

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.

## Analysts

Susan Kendall  
Analyst  
Public Finance Group  
Moody's Investors Service

Conor McEachern  
Backup Analyst  
Public Finance Group  
Moody's Investors Service

Patrick Mispagel  
Senior Credit Officer  
Public Finance Group  
Moody's Investors Service

## Contacts

Journalists: (212) 553-0376  
Research Clients: (212) 553-1653

**CREDIT RATINGS ARE MOODY'S INVESTORS SERVICE, INC.'S (MIS) CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MIS DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS DO NOT CONSTITUTE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS ARE NOT RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. CREDIT RATINGS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MIS ISSUES ITS CREDIT RATINGS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.**

© Copyright 2009, Moody's Investors Service, Inc. and/or its licensors including Moody's Assurance Company, Inc. (together, "MOODY'S"). All rights reserved.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, such information is provided "as is" without warranty of any kind and MOODY'S, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such information. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The credit ratings and financial reporting analysis observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER. Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling.

MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay to MOODY'S for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,400,000. Moody's Corporation (MCO) and its wholly-owned credit rating agency subsidiary, Moody's Investors Service (MIS), also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at [www.moody.com](http://www.moody.com) under the heading "Shareholder Relations - Corporate Governance - Director and Shareholder Affiliation Policy."