

New Issue: Wellesley (Town of) MA

MOODY'S ASSIGNS Aaa TO WELLESLEY'S (MA) \$16.6M G.O. BONDS AND MIG 1 TO \$13.8M G.O. BOND ANTICIPATION NOTES

Aaa LONG-TERM RATING AFFECTS \$64.5 MILLION IN OUTSTANDING DEBT, INCLUDING CURRENT ISSUE

Municipality
 MA

Moody's Rating

ISSUE	RATING
Bond Anticipation Notes	MIG 1
Sale Amount	\$13,796,500
Expected Sale Date	06/03/08
Rating Description	Bond Anticipation Notes

General Obligation Municipal Purpose Loan of 2008 Bonds	Aaa
Sale Amount	\$16,645,000
Expected Sale Date	06/03/08
Rating Description	General Obligation

Opinion

NEW YORK, Jun 2, 2008 -- Moody's Investors Service has assigned a Aaa rating to the Town of Wellesley's \$16.6 million General Obligation Municipal Purpose Loan of 2008 Bonds and a MIG 1 rating \$13.8 million Bond Anticipation Notes (dated June 20, 2008 and payable June 19, 2009). Concurrently, Moody's has affirmed the town's long-term Aaa rating, affecting approximately \$47.9 million in outstanding long-term debt. Of the current issue \$10.47 million permanently finances a like amount of maturing notes originally issued to fund middle school construction as well as \$4.5 million in new money financing for other school projects; these bonds are secured by the town's unlimited general obligation tax pledge as debt service has been excluded by the voters from Proposition 2 ½. The remainder, \$1.6 million, provide new money financing for town capital needs and are secured by the town's limited general obligation pledge as debt service falls under Proposition 2 ½ limits. The notes are issued to provide short-term financing for capital projects including planning and land acquisition for Wellesley's high school construction project as well as a DPW garage. 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 with future borrowing plans, 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 seven bids on its most recent note sale, dated June 21, 2007, and eight and four bids on its prior note sales, dated June 21, 2006 and August 15, 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 2009 maturity.

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 Aaa/stable outlook) and Babson College (rated A3/stable outlook). The town's substantial \$9.5 billion tax base is primarily residential (87.9% of 2008 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, although at a more moderate pace due to regional softening in real estate markets, 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 annual growth in assessed valuations averaging 5.5%, reflecting redevelopment of older housing stock and significant market value appreciation but significantly lower than the 10.1% annual average growth recorded for the 5-year period ending in 2006. 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 \$352,895.

SOLID OPERATIONS ENHANCED BY VOTER SUPPORT FOR FUNDING LONG-TERM OBLIGATIONS

Moody's believes that the town's financial position will continue to improve given the town's favorable operating performance in fiscal 2007, recording a \$5.6 million operating surplus, the town's fourth consecutive surplus. Available reserves, including the unreserved general fund and stabilization fund, were boosted to \$13.9 million, a solid 12.9% of general fund revenues, providing a satisfactory cushion for unanticipated financial pressures. Management projects balanced operations in fiscal 2008 and an additional increase in available reserves to approximately \$15 million, a sound 13.3% of revenues and a significant improvement over the fiscal 2003 available reserve balance of 1.9 million, a slim 2.3% of revenues. The fiscal 2009 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 and an additional \$1 million appropriation to the stabilization fund.

Favorably, Wellesley's retirement system is fully funded (103.2% as of the most recent actuarial study dated January 1, 2006) and requires no annual contribution. Long-range plans include a five-year phase-in of funding the town's 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 \$3 million 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 2010, although an operating override was not necessary for fiscal 2009, future override votes are likely to balance expenditure increases; additionally a debt exclusion is expected to be proposed to voters to fund debt service for a comprehensive renovation or replacement 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 0.8% direct debt burden due to rapid amortization of principal (84.8% 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 0.6%. Debt service payments accounted for a manageable 8.3% of fiscal 2007 expenditures. 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 expects to apply for a grant of approximately 40% for future projects from the Commonwealth's Massachusetts School Building Authority (MSBA rated Aa3/stable outlook) program.

KEY STATISTICS

2006 Population (US Census est): 26,987 (+1.4% since 2000)

2007-8 Equalized Value: \$9.5 billion

2007-8 Equalized Value per capita: \$352,895

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: 0.8%

Adjusted debt burden: 0.6%

Amortization of principal (within 10 years): 84.8%

FY07 General Fund balance: \$14.1 million (13.1% of General Fund revenues)

FY07 Available Reserves: \$13.9 million (12.9% of General Fund revenues)

Post-sale outstanding long-term rated general obligation debt: \$64.5 million

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