

# MOODY'S

## INVESTORS SERVICE

### New Issue: Moody's assigns Aaa and MIG 1 to Concord, MA's \$8.3M GO Bonds and \$0.4M GO BANs; outlook stable

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Global Credit Research - 08 May 2015

#### Affirms Aaa on outstanding GO bonds; post-sale \$63M in bonds outstanding

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

#### Moody's Rating

ISSUE		RATING
General Obligation Municipal Purpose Loan of 2015 Bonds		Aaa
<b>Sale Amount</b>	\$8,300,000	
<b>Expected Sale Date</b>	05/13/15	
<b>Rating Description</b>	General Obligation	
General Obligation Bond Anticipation Notes		MIG 1
<b>Sale Amount</b>	\$400,000	
<b>Expected Sale Date</b>	05/13/15	
<b>Rating Description</b>	Note: Bond Anticipation	

#### Moody's Outlook STA

NEW YORK, May 08, 2015 --Moody's Investors Service has assigned a Aaa rating to the Town of Concord's (MA) \$8.3 million General Obligation Municipal Purpose Loan of 2015 Bonds and a MIG 1 to \$400,000 General Obligation Bond Anticipation Notes (dated May 21, 2015 and payable May 20, 2016). Concurrently, Moody's has affirmed the Aaa long-term rating on the town's outstanding bonds. Post-sale the town has \$63 million in outstanding bonds. The outlook is stable.

#### SUMMARY RATING RATIONALE

The Aaa rating reflects a solid financial position supported by strong reserve levels, an affluent tax base, moderate debt burden and well-managed long-term liabilities.

The MIG 1 rating reflects the strength of the long-term rating, ample liquidity and sufficient management of refinancing risk. The rating also incorporates the town's frequent access to the capital market through the annual issuance of debt.

#### OUTLOOK

The stable outlook reflects the town's sound fiscal management including multi-year forecasting and effective policies. The outlook also incorporates a history of voter approved debt exclusions and general overrides to Proposition 2 ½.

#### WHAT COULD MAKE THE RATING GO DOWN

- Lack of voter support for operating and capital needs
- Erosion of reserves due to a trend of operating deficits
- Significant decline in tax base and demographic profile

## STRENGTHS

- Wealthy, favorably located tax base
- Solid voter support for operating overrides and debt exclusions to Proposition 2 ½ levy limits
- Strong financial position with some flexibility including unused property tax levy capacity
- Effective approach to management including conservative budgeting and multi-year planning

## CHALLENGES

- Rising assessments from regional school district and other education expenses

## RECENT DEVELOPMENTS

The fiscal 2014 audited financials reflect continued stability in the town's financial operations with a \$523,000 operating surplus. The 2015 assessed value also represents a trend of positive growth. Please see the Detailed Rating Rationale for further information.

## DETAILED RATING RATIONALE

### ECONOMY AND TAX BASE: STABLE RESIDENTIAL TAX BASE FAVORABLY LOCATED WITH AFFLUENT SOCIOECONOMIC INDICATORS

Concord's primarily residential (91% of 2015 assessed value) \$5.5 billion tax base is expected to remain stable with positive growth over the near term given moderate new development and a strong housing sector. The 2015 assessed value increased by 5.5%, reflecting limited but positive growth in four out of the last five years. The increase adjusted the five year compounded growth to 0.5%. Favorably located along the Route 128/I-95 corridor, the town is a mature suburb west of Boston (Aaa stable). The town does have a small commercial sector including health care, research and development and office space. The town's equalized value increased by 3.1% in 2015 which brings the six year average growth to -0.7%. The town's wealth levels remain strong with a median family income representing approximately 2.5 times the national median. The full value per capita of \$313,595 also remains strong reflecting the high-end housing stock. In addition, the town's unemployment rate of 3.4% (March 2015) remains well below the state (5.0%) and US (5.6%).

### FINANCIAL OPERATIONS, RESERVES AND COVERAGE: SOUND FINANCIAL POSITION EXPECTED TO CONTINUE

The town's overall financial position is expected to remain stable given the effective management team, comfortable reserve levels and strong history of voter support. Concord enjoys additional financial flexibility to absorb future budgetary pressures due to a moderate excess property tax levy capacity that has increased to approximately \$3.6 million (4.1% of 2015 appropriations) in recent years. Operations in fiscal 2014 resulted in a surplus of \$523,000 attributed to positive revenue variance primarily from motor vehicle excise taxes. The town also benefited from turn-backs from all major line items. The 2014 audit reflects an increase in both the available General Fund balance to \$23.7 million or 25.7% of revenues and the unassigned fund balance to \$12.3 million or 13.3% of revenues. The General Fund reserves additionally include \$4.7 million in restricted fund balance designated for school debt service and \$7 million in committed fund balance designated as various stabilization funds for other debt, additional school capital, emergency response, insurance and other uses. The town plans to use some of the committed funds over the near term to offset larger increases in school assessments from the Concord-Carlisle Regional School District (RSD, Aaa stable) due to increased debt service for the new high school project which the town has excluded from Proposition 2 1/2. Concord's primary revenue source is property taxes (80% of 2014 revenues) and the town continues to benefit from a strong 99.5% collection rate.

The fiscal 2015 budget increased by 4.4% and was balanced with a 4.3% tax levy increase and an \$850,000 free cash appropriation. Year-to-date revenues are trending favorably again driven by strong excise tax receipts. Expenditures are on budget except for a snow and ice deficit of \$315,000. Year-end projections indicate a \$325,000 operating deficit after positive variance in revenues helps to offset a majority of reserve appropriations for debt service, ambulatory operations and the snow deficit.

The fiscal 2016 budget increased by 7% from the prior year due primarily to RSD debt exclusion, other education costs and one-time capital expenditures. The budget is balanced with a 5.5% tax levy increase and \$1.6 million appropriation from stabilization funds. The budget also calls for use of some of the unused levy capacity.

## Liquidity

Concord's net cash position at the end of fiscal 2014 was \$33 million or a healthy 35.8% of revenues. The liquidity position is strong and provides very healthy coverage for the notes due in May 2016.

## DEBT AND OTHER LIABILITIES

The town is expected to maintain an affordable debt position due to its modest 0.7% direct debt burden, an aggressive repayment schedule for non-excluded debt, and the town's commitment to pay-as-you-go capital financing, with roughly \$4.7 million budgeted in fiscal 2015, including enterprises. Future borrowing plans include approximately \$6.1 million in planned issuance in 2016 which includes various projects under the town's capital plan. 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.

### Debt Structure

The town's debt profile consists entirely of fixed rate debt. Debt service payments accounted for 8.6% of fiscal 2014 expenditures, and the town repays principal at a sound rate with 88% retired within 10 years.

### Debt-Related Derivatives

Concord has no derivatives.

### Pensions and OPEB

The town participates in the Concord Contributory Retirement System, a multi-employer, defined benefit retirement plan. The town's annual required contribution (ARC) for the plans was \$3.4 million in fiscal 2014, or 3.7% of General Fund expenditures. The town's 2013 adjusted net pension liability, under Moody's methodology for adjusting reported pension data, is \$86 million, or a moderate 0.98 times 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 to be in proportion to its contributions to the plan.

The town continues to contribute to its OPEB liability on a pay-as-you-go basis, contributing 45% of the ARC in 2014, representing \$1.3 million. The OPEB UAAL as of June 30, 2014 was \$26.8 million. In addition to its annual pay-go contribution, the town annually contributes to an OPEB trust which as of the valuation date, provided a funded ratio of 19.7% of the unfunded liability. Going forward, the town will continue to increase budgeted OPEB funding as part of its plan to reach full funding by 2020.

## MANAGEMENT AND GOVERNANCE

Massachusetts cities and towns have an institutional framework score of 'Aa' or strong. The primary revenue source for 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.

The town continues to abide by sound fiscal management policies which are detailed in the annual finance committee report. The policies include the maintenance of free cash of at least 5% of the total budget, a capital budget and debt policy which helps to develop the town's multi-year budget projections.

## KEY STATISTICS

- 2015 Equalized Valuation: \$5.5 billion
- 2015 Equalized Value Per Capita: \$313,595
- Median Family Income as % of US Median: 244.58%
- Fiscal 2014 operating fund balance as a % of revenues: 25.72%
- 5-Year Dollar Change in Fund Balance as % of Revenues (2010-2014): 16.06%
- Fiscal 2014 Cash Balance as % of Revenues: 35.77%

- 5-Year Dollar Change in Cash Balance as % of Revenues (2010-2014): 16.37%
- Institutional Framework: "Aa"
- 5-Year Average Operating Revenues / Operating Expenditures (2010-2014): 1.02x
- Net Direct Debt as % of Full Value: 0.73%
- Net Direct Debt / Operating Revenues: 0.4x
- 3-Year Average of Moody's ANPL as % of Full Value: 1.51%
- 3-Year Average of Moody's ANPL / Operating Revenues: 0.9x

#### OBLIGOR PROFILE

Concord is primarily a residential community west of Boston with a population of 17,668.

#### LEGAL SECURITY

The notes are secured by the town's general obligation unlimited tax pledge as debt service has been exempt from the levy limitations of Proposition 2 ½.

The new money portion of the bonds are secured by the town's general obligation limited tax pledge as debt service has not been exempt from the levy limitations of Proposition 2 ½. The refunding component is secured by the town's general obligation unlimited tax pledge as debt service has been exempt from the levy limitations of Proposition 2 ½.

#### USE OF PROCEEDS

Note proceeds will be used to finance various town capital projects. The bonds will provide new money in the amount of \$3.6 million to fund town capital projects. The remaining bond proceeds will refund, in part, the town's outstanding 2004 and 2006 series for an estimated net present value savings of \$1 million or 12% of refunded par (net of an MSBA grant of \$3.4 million to fund the escrow) with no extension of maturity.

#### 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](http://www.moodys.com) for a copy of these methodologies.

#### REGULATORY DISCLOSURES

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