXHIBITING NARROWING OF RESERVES

Moody's believes the town's financial position will remain satisfactory but may continue to narrow as a result of state aid cuts and rising expenditure pressures. Available reserves, which are comprised by the town's unreserved General Fund balance and its Stabilization Fund, amounted to $4.2 million at fiscal 2009 year-end (or a satisfactory 7.2% of General Fund revenues), down from $4.7 million in fiscal 2007 (or a more ample 7.9% of revenues). During fiscal 2009, the town received a mid-year reduction in state aid ($265,000), witnessed other economically-sensitive revenues underperform relative to budget, and experienced a particularly harsh winter, resulting in a decline to the town's reserve levels. The town's $3 million total General Fund balance includes a $178,000 reserve for debt service, which has declined from $1.1 million in fiscal 2007 in line with management's intentions, but the bulk (or $1.3 million) remains unreserved. Importantly, management has increased its Stabilization Fund balance over the past five years (to a peak of $2.9 million at fiscal 2009 year-end), thereby mitigating the declines to overall available reserves.

Town officials anticipate that the town's total General Fund balance will decline by approximately $500,000 for fiscal 2010 (year ending June 30), driven by state aid cuts in excess of $1 million. While other economically-sensitive revenues continued to be affected during the year given the effects of the recession (interest earnings), some have reportedly shown a resilient reversal (licenses and permits on track to generate a $100,000 favorable variance). Expenditure savings related to health insurance and debt service are expected to amount to $750,000, driving the partial replenishment of the $683,000 in free cash and $900,000 in Stabilization Fund monies appropriated for the year. The town's fiscal 2011 operating budget increased by approximately 3% from the previous year and is balanced with a free cash appropriation of $380,000 and $1.1 million from the Stabilization Fund. The town has taken a conservative approach to the 2011 budget, building in a 3% state aid reduction; aid from the Commonwealth accounts for approximately 22% of the town's revenues and therefore presents an area of vulnerability. Moody's will continue to monitor the state's impact on Easton's financial flexibility and our future rating reviews will factor in the town's ability to maintain structural balance while maintaining, at minimum, reserves in step with budgetary growth. The town's ability to restore structural balance while maintaining adequate reserve levels will be critical to maintaining credit strength.

FLAT TO MODEST VALUE DECLINES EXPECTED IN MODERATELY SIZED TAX BASE

A weakened housing market is expected to continue to influence tax base growth in this $3.5 billion base in the medium term. Located 24 miles south of Boston (G.O. rated Aa1/stable outlook), this predominantly residential (87% of assessed valuation) community has land available for development, though management reports construction of modest single-family homes has declined to less than half of that experienced in recent years. Indicative of this trend, Easton's fiscal 2010 new growth levy was $360,000, down more than 60% from over $1 million in 2006. In fiscal 2010 assessed values declined by 4.2% from 2009, which may continue into 2011 given the impact of the recession. New growth is expected from a proposed new mixed-use development with over 100 residential units and the inclusion of a car dealership into the town's tax base. 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. Wealth and income levels are healthy, with per capita income equal to 118.4% and 142.4% of commonwealth and national medians, respectively, and equalized value per capita is solid at $151,921.

MANAGEABLE DEBT BURDEN

Moody's expects the town's average debt burden (1.3% of equalized value) will remain manageable given a reasonable rate of principal amortization (73.2% repaid within 10 years) and modest additional borrowing plans. When self-supporting water enterprise debt is incorporated, the town's adjusted debt burden declines to a more favorable 1% of equalized valuation. Future borrowing includes $1 million for water system improvements (supported by fee revenues) through the Massachusetts Water Pollution Abatement Trust (Revenue bonds rated Aaa/stable outlook). Debt service comprised a manageable 7.7% of fiscal 2009 expenditures. All of the town's debt is fixed rate and the town is not party to any derivative agreements.

KEY STATISTICS:

2000 Population (2008 census estimate): 22,299 (23,209 or a 4.1% increase)

2010 Equalized valuation: $3.5 billion

2010 Equalized value per capita: $151,921

Direct debt burden: 1.3%

Overall debt burden (adjusted for state aid and self-supporting): 1.3% (1%)

Payout of principal (10 years): 73.2%

Fiscal 2009 Available Reserves: $4.1 million (7.2% of revenues)

Fiscal 2010 Available Reserves (projection): $2.8 million (4.7% of revenues)

Per capita income: $30,732 (118.4% of the Commonwealth and 142.4% of the US)

Median family income: $82,190 (133.3% of the Commonwealth and 164.2% of the US)

Post-sale GO debt outstanding: $46.4 million

RECALIBRATION OF RATING TO THE GLOBAL RATING SCALE; PRINCIPAL METHODOLOGY

The outstanding long-term rating assigned to the Town of Easton (MA), which Moody's has affirmed at this time, was issued on Moody's municipal rating scale. Moody's has previously determined that our short-term municipal ratings are already aligned with short-term ratings in other global sectors. Moody's has announced its plans to recalibrate all U.S. municipal ratings to its global scale and therefore, upon implementation of the methodology published in conjunction with this initiative, the long-term rating will be recalibrated to a global scale rating comparable to other credits with a similar risk profile. Market participants should not view the recalibration of municipal ratings as rating upgrades, but rather as a recalibration of the ratings to a different rating scale. This recalibration does not reflect an improvement in credit quality or a change in our credit opinion for rated municipal debt issuers. For further details regarding the recalibration please visit www.moodys.com/gsr.

The principal methodology used in assigning the rating was "General Obligation Bonds Issued by U.S. Local Governments," published in October 2009, and available on www.moodys.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

The last rating action with respect to the town was published April 14, 2009 when a MIG 1 was applied to the town's notes and Easton's long-term A2 rating was affirmed.

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