

Rating Action: Moody's assigns Aaa to Wellesley, MA's GOLT bonds; outlook stable

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New York, January 27, 2022 -- Moody's Investors Service has assigned a Aaa rating to the Town of Wellesley, MA's \$88.3 million General Obligation Municipal Purpose Loan of 2022 Bonds. Moody's maintains the Aaa ratings on the town's outstanding general obligation unlimited tax (GOULT) and general obligation limited tax (GOLT) bonds. The outlook is stable. Post-issuance the town will have \$209 million in outstanding debt.

The outstanding GOULT bonds are considered unlimited tax because the entire amount of the debt service has been voted by the town as excluded from restrictions under Massachusetts law on the town's ability to increase the property tax levy to pay debt service, referred to as Proposition 2 1/2. Moody's considers the pledge supporting the current issue and outstanding GOLT bonds to be general obligation limited tax because not all of the debt service has been voted by the town to be excluded from the tax levy limit under Proposition 2 1/2.

RATINGS RATIONALE

The Aaa rating reflects the very affluent tax base with institutional presence, strong fiscal management with stable operations although reserves as a percent of revenue are below the national median for the highest rating category. The rating also incorporates a recent increase to the debt burden that is expected to remain manageable and strong funding commitment towards unfunded pension and OPEB liabilities.

The absence of distinction between the GOLT rating and the GOULT rating reflects the town's ability to override the property tax cap and its pledge of its full faith and credit.

RATING OUTLOOK

The stable outlook reflects the town's conservative budgeting and adherence to formalized financial policies that will support balanced operations in the future. The outlook also incorporates the additional financial flexibility provided by the strong tax base with voter approved debt exclusions to the tax levy limits of Proposition 2 1/2.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Decline in available reserves
- Material increase in the debt burden or unfunded pension and OPEB liabilities
- Large and sustained deterioration in the tax base valuation

LEGAL SECURITY

The bonds are backed by the town's full faith and credit general obligation limited tax pledge given that the entire amount of debt service has not been voted by the town as excluded to the tax levy limit under Proposition 2 1/2.

USE OF PROCEEDS

Bond proceeds will redeem approximately \$1.8 million in outstanding bond anticipation notes and provide new money to fund various capital projects of the town including the Hunnewell school construction, John D. Hardy elementary school project, other school projects and town repairs and improvements.

PROFILE

Wellesley is located 15 miles west of Boston (Aaa stable) with a population of approximately 29,000. It is primarily residential in composition and is home to Wellesley College (Aa1 stable) and Babson College (A1 stable).

METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1260094. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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