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ISSUER COMMENT

6 June 2017

RATING

General Obligation (or GO Related) ¹

Aa2 No Outlook

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Town of Fairhaven, MA

Annual Comment on Fairhaven

Issuer Profile

The Town of Fairhaven is located in Bristol County in southeastern Massachusetts, approximately 45 miles south of Boston. Bristol County has a population of 554,194 and a population density of 1,002 people per square mile. The county's per capita personal income is \$44,827 (1st quartile) and the November 2016 unemployment rate was 3.1% (1st quartile).

² The largest industry sectors that drive the local economy are health services, retail trade, and manufacturing.

Credit Overview

The credit position for Fairhaven is very strong, and its Aa2 rating slightly exceeds the median rating of Aa3 for US cities. Notable credit factors include a robust financial position, and a strong socioeconomic profile with a sizable tax base. Other key credit factors reflect a moderate pension liability with an affordable debt burden.

Finances: The financial position of the town is very healthy and is relatively favorable in comparison to the assigned rating of Aa2. Massachusetts local governments tend to have financial ratios lower than US medians because they generally derive a majority of revenues from stable property taxes and their financials typically incorporate school operations which are predictable. Despite this, Fairhaven's net cash balance as a percent of revenues (33.8%) is consistent with the US median and grew materially from 2013 to 2016. In addition, the available fund balance as a percent of operating revenues (28.0%) is on par with other Moody's-rated cities nationwide.

Economy and Tax Base: Fairhaven has a very strong economy and tax base, which are aligned with town's Aa2 rating. The total full value (\$1.9 billion) is consistent with the US median despite contracting slightly modestly from 2013 to 2016. In addition, the full value per capita (\$121,507) is stronger than the US median. Lastly, the median family income is a healthy 116.3% of the US level.

Debt and Pensions: Fairhaven has small debt and pension burdens. The town's net direct debt to full value (0.8%) is under the US median. Additionally, the Moody's-adjusted net pension liability to operating revenues (1.1x) favorably is slightly below the US median.

Management and Governance: Balanced financial operations indicate sound financial management. In this situation, Fairhaven's reserves improved annually whereas the tax base generally declined.

Massachusetts cities have an Institutional Framework score ³ of Aa, which is high compared to the nation. Institutional Framework scores measure a sector's legal ability to

increase revenues and decrease expenditures. Massachusetts cities major revenue source, property taxes, are subject to the Proposition 2 1/2 cap which can be overridden with voter approval only. However, the cap of 2.5% still allows for moderate revenue-raising ability. Unpredictable revenue fluctuations tend to be minor, or under 5% annually. Across the sector, fixed and mandated costs are generally greater than 25% of expenditures. However, Massachusetts has public sector unions, which can limit the ability to cut expenditures. Unpredictable expenditure fluctuations tend to be minor, under 5% annually.

Sector Trends - Massachusetts Cities

Massachusetts cities will generally benefit from an expanding state economy. The vibrant expansion throughout the greater Boston region will continue to bolster most of the state, resulting in favorable employment trends relative to the nation as a whole. We expect the operating environment of cities to be favorable due to the growing residential and commercial real estate markets which will boost property tax revenues. However, Massachusetts cities will remain somewhat challenged by relatively low housing affordability and very high costs of doing business.

EXHIBIT 1

Key Indicators ⁴ ⁵

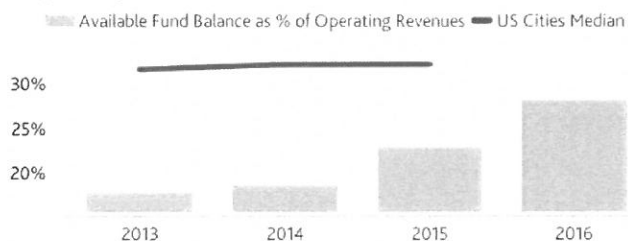
Fairhaven, MA

	2013	2014	2015	2016	US Median	Credit Trend
Economy / Tax Base						
Total Full Value	\$2,034M	\$2,034M	\$1,947M	\$1,947M	\$1,722M	Stable
Full Value Per Capita	\$127,517	\$127,366	\$121,507	\$121,507	\$85,195	Stable
Median Family Income (% of US Median)	120.1%	116.5%	116.3%	116.3%	115.2%	Stable
Finances						
Available Fund Balance as % of Operating Revenues	17.8%	18.6%	22.8%	28.0%	32.1%	Improved
Net Cash Balance as % of Operating Revenues	21.7%	21.5%	27.4%	33.8%	34.4%	Improved
Debt / Pensions						
Net Direct Debt / Full Value	0.96%	0.93%	0.92%	0.79%	1.2%	Stable
Net Direct Debt / Operating Revenues	0.43x	0.39x	0.40x	0.34x	0.94x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	2.7%	2.5%	2.6%	2.7%	1.7%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	1.18x	1.04x	1.13x	1.13x	1.35x	Stable

Source: Moody's Investors Service

EXHIBIT 2

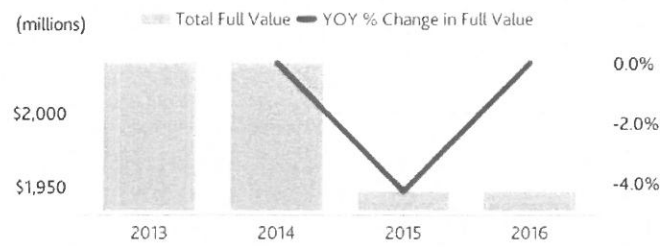
Available fund balance as a percent of operating revenues increased from 2013 to 2016



Source: Issuer financial statements; Moody's Investors Service

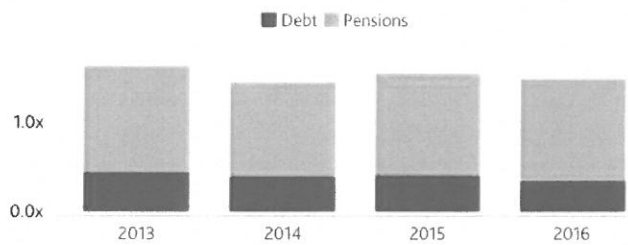
This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody.com for the most updated credit rating action information and rating history.

EXHIBIT 3

Full value of the property tax base decreased between 2013 and 2016

Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

EXHIBIT 4

Moody's-adjusted net pension liability to operating revenues decreased from 2013 to 2016

Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

Endnotes

- 1 The rating referenced in this report is the government's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally a security backed by the full faith and credit pledge and total taxing power of the local government. See [Local Government GO Pledges Vary Across States](#) for more details. GO-related ratings include issuer ratings, which are GO-equivalent ratings for governments that do not issue GO debt. GO-related ratings also include ratings on other securities that are notched or otherwise related to what the government's GO rating would be, such as annual appropriation, lease revenue, non-ad valorem, and moral obligation debt. The referenced ratings reflect the government's underlying credit quality without regard to state guarantee or enhancement programs or bond insurance.
- 2 The per capita personal income data and unemployment data for all counties in the US census are allocated to quartiles. The quartiles are ordered from strongest-to-weakest from a credit perspective: the highest per capita personal income quartile is first quartile, and the lowest unemployment rate is first quartile. The first quartile consists of the top 25% of observations in the dataset, the second quartile consists of the next 25%, and so on. The median per capita personal income for US counties is \$46,049 for 2014. The median unemployment rate for US counties is 5.1 % for June 2016.
- 3 The institutional framework score measures a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. See [US Local Government General Obligation Debt \(January 2014\)](#) for more details.
- 4 For definitions of the metrics in the Key Indicators Table, US Local Government General Obligation Methodology and Scorecard User Guide (July 2014). The population figure used in the Full Value Per Capita ratio is the most recently available, most often sourced from either the US Census or the American Community Survey.

Similarly, the Median Family Income data reported as of 2012 and later is always the most recently available data and is sourced from the American Community Survey. The Median Family Income data prior to 2012 is sourced from the 2010 US Census. The Full Value figure used in the Net Direct Debt and Moody's-adjusted Net Pension Liability (3-year average ANPL) ratios is matched to the same year as audited financial data, or if not available, lags by one or two years.

Certain state-specific rules also apply to Full Value. For example, in California and Washington, assessed value is the best available proxy for Full Value. Certain state specific rules also apply to individual data points and ratios. Moody's makes adjustments to New Jersey local governments' reported financial statements to make it more comparable to GAAP.

Additionally, Moody's ANPLs reflect analyst adjustments, if any, for pension contribution support from non-operating funds and self-supporting enterprises. Many local government pension liabilities are associated with its participation in the statewide multiple-employer cost-sharing plans. Metrics represented as N/A indicate the data were not available at the time of publication.

- 5 The medians come from our most recently published local government medians report, [Medians – Growing Tax Bases and Stable Fund Balances Support Sector's Stability \(March 2016\)](#). The medians conform to our US Local Government General Obligation Debt rating methodology published in January 2014.

As such, the medians presented here are based on the key metrics outlined in the methodology and the associated scorecard. The appendix of this report provides additional metrics broken out by sector, rating category, and population. We use data from a variety of sources to calculate the medians, many of which have differing reporting schedules. Whenever possible, we calculated these medians using available data for fiscal year 2014.

However, there are some exceptions. Population data is based on the 2010 Census and Median Family Income is derived from the 2012 American Community Survey. Medians for some rating levels are based on relatively small sample sizes. These medians, therefore, may be subject to potentially substantial year-over-year variation. Our ratings reflect our forward looking opinion derived from forecasts of financial performance and qualitative factors, as opposed to strictly historical quantitative data used for the medians.

Our expectation of future performance combined with the relative importance of certain metrics on individual local government ratings account for the range of values that can be found within each rating category. Median data for prior years published in this report may not match last year's publication due to data refinement and changes in the sample sets used, as well as rating changes, initial ratings, and rating withdrawals.

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REPORT NUMBER 1072680