



**New Issue: MOODY'S ASSIGNS Aaa RATING TO WAYLAND'S (MA)
\$2.51 MILLION G.O. BONDS; OUTLOOK IS STABLE**

Global Credit Research - 20 Jan 2012

**Aaa RATING AND STABLE OUTLOOK APPLY TO \$79.9 MILLION OF LONG-TERM GENERAL
OBLIGATION DEBT, INCLUDING CURRENT ISSUE**

WAYLAND (TOWN OF) MA
Cities (including Towns, Villages and Townships)
MA

Moody's Rating

ISSUE	RATING
General Obligation Municipal Purpose Loan of 2012 Bonds	Aaa
Sale Amount	\$2,510,000
Expected Sale Date	01/26/12
Rating Description	General Obligation

Moody's Outlook STA

Opinion

NEW YORK, January 20, 2012 --Moody's Investors Service has assigned a Aaa rating to the Town of Wayland's (MA) \$2.51 million General Obligation Municipal Purpose Loan Bonds of 2012. Concurrently, Moody's has affirmed the Aaa rating assigned to the town's \$77.4 million of outstanding long-term general obligation debt. Of the town's total outstanding debt, approximately \$55.4 million is secured by the town's unlimited general obligation tax pledge, as debt service has been voted exempt from the levy limitations of Proposition 2 ½. The remaining \$24.5 million is not excluded from Proposition 2 ½, and is secured by the town's general obligation limited tax pledge. The 2012 bonds are issued to finance various town capital projects, including wastewater system upgrades, and equipment for the Department of Public Works.

SUMMARY RATING RATIONALE

The Aaa rating reflects the town's continued financial strength, bolstered by ample reserve levels. In addition, the rating incorporates the town's stable tax base with wealth and income levels that far exceed state medians, and a manageable debt position.

STRENGTHS

- Structurally balanced operations over the last six years
- Continued growth in General Fund balance and free cash
- Sizeable, affluent tax base in close proximity to a major metropolitan area

CHALLENGES

- Modest tax base declines in recent years

DETAILED CREDIT DISCUSSION

FINANCIAL POSITION REMAINS STRONG; PLANNED REDUCTION OF RESERVES NOT EXPECTED TO PRESSURE OPERATIONS IN THE NEAR TERM

Wayland's financial position is expected to remain healthy due to the town's strong reserve levels and management's demonstrated ability to control expenditures. The town finished fiscal 2011 with its sixth consecutive operating surplus, representing \$3.4 million (net of bond premiums). The positive 2011 operations were primarily driven by favorable budget to actual variances on general government and education expenditures as well as motor vehicle excise and building permit revenues. The town's financial statements are presented with GASB 54 standards and show an unassigned fund balance of \$14.1 million, a healthy 19.6% of revenues, which includes the town's \$1.5 million stabilization fund. Although the GASB 54 standards were not used in fiscal 2010, the \$14.2 million unassigned fund balance in 2011, which includes the stabilization fund, represents an increase over fiscal 2010 available reserves (including undesignated general fund balance and the stabilization fund) of \$12.1 million, or 19.2% of revenues. The town received 77.8% of its fiscal 2011 revenues from property tax, and enjoyed very strong collection rates of 99%.

The town's fiscal 2012 budget included a \$4 million appropriation of free cash for operations and a reduction to the residential tax rate to 19.01 mills, down from 19.38 mills in 2011. The \$4 million free cash appropriation in 2012 is a large increase over 2011 and 2010, when \$250,000 and \$1.1 million were appropriated, respectively. To date, operations are performing on target and the majority of the free cash appropriation is expected to be replenished.

While the fiscal 2013 budget is still being prepared, the town is anticipating another sizeable appropriation of free cash for both capital and operational use. In addition, management has indicated that the town is planning to reduce its reserves over the next several years through annual free cash appropriations in order to subsidize both capital and operational expenditures. While this is not expected to significantly impact the town's financial flexibility in the near term, the size and frequency of free cash appropriations, as well as the town's ability to maintain healthy reserve levels, will be important factors in maintaining long-term credit strength.

The town contributes to the Middlesex Regional Retirement System, a multi-employer cost-sharing plan. The plan was just 47.1% funded as of January 1, 2010. The town is required to fully fund its Annually Required Contribution (ARC), which was \$3.1 million in 2011, representing a manageable 4.5% of general fund expenditures. The town has fully funded its annual OPEB cost in each of the last two fiscal years, indicating a willingness of the town to begin addressing the long term liability. The total Unfunded Actuarially Accrued Liability (UAAL) for OPEB is \$45.7 million, as of December 31, 2010.

AFFLUENT TAX BASE SHOWING SIGNS OF STABILITY

Wayland's tax base is expected to remain stable given recent signs of stability in the regional housing markets. In addition, Wayland continues to benefit from its favorable location 18 miles west of Boston (G.O. rated Aaa/Stable), and its affluent population with strong home values. The fiscal 2012 property assessments (values as of January 1, 2011) reflect the town's first year of market value appreciation, after five consecutive prior years of decline. The town's six-year average annual assessed value growth rate is negative 2.3%, which is a substantial decline from a high average of 9.9% in 2006. The town currently has two relatively sizeable residential and commercial projects underway. The Wayland commons residential development, which was approved for 48 units has been issued just 28 permits to date, reflecting ongoing recessionary economic conditions. The town center project, a commercial and residential development, has begun construction after a long period of stagnation. The first phases of the estimated \$100 million project are expected to be completed in the next year and a half. Wealth levels in the town are well above national medians with per capita income and median family income representing 244.2% and 227.1% of the nation, respectively.

MANAGEABLE DEBT PROFILE WITH MODERATE FUTURE BORROWING PLANS

Wayland's debt position is expected to remain affordable given currently manageable debt profile and moderate future borrowing plans. Incorporating the current issuance, Wayland's debt burden remains slightly above the commonwealth median at 2% of full value. Fiscal 2011 debt service as a percent of expenditures represented a manageable 7.3% of general fund expenditures. Future borrowing plans include a \$13 million issuance for a new Department of Public Works building in the near term. The town indicates that it will seek Proposition 2 ½ debt exclusion votes for the \$13 million in additional debt. Wayland is also planning a \$2 to \$5 million issuance for various capital projects for sometime in the next year. The town's principal payout on outstanding debt is slow, with just 58.5% being retired within 10 years. The town has no variable rate debt or swaps, and is not party to any derivative agreements.

OUTLOOK

The outlook remains stable, reflecting Moody's expectation that the town's financial position will remain healthy, despite near-term plans to draw on fund balance. In addition, it is anticipated that the town's tax base will remain stable, given its affluent population, close proximity to a major city, and modest ongoing development.

WHAT COULD CHANGE THE RATING DOWN

- Significant reduction of General Fund Balance and free cash
- Deterioration of the town's tax base and demographic profile
- Significant increase in the town's debt burden

KEY STATISTICS:

2010 Population: 12,994 (-0.8% since 2000)

2012 Equalized Valuation: \$3.3 billion

2012 Equalized Value Per Capita: \$253,042

Equalized Value Six-Year Average Annual Growth (2006-2011): 1.4%

Fiscal 2011 General Fund balance: \$22.9 million (31.9% of General Fund Revenues)

Fiscal 2011 Unassigned General Fund balance: \$14.1 million (19.6% of General Fund Revenues)

2012 Net Direct Debt: 2%

Principal Payout (10 years): 58.5%

1999 Per Capita Income (as % of MA and US): \$52,717 (203.1 % and 244.2%)

1999 Median Family Income (as % of MA and US): \$113,671 (184.3% and 227.1%)

Post-Sale General Obligation Long Term Debt Outstanding: \$79.9 Million

The principal methodology used in this rating was General Obligation Bonds Issued by U.S. Local Governments published in October 2009. Please see the Credit Policy page on www.moody.com for a copy of this methodology.

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