

**New Issue: Moody's assigns Aa2 to Longmeadow, MA's \$1.5M GO Bonds**

---

Global Credit Research - 03 Mar 2015

**Affirms Aa2 on outstanding debt; Aa2 applies to \$52M of debt, post-sale**

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

**Moody's Rating**

<b>ISSUE</b>	<b>RATING</b>
General Obligation Municipal Purpose Loan of 2015 Bonds	Aa2
<b>Sale Amount</b>	\$1,501,200
<b>Expected Sale Date</b>	03/12/15
<b>Rating Description</b>	General Obligation

**Moody's Outlook** NOO

NEW YORK, March 03, 2015 --Moody's Investors Service assigns a Aa2 rating to the Town of Longmeadow's (MA) \$1.5 million General Obligation Municipal Purpose Loan of 2015 Bonds. Concurrently, Moody's affirms the Aa2 rating on the town's outstanding GO debt. Post sale, the town will have \$52 million of GO debt.

**SUMMARY RATING RATIONALE**

The Aa2 rating reflects the town's stable tax base with strong wealth levels, satisfactory financial position bolstered by sound fiscal management and an above average but manageable debt and long-term liabilities burden.

**OUTLOOK**

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

**WHAT COULD MAKE THE RATING GO UP**

- Material increase in available fund balance
- Strengthening of the tax base and demographic profile

**WHAT COULD MAKE THE RATING GO DOWN**

- Continued trend of operating deficits
- Decline in available fund balance
- Increased debt burden not mitigated by debt exclusions
- Material decline in the tax base

**STRENGTHS**

- Stable tax base with above average socioeconomic indices
- Sound fiscal management including adherence to formal policies
- History of successful votes to exceed tax levy limits of Proposition 2 ½

## CHALLENGES

- Revenue raising constraints given limited new growth
- Below average reserves for the rating category
- Returning to balanced operations after recovery from significant storm damage and related costs

## RECENT DEVELOPMENTS

Recent developments are incorporated in the Detailed Rating Rationale.

## DETAILED RATING RATIONALE

### ECONOMY AND TAX BASE: RESIDENTIAL WITH ABOVE-AVERAGE WEALTH LEVELS

Longmeadow's \$2 billion tax base is expected to remain stable with limited growth over the near term due to the recovering housing market. The town, with a population of 15,784, is located in the southwest portion of the commonwealth, immediately south of the City of Springfield (A2 positive). The tax base is primarily comprised of residential properties (95% of 2015 assessed value) and benefits from the regional presence of large health and higher education institutions. The town's equalized value declined 6.4% in 2015, bringing the six-year compound average annual decline to 1.9%. Although, the 2015 assessed value increased by 0.3%; the first increase in two years. The town is largely built-out and new growth is limited mostly to residential renovations incorporated into a five-year annual average of \$226,400 of new growth. The wealth levels of the town are strong with median family income of \$106,387, which is above the state and US medians (131% and 169%, respectively). In addition, the unemployment rate of 4.1% (December 2014) continues to trend well below the state (4.8%) and US (5.4%).

### FINANCIAL OPERATIONS AND POSITION: SOUND MANAGEMENT MAINTAINS ADEQUATE RESERVES WITH EXPECTATIONS TO RETURN TO BALANCED OPERATIONS

The town's financial position is expected to return to more balanced operations over the near term after recovering from over \$12 million in storm damage, of which \$2.1 million (approximately 3% of 2014 revenues) was absorbed by the town after reimbursements. The town's conservative fiscal management enabled town operations and services to continue without cuts as the storm costs were spread over the last three years contributing to moderate operating deficits. Fiscal 2014 audited financials reflect an operating deficit of \$585,000 attributed to large encumbrances over \$1.9 million related to public works expenditures from the final costs of storm cleanup. The deficit reduced the available fund balance to \$5.9 million or a satisfactory 9.3% of revenues. The primary revenue source continues to be property taxes (71% of 2014 revenues) with strong collection rates of over 99% within the current fiscal years. The largest expenditures are education (47% of 2014 expenditures) and employee benefits (24%).

The fiscal 2015 budget increased by 2.4% from the prior year and is balanced with a 2.9% increase in the tax levy. The budget also included free cash appropriations of \$675,000 towards capital needs, \$115,000 for the town's annual deposit into its OPEB trust fund, and \$700,000 into the stabilization reserve. Year-to-date revenues and expenditures are trending favorably except for snow and ice. The town expects an operating surplus of around \$1 million at the end of the year.

The budget recommendation for fiscal 2016 will reflect an increase of approximately 2.5% to 3% and will be balanced with a tax levy increase up to the levy limit and no use of reserves. Despite the fiscal pressures in recent years from extraordinary events, the town has continued to adhere to formal financial policies including targeted fund balance levels and annual deposits into an OPEB trust. Reserves remain relatively stable but below the national and state average for the rating category. The town's ability to return to balanced operations will be a key factor in future rating reviews.

### Liquidity

Longmeadow's net cash position at the end of fiscal 2014 was \$7.4 million or 11.6% of revenues.

### DEBT AND OTHER LIABILITIES: MODERATE DEBT BURDEN REMAINS MANAGEABLE DUE TO DEBT EXCLUSIONS FROM TAX LEVY LIMITS

The town's direct debt burden of 2.4% of equalized value is expected to remain manageable over the medium term given that 92% of debt outstanding has been excluded from Proposition 2 ½ levy limits. The town's five-year

capital plan includes \$34 million in project costs, mostly for water and sewer projects which are expected to remain self-supporting through enterprise revenues.

#### Debt Structure

Longmeadow's debt is all fixed rate with principal amortization of 53.3% within ten years. The fiscal 2014 debt service represented 6.4% of expenditures.

#### Debt-Related Derivatives

The town has no derivatives.

#### Pensions and OPEB

The town participates in the Hampden County Regional Retirement System, a multi-employer, defined benefit retirement plan. The town's annual required contribution (ARC) for the plan was \$2.3 million in fiscal 2014, or 3.6% of General Fund expenditures. The town's 2013 adjusted net pension liability, under Moody's methodology for adjusting reported pension data, is \$64.3 million, or an average 1.05 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.

The town currently contributes to its OPEB liability on a pay-as-you-go basis, contributing 28% of its annual OPEB cost in fiscal 2014, representing \$875,659. The total Unfunded Actuarially Accrued Liability (UAAL) for OPEB is \$28.7 million, as of July 1, 2013. The town continues to adhere to a formal policy to fund an OPEB trust with annual deposits which have helped to establish a funded ratio of 1.4% as of the latest valuation report. The town's total fixed costs in fiscal 2014, including pension, OPEB, and debt service represented a low \$7.3 million or 11.3% of expenditures.

#### MANAGEMENT AND GOVERNANCE

Massachusetts municipalities 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.

#### KEY STATISTICS

- 2015 Equalized Valuation: \$2 billion
- 2015 Equalized Value Per Capita: \$129,192
- Median Family Income as % of US Median: 168.9%
- Fiscal 2014 available General Fund balance as a % of Revenues: 9.3%
- 5-Year Dollar Change in Fund Balance as % of Revenues (2010-2014): 1.26%
- Fiscal 2014 Cash Balance as % of Revenues: 11.74%
- 5-Year Dollar Change in Cash Balance as % of Revenues, adjusted (2010-2014): 1.11%
- Institutional Framework: "Aa"
- 5-Year Average Operating Revenues / Operating Expenditures (2010-2014): 1.00x
- Net Direct Debt as % of Full Value: 2.40%
- Net Direct Debt / Operating Revenues: 0.80x
- 3-Year Average of Moody's ANPL as % of Full Value: 2.81%
- 3-Year Average of Moody's ANPL / Operating Revenues: 0.90x

#### OBLIGOR PROFILE

Longmeadow is located in the southern part of Hampden County along the Connecticut border, just south of the City of Springfield. The town has a population of 15,784.

#### LEGAL SECURITY

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

#### USE OF PROCEEDS

Bond proceeds will be used to redeem bond anticipation notes scheduled to mature on May 18, 2015.

#### RATING METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Credit Policy page on [www.moody.com](http://www.moody.com) for a copy of this methodology.

#### REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on [www.moody.com](http://www.moody.com).

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see [www.moody.com](http://www.moody.com) for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on [www.moody.com](http://www.moody.com) for additional regulatory disclosures for each credit rating.

#### **Analysts**

Nicholas Lehman  
Lead Analyst  
Public Finance Group  
Moody's Investors Service

Thomas Compton  
Additional Contact  
Public Finance Group  
Moody's Investors Service

#### **Contacts**

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

Moody's Investors Service, Inc.  
250 Greenwich Street  
New York, NY 10007  
USA

© 2015 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

**CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S 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 AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.**

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS FOR RETAIL INVESTORS TO CONSIDER MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS IN MAKING ANY INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, 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, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for arising from or in connection with the information contained

herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a)(b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

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.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), 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 Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and 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 at [www.moody.com](http://www.moody.com) under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for "retail clients" to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.

For Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as

applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.