

**Moody's Investors Service**

Global Credit Research

New Issue

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New Issue: Wellesley (Town of) MA

MOODY'S ASSIGNS Aaa LONG-TERM RATING TO TOWN OF WELLESLEY'S (MA) \$11.466 MILLION GENERAL OBLIGATION BONDS AND MIG 1 SHORT-TERM RATING TO \$10.47 MILLION BOND ANTICIPATION NOTES**Aaa APPLIES TO \$49.5 MILLION IN RATED OUTSTANDING DEBT, INCLUDING CURRENT ISSUE**Municipality
MA**Moody's Rating**

ISSUE	RATING
General Obligation Bonds	Aaa
Sale Amount \$11,466,000	
Expected Sale Date 06/13/06	
Rating Description General Obligation Bonds	

Bond Anticipation Notes	MIG 1
Sale Amount \$10,470,000	
Expected Sale Date 06/13/06	
Rating Description Bond Anticipation Notes	

Opinion

NEW YORK, Jun 7, 2006 -- Moody's Investors Service has assigned a Aaa rating to the Town of Wellesley's \$11.466 million General Obligation Bonds and a MIG 1 rating to \$10.47 million G.O. Bond Anticipation Notes (dated June 21, 2006 and due 6/21/2007). At this time, Moody's has affirmed the town's Aaa rating, affecting \$38 million in outstanding long-term debt.

Of the bonds \$6.7 million are secured by the town's general obligation, unlimited tax pledge as voters have excluded the debt service from the limitations of Proposition 2-1/2, while the remaining bonds are secured by the town's limited tax pledge, with debt service falling within Proposition 2 1/2 levy limits. Proceeds of the bonds will finance construction and relocation costs for Wellesley's middle school, road improvements, design plans for renovation of the town's high school, and other capital projects and retire \$697,000 in maturing BANs. The notes temporarily finance the expected commonwealth's share of the town's Middle School renovation, and are expected to be retired by a state grant at maturity. The Aaa rating is based on the town's sizeable and wealthy suburban tax base, favorable debt position, financial strength, despite low reserve levels when compared with similarly rated credits nationwide, and a strong management team; the MIG 1 rating reflects Wellesley's strong underlying credit profile as well as Moody's expectation that the town will continue to

benefit from favorable market access.

DEMONSTRATED MARKET ACCESS

Moody's expects Wellesley to continue to enjoy reliably strong access to capital markets. The town received four bids on its most recent note sale, dated August 15, 2005, five bids on its note sale dated June 2, 2005 nine bids on its note sale dated June 3, 2004. All bids were received from major regional and national financial institutions. This history indicates the town's ability to refund the notes, if necessary, at their June 2007 maturity.

SIZEABLE, AFFLUENT TAX BASE WITH FAVORABLE LOCATION AND REDEVELOPMENT POTENTIAL

Located in Norfolk County (rated A2/positive outlook), approximately 15 miles west of Boston (rated Aa1/stable outlook), Wellesley is home to both Wellesley College (rated Aa1/stable outlook) and Babson College (rated A3/negative outlook). The town's substantial \$8.2 billion tax base is primarily residential (89.6% of 2005 assessed valuation) and benefits from its favorable location with ample access to commuter rail and major highways. Moody's believes that the town's vibrant tax base will continue to grow due to continuing residential redevelopment and significant commercial redevelopment proposals. Town officials report redevelopment activity proposed in several significant commercial parcels, low vacancy rates in office properties and ongoing expansion of smaller single-family homes. Since 2000, Wellesley has seen significant growth averaging 13.9% annually, reflecting redevelopment of older housing stock and significant market value appreciation. Wealth levels in Wellesley greatly exceed both state and national medians (with per capita income equal to 203.7% of the state medians), and equalized value per capita is very high at \$309,710.

STRONG VOTER SUPPORT AND EFFECTIVE MANAGEMENT CONTINUE TO BOLSTER FINANCIAL POSITION

Moody's believes that the town's financial position will continue to improve given the town's favorable operating performance in fiscal 2005, projected balanced operations in fiscal 2006 and an additional successful operating override approved by voters which is expected to allow the fiscal 2007 budget to be balanced without draws on reserves or expenditure budget cuts. After experiencing an operating deficit of \$1.3 million in fiscal 2003, mainly due to a mid-year state aid cut, the town produced a surplus of \$1.1 million in fiscal 2004 due primarily to conservative revenue estimates. Operations in fiscal 2005 produced a healthy surplus of over \$2 million and boosted the general fund balance to a reasonable \$7.2 million (8% of general fund revenues). The town's fiscal 2005 available reserves, including the unreserved general fund balance and the stabilization fund, also increased to \$5.8 million (6.4% of revenues), a significant improvement from the fiscal 2003 balance of \$3.8 million (2.3% of revenues). Management projects that fiscal 2006 operations will again be balanced with reserves at least approximating fiscal 2005 levels. The town plans to continue to fund its capital needs with a high level of pay-as-you-go funding (averaging \$2.98 million annually over the last six years) which, when combined with debt service and principal paydowns of short-term notes, meets its target level for capital spending of 7-8% of annual expenditures. Additional financial flexibility is provided by the town's stabilization fund, with a fiscal 2005 balance of approximately \$1.4 million (an additional 1.7% of revenues); officials project the fund's balance to increase annually due to annual appropriations and

retained investment income.

Favorably, Wellesley's retirement system is fully funded (103.5% as of the most recent actuarial study dated January 1, 2004) and requires no annual contribution. Long-range plans include a five-year phase-in of funding the town's \$70 million unfunded liability of non-pension Post Employment Benefits (OPEB), which was supported by the town's voters in the recent operating override which includes \$600,000 in OPEB funding for fiscal 2007. The town expects to replicate its successful approach to funding the town's pension liability by beginning OPEB funding well ahead of reporting the liability as required by the Government Accounting Standards Board; the town plans to fully fund this significant obligation, estimated at \$92 million, in 20 years. Wellesley's financial plan projects needs through fiscal 2009 and relies on successful annual override votes to balance expenditure increases and a successful debt exclusion vote to fund debt service for a comprehensive renovation of Wellesley High School. Given its strong history of successful override votes, Moody's expects that the town will maintain adequate financial flexibility and reserve levels, with Undesignated General Fund and Stabilization Fund balances exceeding the town's targeted minimum of 5% of General Fund revenues.

MANAGEABLE DEBT POSITION SUPPORTED BY COMMONWEALTH GRANTS

Moody's anticipates that the town will maintain its favorable 0.7% overall debt burden due to rapid amortization of principal (84.8% in ten years) and affordable future capital needs. After adjusting for state school building aid and self-supporting enterprise debt, the town's debt burden falls to a minimal 0.2%. Debt service payments accounted for a manageable 6.1% of fiscal 2005 expenditures. Town officials expect to issue up to \$18 million in debt for fiscal 2007 projects, including a new DPW garage and self-supporting water and sewer improvements, with approximately \$6-8 million planned to be supported by enterprise revenues and approximately \$10 million proposed to be supported by the general fund. Future capital projects include a significant high school renovation, and management is currently evaluating the scope of the project along with financing options, and intends to propose a debt exclusion to Wellesley's voters to fund the town's share of debt service. While historically Wellesley's school construction projects have qualified for 57% commonwealth reimbursement, the town expects to qualify for a grant of approximately 40% for future projects as the Commonwealth's new Massachusetts School Building Authority develops guidelines for projects to be submitted after the current moratorium on new applications is lifted in July 2007.

KEY STATISTICS

2000 Population: 26,613

2005-6 Equalized Value: \$8.2 billion

2005-6 Equalized Value per capita: \$309,710

Average Annual Equalized Value Growth (2000-2005): 13.9%

Median Family Income: \$134,769 (218.6% of commonwealth median)

Per Capita Income: \$52,866 (203.7% of commonwealth median)

Overall debt burden: 0.7%

Adjusted debt burden: 0.2%

Amortization of principal (within 10 years): 84.8%

FY04 General Fund balance: \$5.1 million (6.0% of General Fund revenues)

FY04 Stabilization Fund balance: \$1.4 million (1.7% of General Fund revenues)

Post-sale outstanding long-term debt: \$49.5 million

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