



New Issue: MOODY'S ASSIGNS Aa1 RATING TO THE TOWN OF MEDFIELD'S (MA) \$10.6 MILLION G.O.REFUNDING BONDS

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Aa1 RATING APPLIES TO \$39.14 MILLION IN RATED G.O. DEBT, INCLUDING CURRENT ISSUE

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

Moody's Rating

ISSUE	RATING
General Obligation Refunding Bonds	Aa1
Sale Amount	\$10,665,000
Expected Sale Date	02/15/12
Rating Description	General Obligation

Moody's Outlook NOO

Opinion

NEW YORK, February 10, 2012 --Moody's Investors Service has assigned a rating of Aa1 to the Town of Medfield's (MA) \$10.6 million General Obligation Refunding Bonds of 2012. Concurrently, Moody's has affirmed the Aa1 rating on the town's \$39.14 million of outstanding general obligation debt. Of the town's total outstanding debt, approximately \$33.77 million, including this issue, 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. Debt service on the remaining \$5.37 million is secured by a limited tax pledge given that it is subject to the Proposition 2 ½ levy limit. Bond proceeds will be used to refund a portion of the town's general obligation bonds dated April 1, 2001 and March 15, 2002 for a total estimated net present value savings of approximately 14%, without extension of maturities.

SUMMARY RATING RATIONALE

The Aa1 rating reflects the town's healthy financial position with consistent reserve levels, stable residential tax base with strong wealth levels and modest debt profile with rapid amortization.

STRENGTHS

- Healthy financial position with consistent reserve levels
- Stable tax base with strong wealth levels
- Modest debt profile with rapid payout

CHALLENGES

- Limited levy capacity and budget flexibility

- Maintaining satisfactory financial reserves amidst ongoing spending pressures
- State aid declines

DETAILED CREDIT DISCUSSION

HEALTHY FINANCIAL POSITION WITH CONSISTENT RESERVE LEVELS

The town of Medfield is expected to maintain a healthy financial position due to conservative budget practices and limited annual draws on reserves. Over the last four years, the town has averaged an annual operating deficit of \$1.4 million. However, operations are balanced annually through the use of planned draws on restricted fund balances attributed to debt exclusions for school building projects (approximately \$1.1 million) and free cash appropriations and other available funds if needed. Despite cuts to state aid of 15% over the past two years, the audit for fiscal 2010 reflected an available fund balance, including the stabilization fund and sewer betterment stabilization fund, of \$4.9 million (9.9% of revenues). The fiscal 2010 budget was balanced with the use of free cash and restricted fund balance appropriations of \$1.1 million and \$1.2 million, respectively. The year ended with greater than anticipated property tax base growth of \$363,000 and other positive variations in local revenues as well as conservative budgeting on the expenditure side, allowing the town to replenish free cash.

The unaudited 2011 financials reflect a slight improvement in the available fund balance, including stabilization funds, increasing to \$6.86 million (13.7% of revenues), an improvement from 2010 and reflecting management's continued focus on conservative budgeting practices and goal of increasing available reserves to a level consistent with the rating category. The 2011 budget was balanced with the use of \$655,000 in free cash appropriations and \$1.28 million in restricted fund balance toward debt exclusions. The town's fiscal 2012 operating budget remained level from 2011, with the only material increase to the education expenditure of 1.7%. However, due to lack of tax levy capacity, the town did approve an override of the tax levy limit by \$500,000 to support the increase in town and education expenses. Given the town's residential focus, previous overrides in 2008 and 2009 were also approved and represent the strong support for education funding. Revenues and expenditures for fiscal 2012 to date are on budget with no material variances.

Medfield received 66.5% of its fiscal 2011 revenues from property taxes and continues to benefit from a strong collection rate of 99%. In addition, the town has a restricted fund balance of \$13.9 million which represents a 2007 grant from the Massachusetts School Building Authority (MSBA) which is pledged to cover part of the town's \$22 million outstanding school debt. The restricted fund balance increases the town's total fund balance to \$20.8 million in fiscal 2011 (41.6% of revenues). The total fund balance is expected to decline annually as the draw-down of the MSBA grant continues through 2023. Going forward, the town's credit strength will factor in management's ability to maintain a structurally balanced budget with fund balance levels consistent with the rating category.

The town contributes to the Norfolk County Retirement System, a multi-employer cost-sharing plan. The plan is 60% funded as of January 1, 2010. The town is required to fully fund its Annually Required Contribution (ARC), which was \$1.46 million in 2011, representing a manageable 2.9% of expenditures. The regional plan assumes an 8.25% rate of return, which Moody's views as aggressive and should the rate of return be adjusted downward in the next actuarial valuation, the town's contribution could be increased significantly. Positively, the town does have a Pension Trust Fund with a current balance of \$3.9 million as of fiscal 2011. The town currently contributes to its OPEB liability on a pay-as-you-go basis plus annual appropriations into an OPEB trust fund with a balance of \$221,738. The town contributed 18% of its Annual OPEB cost in fiscal 2011, representing \$625,672. The total Unfunded Actuarially Accrued Liability (UAAL) for OPEB is \$39.8 million, as of January 1, 2010. The town's total fixed costs, including pension, OPEB, and debt service (had the OPEB ARC been fully funded), represents \$10.6 million in fiscal 2011, or a moderate 21% of expenditures.

STABLE RESIDENTIAL TAX BASE WITH STRONG WEALTH LEVELS

Medfield is a primarily residential community (94% of the 2012 assessed valuation) with a population of 12,024, located approximately 20 miles southwest of Boston (G.O. rated Aaa/stable outlook). The town's \$2.4 billion tax base is expected to remain stable with limited growth reflecting continued weakness in the regional real estate market. Assessed value declined 0.4% in 2012, the fifth annual decline in a row; bringing the five year average annual growth to 0.0%. Positively, the town's equalized value per capital remains strong at \$202,634, reflecting the residential focus. In addition, the town has a number of residential developments underway, including new construction of single family housing and condos which will continue to provide annual new growth revenue. Wealth levels in Medfield are also substantially higher than state and national averages with per capita income of \$42,891 (165% and 199%, respectively) and median family income of \$108,926 (177% and 218%, respectively). Also, the town's unemployment rate of 4.3% (as of November 2011) continues to fall below the state and national levels of 6.4% and 8.2%, respectively.

MODEST DEBT PROFILE WITH RAPID AMORTIZATION

Medfield's debt position is expected to remain manageable, given its modest direct debt burden of 1.3% of equalized value and rapid principal amortization of 92.9% within 10 years. The town currently has no authorized but unissued debt; however, there are a number of projects planned in the coming years, including a new public safety building with an estimated cost of \$12-\$14 million. Approval of future projects would include debt exclusions from Proposition 2 ½. The town's portion of school debt makes up approximately 56% of the total debt outstanding, but after factoring in the \$13.9 million MSBA grant, the adjusted debt burden drops to 0.8% of equalized value. Annual debt service is on the decline with the fiscal 2011 cost down to 11% of expenditures. The town has no variable rate debt outstanding and has not entered into any derivative agreements.

WHAT COULD MAKE THE RATING GO UP

- Increased budget capacity and flexibility
- Increase in tax base

WHAT COULD MAKE THE RATING GO DOWN

- Prolonged structural imbalance
- Significant reduction in general fund balance
- Decrease in tax base

KEY FACTS:

Equalized Valuation 2012: \$2.4 billion

2010 Population (US Census): 12,024

Average Annual Increase in Equalized Valuation (2006-2012): 2.5%

Average Annual Increase in Assessed Valuation (2006-2012): 0.0%

Per Capita Income: \$42,891(165% of state, 199% of US median)

Median Family Income: \$108,926 (177% of state, 218% of US median)

Equalized Value per Capita: \$202,634

Unemployment (November 2011): 4.3% (6.4% of state, 8.2% of US median)

FY11 Total General Fund Balance: \$20.8 million (41.6% of general fund revenues)

FY11 Available Fund Balance (including stabilization funds): \$6.86 million (13.7% of general fund revenues)

FY10 Available Fund Balance (including stabilization funds): \$4.9 million (9.9% of general fund revenues)

Direct Debt as % of Full Value: 1.3%

Adjusted Direct Debt as % of Full Value: 0.8%

Amortization of Principal (10 years): 92.9%

Post-sale General Obligation Debt Outstanding: \$39.14 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.moodys.com for a copy of this methodology.

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