

CREDIT OPINION

8 February 2016

New Issue

Rate this Research >>

Contacts

Nicholas Lehman 617-535-7694
 Analyst
 nicholas.lehman@moody's.com

Robert Azrin 212-553-7436
 VP-Senior Analyst
 robert.azrin@moody's.com

Sharon (Town of) MA

New Issue - Moody's Assigns Aa3 to Sharon, MA's \$9.2M GO Bonds; Negative Outlook Removed

Summary Rating Rationale

Moody's Investors Service has assigned a Aa3 rating to the Town of Sharon, MA's \$9.2 million General Obligation Municipal Purpose Loan of 2016 Bonds. Concurrently, we have affirmed the Aa3 rating on the town's \$74.8 million outstanding general obligation bonds. The negative outlook has been removed.

The Aa3 rating reflects the satisfactory financial position that is expected to stabilize over the near term, strong tax base and socio-economic indicators, and manageable debt and pension liabilities.

Credit Strengths

- » Stable tax base with strong demographics

Credit Challenges

- » Stabilizing annual financial operations and improving reserves
- » Revenue raising limitations of Proposition 2 1/2

Rating Outlook

The negative outlook has been removed given the positive operations in fiscal 2015 and expectations for more balanced results over the near term.

Factors that Could Lead to an Upgrade

- » Trend of balanced financial operations with a significant increase in reserves
- » Reduction in the debt burden
- » Material growth in the tax base

Factors that Could Lead to a Downgrade

- » Large operating deficit resulting in a decline in reserves
- » Large increase in the debt burden
- » Significant deterioration in the tax base or demographics

Key Indicators

Exhibit 1

Sharon (Town of) MA	2011	2012	2013	2014	2015
Economy/Tax Base					
Total Full Value (\$000)	\$ 2,986,889	\$ 2,986,889	\$ 2,894,551	\$ 2,894,551	\$ 2,895,867
Full Value Per Capita	\$ 169,594	\$ 169,594	\$ 164,351	\$ 164,351	\$ 164,426
Median Family Income (% of US Median)	N/A	225.1%	225.1%	225.1%	225.1%
Finances					
Operating Revenue (\$000)	\$ 69,208	\$ 73,433	\$ 74,547	\$ 77,117	\$ 77,213
Fund Balance as a % of Revenues	6.4%	5.9%	4.6%	2.3%	6.7%
Cash Balance as a % of Revenues	17.9%	13.7%	12.9%	10.7%	15.3%
Debt/Pensions					
Net Direct Debt (\$000)	\$ 49,672	\$ 57,962	\$ 56,473	\$ 54,155	\$ 73,655
Net Direct Debt / Operating Revenues (x)	0.7x	0.8x	0.8x	0.7x	1.0x
Net Direct Debt / Full Value (%)	1.7%	1.9%	2.0%	1.9%	2.5%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	N/A	0.6x	0.7x	0.9x	N/A
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	N/A	1.4%	1.9%	2.4%	N/A

Fiscal year end June 30

Source: Moody's Investors Service

Detailed Rating Considerations

Economy and Tax Base: Stable Valuation and Strong Demographics Will Continue

Sharon's \$2.9 billion tax base will remain stable over the near term as the town continues to benefit from a strong housing market that is attributed to its regional location and strong school district. Fiscal 2016 assessed value increased 5.9%, the fifth consecutive increase. This increase improves the five year compound annual growth to 2.5%. Additionally, the town which is 95% residential, is expected to benefit from the largest commercial development project in town history that includes 95 acres of mixed use space that will generate over \$3 million in annual tax revenues in the next three years. Sharon's wealth levels continue to be strong with median family income equal to 225% of the US median. Also, the unemployment rate of 3.3% (November 2015) remains below the commonwealth (4.5%) and US (4.8%).

Financial Operations and Reserves: Expected to Stabilize Over Near Term

After five consecutive years of operating deficits and declining reserves, the town has produced an operating surplus that stabilizes reserves and reflects a more balanced approach to operations going forward. The fiscal 2015 audited financials report an operating surplus of \$3.3 million attributed to positive variance in both revenues and expenditures. The surplus includes one-time revenues of \$2 million from the sale of cell tower leases. The surplus increased the available general fund balance (committed, assigned and unassigned) to \$5.2 million, or a more satisfactory 6.7% of revenues. The primary revenue source is property taxes (77% of 2015 revenues) while the largest costs are education (52% of 2015 expenditures) and employee benefits (17%).

The fiscal 2016 budget increased by 4.5% driven by increases in debt service and pension costs. The budget is balanced with a 4.9% increase to the tax levy and \$600,000 of the one-time revenues received from the cell tower lease sales. For the first time, in recent history, there is no planned use of free cash or other reserves for operating or capital needs. Year-to-date revenues and expenditures are trending on budget and current projections indicate a balanced year-end with small surplus.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

The preliminary fiscal 2017 budget indicates a spending increase of approximately 2% balanced without the use of free cash. Going forward, we expect managements commitment to a more structurally balanced operating budget to lead to a healthier financial position over the medium term.

LIQUIDITY

Cash and investments at the end of fiscal 2015 represented \$11.8 million or a healthy 15.3% of revenues.

Debt and Pensions: Above Average Liabilities Are Expected to Remain Manageable

Sharon's direct debt burden of 2.6% (including the current issuance) is above average for the rating category but is expected to remain manageable given limited debt plans of the next three years and a large portion of the debt (61.5%) being excluded from the levy limitations of Proposition 2 1/2. The town anticipates future annual issuance of \$2-3 million as part of its five-year capital plan.

DEBT STRUCTURE

All of the town's debt is fixed rate with 72% of principal retired within ten years. Fiscal 2015 debt service represented an above average 10.9% of expenditures.

DEBT-RELATED DERIVATIVES

Sharon has no derivatives.

PENSIONS AND OPEB

The town contributes to the Norfolk Regional Retirement System, a multi-employer cost-sharing plan. The town is required to fully fund its Annual Required Contribution (ARC), which was \$3.1 million in 2015, representing a manageable 4.2% of general fund expenditures. The town's three-year average 2014 adjusted net pension liability, under Moody's methodology for adjusting reported pension data, is \$69 million, or a favorable 0.89 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 OPEB liability is funded on a pay-as-you-go basis, and the city contributed 33% of its annual OPEB cost in 2015, representing \$2.1 million. The total unfunded liability is \$71.3 million as of July 1, 2014, the most recent valuation report.

Total fixed costs in 2015 including debt service, required pension contributions and retiree healthcare payments, represented \$13.3 million or 18% of expenditures.

Management and Governance

Town management has improved its financial policies going forward by limiting the use of free cash and other reserves to capital and one-time uses. The town continues to maintain a five year capital plan.

Massachusetts towns have an institutional framework score of "Aa," or strong. Revenues are highly predictable due to a heavy reliance on property taxes. Towns have a moderate revenue-raising ability given the Proposition 2 1/2 levy limit. Expenditures primarily consist of personnel costs, as well as education costs for cities that manage school operations, and are highly predictable given state-mandated school spending guidelines and employee contracts. Towns have a moderate expenditure reduction ability given the high presence of collective bargaining contracts, offset by low fixed costs in most cases.

Legal Security

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 1/2.

Use of Proceeds

Proceeds in the amount of \$1.8 million will fund various capital projects of the town. The balance of the proceeds will be used to current refund a portion of the town's bonds dated September 15, 2005, advance refund a portion of bonds dated October 15, 2006 and August 15, 2007, for an aggregate net present value savings of 8.7% or \$671,000 of refunded principal with no extension of maturity.

Obligor Profile

The town is primarily residential with a population of 17,756 and is located approximately 21 miles southwest of Boston (Aaa stable).

Methodology

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Ratings Methodologies page on www.moody.com for a copy of this methodology.

Ratings

Exhibit 2

SHARON (TOWN OF) MA

Issue	Rating
General Obligation Municipal Purpose Loan of 2016 Bonds	Aa3
Rating Type	Underlying LT
Sale Amount	\$9,220,000
Expected Sale Date	02/18/2016
Rating Description	General Obligation

Source: Moody's Investors Service

© 2016 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 AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN 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 any indirect, special, consequential, or incidental losses or damages whatsoever 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) any loss of present or prospective profits or (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's.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms 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 61 003 399 657 AFSL 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 investors. It would be reckless and inappropriate for retail investors to use MOODY'S credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

Additional terms 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.

REPORT NUMBER 1014326