



Global Credit Research

New Issue

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

MOODY'S ASSIGNS Aaa RATING TO TOWN OF BROOKLINE'S (MA) \$11.1 MILLION GENERAL OBLIGATION BONDS AND MIG 1 RATING TO \$2.68 MILLION GENERAL OBLIGATION BOND ANTICIPATION NOTES

Total of \$111.7 Million Rated Bonds Affected Including Current Offering

Municipality
MA

Moody's Rating

| ISSUE | RATING |
|---------------------------------------|--------------------|
| \$11,068,000 General Obligation Bonds | Aaa/MIG 1 |
| Sale Amount | \$11,068,000 |
| Expected Sale Date | 04/05/06 |
| Rating Description | General Obligation |

Opinion

NEW YORK, Apr 4, 2006 -- Moody's Investors Service has assigned a Aaa rating to the Town of Brookline's \$11.07 million general obligation bonds and a MIG 1 rating to the town's \$2.68 million of Bond Anticipation Notes. Concurrently, Moody's has affirmed Brookline's long-term Aaa rating, affecting approximately \$111.7 million in outstanding general obligation bonds, including this issue. Of the proceeds \$10.07 million will fund a health center renovation, town hall design, and various water and sewer projects. The remaining \$1 million of bonds and \$2.7 million in notes will retire a like amount notes maturing April 13, 2006 originally issued for renovation of the Lawrence school. The town expects to retire the notes on or before their July 2006 maturity with anticipated commonwealth school construction grant payments, although the final grant amount is currently under appeal. Should the town not receive reimbursement sufficient to retire the notes in their entirety; the town plans to permanently finance the remainder through long-term borrowing. Security on \$10.7 million of the bonds is provided by the town's general obligation limited tax pledge as debt service has not been voted exempt from the limits of Proposition 2 ½. The school portion of this issue, in the amount of \$3.68 million, is exempt from the property tax limitation and thus secured by the town's general obligation unlimited tax pledge. The MIG 1 rating incorporates the town's demonstrated market access and superior long-term credit characteristics. The Aaa rating reflects the town's strong financial position, sound and effective fiscal policy, historically effective management, affluent tax base and affordable debt position.

DEMONSTRATED MARKET ACCESS

Moody's expects the town to continue to enjoy favorable access to capital markets given a history of competitive bids on previous borrowings. The town received five and six bids, respectively, on its \$3.67 million and \$7.83 million April 2005 note sales, and eleven and seven bids, respectively, on its \$11.5 million and \$3 million note sales in April 2003. All bids were received from major regional and national financial institutions. Although the town anticipates permanently financing a portion of these notes with grant proceeds, this history and the town's superior credit characteristics indicate an ability to refund these notes, if necessary, at their July 2006 maturity date.

STRONG FINANCIAL POSITION SUPPORTED BY LONG-TERM FINANCIAL PLANNING

Moody's believes that Brookline's financial position will remain sound given conservative budgeting practices, implementation of comprehensive fiscal policies and its capable management team, but notes that continued substantial free cash appropriations without full replenishment through revenue surpluses and unexpended appropriations, may reduce reserves and diminish the town's financial position in future years. Brookline's management team has developed several comprehensive forecasting tools, including a five-year financial

forecast and aggressive six-year capital improvement program which have contributed to the town's ability to maintain ample, though somewhat diminished reserves, despite rising expenditure pressures and recent decreases in state aid. Although fund balances declined in fiscal 2004 and fiscal 2005, this reflects planned usage of free cash balances for pay-as-you-go capital projects, rather than a structural deficit. Audited fiscal 2005 financial statements show a \$2.17 million fund balance decline to \$34.1 million or a still-robust 20.2% of general fund revenues. However this decreased fund balance incorporates a significant \$8.7 million of tax-financed capital expenditures, in accordance with the town's capital improvement program. Additional financial flexibility is derived from the town's stabilization fund, which increased slightly in fiscal 2005 to \$4.5 million, or an additional 2.7% of general fund revenues. In fiscal 2006, to-date tax-financed capital expenditures are a lower \$6.2 million, but management anticipates a slight decline in fund balance due to overexpenditures in snow and ice removal. Fiscal 2007 includes capital appropriations similar to fiscal 2006 levels, and management reports that the total operating budget is expected to increase 4.6% over 2006, balanced through anticipated increases in state aid, new growth revenues and investment income. While Moody's generally recognizes the ability to fund capital projects on a pay-as-you-go basis as a demonstration of a strong financial position, continued appropriations at prior years' levels may continue to erode reserves and diminish financial flexibility and credit quality.

CONTINUED GROWTH EXPECTED IN SIZEABLE AND WEALTHY TAX BASE

Moody's believes that the town's substantial \$12.6 billion tax base will continue to experience healthy growth in coming years, given its highly affluent residential base supplemented by thriving commercial districts, and favorable location. Located adjacent to the City of Boston (rated Aa1/stable outlook), Brookline residents benefit from easy access to the region's largest economic center. Over the past six years, equalized value increases have averaged a robust 14.3% annually, reflective of the recent strong growth trend throughout the Boston metropolitan area. The town also continues to attract new growth, composed of a mix of residential redevelopment as newer homes replace mature housing stock, and new commercial development. Going forward, management anticipates that recent zoning updates to height requirements will continue to encourage new commercial growth, particularly along the Route 9 corridor and the Coolidge Corner section of town. Wealth indices in Brookline well exceed commonwealth and national medians, as reflected in the high equalized value per capita of \$223,800 and per capita income of \$44,327 or 170.8% of the commonwealth median.

DEBT POSITION EXPECTED TO REMAIN AFFORDABLE

Moody's expects Brookline's manageable 2.3% debt burden to remain affordable due to conservative debt policies, above-average rate of amortization (75.9% in 10 years), significant school construction assistance, and steady but manageable future borrowing plans. The town's direct debt burden is a minimal 0.8% of equalized value, but increases to a more average 2.3% when incorporating Brookline's share of overlapping obligations from Norfolk County (rated A2/positive outlook), Massachusetts Water Resources Authority (senior lien debt rated Aa2/stable outlook), and Massachusetts Bay Transportation Authority (senior debt rated Aa2/stable outlook). After adjusting for commonwealth school construction assistance, this debt burden falls to an affordable 2.0% of equalized value.

The town's borrowing practices are guided by an annually-updated capital improvement plan coupled with a debt management policy limiting net capital budget allocations to 5.5% of the town's prior-year operating revenues. The 2007 through 2012 capital improvement plan calls for \$104.1 million in capital expenditures, with financing anticipated through \$47.4 million of general fund borrowing, and \$6.8 million by self-supporting enterprise bonds. Of the remaining capital plan, \$26.6 million is expected to be supported by tax revenue on a pay-as-you-go basis. Borrowing plans in fiscal 2007 and 2008 include \$2 million for landfill projects, and \$1.6 million for rehabilitation of the town swimming pool, and \$13 million for town hall rehabilitation. Given the town's careful debt planning and self-supporting nature of water and sewer system debt, Moody's expects Brookline's debt position to remain affordable.

KEY STATISTICS:

2000 Population: 57,107

2005/2006 Equalized value: \$12.58 billion

2005/2006 Equalized value per capita: \$223,800

Average annual equalized value growth (2000-2006): 14.3%

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

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

Overall debt burden: 2.3%

Adjusted overall debt burden: 2.0%

Amortization of principal (10 years): 75.9%

FY 2005 General fund balance: \$34.1 million (20.1% of general fund revenues)

FY 2005 Undesignated/unreserved general fund balance: \$11.6 million (6.8% of general fund revenues)

FY 2005 Stabilization fund balance: \$4.5 million

Post-sale G.O. bonds outstanding: \$111.7 million

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