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Summary: Norfolk, Massachusetts; General Obligation

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Credit Profile		
US$15.673 mil GO mun purp loan of 2011 bnds ser 2011 dtd 03/15/2011 due 03/15/2031		
Long Term Rating	AA-/Stable	New
Norfolk Twn GO bnds		
Long Term Rating	AA-/Stable	Affirmed
Norfolk Twn GO		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Rationale

The 'AA-' long-term rating assigned to Norfolk, Mass.' series 2011 general obligation (GO) bonds and the 'AA-' long-term rating and underlying rating (SPUR) on the town's existing GO debt reflect Standard & Poor's Ratings Services' opinion of the town's:

- Mature, primarily residential tax base, which benefits from its proximity and access to the deep and diverse greater Boston metropolitan statistical area (MSA);
- Very strong wealth and income levels;
- Adequate financial reserve position, supported by good adopted fiscal policies; and
- Low overall net debt burden with modest additional capital needs.

The town's full faith and credit pledge secures the GO bonds. Officials will use the series 2011 bond proceeds primarily for costs associated with an elementary school construction project, but also for various other municipal projects.

The 15-square-mile Norfolk, with an estimated population of 11,368, is just 20 miles southwest of Boston. The town is mature, with roughly 80% of available land developed, and primarily residential in nature. Residents find local employment at the medium-security Massachusetts Correctional Institution at Norfolk (616 employees). Residents also have access to additional employment opportunities in Boston via the Massachusetts Bay Transportation Authority commuter rail, which has a stop in the town, and in Providence, R.I. via road; principal highways that serve the town are state routes 1A and 115, with nearby access to interstates 95 and 495. Although unemployment spiked in early 2010, reaching as high as 10%, it decreased substantially in subsequent months. In November 2010, the most recent month of data available, unemployment was 6.9%, well below the state's 8.1% and the nation's 9.3%.

During the recession, the town's real estate market has softened, consistent with regional trends, which is reflected in decreases in assessed value (AV) in three out of the past four fiscal years. A 3.5% AV decrease in fiscal 2011 brought AV to $1.45 billion, or $127,428 per capita, which we consider extremely strong. The town's tax base exhibits little concentration, with the 10 leading taxpayers, primarily residential and commercial property owners, accounting for a very small 3.8% of AV. Wealth and income levels are, in our opinion, very strong: Median net worth in the town is four times the national median; the median household effective buying income level is 162% of the commonwealth level and 188% of the national level.

Despite general fund drawdowns averaging a modest 1% of budget in three of the past four fiscal years, slightly offset by increases in stabilization fund reserves, we consider the town's available fund balance position adequate. The town closed audited fiscal 2009 with a net change in its combined unreserved general and stabilization fund reserves of negative $287,000, bringing reserves to $850,000, or 2.9% of general fund expenditures, which we consider adequate. A draft of the town's fiscal 2010 audit indicates an improvement of about $80,000 in the town's available reserves, bringing total available reserves to $926,000, or 3.1% of expenditures, which we still consider adequate.

Property taxes continue to be the town's chief revenue source, accounting for 71% of total general fund revenue. Despite a very small decrease in fiscal 2010, collections continue to be very strong, with 97.5% of the net levy collected during the fiscal year payable. State aid, including school building aid, accounted for 21% of general fund revenue. Though state aid was cut midyear in fiscal 2009, fiscal 2010 state aid slightly exceeded budgeted amounts. The fiscal 2011 budget is balanced and totals $28.6 million, a 1% decrease over the fiscal 2010 budget, reflecting expenditure cuts across the board.

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

The town's debt burden, including overlapping county and regional school district debt and net of state school reimbursements and self-supporting enterprise debt, is what we consider low at $1,900 per capita, or just 1.5% of market value. Principal amortization is roughly average, with 58% of new and existing debt scheduled to be retired through fiscal 2020 and 97% through 2030. Debt service carrying charges have been very low, averaging 3.8% of governmental expenditures over the past three fiscal years. The town currently has $9 million in authorized unissued debt, including $7 million for school projects, which would continue to receive a roughly 53.2% state aid reimbursement rate. A $500,000 authorization for a solar electric project is expected to be rescinded.

Outlook

The stable outlook reflects the town's historically stable record of operating with modest reserves, given the town's strong tax base with high wealth levels, low debt burden, and good management policies and practices. Should the town's financial reserves improve to levels we consider strong or very strong, we could raise the rating. If, on the other hand, the town's financial reserve position decreases further, we may lower the rating.

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.