



Global Credit Research

New Issue

8 MAY 2007

Save as PDF New Issue: [Brookline \(Town of\) MA](#)**MOODY'S ASSIGNS Aaa RATING TO TOWN OF BROOKLINE'S (MA) \$2.5 MILLION GENERAL OBLIGATION BONDS****AFFIRMATION OF Aaa AFFECTS \$104.5 MILLION IN OUTSTANDING RATED DEBT, INCLUDING CURRENT OFFERING**Municipality  
MA**Moody's Rating**

ISSUE	RATING
General Obligation Municipal Purpose Loan of 2007 Bonds	Aaa
<b>Sale Amount</b>	\$2,516,000
<b>Expected Sale Date</b>	05/09/07
<b>Rating Description</b>	General Obligation Bonds

**Opinion**

NEW YORK, May 8, 2007 -- Moody's Investors Service has assigned a Aaa rating to the Town of Brookline's \$2.5 million general obligation bonds. Concurrently, Moody's has affirmed the Aaa rating assigned to approximately \$102 million in outstanding general obligation bonds. The bonds are issued to permanently finance \$766,000 in maturing notes originally issued for school renovation, and to provide \$1.75 million in new money financing for swimming pool and golf course improvements. The Aaa rating reflects the town's strong financial position; sound and effective fiscal policy implemented by a seasoned and effective management team; affluent tax base and affordable debt position.

**STRONG AND STABLE FINANCIAL POSITION SUPPORTED BY PRUDENT FISCAL POLICY**

Sound management and coordination among elected and appointed officials continues to provide a firm foundation for Brookline's financial future. Although pressure from personnel-related expenses continues to challenge the town's ability to maintain the level of services provided under the limitations of Proposition 2 ½, Brookline's financial position remains strong with sound reserve levels. Financial flexibility has been reduced since voters approved the most recent override in 1995. Officials indicate that an override could be necessary for fiscal 2009 to provide additional taxing capacity in order to maintain current service levels. Town officials have 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 decreases in state aid. Although revenue forecasting remains conservative, available reserve levels have fluctuated but declined overall to \$22 million (12.5% of general fund revenues) in fiscal 2006 from a peak of \$33 million (19.7% of revenues) in fiscal 2001. However, the decline reflects planned usage of free cash balances for pay-as-you-go capital projects, rather than a structural deficit.

Fiscal 2006 operations produced a minimal deficit, although overall available reserve levels increased due to the release of general funds reserved for capital projects. Operations in fiscal 2007 are expected to again be balanced, with revenues and expenditures generally in line with budget, and modest revenue surpluses and unspent appropriations replenishing the free cash appropriated for capital projects. The proposed fiscal 2008 budget is expected to be balanced without significant draws on reserves for operations, relying on anticipated revenue from new tax base development to provide limited ability to absorb increases in health insurance and wages. While Moody's generally recognizes Brookline's ability to fund capital projects on a pay-as-you-go basis as a demonstration of its 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 FAVORABLY LOCATED TAX BASE

Brookline enjoys an advantageous location adjacent to the City of Boston (rated Aa1/stable outlook) with easy access to the region's largest economic center via public transportation. Over the past six years, equalized value increases have averaged a strong 12.3% annually, reflective of the recent strong growth trend throughout the Boston metropolitan area. Moody's believes that the town's substantial \$14.8 billion tax base will continue to experience healthy growth in coming years, given several large development projects in planning or underway in its highly affluent residential base and thriving commercial districts. 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 and Beacon Street corridors. Wealth indices in Brookline well exceed commonwealth and national medians, as reflected in the high equalized value per capita of \$266,716 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 moderate 1.4% adjusted debt burden to remain affordable due to conservative debt policies, above-average rate of amortization (79.9% within 10 years), significant school construction assistance, and steady but manageable future borrowing plans. The town's direct debt burden is a minimal 0.6% of equalized value, but increases to 1.6% 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 1.4% of equalized value; debt service claimed a manageable 6.3% of general fund expenditures in fiscal 2006, however roughly 55% of Brookline's bonded debt is excluded from Proposition 2 ½ or supported by user fees, reducing pressure on the general fund.

The town plans to issue up to \$15 million in new debt early in 2008, primarily for its town hall renovation and additional school projects. Brookline'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 updated capital improvement plan calls for \$147 million in capital expenditures through fiscal 2013, with proposed general fund borrowing of \$70 million; of the remaining capital plan \$25 million is expected to be supported by tax revenue on a pay-as-you-go basis with the balance funded by various grants. 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

2007 Equalized value: \$14.8 billion

2007 Equalized value per capita: \$266,716

Average annual equalized value growth (2001-2007): 12.3%

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: 1.6%

Adjusted overall debt burden: 1.4%

Amortization of principal (10 years): 79.9%

FY 2006 General fund balance: \$33.9 million (19.1% of general fund revenues)

FY 2006 Available reserves: \$22.2 million (12.5% of general fund revenues)

Post-sale G.O. bonds outstanding: \$104.5 million

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