



New Issue: Moody's assigns Aa3 rating to Town of Easton's (MA) \$7.7 million General Obligation Bond and MIG 1 to \$580,000 General Obligation BANS

Global Credit Research - 07 Aug 2012

Affirmation of Aa3 long-term rating on \$53 million GO debt outstanding

EASTON (TOWN OF) MA
Cities (including Towns, Villages and Townships)
MA

Moody's Rating

ISSUE		RATING
General Obligation Municipal Purpose Loan of 2012 Bonds Series B		Aa3
Sale Amount	\$6,200,000	
Expected Sale Date	08/08/12	
Rating Description	General Obligation	
General Obligation Bond Anticipation Notes		MIG 1
Sale Amount	\$580,000	
Expected Sale Date	08/08/12	
Rating Description	Note: Bond Anticipation	
General Obligation Refunding Bonds Series A		Aa3
Sale Amount	\$1,500,000	
Expected Sale Date	08/08/12	
Rating Description	General Obligation	

Moody's Outlook NOO

Opinion

NEW YORK, August 07, 2012 --Moody's Investors Service has assigned a Aa3 rating to the Town of Easton's (MA) \$1.5 million General Obligation Refunding Bond, Series A and \$6.2 million General Obligation Municipal Purpose Loan of 2012 Bonds, Series B and a MIG 1 to \$580,000 General Obligation Bond Anticipation Notes (dated August 23, 2012 and payable August 23, 2013). Concurrently, Moody's has affirmed the Aa3 rating on the town's outstanding \$53 million long-term general obligation bonds.

SUMMARY RATINGS RATIONALE

The Aa3 rating reflects the town's stable financial position, its relatively stable sizable tax base with above-average wealth levels, and manageable debt burden. The MIG 1 rating reflects the town's demonstrated market access and underlying credit strength. The current issue is secured by the town's general obligation limited tax pledge, as debt service has not been voted exempt from the levy limits of Proposition 2 ½; proceeds from the Series A bonds will refund a portion of the town's 2002 and 2003 general obligation bonds for an expected net present value savings of 7% without extending debt maturity. Proceeds from the Series B bonds will be used to finance various capital improvements and to refund a portion of the town's 2002 and 2003 general obligation bond for an expected net present value savings of 6% without extending debt maturity. Note proceeds will be used to finance various capital improvements.

STRENGTHS

- Stable, mature tax base with above average demographic profile
- Manageable debt burden
- Proximity to Boston (Aaa/stable outlook)

WEAKNESSES

- Reliance on reserves to address budget gaps
- Relatively modest size of General Fund balance

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 two bids on its most recent note sale dated May 5, 2012, six bids on its note sale dated February 11, 2011 and four bids on its sale dated April 14, 2010. All bids were received from major regional and national financial institutions. Moody's believes this history coupled with the credit quality of the town indicates an ability to refund the current issue, if necessary, at its August 23, 2013 maturity.

DETAILED CREDIT DISCUSSION

SATISFACTORY FINANCIAL POSITION DESPITE USE OF RESERVES FOR BUDGETARY RELIEF

Moody's believes the town's financial position will remain satisfactory but may continue to narrow as a result of rising expenditure pressures and use of reserves for budgetary relief. Available reserves, which are comprised of the town's unreserved general fund balance and its stabilization fund, amounted to \$4.9 million at fiscal 2010 year-end (or a satisfactory 7.4% of general fund revenues) up slightly from fiscal 2009 available reserves of \$4.2 million (or 6.7% of general fund revenues). The town's total General Fund balance increased by approximately \$600,000 to \$3.7 million or 5.6% of General Fund revenues. The town's total general fund balance includes a \$172,883 reserve for debt service, which has declined from \$1.1 million in fiscal 2007 in line with management's intentions, but \$2.4 million remains unreserved, an increase from fiscal 2009 with \$1.3 million unreserved.

The town's fiscal 2011 operating budget increased by approximately 3% from the previous year and was balanced with an appropriation of \$1.6 million of free cash. The ended fiscal 2011 with a \$876,000 use of reserves to address budgetary gaps. The town's total General Fund balance, which includes the \$1.7 million Stabilization Fund as a result of GASB 54 reclassification equaled \$5.3 million or 7.9% of general fund revenues.

The fiscal 2012 budget increased by 1.74%, and was balanced with a \$1.3 million fund balance appropriation. The budget included a slight (\$53,000) reduction in state aid; aid from the Commonwealth accounts for approximately 28% of the town's revenues and therefore presents an area of vulnerability. Town officials project a \$250,000 addition to fund balance following positive variances in revenues and health insurance savings. The town projects \$250,000 additional motor vehicle excise tax revenue, an additional \$50,000 in meals tax revenue, and approximately \$250,000 in additional ambulance user fees.

The fiscal 2013 budget increases by 2.2% driven primarily by contractual salary increases and is balanced with a \$1.1 million free cash appropriation. Moody's will continue to monitor Easton's financial flexibility and future rating reviews will factor in the town's ability to maintain structural balance while maintaining, at minimum, reserves in step with budgetary growth.

FLAT TO MODEST VALUE DECLINES EXPECTED IN MODERATELY SIZED TAX BASE

Located 24 miles south of Boston (G.O. rated Aaa/stable outlook), this predominantly residential (87% of assessed valuation) community has land available for development, and management reports modest increases in single family home construction. Indicative of this trend, Easton's fiscal 2011 new growth levy was \$470,000, still down more than 60% from new growth revenue of over \$1 million in 2006. In fiscal 2011 assessed values declined by 3.9% from 2010, but remained essential flat (0.2%) in fiscal 2012. Easton has adjusted its tax rate annually to maximize property tax levy growth of 2.5% as provided by Proposition 2 ½.

Wealth and income levels are healthy and exceed common wealth and national levels, and equalized value per capita is solid at \$140,883. The town's unemployment rate of 5.4% (May 2012) is below both the state and national unemployment rates.

MANAGEABLE DEBT BURDEN

Moody's expects the town's average debt burden (1.57 of equalized value) will remain manageable given a reasonable rate of principal amortization (78.3% repaid within 10 years) and lack of additional borrowing plans. When state support for school construction are incorporated, the town's adjusted debt burden declines to a more favorable 14% of equalized valuation.

WHAT COULD MAKE THE RATING CHANGE UP

-- Improved financial position through an established trend of structurally balanced operations and augmentation of reserves

WHAT COULD MAKE THE RATING CHANGE DOWN

- Protracted structural budget imbalance
- Depletion of General Fund balance and other available reserves
- Deterioration of the town's tax base

KEY STATISTICS:

2010 Population: 23,112 (3.6% increase since 2000 census)

2012 Equalized valuation: \$3.2 billion

2012 Equalized value per capita: \$140,883

Direct debt burden: 1.7%

Payout of principal (10 years): 78.3%

Fiscal 2011 Total General Fund Balance: \$5.3 million (7.9% of revenues)

Long-term General Obligation debt outstanding: \$35.3 million

The principal methodology used in this rating was General Obligation Bonds Issued by U.S. Local Governments published in October 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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