

Summary:

Natick, Massachusetts; General Obligation

Primary Credit Analyst:

Matthew Stephan, Boston (1) 617-530-8316; matthew_stephan@standardandpoors.com

Secondary Contact:

Henry W Henderson, Boston (1) 617-530-8314; henry_henderson@standardandpoors.com

Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

Natick, Massachusetts; General Obligation

Credit Profile		
US\$12.215 mil go rfdg bnds ser 2012B due 08/01/2020		
<i>Long Term Rating</i>	AAA/Stable	New
US\$5.213 mil go mun purp loan of bnds ser 2012A due 06/01/2024		
<i>Long Term Rating</i>	AAA/Stable	New
Town of Natick GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services has assigned its 'AAA' long-term rating to the town of Natick, Mass.' series 2012A general obligation (GO) municipal purpose bonds and series 2012B GO refunding bonds and affirmed its 'AAA' long-term rating on the town's existing GO debt. The outlook is stable.

The long-term rating reflects our opinion of the town's:

- Stable local economy with a sound commercial and retail base, coupled with access to the broader employment bases in the Boston area;
- Favorable unemployment levels and very strong income levels;
- Extremely strong market value per capita;
- Good management policies and continued strong reserves; and
- Low debt burden, net of self-supporting enterprise funds, with a rapid amortization schedule.

The town's full faith and credit pledge secures the GO bonds. Officials will use series A bond proceeds to fund various capital projects and series B bond proceeds to current refund the town's 1998, 1999, and 2000 GO bonds.

Natick, with an estimated population of 32,000, is located along Interstate 95, approximately 18 miles west of Boston. The town is primarily a residential community with a sound commercial and industrial base. Natick's major employers are:

- MathWorks Inc., computer software (1,900 employees);
- U.S. Army Natick Research and Engineering Center (1,300); and
- Natick Collection mall (1,200), one of the larger retail centers in New England.

In addition, the town has good access to a diverse mix of employers located along I-95, as well as through a commuter rail line directly to downtown Boston.

We also consider other measures of the town's economy strong. The town's unemployment rate was just 4.7% in 2011, well below the commonwealth's 7.4% and the nation's 8.9%. Moreover, the town's median household effective buying income is 156% of the national level, which we consider very strong.

Natick's property tax base is large, with total assessed value (AV) at \$6.22 billion despite a nearly 6% decrease over

the past two years. The per capita market valuation is extremely strong, in our opinion, at \$197,800, which we believe reflects the town's strong real estate values and sizable commercial and industrial base, which is 20% of AV. The tax base is diverse, in our opinion, with the 10 leading taxpayers accounting for 11% of AV.

At the close of fiscal 2011, the town's unassigned and assigned combined fund balance was \$10.24 million, or 9.1% of general fund expenditures, which we consider strong. The town also reported \$6 million (equal to an additional 5.4% of expenditures) in committed general fund reserves, which may be appropriated by a formal action of town meeting.

The fiscal 2012 budget appropriated \$2 million of fund balance and \$1 million from overlay surplus for operations; nevertheless, management projects that the town will close with at least break-even operations due largely to conservative budgeting. The fiscal 2013 budget appropriates \$2.5 million of fund balance for operations.

Property taxes are the town's leading revenue, accounting for about 70% of general fund revenue. The town bills property taxes quarterly; current-year collections have remained strong at above 99% in each of the past four fiscal years. Intergovernmental revenue, including education aid, accounts for about 20% of general fund revenue.

Standard & Poor's considers Natick's management practices "good" under its Financial Management Assessment methodology, indicating financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them.

As of Jan. 1, 2011, the town's pension system was 64% funded, with a \$53.2 million unfunded liability. The town has contributed the full annual required contribution (ARC) in each of at least the past five years; in fiscal 2011, the pension ARC was \$5.66 million, or about 5% of general fund expenditures. The town's other postemployment benefit (OPEB) liability, as of July 1, 2010, was \$119.2 million. The town has established an OPEB trust fund and plans to transfer \$222,000 of Medicare Part D federal reimbursements into the fund. The annual OPEB cost in fiscal 2011 was \$10.9 million, of which the town's pay-as-you-go payment was equal to only 27.5%.

In our view, Natick's debt position is low to moderate. Net of self-supported water and sewer debt and of state support for some of its school debt, overall net debt is about 1.3% of market value, or \$2,608 per capita. The town maintains an above-average amortization schedule, with officials planning to retire 73% of principal in 10 years and 100% in 20 years. Debt service carrying charges have been low, averaging 5% of governmental expenditures, less capital outlay, over the past three audited fiscal years.

Outlook

The outlook is stable. We do not expect to change the rating within the two-year outlook period, as we expect that the town will continue to maintain its strong reserve position and that its tax base will remain strong and stable. Over the long term, the rating could be pressured if the funding needs for the unfunded pension and OPEB liabilities become significant; however, we recognize that the town has continued to fund its full pension ARC and has established an OPEB trust fund.

Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

Copyright © 2012 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.