

**Rating Action: Moody's assigns Aa2 to Northampton, MA's \$2.5M GO Bonds**

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Global Credit Research - 27 Jan 2014

**Affirms Aa2 on \$49.4M of outstanding parity bonds**

New York, January 27, 2014 --

Moody's Rating

Issue: General Obligation Municipal Purpose Loan of 2014 Bonds; Rating: Aa2; Sale Amount: \$2,475,000; Expected Sale Date: 1/28/2014; Rating Description: General Obligation

Opinion

Moody's Investors Service has assigned a Aa2 rating to the City of Northampton's (MA) \$2.5 million General Obligation Municipal Purpose Loan of 2014 Bonds. Concurrently, Moody's has affirmed the Aa2 rating assigned to \$49.4 million of outstanding general obligation bonds.

**SUMMARY RATING RATIONALE**

The bonds are secured by the city's general obligation limited tax pledge as debt service is subject to levy limits of Proposition 2 ½. Bond proceeds will redeem approximately \$1.9 million of outstanding notes and provide \$600,000 in new money for various city capital projects.

The Aa2 rating reflects the city's sizeable and diverse tax base stabilized by institutional presence, improving financial position with limited flexibility, and manageable debt position.

**STRENGTHS**

- Diverse tax base
- Trend of increasing reserve levels
- Recent approval of general override to Proposition 2 ½

**CHALLENGES**

- Limited financial flexibility
- Rising costs of long-term liabilities

**WHAT COULD MAKE THE RATING GO UP**

- Continued improvement in financial position with a trend of structurally balanced operations
- Improvement in the city's demographic profile
- Sizeable fund balance growth

**WHAT COULD MAKE THE RATING GO DOWN**

- A decline in reserves or liquidity position
- Decrease in tax base

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Credit Policy page on [www.moody's.com](http://www.moody's.com) for a copy of this methodology.

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