

MOODY'S

INVESTORS SERVICE

New Issue: Moody's assigns Aa3 to Easton's (MA) \$1 million GO Bond and MIG 1 to \$2.7 million GO BANS

Global Credit Research - 05 Aug 2013

Affirmation of Aa3 on \$43.4 million GO bonds outstanding

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

Moody's Rating

ISSUE	RATING
General Obligation Municipal Purpose Loan of 2013 Bonds	Aa3
Sale Amount	\$1,045,000
Expected Sale Date	08/07/13
Rating Description	General Obligation Limited Tax

General Obligation Bond Anticipation Notes	MIG 1
Sale Amount	\$2,700,000
Expected Sale Date	08/07/13
Rating Description	Note: Bond Anticipation

Moody's Outlook

Opinion

NEW YORK, August 05, 2013 --Moody's Investors Service has assigned a Aa3 rating to the Town of Easton's (MA) \$1.045 million General Obligation Municipal Purpose Loan of 2013 Bonds, and a MIG 1 to \$2.7 million General Obligation Bond Anticipation Notes (dated August 22, 2013 and payable August 22, 2014). Concurrently, Moody's has affirmed the Aa3 rating on the town's outstanding \$43.4 million long-term general obligation bonds. 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 bonds will be used to permanently finance bond anticipation notes (BANs) issued for various purposes and to retire \$1.045M of outstanding BANs. BAN proceeds will be used to finance various capital projects, including middle school roof replacement and street revitalization, and to renew \$20,000 in outstanding BANs.

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 long-term credit strength.

STRENGTHS

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

WEAKNESSES

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

DETAILED CREDIT DISCUSSION

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 three bids on its most recent note sale dated June 7, 2013, four bids on its note sale dated September 27, 2012, two bids on its note sale dated May 5, 2012, and six bids on its note sale dated February 11, 2011. 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 22, 2014 maturity.

SATISFACTORY FINANCIAL POSITION

Moody's believes the town's financial position will remain satisfactory and may continue to grow given conservative budgeting practices. General fund balance was \$6.5 million (a modest 9.3% of revenues) at fiscal 2012 year end, which represents a 62% increase in fund balance since fiscal 2008. Available reserves, which are comprised of the town's unreserved general fund balance and its stabilization fund, amounted to \$7.68 million at fiscal 2012 year-end (or a satisfactory 11% of general fund revenues).

The fiscal 2013 budget was balanced with a \$1.1 million appropriation of free cash. Management estimates that the town ended fiscal 2013 with a surplus of at least \$1.7 million, part of which was transferred to the stabilization fund resulting in a balance of \$1.4 million. Management has no plans to use the reserves in the near term. The fiscal 2014 budget increased by 3% and is balanced with a \$1.1 million free cash appropriation.

FLAT TO MODEST VALUE DECLINES EXPECTED IN MODERATELY SIZED TAX BASE

Moody's expects flat to modest full valuation growth in the town's \$3.1 billion tax base. Located 24 miles south of Boston (G.O. rated Aaa/stable outlook), this predominantly residential community has land available for development. Fiscal 2012 experienced a 414% increase over fiscal 2011 in new residential construction due to residential development projects. Although residential construction slowed in fiscal 2013, management expects growth in fiscal 2014 to exceed fiscal 2012 numbers with recent approval of several residential/commercial development projects.

Wealth and income levels are healthy and exceed commonwealth and national levels, and equalized value per capita is solid at \$135,430. The town's unemployment rate of 6.2% (May 2013) is below both the state and national unemployment rates.

MANAGEABLE DEBT BURDEN

Moody's expects the town's average debt burden (1.7 of equalized value) will remain manageable given a reasonable rate of principal amortization (82.1% repaid within 10 years) and lack of additional borrowing plans.

The town contributes to the Bristol Retirement System, a cost sharing, multiple employer defined benefit pension plan administered by the county retirement board. The town's annual required contribution (ARC) for the plan was \$2.7 million in fiscal 2012, or 4% of operating expenditures. The town's adjusted net pension liability, under Moody's methodology for adjusting reported pension data, is \$46.6 million, or a moderate .69 times of General Fund 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 plan in proportion to its contributions to the plan.

WHAT COULD MAKE THE RATING CHANGE UP

- Improved financial position through an established trend of structurally balanced operations and augmentation of reserves
- Significant tax base growth

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)

2013 Equalized valuation: \$3.1 billion

2013 Equalized value per capita: \$135,430

2000 PCI (last available): \$30,732

2000 MFI (last available): \$82,190

Direct debt burden: 1.7%

Payout of principal (10 years): 82.1%

Fiscal 2012 General Fund Balance: \$6.2 million (9.3% of revenues)

Long-term General Obligation debt outstanding: \$43.4 million

RATING METHODOLOGY

The principal methodology used in the long term rating was General Obligation Bonds Issued by US Local Governments published in April 2013. The principal methodology used in the short term rating was Bond Anticipation Notes and Other Short-Term Capital Financings published in May 2007. Please see the Credit Policy page on www.moodys.com for a copy of these methodologies.

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