



Global Credit Research
New Issue
20 MAR 2009

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

MOODY'S ASSIGNS Aaa TO BROOKLINE'S (MA) \$11.39M G.O. BONDS

AFFIRMATION OF Aaa AFFECTS \$108.2 MILLION IN OUTSTANDING RATED DEBT, INCLUDING CURRENT OFFERING

Municipality
MA

Moody's Rating

ISSUE	RATING
General Obligation Municipal Purpose Loan of 2009 Bonds	Aaa
Sale Amount	\$11,390,000
Expected Sale Date	03/31/09
Rating Description	General Obligation

Opinion

NEW YORK, Mar 20, 2009 -- Moody's Investors Service has assigned a Aaa rating to the Town of Brookline's \$11.39 million General Obligation Municipal Purpose Loan of 2009 Bonds. Concurrently, Moody's has affirmed the Aaa rating assigned to approximately \$96.8 million in outstanding long-term parity debt. This issue is secured by the town's general obligation limited tax pledge as debt service has not been voted exempt from the provisions of Proposition 2 ½. Proceeds from the sale will permanently finance outstanding bond anticipation notes previously issued for the reconstruction of Brookline's town hall (\$6.9 million) and various other capital improvements. The Aaa rating incorporates the town's currently sound financial position, sizable and affluent tax base, and affordable debt position.

HEALTHY FINANCIAL POSITION; CYCLICAL REVENUE DECLINES MAY CHALLENGE STRUCTURAL BALANCE OVER THE NEAR TERM

While near term fiscal operations will be pressured by reductions in state aid, declining local receipts and ongoing expenditure demands, Moody's expects Brookline's well managed financial position to remain healthy given the town's proactive and conservative budgeting strategies. Fiscal 2008 audited results indicate the town's first General Fund balance increase since 2004. The town was able to replenish its \$3.8 million capital related free cash appropriation and increase General Fund balance by \$930,000 through a combination of positive revenue and expenditure variances, as well as augment the Stabilization Fund balance by \$225,000. At year-end available reserve levels (Unreserved General Fund balance and Stabilization Fund) increased to \$27.8 million or a sound 14.4% of revenues from recent low of 12.2% of revenues in fiscal 2007, following a series of planned reserve reductions for pay-as-you-go capital spending.

More than halfway through fiscal 2009 fiscal operations are expected to end balanced despite a mid year \$770,000 state aid reduction. The town anticipates offsetting the reduced state aid, in addition to its slowing motor vehicle and hotel/motel excise taxes, with salary savings resulting from an October 2008 hiring freeze and lower than budgeted employee health care costs. Additionally, the town benefited from below budget collective bargaining salary increases following the settlement of outstanding union contracts dating back to June 30, 2006. Importantly, fiscal 2009 operations are supported by \$6.2 million of additional property taxes resulting from a successful proposition 2 ½ operating override. The majority of the additional funds were directed to the town's schools system (\$4.1 million) with the remaining resources going toward public safety and ongoing capital needs.

Brookline's \$197 million fiscal 2010 budget represents a 3.0% increase over the prior year. The budget balances a 12.6% state aid reduction and a \$5.7 million appropriation increase with additional property tax revenues (3.6% increase), free cash (18.4% increase) and other available funds (38.5% increase), which is

composed primarily of enterprise fund reimbursements, a tax abatement reserve surplus appropriation and a capital projects surplus appropriation. The larger than historical use of one-time revenues in fiscal 2010 is attributable, in large part, to the settlement of a longstanding negotiation process with property owners surrounding the site of the town's former landfill. The settlement calls for the town to provide \$5.1 million for corrective action at the site and an additional \$4.6 million for settlement costs. The corrective work is expected to be largely financed through future bond proceeds while settlement costs will be funded with free cash, excess tax abatement reserve funds, and a drawdown of the town's liability reserve. Positively, indicative of the town's focus on long term financial planning and stability, management maintains additional resources outside of the general fund including a \$1.3 million liability reserve to mitigate the effects of unanticipated legal claims and a \$4.7 million other post-employment benefits (OPEB) trust fund created to address the town's unfunded actuarial accrued OPEB liability of \$207 million (pre-funded).

SIZABLE AND AFFLUENT TAX BASE REMAINS STABLE

Moody's anticipates Brookline's sizable \$15.5 million tax base to remain stable over the near term however, new property tax growth is expected to weaken given recessionary economic conditions. Favorably located adjacent to the City of Boston, (rated Aa1/stable outlook) and within easy access to the region's largest economic center via public transportation, equalized value has increased at an average annual rate of 8.2% annually over the past six years. Following a slight (0.7%) assessed value reduction in fiscal 2008, the town experienced a 3.4% increase in 2009, due in part to a recently completed property revaluation, which reflect higher residential (3.4% increase) and commercial (3.1% increase) valuations, relative to the prior year. Notably, the town's fiscal 2009 new growth levy of \$1.8 million represented the town's lowest amount in at least five years, below the \$2.3 million average since 2004. The town has conservatively budgeted a \$1.6 million new growth levy for fiscal 2010. While the pace of large scale development has slowed, the town expects future tax base growth to be supported by several development projects in planning or underway in its highly affluent residential base and thriving commercial districts. Wealth indices in Brookline well exceed commonwealth and national medians, as reflected in the high equalized value per capita of \$283,237 and per capita income of \$44,327 or 170.8% of the commonwealth median.

FAVORABLE DEBT PROFILE WITH MANAGEABLE FUTURE BORROWING

Moody's expects Brookline's below average 0.6% net direct debt burden to remain affordable due to the town's conservative debt policies, above-average rate of amortization (84.2% within 10 years), anticipated state school construction assistance, and steady but manageable future borrowing plans. The town's direct debt burden increases to 2.1% when incorporating Brookline's share of overlapping Norfolk County (rated A2/positive outlook), Massachusetts Water Resources Authority (senior lien debt rated Aa2/stable outlook), and Massachusetts Bay Transportation Authority (assessment bonds Aa1/stable outlook) obligations. After adjusting for commonwealth school construction assistance, this debt burden falls to an affordable 1.9% of equalized value; debt service claimed a manageable 5.6% of general fund expenditures in fiscal 2008, however roughly 46% of Brookline's bonded debt is excluded from Proposition 2 ½ or supported by user fees, reducing pressure on the General Fund.

Brookline's borrowing practices are guided by an annually-updated capital improvement plan coupled with a debt management policy limiting net capital budget allocations, typically 5.5% of the town's prior-year operating revenues. In an effort to provide fiscal 2010 budget relief, the town reduced its net capital budget allocation to 5% with the goal of increasing its appropriation back to the 5.5% level by 2012. The updated capital improvement plan calls for \$148.3 million in capital expenditures through fiscal 2015, with proposed general fund borrowing of \$66.3 million. Of the remaining capital plan \$31 million is expected to be supported by tax revenue on a pay-as-you-go basis with the balance funded by various grants and utility charges. Given the town's comprehensive and prudent approach to capital financing Moody's expects Brookline's debt position to remain affordable.

KEY STATISTICS:

2000 Population: 57,107

2008 Equalized value: \$15.5 Billion

2008 Equalized value per capita: \$283,237

Average annual equalized value growth (2004-2009): 8.2%

2000 Per capita income: \$44,327 (170.8% of commonwealth median, 205.3% of nation)

2000 Median family income: \$92,993 (150.8% of commonwealth median, 185.8% of nation)

Overall debt burden: 2.1%

Adjusted overall debt burden: 1.9%

Amortization of principal (10 years): 84.2%

FY 2008 General fund balance: \$32.2 million (16.6% of general fund revenues)

FY 2008 Available reserves: \$27.8 million (14.4% of general fund revenues)

Long-term G.O. bonds outstanding: \$108.2 million

RATING METHODOLOGY USED AND LAST RATING ACTION TAKEN

The principal methodology used in rating the current issue was "Local Government General Obligation and Related Ratings," which can be found at www.moody.com in the Credit Policy & Methodologies directory, in the Index of Special Reports - U.S. Public Finance. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Credit Policy & Methodologies directory.

The last rating action with respect to the Town of Brookline (MA) was on May 22, 2008 when a short term MIG 1 rating was assigned and the town's Aaa long term rating was affirmed.

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