**New Issue: Moody's downgrades the Town of Ramapo's G.O. Rating to A1 from Aa2 on $118 million outstanding G.O. Debt; outlook remains negative**

Global Credit Research - 23 May 2012

**Assigns MIG 1 rating to Ramapo's (NY) $15 million of Bond Anticipation Notes - 2012 Series A**

RAMAPO (TOWN OF) NY
Cities (including Towns, Villages and Townships)
NY

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<th>Moody's Rating</th>
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<td>Bond Anticipation Notes - 2012 Series A</td>
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**Moody's Outlook**  NEG

**Opinion**

NEW YORK, May 23, 2012 -- Moody's Investors Service has assigned a MIG 1 rating to the Town's of Ramapo's $15 million Bond Anticipation Notes - 2012 Series A. Concurrently, Moody's has downgraded the rating on $94 million of outstanding general obligation bonds and $25 million of outstanding GO-guaranteed revenue bonds issued by the Ramapo Local Development Corporation to A1. The outlook remains negative. The notes and the general obligation bonds are secured by a General Obligation pledge as limited by the Property Tax Cap - Legislation (Chapter 97 (Part A) of the Laws of the State of New York, 2011). The Local Development Corporation bonds are secured by the Town of Ramapo's unconditional obligation to make payments to the trustee and, as such, the bonds carry the town's general obligation rating. Proceeds from the notes will be used to refinance the town's previously issued bond anticipation notes maturing on June 1, 2012.

**SUMMARY RATINGS RATIONALE**

The downgrade to A1 reflects significant erosion of the town's financial flexibility stemming from two consecutive years operating deficits from aggressive revenue assumptions and inability to offset mid-year shortfalls. The rating further considers the town's sizable tax base benefiting from above-average wealth levels and average debt burden with considerable exposure to guaranteed debt for the Ramapo Local Development Corporation. The MIG 1 reflects the aforementioned underlying long-term credit characteristics with the town's demonstrated history of market access.

The negative outlook reflects our expectations that operations will continue to be challenged in fiscal 2012 and 2013 due to volatile economically sensitive revenues and addressing contractual personnel and benefit costs amidst 2% levy cap.

Effective January 1, 2012, all local governments in New York State are subject to a property tax cap which limits levy increases to 2% or the rate of inflation, whichever is lower. While school district debt has been exempted from the cap, debt has not been exempted for all other local governments. Moody's believes that the risks associated with the property tax cap remain unchanged and we do not foresee making a rating distinction between debt subject and not subject to the cap. For more information regarding the property tax cap please reference the Special Comment "New York Local Governments' Debt Under New Property Tax Cap to Be Rated the Same as Unlimited Tax General

STRENGTHS
- Sizable tax base with above-average wealth levels
- Average debt burden

CHALLENGES
- Reliance on economically sensitive revenue streams which have historically underperformed budgeted expectations
- Addressing rising contractual fixed costs amidst 2% levy cap
- Exposed to debt associated with a non-essential enterprise

DETAILED CREDIT DISCUSSION

SATISFACTORY HISTORY OF MARKET ACCESS
The town has demonstrated a satisfactory history of market access. The town regularly issues notes on an negotiated basis several times a year ranging from $1 million to $20 million. Based on this history, Moody's expects the town to continue favorable access to the capital markets on refinancing the 2012 notes, if necessary, at the June 2013 maturity.

NARROW FINANCIAL POSITION RESULTING FROM MULTI-YEAR FUND BALANCE DRAWS
Moody's expects the town's financial position to be vulnerable to continued volatility of economically sensitive mortgage and sales tax revenue which has, to date, resulted in three consecutive years of fund balance draws. Due to another year of shortfalls in mortgage and sales taxes, fiscal 2010 ended with another year of declines to $2 million (7% of revenues), less than half of fiscal 2007's $4.5 million (17.3% of revenues). Likewise, the town's operating funds, which include General, Town Outside of Village, Highway, Police, and Special Districts Funds, have declined to $7.3 million (8.9% of revenues) from $12.4 million (16.8% of revenue) in fiscal 2007. While the town has implemented some personnel and expenditure reductions to offset some of these revenue shortfalls, unaudited fiscal 2011 results indicate an additional deficit of approximately $3.2 million on General Fund reserves due to yet another shortfall in mortgage and sales taxes. Combined with a $3.1 million fund balance restatement, the total General Fund balance is expected to only decline by $3,000 and end with $2 million (6.9% of revenues). According to the town's annual financial report filed with the state, the restatement was due to a reclassification of services previously charged to the Police and Special Revenue funds that are now reflected in the General Fund. Additionally, town officials project additional declines in the town's Police Fund due to accrued compensated absences that have been paid out to officers taking advantage of the town's early retirement incentive. The town's primary income streams in fiscal 2010 consist of property taxes (71.2% of operating revenues), departmental income (14%), sales tax (2.33%), and state aid (the majority of which is mortgage tax) (2.2%). Importantly, the full collection of property taxes is guaranteed by Rockland County (G.O. rated Baa3/rating under review), who is currently facing an extremely narrow cash position but is not expected to impact town operations.

The fiscal 2012 budget included minimal spending increases, which are mainly funded by a levy increase and no appropriation of reserves. Positively, the town has reduced sales and mortgage tax growth assumptions that is flat from fiscal 2011 actual receipts. However, Moody's expects continued downward budgetary pressures from potential volatility in mortgage and sales tax receipts and rising fixed cost obligations that have traditionally outpaced the current 2% levy cap. Additionally, Rockland County recently announced various budget gap closing measures, some of which will push expenditures down on town's within the county. Going forward, management's ability to maintain adequate financial flexibility by offsetting likely shortfalls in mortgage and sales taxes and any additional expenses previously covered by Rockland County will be a key rating driver. Inability to do so would likely exert downward credit pressure as it would represent an erosion of the town's financial profile.

SIZABLE TAX BASE WITH A DIVERSE MIX OF EMPLOYERS
Moody's expects the town's sizable $11.3 billion tax base will remain healthy over the near term supported by ongoing residential and commercial development and the recent settlement of outstanding tax appeals. The primarily residential town benefits from its close proximity to New York City (G.O. rated Aa2, stable outlook), approximately 25
miles to the southeast. While the town's tax base has historically experienced strong market value appreciation, growth has not been tempered averaging a modest 1% annually over the past five years reflecting three consecutive years of declines from 2010 through 2012. Full value declines are expected in the short term due to the housing market downturn. Assessed values experienced a 0.6% decline on average over the last five years, due to the settlement of significant tax appeals, most notably with Con Edison (senior unsecured rated A3/stable outlook) and Mirant New York. There are currently no significant tax appeals outstanding. Additionally, management anticipates additional property tax revenues in fiscal 2012 from a settlement with Millennium Pipeline due to a recent agreement with utilities which limits the extent of property depreciation to 20%, which will further mitigate declines. Residents benefit from commuter access to New York City in addition to local employment opportunities including Novartis Pharmaceuticals (senior unsecured rated Aa2/negative outlook) and Avon Products (senior unsecured rated Baa1) as well as an established community college and a number of other institutional employers, providing employment stability. Wealth indices are comparable to New York state averages, with the median family income at 118% of the state and 126% of the nation. Per capita income, however, compares less favorably at 88% of the state and 100% of the nation.

DIRECT DEBT BURDEN EXPECTED TO REMAIN MANAGEABLE

Moody's expects that Ramapo's direct debt burden will remain at manageable levels given the town's limited future debt plans and sizable tax base. The town's moderate direct debt burden, 1.7% of full value, increases to 3.5% when overlapping village, school district and county obligations are factored. The town currently has no exposure to variable rate debt. Notably, debt service represents a relatively elevated 12.1% of fiscal 2010 operating fund expenditures, the town's third largest expense. The debt service impact is partially offset by user fees from and assessments.

Included in the town's net direct debt burden is $40.3 million of debt issued by the Ramapo Local Development Corporation and is guaranteed by the town's general obligation pledge. Of this amount, $25 million is rated on par with the town's general obligation debt and was issued to finance a portion of the construction of a new, minor league baseball stadium, which was completed in July 2011. Under the indenture, the town will pay annual sinking fund payments directly to the trustee, although town management expects to be reimbursed by the Ramapo Local Development Corporation (RLDC) under a separate reimbursement agreement between the town and the RLDC by net profits from the sale of condos from the Elm Street Housing Project and RLDC's share of revenues from the baseball stadium which will be paid to the town during the year prior to debt service payments coming due. Reimbursements from the RLDC to the town are not pledged to the bonds. Under lease agreements with Bottom 9 Baseball, the town will be responsible for the operations and management of the stadium. The remaining $15.3 million of guaranteed debt is a construction loan from Providence Bank for the construction of a new housing development. The town expects to pay debt service on both the stadium bonds and the construction loan with proceeds from the sales units at the Elm Street development and revenues from the stadium. Moody's expects that shortfalls from these revenues would add additional strain on the General Fund as the town currently assumes that the debt will be fully self-supporting.

OUTLOOK

The negative outlook reflects our expectations that operations will continue to be challenged in fiscal 2012 and 2013 due to volatile economically sensitive revenues and addressing contractual fixed costs amidst 2% levy cap.

WHAT COULD MAKE THE RATING GO UP (REMOVAL OF NEGATIVE OUTLOOK)

-Demonstrated ability to sustain balanced operations
-Sizeable increase in tax base size
-Significant improvement in financial reserves

WHAT COULD MAKE THE RATING GO DOWN

-Severe tax base declines
-Continued inability to maintain balanced operations resulting to additional fund balance declines
-Erosion of cash position
KEY STATISTICS

2010 population: 126,595 (16.2% increase from 2000)

2011 full valuation: $11.3 billion

2011 full value per capita: $89,513

Median Family Income: $79,398 (118% of state, 126% of U.S.)

Per Capita Income: $27,345 (88% of state, 100% of the U.S.)

Direct debt burden: 1.7% of full valuation

Overall debt burden: 3.5% of full valuation

Payout of principal (10 years): 71.3%

FY2010 Total General Fund balance: $2 million (7% of General Fund revenue)

FY2010 Total Operating funds balance: $10.8 million (14% of total operating revenue)

Unaudited FY 2011 Total General Fund unreserved balance: $2 million (6.9% of General Fund Revenues)

PRINCIPAL METHODOLOGY USED

The principal methodology used in this rating was Bond Anticipation Notes and Other Short-Term Capital Financings published in May 2007. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

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