MOODY'S ASSIGNS Aaa TO TOWN OF CONCORD'S (MA) $2.7 MILLION G.O. MUNICIPAL PURPOSE LOAN OF 2012 BONDS; OUTLOOK IS STABLE

LONG-TERM Aaa RATING AND STABLE OUTLOOK APPLY TO $63 MILLION RATED LONG-TERM DEBT, INCLUDING CURRENT SALE

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

Moody's Rating

Issue	Rating
General Obligation Municipal Purpose Loan of 2012 Bonds	Aaa
Sale Amount $2,785,000	
Expected Sale Date 05/22/12	
Rating Description General Obligation	

Moody's Outlook - STA

NEW YORK, May 11, 2012 -- Moody's Investors Service has assigned a Aaa rating to the Town of Concord's (MA) $2.785 million General Obligation Municipal Purpose Loan of 2012 Bonds. Concurrently Moody's has affirmed the town's Aaa long-term rating, affecting Concord's $63 million in outstanding long-term debt; the outlook is stable. Proceeds of the notes will retire a similar amount of maturing bond anticipation notes (BANs), which were originally issued to finance school building and road improvements, and equipment purchases. The majority of this issue bonds is secured by the town's limited general obligation tax pledge as debt service has not been excluded from the limitations of Proposition 2 ½. A small $10,000 portion of the bonds were excluded from Proposition 2 ½ and are secured by the town's unlimited general obligation pledge.

SUMMARY RATINGS RATIONALE

The Aaa long-term rating reflects a solid financial position supported by long-range planning and effective policies, a seasoned and effective management team, solid voter support for Proposition 2 ½ overrides and exclusions, moderate future growth potential relative to regional and national trends, an affluent tax base, and an affordable, aggressively-managed debt position with additional debt expected. Moody's stable outlook on Concord's Aaa rating reflects the town's stable financial position, long-range approach to budgeting and planning and healthy regional economy.

STRENGTHS:

- Wealthy, favorably located tax base with moderate growth potential

- Solid voter support for operating overrides and debt exclusions of Property

2 ½ limits

- Stable and strong financial position with good flexibility including unused property tax levy capacity and reserves held outside the general fund

-Effective approach to management including conservative budgeting and multiple-year planning

CHALLENGES:

- Flat projections for state aid

- Uncertain impact of federal spending cuts on regional defense and scientific research funding

DETAILED CREDIT DISCUSSION

SOUND FINANCIAL POSITION GUIDED BY COMPREHENSIVE POLICIES

The town's overall financial position is expected to remain stable, despite pressure from declining state aid revenues, given the town's effective management team, comfortable reserve levels and strong history of voter support. Concord enjoys additional financial flexibility to absorb future budgetary pressures due to its moderate excess property tax levy capacity and a strong history of voter approvals for overrides of Proposition 2 ½ for operations and capital projects. Operations in fiscal 2011 were positive, however the town transferred $2 million to a stabilization fund to offset future capital costs associated with an upcoming high school renovation project, and total general fund balance decreased to $24.3 million, a still-sound 29.6% of general fund revenues. Unassigned general fund balance also dipped slightly to $10.2 million or 12.4% of revenues. The town's $4.17 million in combined stabilization and insurance reserves are categorized as committed in general fund balance and are included in the $18.4 million unrestricted, spendable fund balance, which represents a strong 22.4% of revenues.

Since fiscal 2000, voters in the town have approved a total of over $8.5 million in tax levy increases to support operations, providing the town flexibility in planning and avoiding significant service reductions.
Additionally, voters have approved over $135 million in Proposition 2 ½ debt exclusions in support of municipal and school capital projects, greatly relieving pressure on the town's operating budget. Voters also approved the Community Preservation Act (CPA) in 2004. The CPA allows the town to collect a 1.5% surcharge on the property tax levy and grants access to state matching funds. Together these funds have yielded over $8.9 million, to date, to finance affordable housing, open space and historical preservation initiatives. To support operations the town relies heavily on property taxes, which accounted for 80.4% of operating revenues in fiscal 2011. Collection rates remain very strong at over 99% on a current-year basis.

Projections for fiscal 2012 indicate revenues and expenditures trending favorably to budget, although as a result of the $2 million allocation to stabilization the town's $850,000 free cash appropriation may only be partially replenished. A healthy free cash level of $9 million is projected, net of an $850,000 appropriation toward the fiscal 2013 budget. The fiscal

2013 adopted budget includes an overall modest 2.7% expenditure increase and was balanced without an operating override of Proposition 2 1/2. The town's unused levy capacity is expected to be maintained at approximately $2 million, and no layoffs of school or town employees were needed. Moody's anticipates that the town's historically conservative approach to budgeting and strong history of voter support for tax levy increases will maintain moderate flexibility in the medium term.

Prior to 2009 Concord's pension system was on track to be fully funded in fiscal 2012. However, after fiscal 2009 investment losses of roughly 25%, the town increased its pension appropriation in fiscal 2011 by 10% in anticipation of a funding schedule increase. As of January 1, 2010 the town's pension liability is 85.3% funded, and the revised funding schedule projects full funding by 2021, well ahead of the commonwealth's 2040 deadline. On achieving full funding of its pension system, the town plans to begin funding its other post-employment benefit (OPEB) liability. This plan has been postponed due to the increase in unfunded pension liability. The unfunded actuarial accrued liability for OPEB has been valued at roughly $44 million (assuming a 4.25% investment rate) and primarily covers 50% of retiree health insurance. The town currently appropriates just over $1 million on a pay-as-you-go basis toward OPEB. Operating cash is invested fully in compliance within the Massachusetts statute (MGL chapter 44, section 55) establishing investment policy for municipalities, which prohibits certain high-risk investments and requires diversification among financial institutions. While pension and other trust funds are permitted wider investment options, the town reports negligible exposure to mortgage-backed securities.

MODERATE TAX BASE EXPANSION CONTRIBUTES TO IMPROVING ASSESSED VALUATION PERFORMANCE

Growth has begun to reappear in Concord's sizeable $5 billion tax base. The 2011 and 2012 assessed value increased very slightly by 0.4% and 0.9%, respectively, following two declines of 4.3% and 4.5% in 2009 and 2010, respectively. Concord experienced a period of strong market appreciation and moderate new development yielding five-year annual average growth of 11.4% from 2002-2007. Moderate new growth activity is expected to continue in fiscal 2013, and assessed value is projected to remain flat. Favorably located along the Route 128/I-95 corridor in Middlesex County, Concord is a mature suburb west of Boston (G.O. rated Aaa/stable outlook) with very strong income indices that continue to increase. Per capita income is 198% of the commonwealth and 238% of the national medians while median family income is 187.9% of the commonwealth and 231% of the nation. In addition to a professional residential population, the town benefits from the presence of a modestly-sized, but stable commercial sector including health care, research and development, and office space. Recent expansion in the residential sector includes a development of roughly 350 units of rental housing which is nearing completion. The town's equalized valuation has grown at an average annual rate of 2.4% over the last six years, driven primarily by market values of residential properties. Demonstrating the town's resilience, in fiscal 2012 the average single-family home value rose by 1.3% to $851,000, which is valued among the highest in the commonwealth. Overall, the tax base remains very strong as evidenced by a very high 2011 equalized value per capita of $314,836.

FAVORABLE DEBT PROFILE WITH SIGNIFICANT VOTER SUPPORT

Concord is expected to maintain an affordable debt position due to its modest 1.3% overall debt burden, an aggressive repayment schedule for non-excluded debt, steady anticipated tax base growth, and the town's commitment to pay-as-you-go capital financing, with roughly $4.6 million budgeted in fiscal 2013, including enterprises. Since 1992 Concord's voters have approved thirteen debt exclusions from Proposition 2 ½ for roughly $135 million in school and town capital projects, relieving the impact of the associated debt service on general fund operations. The most recent vote passed in November,
2011 when Concord and the Town of Carlisle (G.O. rated Aa1) held referendum votes excluding debt service for the replacement of Concord Carlisle Regional High School. The project has an initial project cost of up to $92 million, of which $48 million is projected to be Concord's share.

Debt service payments accounted for a manageable 9.3% of total fiscal 2011 expenditures, and the town repays its obligations at a satisfactory rate with 73.9% of principal retired within 10 years. Concord's amortization schedule has been extended significantly in recent years due to the issuance of approximately $13 million in long-term debt through the Massachusetts Water Pollution Abatement Trust (MWPAT rated Aaa/stable outlook) for a wastewater treatment plant project. However, the town remains in compliance with its adopted policy to amortize all tax-supported non-excluded borrowing within ten years and all debt voted exempt from Proposition 2 1/2 within 20 years.
The town also maintains a policy that restricts total pay-as-you-go capital spending and tax-supported non-excluded debt service to 8% of budget. Concord expects to issue approximately $35.9 million in bonded debt in support of its
$61.7 million capital improvement plan through fiscal 2017; debt service on approximately $17.5 million is anticipated to be self-supporting through user fees. Concord has no exposure to variable or auction rate debt or swap agreements.

Outlook

Concord's stable outlook reflects the town's strong economic and financial performance, and the expectation that the town will continue to manage effectively, maintaining structural balance and flexibility.

WHAT COULD MOVE THE RATING DOWN:

-Lack of voter support for operating and capital needs

-Erosion of reserves

-Significant decline in tax base and demographic profile

KEY STATISTICS

2010 population: 17,450 (+2.7% since 2000)

2011 Equalized Valuation: $5.56 billion

2011 Equalized Value per capita: $314,836

Average Annual Growth, Equalized Valuation (2005-2011): 2.4%

Median Family Income: $115,839: (187% of commonwealth, 238% of nation)

Per Capita Income: $51,477 (198% of commonwealth, 231% of nation)

FY11 General Fund balance: $24.3 million (29.6% of General Fund revenues)

FY11 Unassigned General Fund balance: $10.2 million (12.4% of General Fund revenues)

Overall debt burden: 1.3%

Amortization of principal (10 years): 73.9%

Rated long-term G.O. debt outstanding: $63 million

PRINCIPAL RATING METHODOLOGY

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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