

MOODY'S

INVESTORS SERVICE

New Issue: Moody's assigns Aa3 to Easton MA's \$5.76 million GO Bonds, MIG 1 to \$7.4M GO BANs

Global Credit Research - 03 Aug 2015

Town has \$42.36M of outstanding debt, post-sale

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

Moody's Rating

ISSUE		RATING
General Obligation Municipal Purpose Loan of 2015 Bonds		Aa3
Sale Amount	\$5,760,000	
Expected Sale Date	08/13/15	
Rating Description	General Obligation	
General Obligation Bond Anticipation Notes		MIG 1
Sale Amount	\$7,425,000	
Expected Sale Date	08/13/15	
Rating Description	Note: Bond Anticipation	

Moody's Outlook NOO

NEW YORK, August 03, 2015 --Moody's Investors Service has assigned an Aa3 rating to the Town of Easton's (MA) \$5.76 million General Obligation Municipal Purpose Loan of 2015 Bonds, and a MIG 1 rating to \$7.4 million General Obligation Bond Anticipation Notes (dated August 21, 2015 and payable August 19, 2016). Concurrently, Moody's has affirmed the Aa3 rating on approximately \$36.6 million in outstanding long-term general obligation debt.

SUMMARY RATINGS RATIONALE

The Aa3 rating reflects the town's stable financial position, its moderately sized and affluent tax base, and manageable long-term liabilities for debt, pensions and OPEB.

The MIG 1 rating reflects the town's sound long-term credit strength, sufficient management of refinancing risk and healthy liquidity to cover the total principal amount of notes outstanding.

OUTLOOK

Outlooks are usually not assigned to local government credits with this amount of debt outstanding.

WHAT COULD MAKE THE RATING GO UP

- Improvement in reserve levels
- Established trend of structurally balanced operations without the use of one-time revenues
- Significant tax base growth

WHAT COULD MAKE THE RATING GO DOWN

- Protracted structural budget imbalance resulting in reduction of General Fund balance
- Deterioration of the town's tax base

STRENGTHS

- Stable, mature tax base with above average wealth levels
- Manageable long-term liabilities
- Favorable location in commuting distance to major employment centers

CHALLENGES

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

RECENT DEVELOPMENTS

The town finished fiscal 2014 with a \$529,000 draw on reserves as a result of not fully replenishing an initial reserve appropriation of \$1.4 million. At year end, total General Fund balance was \$5.9 million, or 7.9% of revenues.

DETAILED RATING RATIONALE

SOUND SHORT TERM CREDIT CHARACTERISTICS

The town's short-term credit profile is based largely on its sound long-term credit strength. Additionally, Easton is a frequent issuer, having accessed the capital markets at least one-time in each of the last five years. Refinancing risk is limited by the mature market for BANs issued throughout Massachusetts and the town's management team. Liquidity remains sound and sufficient to cover 108% of the total BAN principal outstanding based on the town's fiscal 2014 net cash position.

ECONOMY AND TAX BASE: SOME STABILIZATION EXPECTED FOR MODERATELY SIZED TAX BASE

Easton will likely experience flat to modest improvement in its tax base as the regional residential market continues to improve, bolstered by the town's favorable location roughly 30 miles south of Boston (Aaa stable). Following two consecutive years of modest assessed value decline in 2013 and 2014, the town recognized 3.1% growth for fiscal 2015. Although mature, this predominantly residential community has land available for development. Of note, a sizeable 290 unit residential complex is currently under way which points to the demand for housing in this part of the Commonwealth.

Wealth and income levels are healthy and exceed commonwealth and national levels, and equalized value per capita is solid at \$130,167. The town's unemployment rate of 3.9% (March 2015) is below both the state and national unemployment rates.

FINANCIAL OPERATIONS AND RESERVES: FINANCIAL POSITION REMAINS SATISFACTORY

The town's financial position will remain satisfactory given its conservative budget management and maintenance of stable reserve levels. The town finished fiscal 2014 with a \$529,000 draw on reserves as a result of not fully replenishing an initial reserve appropriation of \$1.4 million. At year end, total General Fund balance was \$5.9 million, or 7.9% of revenues. Unassigned General Fund balance declined modestly to \$3.5 million, or a narrow 4.7% of revenues. Despite the decline in reserves in fiscal 2014, the town's General Fund balance remains in line with prior years.

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. During the fiscal year, the town overspent its snow and ice budget by roughly \$900,000, although this was offset by approximately \$1 million in budgeted revenues from a tax sale. Most other revenue and expenditure items performed well, however as a result of the \$1 million initial appropriation, the town expects total General Fund balance to decline by approximately \$250,000.

The 2016 budget was adopted on May 18, and includes a 3.7% increase in spending and utilizes \$2 million use of reserves. Moody's will continue to monitor the town for structurally balanced operations. Continued, material use of

reserves could result in negative rating pressure.

Liquidity

The town's General Fund net cash position at the close of fiscal 2014 was \$8 million, or a satisfactory 10.8% of General Fund revenues.

DEBT AND PENSIONS; MANAGEABLE LONG-TERM FIXED COSTS

The town's slightly above average debt burden (1.8% of equalized value) will remain manageable given a reasonable rate of principal amortization (82% repaid within 10 years) and lack of immediate near term borrowing plans. On a current year basis, debt service remains affordable, accounting for 6.4% of General Fund expenditures

Debt Structure and Debt-Related Derivatives

All of Easton's debt is fixed rate and the town is not party to any derivative agreements.

Pensions and OPEB

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 \$3 million in fiscal 2014, or 4% of operating expenditures. The district's adjusted net pension liability, under Moody's methodology for adjusting reported pension data, is \$71 million, or an average 0.99 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.

The town funds its Other Post-Employment Benefits (OPEB) liability primarily on a pay-as-you-go basis. In fiscal 2014, the town contributed \$2.5 million towards the liability, which represents 31% of the annual OPEB cost. As of January 1, 2013, the unfunded liability for OPEB was approximately \$97 million, with a funded ratio of 0.05%.

MANAGEMENT AND GOVERNANCE

The town demonstrates satisfactory fiscal management practices despite a lack of formal reserve policies, as evidenced by prudent expenditure management and planning for capital expenditures.

Massachusetts cities have an institutional framework score of 'Aa' or strong. The primary revenue source for most Massachusetts municipalities is property taxes which are highly predictable and can be increased annually as allowed under the Proposition 2 ½ levy limit. Expenditures are largely predictable and cities have the ability to reduce expenditures.

KEY STATISTICS

-2015 Equalized Valuation: \$3 billion

-2015 Equalized Value Per Capita: \$130,167

-Median Family Income as % of US Median: 179.5%

-Fiscal 2014 General Fund balance as a % of Revenues: 7.92%

-5-Year Dollar Change in Fund Balance as % of Revenues (2010-2014): 2.17%

-Fiscal 2014 Cash Balance as % of Revenues: 10.77%

-5-Year Dollar Change in Cash Balance as % of Revenues, adjusted (2010-2014): 5.73%

-Institutional Framework: "Aa"

-5-Year Average Operating Revenues / Operating Expenditures (2010-2014): 1.00x

-Net Direct Debt as % of Full Value: 1.79%

-Net Direct Debt / Operating Revenues: 0.7x

-3-Year Average of Moody's ANPL as % of Full Value: 2.13%

-3-Year Average of Moody's ANPL / Operating Revenues: 0.9x

OBLIGOR PROFILE

Easton is a moderately sized, primarily residential community located approximately 30 miles south of Boston. The town has an estimated population of 23,112.

LEGAL SECURITY

The bonds are secured by the town's general obligation limited property tax pledge as debt service for the bonds has not been voted exempt from the levy limitations of Proposition 2 ½.

USE OF PROCEEDS

The bonds are being issued to provide financing for various town projects, including land acquisition, school roof repairs and other capital needs.

PRINCIPAL METHODOLOGY

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

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