



**New Issue: MOODY'S ASSIGNS Aaa RATING TO BROOKLINE'S (MA)
\$17.985 MILLION G.O. BONDS; OUTLOOK IS STABLE**

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Aaa RATING AND STABLE OUTLOOK APPLY TO \$94 MILLION OF LONG-TERM GENERAL OBLIGATION DEBT, INCLUDING CURRENT ISSUE

BROOKLINE (TOWN OF) MA
Cities (including Towns, Villages and Townships)
MA

Moody's Rating

ISSUE	RATING
General Obligation Municipal Purpose Loan of 2012 Bonds	Aaa
Sale Amount	\$17,985,000
Expected Sale Date	02/15/12
Rating Description	General Obligation

Moody's Outlook STA

Opinion

NEW YORK, February 03, 2012 --Moody's Investors Service has assigned a Aaa rating and stable outlook to the Town of Brookline's (MA) \$17.985 million General Obligation Municipal Purpose Bonds of 2012. Moody's has also affirmed the Aaa rating assigned to the town's \$75.9 million in outstanding general obligation bonds. Of the town's total outstanding debt, approximately \$9.3 million is secured by the town's unlimited general obligation tax pledge, as debt service has been voted exempt from the levy limitations of Proposition 2 ½; the remaining \$84.7 million is not excluded from Proposition 2 ½, and is secured by the town's general obligation limited tax pledge. Of the bonds, \$12.645 million will be used to finance ongoing school construction, as well as other various municipal projects. The remaining \$5.34 million will be used to refund a portion of the town's general obligation bonds series 2002 and 2003, for an estimated net present value savings of 8.9% of refunded principal, without extension of maturity.

SUMMARY RATING RATIONALE

The Aaa rating reflects the town's ongoing financial health, supported by strong policies. The rating also incorporates the town's sizeable and affluent tax base, and modest debt position. Need summary rationale for stable outlook

STRENGTHS

- Structurally balanced operations over the last four fiscal years
- Strong financial policies and planning
- Adequate reserve levels

-- Large, affluent tax base in close proximity to a major city

CHALLENGES

-- Rapidly growing school enrollment increasing school capital needs

-- Town relies on annual free cash appropriations for pay-as-you-go capital expenditures

-- Significant liabilities for pension and OPEB

DETAILED CREDIT DISCUSSION

HISTORICALLY STRONG FINANCIAL POSITION SUPPORTED BY SOUND MANAGEMENT

Brookline's financial position is expected to remain healthy given the town's history of structurally balanced operations, adequate reserve levels, and strong fiscal policies. Fiscal 2011 marked the fourth consecutive operating surplus for the town. The modest \$188,333 surplus (net of bond premiums) was largely driven by a \$1.6 million positive variance on local receipt revenues, as well as significant savings on general government expenditures (\$781,659), and employee benefit expenditures (\$442,463). The town's fiscal 2011 financial statements are presented with GASB 54 standards and show an unassigned fund balance of \$22.6 million, a healthy 10.6% of revenues, which includes the town's \$5.5 million stabilization fund. Although the GASB 54 standards were not used in fiscal 2010, the \$22.6 million unassigned fund balance in 2011, which includes the stabilization fund, represents an increase over fiscal 2010 available reserves (including unreserved general fund balance and the stabilization fund) of \$21.8 million, or 10.5% of revenues. As with prior years, the town's fiscal 2011 budget included the town's entire certified free cash balance (\$4.5 million), all of which was replenished. Also during fiscal 2011, the town joined the Commonwealth's Group Insurance Commission (GIC), a measure that produced significant health insurance savings during FY11 and is expected to help moderate growth in health insurance costs in future years.

The town's fiscal 2012 budget included a \$5.4 million free cash appropriation, an increase from the prior year. However it should be noted that this represented approximately 75% of the town's entire certified free cash balance, as opposed to the 100% that has historically been budgeted. This was done in anticipation of a policy revision (effective in fiscal 2013) to allow the town to keep a portion of free cash in its reserves, a change that is expected to provide added financial flexibility. To date, management reports that fiscal 2012 operations are performing well, with positive variances on both revenues and expenditures. Estimates indicate that the town will finish with a \$1.5 to \$2 million revenue surplus at year end due to greater than anticipated local receipts. Expenditures are performing well below budget to date, however the region has seen an unusually mild winter thus far.

The town maintains its own retirement plan for all town employees, with the exception of teachers and certain school administrators. The plan is administered by the Brookline Contributory Retirement Board (BCRB), and as of January 1, 2010, was 61.6% funded. The town is required by the state to fully fund its Annually Required Contribution (ARC), which was \$13.82 million in 2011, representing a manageable 6.5% of general fund expenditures. Currently, the plan assumes a fairly aggressive 8.15% rate of return, with the BCRB reporting that the plan will be fully funded by 2028. The town has begun to more aggressively fund its Other Post Employment Benefits (OPEB) obligation, and is working to fully fund its ARC by fiscal 2017. In fiscal 2011, the town funded 74% of the \$14.9 million OPEB ARC, representing \$11 million. The total Unfunded Actuarially Accrued Liability (UAAL) for OPEB is \$207.9 million, as of June 30, 2010. The town's total fixed costs, including pension, OPEB, and debt service (had the OPEB ARC been fully funded), represented approximately \$38 million in fiscal 2011, or a relatively manageable 17.9% of general fund expenditures.

AFFLUENT TAX BASE REMAINS RESILIENT THROUGH REGIONAL RECESSION

Brookline's tax base is expected to remain stable, given its proven resiliency through the region's deflated real estate market and recessionary economic conditions. Located directly adjacent to the City of Boston (G.O. rated Aaa/Stable), Brookline benefits from its location to New England's largest economic center, which is directly accessible by public transportation. The town has seen growth in assessed value in each of the last five fiscal years, although the amount of growth has begun to slow. The town's six-year (2006-2012) average annual assessed value growth rate is 1.3%, which is a substantial decline from an average of 5.8% from 2003 to 2009. Median home values in the town are over three times that of the Commonwealth, and over five times the national median. New growth in Brookline is expected to remain slow, with no major residential or commercial developments currently underway. Wealth levels in the town are well above national medians with per capita income and median family income representing 205.3% and 185.8% of the nation, respectively.

MODEST DEBT PROFILE WITH AFFORDABLE FUTURE BORROWING PLANS; ONGOING CAPITAL PROGRAM FOCUSED ON SCHOOLS

It is anticipated that Brookline's debt position will remain manageable due to its modest net direct debt, rapid principal retirement, and affordable planned future borrowings. Incorporating the current issuance, Brookline's net direct debt remains slightly below the commonwealth median at 0.5% of full value. The town's debt burden increases to 2% when incorporating overlapping debt from Norfolk County (G.O. rated Aa3/positive outlook), the Massachusetts Water Resources Authority (senior lien revenue bonds rated Aa1/stable outlook) and the Massachusetts Bay Transportation Authority (assessment bonds rated Aa1/stable outlook). The town's principal payout on outstanding debt is rapid, with 87.5% being retired within 10 years. The town has no variable rate debt or swaps, and is not party to any derivative agreements.

The town maintains an annually updated, five-year capital plan to help guide future debt issuance. The 2013-2018 plan includes approximately \$74 million in future G.O. borrowing needs. Approximately \$51 million of that will be borrowed in fiscal 2015 for the renovation/addition of the Devotion School, part of the plan to help the town accommodate an increasing grade-school student population. In addition to the Devotion School, the town continues to explore its options to increase school capacity, including renovations and additions to existing facilities.

OUTLOOK

The outlook remains stable, reflecting Moody's expectation that the town's financial position will remain healthy in the near term given a history of structurally balanced operations, adequate reserve levels, and proactive management. In addition it is expected that Brookline's tax base will remain stable, given its strong home values, affluent population, and proximity to a major metropolitan area.

WHAT COULD CHANGE THE RATING DOWN

- Significant reduction of General Fund Balance and free cash
- Deterioration of the town's tax base
- Failure to address long term pension and OPEB obligations

KEY STATISTICS:

2010 Population: 58,732 (+2.8% since 2000)

2012 Equalized Valuation: \$16 billion

2012 Equalized Value Per Capita: \$272,848

Equalized Value Six-Year Average Annual Growth (2006-2012): 4.1%

Fiscal 2011 General Fund balance: \$23.5 million (11.1% of General Fund Revenues)

Fiscal 2011 Unassigned General Fund balance: \$22.5 million (10.6% of General Fund Revenues)

2012 Net Direct Debt: 0.5%

Principal Payout (10 years): 87.5%

1999 Per Capita Income (as % of MA and US): \$44,327 (170.8 % and 205.3%)

1999 Median Family Income (as % of MA and US): \$92,993 (150.8% and 185.8%)

Post-Sale General Obligation Long Term Debt Outstanding: \$94 Million

The principal methodology used in this rating was General Obligation Bonds Issued by U.S. Local Governments published in October 2009. Please see the Credit Policy page on www.moody.com for a copy of this methodology.

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