

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

## **MOODY'S ASSIGNS Aaa RATING TO WAYLAND'S (MA) \$7.7M GO BONDS**

### **TOTAL OF \$35.4 MILLION PARITY RATED DEBT OUTSTANDING, INCLUDING CURRENT ISSUE**

Municipality  
MA

#### **Moody's Rating**

<b>ISSUE</b>	<b>RATING</b>
General Obligation Municipal Purpose Loan of 2009 Bonds	Aaa
<b>Sale Amount</b>	\$7,705,000
<b>Expected Sale Date</b>	01/26/09
<b>Rating Description</b>	General Obligation

#### **Opinion**

NEW YORK, Jan 23, 2009 -- Moody's Investors Service has assigned a Aaa rating to the Town of Wayland's (MA) \$7.7 million General Obligation Bonds. Concurrently, Moody's has affirmed the Aaa rating on the town's \$31.7 million of outstanding long-term general obligation debt. Approximately \$1.9 million of the bonds is secured by a limited tax pledge, as debt service has not been voted exempt from the levy limitations of Proposition 2 ½, with the balance (\$5.7 million) secured by the town's general obligation unlimited tax pledge. A portion of bond proceeds, \$3.9 million, will be used to refund bonds originally issued in 1996 and 1998 for an expected net present value savings of approximately 6.0% of refunded principal, without extending the maturity of the debt. The remaining amount (\$3.7 million) will provide new money for various municipal capital improvements. The Aaa rating is based on the town's moderately-sized tax base with wealth levels that greatly exceed Commonwealth medians, healthy financial position and demonstrated voter support for Proposition 2 ½ operating overrides. The rating also incorporates the town's modest debt burden that is expected to remain very manageable despite future debt plans.

#### **IMPROVED FINANCIAL POSITION EXPECTED TO FACE CYCLICAL PRESSURES OVER THE NEAR TERM; STRONG HISTORY OF VOTER-APPROVED OPERATING OVERRIDES**

Moody's anticipates the town's improved financial position to face cyclical challenges over the near term as local receipts and state aid weaken. However, the town is relatively well positioned to manage the anticipated fiscal pressures following consecutive operating surpluses. After three years of positive operating results, the town's total General Fund balance has improved substantially to \$8.6 million in fiscal 2008 (ended June 30), a solid 15.0% of General Fund revenues, from a low \$2.9 million in fiscal 2005, an adequate 6.3% of General Fund revenues. The positive financial operations over the last three years were driven primarily by successful operating overrides (\$2.3 and \$2.1 million in fiscal years 2006 and 2007, respectively); more conservative budgeting practices beginning with fiscal 2007, including the elimination of the use of free cash to balance the budget; tightly controlled expenditures and stronger than budgeted revenues. Moody's expectation is that the town will continue to maintain a healthy financial position over the medium term.

Fiscal 2008 results reflected a \$1.9 million increase of available reserves to \$7.5 million, a healthy 13% of General Fund revenues, from \$2.8 million in fiscal 2006 (a narrow 5.4% of General Fund revenues) and \$1.5 million in fiscal 2005 (a slim 3.3% of General Fund revenues). Major positive revenue variances included those related to motor vehicle excise taxes (\$360,000), investment income (\$496,000) and user fees (\$241,000). The town did not pursue an operating override in fiscal 2008. The fiscal 2009 budget, again, did not include the appropriation of free cash, however is balanced with a \$1.89 million operating override. Several months into the fiscal year operations are expected to result in another operating surplus by year-end, albeit more modest than in the prior two years due to likely mid-year state aid reductions. Looking ahead to fiscal 2010, Moody's anticipates the town's operations will tighten given state aid reductions and declining local receipts. The town does not anticipate pursuing a Proposition 2 ½ override in fiscal 2010 and will balance operations through expenditure reductions and a reserve appropriation of up to \$2 million.

Although the town's reserve position is now healthy and approximates Commonwealth medians for Aaa-rated cities and towns, it still trails the national median of 30% of General Fund revenues. However, Moody's believes that the town's strong history of voter-approved operating overrides, as evidenced by several successful referenda over more than the last decade, and its financial flexibility as reflected by monies held

outside of the General Fund 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.

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. Additionally, the town maintains cash in its non-statutory water fund (\$2.5 million unrestricted net assets in fiscal 2008). If needed, and upon a successful town meeting vote, these funds are available for general fund relief. Furthermore, the town holds more than \$5.3 million in a community preservation fund. Although monies in this fund are restricted to the preservation of historic structures and open space, these revenues do provide minimal amounts of relief to the general fund by offsetting selected capital projects costs. These funds held outside the general fund provide the town an additional degree of financial flexibility, which we view positively.

#### AFFLUENT RESIDENTIAL TAX BASE; ASSESSED VALUE REDUCTIONS REFLECT DECLINING HOME VALUES

Moody's anticipates the town's \$3.4 billion tax base will continue to soften 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 2009 property assessments (values as of January 1, 2008) reflect the town's third year of value reductions. Incorporating the modest 0.9% assessed value reduction in fiscal 2009 the town's five year average annual growth rate has declined to 2.0% 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 a very strong \$267,747. 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.

#### MODEST DEBT BURDEN EXPECTED TO REMAIN MANAGEABLE DESPITE FUTURE DEBT PLANS

Despite future debt plans, Moody's believes the town's modest 0.8% direct debt burden will remain manageable given the rapid amortization of existing principal, notable amount of self-supporting water bonds and anticipated voter support for Proposition 2 ½ debt exclusions. Payout of existing principal is above average with over three-quarters of principal (76.0%) retired in 10 years. Going forward, outside of self supporting water and wastewater debt, the town's capital plan includes three sizable projects including library improvements (\$13.6 million), a new public works garage (\$13.0 million), and a sizable high school reconstruction project. The cost of the high school project is currently estimated at \$80 million with the Massachusetts School Building Authority (rated Aa2/stable outlook) currently projected to assume 40% of eligible expenses. The town anticipates financing the project within the next two fiscal years. Management reports that the town will issue debt for the town's larger general government capital projects only if debt service is excluded from Proposition 2 ½ limitations through voter approval. Historically, voters have demonstrated a willingness to approve debt exclusions. In fiscal 2008, debt service was a manageable 6.8% of General Fund expenditures. Additionally, with regard to enterprise fund debt, the town expects to move ahead with a \$5.0 million borrowing for a new wastewater treatment facility next year. Wastewater operations are fully rate-supported.

#### KEY STATISTICS:

2000 Census Population: 13,100

2009 Equalized Value: \$3.4 billion

Equalized Value Per Capita: \$267,747

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%)

FY08 General Fund balance: \$8.6 million (15.0% of General Fund revenues)

FY08 Unreserved General Fund balance: \$6.5 million (11.4% of General Fund revenues)

FY08 Available Reserves: \$4.5 million (13.1% of General Fund revenues)

Direct debt burden: 0.8% of equalized valuation

Payout in 10 years: 76.0%

Post-closing parity debt outstanding: \$35.4 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's.com](http://www.moody's.com) in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory. 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 was on January 24, 2008 when Wayland's (MA) long-term general obligation rating was affirmed and a negative outlook was removed.

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