

New Issue: [Wellesley \(Town of\) MA](#)

MOODY'S ASSIGNS MIG 1 SHORT-TERM RATING TO TOWN OF WELLESLEY'S (MA) \$11.27 MILLION BOND ANTICIPATION NOTES

Aaa LONG-TERM RATING AFFIRMED, AFFECTING \$54.1 MILLION IN OUTSTANDING DEBT

Municipality
MA

Moody's Rating

ISSUE	RATING
Bond Anticipation Notes	MIG 1
Sale Amount	\$11,267,000
Expected Sale Date	06/12/07
Rating Description	Bond Anticipation Notes

Opinion

NEW YORK, Jun 11, 2007 -- Moody's Investors Service has assigned a MIG 1 rating to the Town of Wellesley's \$11.27 million General Obligation Bond Anticipation Notes (dated June 21, 2007 and due June 21, 2008). Concurrently, Moody's has affirmed the town's long-term Aaa rating, affecting approximately \$54.1 million in outstanding long-term debt. Proceeds of the sale provide \$797,000 in new money to fund schematic drawings for the proposed high school construction project, as well as the renewal of \$10.47 million in maturing BANs originally issued to finance construction of the town's Middle School and are expected to be partially retired by a state grant at maturity. Debt service for the middle school project has been excluded by the voters from Proposition 2 ½, providing an unlimited general obligation tax pledge for this portion of the notes; the remainder is secured by the town's limited general obligation pledge. The MIG 1 rating reflects Wellesley's strong underlying credit profile as well as Moody's expectation that the town will continue to benefit from favorable market access. The Aaa rating is based on the town's sizeable and wealthy suburban tax base, favorable debt position, solid history of voter approvals for tax levy increases and a well-managed financial position with improving reserve levels.

DEMONSTRATED MARKET ACCESS

Moody's expects Wellesley to continue to enjoy reliably strong access to capital markets. The town received eight bids on its most recent note sale, dated June 21, 2006, and four and five bids on its sales dated August 15, 2005 and June 2, 2005, respectively. All bids were received from major regional and national financial institutions. This history indicates the town's ability to refund the notes, if necessary, at their June 2008 maturity. The notes are ultimately secured by the town's general obligation pledge.

SIZEABLE, AFFLUENT TAX BASE WITH FAVORABLE LOCATION AND REDEVELOPMENT POTENTIAL

Located in Norfolk County (rated A2/positive outlook), approximately 15 miles west of Boston (rated Aa1/stable outlook), Wellesley is home to both Wellesley College (rated Aa1/stable outlook) and Babson College (rated A3/stable outlook). The town's substantial \$8.2 billion tax base is primarily residential (88.9% of 2007 assessed valuation) and benefits from its favorable location with ample access to commuter rail and major highways. Moody's believes that the town's vibrant tax base will continue to grow due to continuing residential redevelopment and significant commercial redevelopment proposals. Town officials report redevelopment activity proposed in several significant commercial parcels, low vacancy rates in office properties and ongoing expansion of smaller single-family homes. Since 2001, Wellesley has seen significant annual growth averaging 10.4%, reflecting redevelopment of older housing stock and significant market value appreciation. Wealth levels in Wellesley greatly exceed both state and national medians (with per capita income equal to 203.7% of the state medians), and equalized value per capita is very high at \$353,012.

VOTERS SUPPORT FULL FUNDING OF ANNUAL OPEB LIABILITY FOR 10 YEARS

Moody's believes that the town's financial position will continue to improve given the town's favorable operating performance in fiscal 2006, projected balanced operations in fiscal 2007 and an additional successful operating override approved by voters, which is expected to allow the town to fully fund the

projected \$3 million annual required contribution (ARC) to fund the first 10 years of the town's liability for other post-employment benefits (OPEB). The fiscal 2008 budget, which was recently approved by Wellesley's Town Meeting, is balanced with minimal use of reserves, and includes modest expenditure increases and conservative revenue assumptions.

After experiencing an operating deficit of \$1.3 million in fiscal 2003, mainly due to a mid-year state aid cut, the town has produced annual operating surpluses averaging \$1.5 through fiscal 2006, due primarily to conservative revenue estimates. Operations in fiscal 2006 produced a solid surplus of over \$1.2 million and boosted the general fund balance to a reasonable \$8.5 million (8.8% of general fund revenues). The town's fiscal 2006 available reserves, including the unreserved general fund balance and the stabilization fund, also increased to \$6.5 million (6.7% of revenues), a significant improvement from the fiscal 2003 balance of \$3.8 million (2.3% of revenues). Management projects that fiscal 2007 operations will again be balanced with available reserves augmented by approximately \$1.5 million. The town plans to continue to fund its capital needs with a high level of pay-as-you-go funding (averaging \$2.98 million annually over the last six years) which, when combined with debt service and principal paydowns of short-term notes, meets its target level for capital spending of 7-8% of annual expenditures. Additional financial flexibility is provided by the town's stabilization fund, with a fiscal 2006 balance of approximately \$1.5 million (an additional 1.6% of revenues); officials project the fund's balance to increase annually due to annual appropriations and retained investment income.

Favorably, Wellesley's retirement system is fully funded (103.5% as of the most recent actuarial study dated January 1, 2004) and requires no annual contribution. Long-range plans include a five-year phase-in of funding the town's \$70 million unfunded liability of non-pension Post Employment Benefits (OPEB), which was supported by the town's voters in the 2006 operating override, which included \$600,000 in OPEB funding, and the recent override authorizing ten years of full payment of the OPEB ARC. The town expects to replicate its successful approach to funding the town's pension liability by beginning OPEB funding well ahead of reporting the liability as required by the Government Accounting Standards Board; the town plans to fully fund this significant obligation, estimated at \$92 million, in 20 years. Wellesley's financial plan projects needs through fiscal 2009 and relies on successful override votes to balance expenditure increases and a successful debt exclusion vote to fund debt service for a comprehensive renovation of Wellesley High School. Given its strong history of successful override votes, Moody's expects that the town will maintain adequate financial flexibility and reserve levels, with Undesignated General Fund and Stabilization Fund balances exceeding the town's targeted minimum of 5% of general fund revenues.

FAVORABLE DEBT PROFILE

Moody's anticipates that the town will maintain its favorable 0.7% direct debt burden due to rapid amortization of principal (86.8% in ten years) and affordable future capital needs. After adjusting for state school building aid and self-supporting enterprise debt, the town's debt burden falls to a low 0.5%. Debt service payments accounted for a manageable 6.8% of fiscal 2006 expenditures. The current issue represents the final borrowing for the town's middle school construction project, which is being considered for state grant support although debt service for the project was excluded by voters, in its entirety, from Proposition 2 ½. Town officials expect to issue up to \$11 million in debt over the next three years for various town and school projects. Future capital projects include a significant high school renovation, with preliminary project costs of over \$100 million; management is currently evaluating the scope of the project along with financing options, and intends to propose a debt exclusion to Wellesley's voters to fund the town's share of debt service. While historically Wellesley's school construction projects have qualified for 57% Commonwealth reimbursement, the town will apply for a grant of approximately 40% for future projects as the Commonwealth's new Massachusetts School Building Authority (MSBA rated Aa3/stable outlook) develops guidelines for projects to be submitted after the current moratorium on new applications is lifted in July 2007.

KEY STATISTICS

2000 Population: 26,613

2007-8 Equalized Value: \$9.5 billion

2007-8 Equalized Value per capita: \$353,012

Average Annual Equalized Value Growth (2001-2007): 10.4%

Median Family Income: \$134,769 (218.6% of commonwealth, 269.3% of nation)

Per Capita Income: \$52,866 (203.7% of commonwealth, 244.9% of nation)

Overall debt burden: 0.7%

Adjusted debt burden: 0.5%

Amortization of principal (within 10 years): 86.8%

FY06 General Fund balance: \$8.49 million (8.8% of General Fund revenues)

FY06 Available Reserves: \$6.48 million (6.7% of General Fund revenues)

Outstanding long-term rated general obligation debt: \$54.1 million

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