

Summary:

Wellesley, Massachusetts; General Obligation; Note

| Credit Profile | | |
|---|------------|----------|
| US\$16.645 mil GO mun purp loan of 2008 bnds dtd 06/15/2008 due 06/15/2009-2023 | | |
| <i>Long Term Rating</i> | AAA/Stable | New |
| US\$13.797 mil BANs dtd 06/20/2008 due 06/19/2009 | | |
| <i>Short Term Rating</i> | SP-1+ | New |
| Wellesley GO | | |
| <i>Long Term Rating</i> | AAA/Stable | Affirmed |

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' rating to Wellesley, Mass.' series 2008 general obligation (GO) bonds and affirmed its 'AAA' long-term rating on the town's outstanding GO parity debt. The outlook is stable.

Standard & Poor's also assigned its 'SP-1+' rating to Wellesley's series 2008 GO bond anticipation notes, based on the town's market access to bonds and notes.

The rating reflects Wellesley's:

- Location in the deep and diverse Boston area;
- Large and affluent property tax base, supported by a small but stable commercial presence, contributing to a steady trend of low unemployment rates;
- Very high wealth and income levels;
- Improved financial position, coupled with the electorate's support for local services through operating overrides and capital exemptions; and
- Favorable debt position, with aggressive debt amortization and strong focus on pay-as-you go financing.

Proceeds from the bonds and notes will be used for various capital projects, primarily pertaining to the town's schools.

Wellesley (estimated population 26,600) is a primarily residential suburb 15 miles west of Boston in one of the nation's wealthiest regions. Located on the Route 128 Technology Belt, the local economy is diverse, with representation from the higher education, insurance, financial, and consulting sectors. Leading employers are stable and include Sun Life of Canada (1,900 employees), Wellesley College (1,500), Babson College (750), and Accenture Consulting (700). Access to Boston is provided by Interstate 90 (the Massachusetts Turnpike) as well as by several Massachusetts Bay Transportation Authority commuter rail links.

The stable employment base and residents' direct access to the greater Boston area and other major regional employment centers have resulted in unemployment rates that have historically been well below both

commonwealth and national averages; unemployment in 2007 was a low 3% compared with the commonwealth (4.5%) and nation (4.6%). In addition, income levels are extremely strong; the 2007 median household effective buying income is 227% of the national average.

The town's assessed value (AV) is primarily residential-based, at 88%, while commercial properties comprise roughly 11%. Total AV continues to grow at a modest pace, increasing 5% annually since 2004, to \$9.1 billion in 2008. This equates to an extremely strong \$353,012 per capita level, indicative of the strength and affluence of its real estate values.

Wellesley's financial operations and position are sound, and reserves have improved in recent years to strong levels. Following fiscal 2003, when its unreserved general fund closed the year with less than \$1 million (less than 1% expenditures), the town adopted a five-year budget plan to build reserves back to above the target of 5% of total operating expenditures. The town is well on its way to exceeding that goal, with an unreserved general fund balance of \$11.9 million at the close of fiscal 2007, or 11% of expenditures. The town also maintains a stabilization account that carried a balance of \$2.4 million, or 2.4% of expenditures in 2007, providing ample operating flexibility.

Wellesley's financial operations are aided by the willingness of the town's electorate to authorize revenue flexibility beyond Proposition 2 1/2 constraints. The town's voters have consistently supported property tax overrides and capital exclusions, indicating a strong willingness and ability to pay for general services and capital improvements.

The outlook for 2008 is positive. Officials have indicated positive variances within the budget and are projecting its fifth consecutive operating surplus. Property taxes are the town's primary revenue source, accounting for 82% of total revenues; tax collections remain strong, with collection rates at 100% of the total levy, providing Wellesley with a stable and predictable revenue source.

Wellesley's management practices are considered "good" under Standard & Poor's Financial Management Assessment, which indicates that financial management practices exist in most areas, though not all might be formalized or regularly monitored by governance officials.

The town places a strong emphasis on pay-as-you-go financing and aggressive debt repayment, and appropriates roughly \$2 million yearly for pay-as-you-go capital needs. Because of this, Wellesley's debt profile is favorable. Net of state school construction aid, the town's overall debt burden is a moderate \$1,958 per capita, or a low 0.5% of total market value. The town's debt service carrying charge is a moderate 8% of total operating expenditures, which is favorable given that amortization of principal is very rapid, with about 87% of existing debt to be retired by fiscal 2018.

Over the years, Wellesley has expanded two of its elementary schools in addition to the reconstruction of its middle school. Each of these projects has been excluded from the limitations of Proposition 2 1/2 and has received reimbursement from the Massachusetts School Building Authority (MSBA) for approximately 57% of total project costs. Going forward, Wellesley's main capital need will be funding the estimated \$159 million expansion of its high school. This project is in the preliminary stages, and management expects to apply for an MBSA reimbursement grant for this project as well.

Outlook

The stable outlook on the 'AAA' rating reflects Standard & Poor's expectation that the town will maintain structurally balanced operations, with growing and adequate reserve levels. A key strength is voter support for operating overrides and debt exclusions of Proposition 2 1/2 tax limitations, which relieves certain revenue constraints. Stability is provided by the town's wealth and income, in addition to its proximity to regional employment centers. Economic indicators for the region remain strong and should help sustain growth of the tax base, contributing to revenue stability.

Complete ratings information is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; under Credit Ratings in the left navigation bar, select Find a Rating, then Credit Ratings Search.

Copyright © 2008 Standard & Poor's, a division of The McGraw-Hill Companies, Inc. (S&P). S&P and/or its third party licensors have exclusive proprietary rights in the data or information provided herein. This data/information may only be used internally for business purposes and shall not be used for any unlawful or unauthorized purposes. Dissemination, distribution or reproduction of this data/information in any form is strictly prohibited except with the prior written permission of S&P. Because of the possibility of human or mechanical error by S&P, its affiliates or its third party licensors, S&P, its affiliates and its third party licensors do not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. S&P GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P, its affiliates and its third party licensors be liable for any direct, indirect, special or consequential damages in connection with subscriber's or others use of the data/information contained herein. Access to the data or information contained herein is subject to termination in the event any agreement with a third-party of information or software is terminated.

Analytic services provided by Standard & Poor's Ratings Services (Ratings Services) are the result of separate activities designed to preserve the independence and objectivity of ratings opinions. The credit ratings and observations contained herein are solely statements of opinion and not statements of fact or recommendations to purchase, hold, or sell any securities or make any other investment decisions. Accordingly, any user of the information contained herein should not rely on any credit rating or other opinion contained herein in making any investment decision. Ratings are based on information received by Ratings Services. Other divisions of Standard & Poor's may have information that is not available to Ratings Services. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during the ratings process.

Ratings Services receives compensation for its ratings. Such compensation is normally paid either by the issuers of such securities or third parties participating in marketing the securities. While Standard & Poor's reserves the right to disseminate the rating, it receives no payment for doing so, except for subscriptions to its publications. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

Any Passwords/user IDs issued by S&P to users are single user-dedicated and may ONLY be used by the individual to whom they have been assigned. No sharing of passwords/user IDs and no simultaneous access via the same password/user ID is permitted. To reprint, translate, or use the data or information other than as provided herein, contact Client Services, 55 Water Street, New York, NY 10041; (1)212.438.9823 or by e-mail to: research_request@standardandpoors.com.