

Rating Action: Moody's upgrades Dunstable, MA's issuer and GO ratings to Aa3

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New York, February 02, 2023 -- Moody's Investors Service upgraded the Town of Dunstable, MA's issuer and general obligation limited tax (GOLT) ratings to Aa3 from A1. This action concludes a review that was initiated on November 3, 2022 in conjunction with the release of the US Cities and Counties Methodology. The town has about \$0.85 million in outstanding debt as of June 30, 2021.

RATINGS RATIONALE

The Aa3 issuer rating reflects Dunstable's strong resident incomes and wealth and very low leverage and fixed costs. Preliminary estimates for fiscal 2022 end show a modest surplus, further supporting the town's satisfactory reserves and liquidity. The town is largely residential and rural and residents benefit from proximity to Boston and Nashua. Resident income, measured as median household income adjusted for regional price parity, consistently exceeds 200% of the national metric. Full value per capita, totaling about \$180,000 using most recent data, has been growing, reflecting a strong housing market.

Property taxes are the town's largest revenue source, accounting for about 79% of 2021 governmental revenues; intergovernmental revenue was the second largest accounting for about 13%. Business type activities are limited to a very small but well-performing water system which accounts for about 1% of total revenues. At the close of fiscal 2021 the town held \$2.2 million in available fund balance, equal to about 17% of revenues. Management is able to maintain balanced to modestly positive operations while staying under the tax levy cap due to strong collection rates and limited operations outside of education. With strong collection rates for property taxes and service fees, along with reduced costs from switching to online billing and a four day work week, the forward expectation is that the town will maintain balanced to modestly positive operations in both 2022 and 2023.

The town's long-term liabilities are very low as the town does not offer other post-employment benefits (OPEB) and rarely issues debt, instead opting to fund infrastructure and equipment needs within its budget through a multiyear capital plan. Pension liabilities and outstanding debt were equal to about 87% of revenues. Resultingly, fixed costs for the town comprise a very small portion of its operations (3.5% of revenues).

The Aa3 GOLT rating is the same as the issuer rating because of the town's full faith and credit pledge and the town's ability to override the tax levy limit of Proposition 2 1/2.

RATING OUTLOOK

Moody's does not typically assign outlooks to local governments with this amount of debt outstanding.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Improvement in available fund balance and liquidity
- Expansion of local economy

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Deterioration of reserves and liquidity
- Contraction of local economy

LEGAL SECURITY

The issuer rating reflects the implied general obligation unlimited tax pledge of the town. Dunstable's outstanding bonds are payable from the town's full faith and credit general obligation limited tax pledge given that not all of the debt service has not been voted by the town as excluded from the tax levy limitations of Proposition 2 1/2.

PROFILE

The Town of Dunstable is located in Middlesex County in northeastern Massachusetts, approximately 30 miles northwest of Boston. The largest industry sectors that drive the local economy are professional/scientific/technical services, health services, and retail trade.

METHODOLOGY

The principal methodology used in these ratings was US Cities and Counties Methodology published in November 2022 and available at <https://ratings.moodys.com/api/rmc-documents/386953>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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