

# MOODY'S

## INVESTORS SERVICE

### New Issue: Moody's assigns Aa3 to Easton MA's \$14.4M GO Bonds and MIG 1 to \$6.6M GO BANs

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Global Credit Research - 08 Aug 2014

#### Affirmation of Aa3 on \$40M GO bonds outstanding

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

#### Moody's Rating

ISSUE	RATING
General Obligation Bond Anticipation Notes	MIG 1
<b>Sale Amount</b>	\$6,633,495
<b>Expected Sale Date</b>	08/22/14
<b>Rating Description</b>	Note: Bond Anticipation

General Obligation Municipal Purpose Loan of 2014 Bonds	Aa3
<b>Sale Amount</b>	\$14,415,000
<b>Expected Sale Date</b>	08/22/14
<b>Rating Description</b>	General Obligation Limited Tax

#### Moody's Outlook NOO

#### Opinion

NEW YORK, August 08, 2014 --Moody's Investors Service has assigned a Aa3 rating to the Town of Easton's (MA) \$14.415 million General Obligation Municipal Purpose Loan of 2014 Bonds, and a MIG 1 to \$6.6 million General Obligation Bond Anticipation Notes (dated August 22, 2014 and payable August 21, 2015). Concurrently, Moody's has affirmed the Aa3 rating on the town's outstanding \$40 million long-term general obligation bonds. Debt service on approximately \$11 million of the current issue is secured by the town's general obligation pledge and it is excluded from the levy limits of Proposition 2 ½ because bond proceeds will refund debt that has been excluded from the levy limits. The remaining portion of 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 sale of bonds will be used to refund a portion of the town's outstanding Series 2006 bonds for a net present value savings of 4.8% of refunded principal, without extension of maturity, and to finance various capital projects. Proceeds from the sale of bond anticipation notes (BANs) will be used to finance the acquisition of a parcel of property located within the town, to repair the middle school roof, and to renew \$1.08 million in outstanding BANs.

#### SUMMARY RATINGS RATIONALE

The Aa3 rating reflects the town's stable financial position, its relatively sizable tax base with above-average wealth levels, and manageable debt burden.

The MIG 1 rating reflects the town's demonstrated market access, sufficient liquidity 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

Easton is expected to continue to demonstrate satisfactory access to the capital markets given its frequent issuance of notes and bonds. The town has successfully issued debt at least 1 time in each of the last five years. Easton is will also receive adequate market access to refinance its outstanding notes at their stated maturity based largely on the town's long-term credit profile. In addition, the town continues to maintain sufficient liquidity levels at fiscal year-end and cash flow projections reflect available funds to cover approximately 82% of the total \$6.6 million in outstanding notes including the current issue.

##### SATISFACTORY FINANCIAL POSITION

The town's financial position will remain satisfactory given its conservative budgeting practices. General Fund balance, which includes the town's stabilization account, was \$6.4 million (a modest 9% of revenues) at fiscal 2013 year end, which represents a 61% increase in fund balance since fiscal 2008. The town outperformed its fiscal 2013 budget, which included a free cash appropriation of \$1.1 million, by reducing its General Fund balance by a negligible \$67k. The reduction in fund balance is significantly due to movement of \$50k to the town's OPEB fund. The town's positive budget variance is largely attributable to an increase in revenues related to motor vehicle excise, licenses, permits, and fees.

The fiscal 2014 budget was balanced with a \$1.3 million appropriation of free cash. Management estimates that it used less than the appropriated amount in fiscal 2014, ending the year with a General Fund balance of approximately \$5.8 million (a narrow 8% of revenues).

The fiscal 2015 budget increased by 4% over fiscal 2014, mainly due to increased education expenses. The budget includes \$1 million in free cash appropriation. Moody's will continue to monitor the town for structurally balanced operations. Continued, material use of reserves could result in negative rating pressure.

##### FLAT TO MODEST VALUE DECLINES EXPECTED IN MODERATELY SIZED TAX BASE

Moody's expects flat to modest equalized 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. Although residential construction slowed in fiscal 2013, management is optimistic about several residential and 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 4.5% (May 2014) is below both the state and national unemployment rates.

##### MANAGEABLE DEBT BURDEN

Moody's expects the town's average debt burden (1.5% of equalized value) will remain manageable given a reasonable rate of principal amortization (79.3% 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 \$2.8 million in fiscal 2013, or 3% of operating expenditures. The district's adjusted net pension liability, under Moody's methodology for adjusting reported pension data, is \$60 million, or an average 0.85 times operating revenues. Moody's uses the adjusted net pension liability to improve comparability of reported pension liabilities. The adjustments are not intended to replace the district's reported liability information, but to improve comparability with other rated entities. We determined the town's share of liability for the state-run 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 resulting in depletion of General Fund balance

- Deterioration of the town's tax base

#### KEY STATISTICS:

Full Value, 2013: \$3.1 billion

Full Value Per Capita, 2013: \$135,430

Median Family Income as % of US Median: 171%

Fund Balance as % of Revenues, Fiscal 2013: 9%

5-Year Dollar Change in Fund Balance as % of Revenues: 3%

Cash Balance as % of Revenues, Fiscal 2013: 11.2%

5-Year Dollar Change in Cash Balance as % of Revenues: 4%

Institutional Framework: "Aa"

5-Year Average Operating Revenues / Operating Expenditures: 1x

Net Direct Debt as % of Full Value: 1.5%

Net Direct Debt / Operating Revenues: 0.65x

3-Year Average ANPL as % of Full Value: 1.94%

3-Year Average ANPL / Operating Revenues: 0.85x

The principal methodology used in rating the long term debt was US Local Government General Obligation Debt published in January 2014. The principal methodology used in rating the short term debt was US Bond Anticipation Notes published in April 2014. Please see the Credit Policy page on [www.moodys.com](http://www.moodys.com) for a copy of these methodologies.

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