



Moody's Investors Service

New Issue: MOODY'S ASSIGNS Aaa RATING TO WAYLAND'S (MA) \$12.96 MILLION GO BONDS AND MIG 1 TO \$4.5 MILLION BANS

Global Credit Research - 26 Jan 2010

TOTAL OF \$43.5 MILLION LONG-TERM GENERAL OBLIGATION DEBT OUTSTANDING, INCLUDING CURRENT ISSUE

Municipality
MA

Moody's Rating

ISSUE	RATING
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General Obligation Municipal Purpose Loan of 2010 Bonds	Aaa
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Sale Amount	\$12,960,000
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Expected Sale Date	01/28/10
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Rating Description	General Obligation
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Bond Anticipation Notes	MIG 1
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Sale Amount	\$4,500,000
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Expected Sale Date	01/28/10
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Rating Description	Bond Anticipation Notes
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Opinion

NEW YORK, Jan 26, 2010 -- Moody's Investors Service has assigned a Aaa rating to the Town of Wayland's (MA) \$12.96 million General Obligation Municipal Purpose Loan of 2010 Bonds, and a MIG 1 rating to \$4.5 million in Bond Anticipation Notes (BANs). Concurrently, Moody's has affirmed the Aaa rating assigned to the town's \$30.58 million of outstanding long-term general obligation debt. Of the bonds the majority, \$11.39 is secured by the town's unlimited general obligation tax pledge as debt service was voted exempt from the levy limitations of Proposition 2 1/2; the \$1.56 million remainder was not excluded from Proposition 2 1/2 and is secured by the town's general obligation limited tax pledge. The bonds are issued to permanently finance various town capital projects including the \$10 million first phase of the Wayland's high school renovation. The notes are issued to renew \$1 million of maturing BANs and provide \$3.5 million in

short-term new money financing for a new wastewater treatment plant. The MIG 1 rating reflects the town's demonstrated history of market access as well as its strong long-term credit profile. The Aaa rating is based on the town's favorably located and wealthy tax base as well as a sound financial position with significant flexibility provided by voter support of Proposition 2 ½ operating overrides and debt exclusions. The rating also incorporates the town's modest debt burden that is expected to remain very manageable despite future debt plans.

HISTORY OF SATISFACTORY MARKET ACCESS

Wayland has demonstrated solid access to the capital markets, having received ten bids on its January 2008 bond sale, five bids on its 2007 bond sale and eight bids on its 2005 bond sale. Wayland's most recent bond sale, held in January 2009, included a refunding and was negotiated. All competitive bids were received from major regional and national financial institutions. Moody's believes that the town's favorable market access history and underlying credit strength will permit adequate market access to refund this note issue, if necessary, at its February 2011 maturity.

SOUND FINANCIAL POSITION WITH SOUND RESERVE LEVELS

Wayland's financial strength has improved significantly due to management's conservative approach to budgeting revenues and managing expenditures. Operations in fiscal 2009 yielded a healthy operating surplus of \$2.4 million, boosting general fund balance just over \$11 million, a healthy 18% of general fund revenues. A significant portion of fund balance, \$3.9 million, is reserved for the subsequent year's expenses. The stabilization fund balance grew to \$1.5 million, and available reserves (including unreserved general fund balance and the stabilization fund) totaled \$8.6 million, a solid 14.1% of revenues and a marked improvement from the slim \$1.5 million available reserve balance (3.3% of revenues) recorded in fiscal 2005. Recessionary pressures are expected to hold revenue growth virtually flat in the near term, however, the town is relatively well positioned to manage the anticipated fiscal pressures given its improved financial flexibility and solid track record of voter support for capital and operating overrides of Proposition 2 ½. Although the town has appropriated \$1.1 million in free cash to support the fiscal 2010 budget, positive revenue and expenditure variances are expected to once again replenish reserves, although no significant increase in the stabilization fund is anticipated. Planning has begun for the fiscal 2011 budget, which is expected to once again be pressured by state aid reductions; preliminary projections indicate a \$1.5 million gap in revenues and expenditures. The town expects to close the gap through

town-wide expenditure reductions and does not plan to propose another operating override vote for the upcoming fiscal year.

Wayland maintains several additional funds outside of the general fund providing some degree of financial flexibility. Specifically, the town maintains a real estate fund derived from the sale of previously owned town properties and an ambulance receipts fund, with a combined balance of \$500,000 which could be appropriated by a town meeting vote if necessary. Additionally, the town maintains cash in its non-statutory water and wastewater funds (\$4.6 million combined unrestricted net assets in fiscal 2009), although these funds are restricted by internal policy to support system-related capital and operating costs. Furthermore, the town holds more than \$6 million in a community preservation (CPA) fund. Although monies in the CPA fund are restricted to affordable housing and the preservation of historic structures and open space, these revenues do provide minimal amounts of relief to the general fund by offsetting the costs of eligible capital projects. These funds held outside the general fund provide the town an additional degree of financial flexibility, which we view positively.

Moody's believes that the town's strong history of voter-approved operating overrides, the relative stability of its property tax revenues (84% of general fund revenues in fiscal 2009), and its improved financial flexibility somewhat mitigate the less-than-ample reserves typical of similarly-rated municipalities nationally. Notably, the town also maintains a formal reserve policy of maintaining a free cash balance at a minimum level of 5% of budget. Maintaining a conservative budget approach and augmenting reserves, at a pace at least in step with budgetary growth, will be critical to maintaining Wayland's long-term credit strength as recessionary pressures continue to strain municipal budgets nationwide through the medium term.

SUBURBAN TAX BASE EXPERIENCING MODEST VALUE DECLINES

Moody's expects Wayland's \$3.4 billion tax base to continue to decline over the near term reflecting ongoing weakness in the regional housing market and recessionary economic conditions. However, over the medium term the town is well positioned for future tax base growth given its location approximately 18 miles west of Boston (rated Aa1/stable outlook) and in close proximity to major highways (route 20 and interstate 90) and commuter rail access. The town's fiscal 2010 property assessments (values as of January 1, 2009) reflect the town's fourth year of market value reductions. Incorporating the moderate 4.4% assessed value reduction in fiscal 2010 the town's five year annual average annual growth rate has

declined to 1.1% from a high of 9.9% in 2006, with the average single family home value declining by an estimated 6.6% since 2006. Notably however, under the provisions of Proposition 2 1/2, overall property tax growth is expected to remain stable, with slowdowns occurring in new growth applied to the levy from new construction and improvements to existing structures. Additionally, reflecting current market condition, progress on a relatively sizable residential housing project, Wayland Commons, has slowed. Originally approved for 48 housing units the town anticipates the construction of only four units over the near term. Further, a new town center project, to be built on a site most recently occupied by Raytheon (senior unsecured rated Baa1/stable outlook), is expected to include approximately 165,000 square feet of commercial space and 100 residential units (condominiums and townhouses). The estimated \$100 million project continues to work through the permitting process. Supporting the high property values are wealth levels that greatly exceed commonwealth medians. The equalized value per capita is robust at \$282,596. Despite the high wealth and income levels, the town's tax base size is less than one-half of the national median and 69% of the commonwealth median for similarly-rated communities.

FAVORABLE DEBT PROFILE WITH FUTURE BORROWING PLANS FOR HIGH SCHOOL RENOVATION

Although the town's debt burden is expected to increase significantly as the renovation of Wayland High School progresses, Moody's believes the town's moderate 1.1% direct debt burden will remain affordable. Burden on the town's general fund is mitigated by the self-supporting and excluded debt as well as reasonable amortization of existing principal. More than half (62%) of the town's outstanding bonds and notes, including the current issues, has been excluded from Proposition 2 1/2 or is self-supporting through user fees. Amortization of existing principal is slightly-below average, reflecting the current issue's new debt service, with 69.4% retired within 10 years. Several future projects, including library improvements (\$13.6 million) and a new public works garage (\$13.0 million), are still in the planning phase while the \$70 million high school renovation is underway; debt exclusions are expected to be proposed for the library and public works projects. Roughly \$25 million is anticipated in grant support from the Massachusetts School Building Authority (rated Aa2/stable outlook; the town expects to issue \$35 million in additional debt before the school project is scheduled for completion in the fall of 2012. In fiscal 2009, debt service was a manageable 6.7% of General Fund expenditures. The town continues to move ahead with the construction of a wastewater treatment plant, which is supported by the

current note issue. Wastewater and water system operations are fully rate-supported and a rate increase is likely to be imposed to back the anticipated additional debt service expense. Wayland has no exposure to variable or auction rate debt or swap agreements.

KEY STATISTICS:

2000 Census Population: 13,100

2009 Equalized Value: \$3.4 billion

Equalized Value Per Capita: \$282,596

1999 Per Capita Income (as % of MA and US): \$52,717 (203% and 244%)

1999 Median Family Income (as % of MA and US): \$113,671 (184% and 227%)

FY09 General Fund balance: \$11.03 million (18% of General Fund revenues)

FY09 Available Reserves: \$8.6 million (14.1% of General Fund revenues)

Direct debt burden: 1.1% of equalized valuation

Payout in 10 years: 69.4%

Post-sale long-term debt outstanding: \$43.5 million

RATING METHODOLOGY USED AND LAST RATING ACTION TAKEN

The principal methodology used in rating the Town of Wayland, Massachusetts was Moody's "General Obligation Bonds Issued by U.S. Local Governments," published in October, 2009 and available on www.moody.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

The last rating action was on January 23, 2009 when the Aaa rating for the Town of Wayland, Massachusetts was affirmed.

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