

May 4, 2009

Summary:

Canton, Massachusetts; General Obligation; Note

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Credit Profile		
US\$6.399 mil GO mun purp loan of 2009 bnds dtd 05/15/2009 due 05/15/2010-2029		
<i>Long Term Rating</i>	AAA/Stable	New
US\$5.402 mil BANs dtd 05/29/2009 due 05/28/2010		
<i>Short Term Rating</i>	SP-1+	New

Rationale

Standard & Poor's Ratings Services assigned its 'SP-1+' short-term rating to Canton, Mass.' bond anticipation notes and its 'AAA' rating to the town's 2009 general obligation bonds. At the same time, Standard & Poor's affirmed its 'AAA' rating on the town's bonds outstanding. The outlook is stable.

The ratings reflect our opinion of Canton's:

- Convenient access to the deep and diverse Boston metropolitan statistical area (MSA);
- Extremely strong wealth levels with an equalized value per capita of more than \$200,000;
- Very strong income levels, with median household effective buying income at 146% of the national level;
- Strong reserve levels and good financial management practices; and
- Low debt burden with manageable future capital needs.

Canton, with a population of 21,980, is a suburban, primarily residential community located 15 miles south of Boston. The town's location along Route 128 and Interstate 95, coupled with two commuter-rail train stations, provides local residents with easy access to numerous employment centers, including downtown Boston; the Route 128 high-tech corridor; and Providence, R.I. Canton's income levels are high in our opinion--the median household effective buying income is 126% of the commonwealth level and 146% of the national level. The unemployment rate rose to 7.0% in March 2009, but remained below state and national levels. The town's assessed value (AV) is \$4.17 billion for fiscal 2009, a slight increase from fiscal 2008, but slightly below the fiscal 2007 level. The town's per capita market value remains extremely strong at \$204,000, reflecting the town's residential property wealth, as well as the strength of its commercial and industrial base, which comprises about 20% of AV.

In our view, Canton's financial position remains strong despite declines through fiscal 2007 due to rising employee benefit costs and other fixed costs; reserve levels reached a high of \$10.7 million, or 19.4% of expenditures in fiscal 2003. Reversing the declines, the combined unreserved general and stabilization funds increased by \$440,000 in fiscal 2008 to \$7.4 million, or 11% of expenditures, which we consider to be a strong level. Town officials estimate a drawdown of about \$600,000 in the combined unreserved general and stabilization funds for fiscal 2009 to about \$6.8 million, although that level of combined balance would still be strong in our view. The projected drawdown was attributed primarily to a midyear state aid reduction and to snow removal expenditures above budget.

An additional financial strength is the 2008 approval of an operational override that provides a permanent increase

to the tax levy by \$4.5 million over the current Proposition 2 1/2 limits, which provides the revenue flexibility to restore reduced school services and management projects that it will provide for budget growth for the next few years. The town used \$1.2 million of this override in fiscal 2009, less than the \$1.7 million use that was originally planned, and plans to use \$1.7 million in fiscal 2010. With this tax levy increase, the fiscal 2010 is balanced without the appropriation of general or stabilization fund balances.

Debt levels remain low, in our opinion. Overall net debt including this issuance totals \$1,820 per capita and 0.9% of market value. The town's debt service carrying charge is moderate at 9%, and amortization is above average, with 70% of principal debt retired in 10 years. Canton's future capital needs are limited and are primarily water and sewer projects that management expects to be self-supported through rates and fees. The largest needs that management projects to be tax-levy funded are a new public works garage--projected to cost about \$6.0 million--and a new senior center--projected to cost about \$3.0 million.

Outlook

The stable outlook reflects the town's strong property tax base, strong income levels, low debt burden, and good adopted fiscal policies. The stable outlook also reflects Standard & Poor's expectation that the town will maintain a good financial position, assisted by the voter-approved Proposition 2 1/2 tax levy override. Identified future capital needs are minimal, which should keep the debt burden at low levels.

Related Research

USPF Criteria: "GO Debt," Oct. 12, 2006

Ratings Detail (As Of May 4, 2009)		
Canton GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Canton GO		
<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

Complete ratings information is available to RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; under Ratings in the left navigation bar, select Find a Rating.

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