MOODY'S
INVESTORS SERVICE

New Issue: Moody's assigns Aaa rating to Brookline's (MA) $12.33 million GO bonds, and MIG 1 rating to $650,000 GO BANs; outlook is stable

Global Credit Research - 15 May 2013

Affirmation of rating affects $83.8 million in parity debt, including current issue

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

Moody's Rating

ISSUE		RATING
General Obligation Municipal Purpose Loan of 2013 Bonds		Aaa
Sale Amount	$12,330,000	
Expected Sale Date	05/21/13	
Rating Description	General Obligation	
General Obligation Bond Anticipation Notes		MIG 1
Sale Amount	$650,000	
Expected Sale Date	05/21/13	
Rating Description	Note: Bond Anticipation	

Moody's Outlook STA

Opinion

NEW YORK, May 15, 2013 --Moody's Investors Service has assigned a Aaa rating and stable outlook to the Town of Brookline's (MA) $12.33 million General Obligation Municipal Purpose Loan of 2013 Bonds, and a MIG 1 rating to $650,000 General Obligation Bond Anticipation Notes (dated May 30, 2013 and payable May 30, 2014). Concurrently, Moody's has affirmed the Aaa rating assigned to the town's $71.4 million in outstanding general obligation bonds. The bonds are secured by the town's general obligation limited tax pledge, as they have not been voted exempt from the levy limitations of Proposition 2 ½..

Approximately $6.7 million of the bonds will be used to refund the town's series 2005 and 2006 bonds for an estimate net present value savings of $443,000, or approximately 6.6% of refunded principal. The remaining $5.6 million will be used to finance ongoing school and town capital needs. The notes are being issued to provide interim financing for school construction costs.

SUMMARY RATING RATIONALE

The Aaa rating reflects the town's ongoing financial health, supported by strong policies. The rating also incorporates the town's sizeable and affluent tax base, and modest debt position. Assignment of the MIG 1 rating incorporates the town's strong long-term credit profile as well as its demonstrated access to the capital markets. The outlook remains stable, indicating Moody's expectation that the town's financial position will remain healthy in the near term.

STRENGTHS

-- Structurally balanced operations over the last five fiscal years

-- Strong financial policies and planning

-- Adequate reserve levels

-- Large, affluent tax base in close proximity to a major city

CHALLENGES

-- Rapidly growing school enrollment is increasing school capital needs

-- Town relies on annual free cash appropriations for pay-as-you-go capital expenditures

-- Significant liabilities for pension and OPEB

DETAILED CREDIT DISCUSSION

HISTORICALLY STRONG FINANCIAL POSITION SUPPORTED BY SOUND MANAGEMENT

Moody's expects Brookline's financial position to remain healthy, given the town's history of structurally balanced operations, adequate reserve levels, and strong fiscal policies. The town finished fiscal 2012 with a sizeable $1.9 million surplus, marking the fifth consecutive year of General Fund balance growth. The surplus was driven by greater-than-anticipated receipts in most revenue categories, as well as across-the-board savings on expenditures due to prudent budget management. As in previous years, the fiscal 2012 budget included an appropriation of the town's free cash balance ($5.4 million), all of which was replenished. At the close of the fiscal year, the town's total General Fund balance increased to $26 million, or a healthy 11.8% of revenues, with unassigned General Fund balance increasing to $24.8 million, or 11.2% of revenues, compliant with the town's newly adopted policy to maintain unassigned fund balance above 10% of operating revenues.

The town's fiscal 2013 budget included a $7.1 million free cash appropriation. Approximately $3.9 million of the appropriation will be used to support pay-as-you-go capital needs, $1.4 million will be transferred to various reserves, and the rest will remain un-appropriated in an effort to build unassigned General Fund balance. Management reports that fiscal 2013 operations are performing well to date, with positive variances in most revenue and expenditure areas. The town has overspent its snow and ice budget by approximately $1 million, but expects to absorb it with other unspent town appropriations. The town anticipates balanced operations by year end with reserves at a similar level to fiscal 2012.

The fiscal 2014 budget is still in the planning phases, but the town expects to include the full 2.5% levy increase allowed under proposition 2 1/2, as well as a $9.7 million free cash appropriation. Similar to fiscal 2013, approximately $4.8 million will be used in support of capital needs, while the town will use the remainder to supplement various reserve funds and to build its unassigned General Fund balance position.

The town maintains a multi-employer, defined benefit retirement plan. The town's annual required contribution (ARC) for the plan was $14.4 million in fiscal 2012, or just under 6.6% of General Fund expenditures. The town's combined adjusted net pension liability, under Moody's methodology for adjusting reported pension data, is $245.6 million, or a moderate 1.2 times General Fund revenues. Moody's uses the adjusted net pension liability to improve comparability of reported pension liabilities. The adjustments are not intended to replace the town's reported liability information, but to improve comparability with other rated entities.

The town has begun to more aggressively fund its other post-employment benefits (OPEB) obligation, and is working to fully fund its ARC by fiscal 2022. In fiscal 2012, the town funded 72% of the $16.3 million OPEB ARC, representing $11.7 million. The total Unfunded Actuarially Accrued Liability (UAAL) for OPEB is $207.9 million, as of June 30, 2010.

AFFLUENT TAX BASE REMAINS RESILIENT THROUGH REGIONAL RECESSION

Brookline's $16.3 billion tax base is expected to remain stable, given its proven resiliency through the overall decline in the region's real estate market and weak economic recovery. Located directly adjacent to the City of Boston (G.O. rated Aaa/stable), Brookline benefits from its location adjacent to New England's largest economic center, which is directly accessible by public transportation. The town has seen growth in assessed value in each of the last five fiscal years, although the pace of growth has begun to slow. The town's five-year (2008-2013) average annual assessed value growth rate of 1.3% is a substantial decline from an average of 5.8% from 2004 to 2009. Median home values in the town are over three times that of the Commonwealth, and over five times the national median. New growth in Brookline is expected to remain slow, with no major residential or commercial developments currently underway. Wealth levels in the town are well above national medians with per capita income and median family income representing 231% and 222% of the nation, respectively.

MODEST DEBT PROFILE WITH MANAGEABLE FUTURE BORROWING PLANS; ONGOING CAPITAL PROGRAM FOCUSED ON SCHOOLS

Moody's anticipates that the town's debt position will remain manageable, given modest net direct debt, rapid principal retirement, and moderate planned future borrowings. Incorporating the current issuance, the town's net direct debt burden remains slightly below the commonwealth median at 0.5% of full value. The town's debt burden increases to 2% when incorporating overlapping debt from Norfolk County (GO rated Aa2/stable outlook), the Massachusetts Water Resources Authority (senior lien revenue bonds rated Aa1/stable outlook) and the Massachusetts Bay Transportation Authority (assessment bonds rated Aa1/stable outlook). The town's principal payout on outstanding debt is rapid, with 82.2% being retired within 10 years. The town has no variable rate debt or swaps, and is not party to any derivative agreements.

The town maintains an annually updated, five-year capital plan. The 2014-2019 plan includes approximately $80 million in future GO borrowing needs. Subject to authorization approximately $54 million of that will be borrowed in fiscal 2015 for the renovation/addition of the Devotion School, part of the plan to help the town accommodate an increasing grade-school student population. In addition to the Devotion School, the town continues to explore its options to increase school capacity, including renovations and additions to existing facilities.

OUTLOOK

The outlook remains stable, reflecting Moody's expectation that the town's financial position will remain healthy in the near term given a history of structurally balanced operations, adequate reserve levels, and proactive management. In addition, we expect that the town's tax base will remain stable, given its strong home values, affluent population, and proximity to a major metropolitan area.

WHAT COULD CHANGE THE RATING DOWN

-Significant reduction of General Fund Balance and free cash

-Deterioration of the town's tax base

-Failure to address long term pension and OPEB obligations

KEY STATISTICS:

2010 Population: 58,732 (+2.8% since 2000)

2013 Equalized Valuation: $16.2 billion

2013 Equalized Value Per Capita: $276,924

Equalized Value Six-Year Average Annual Growth (2007-2013): 1.6%

Fiscal 2012 General Fund balance: $26 million (11.8% of General Fund Revenues)

Fiscal 2012 Unassigned General Fund balance: $14.8 million (11.2% of General Fund Revenues)

2013 Net Direct Debt: 0.5%

Principal Payout (10 years): 82.2%

2010 Per Capita Income (as % of MA and US): $63,028 (186% and 231%)

2010 Median Family Income (as % of MA and US): $139,787 (172% and 222%)

Post-Sale General Obligation Long Term Debt Outstanding: $83.8 Million

RATING METHODOLOGIES

The principal methodology used for rating the general obligation bonds was General Obligation Bonds Issued by US Local Governments published in April 2013. The principal methodology used for rating the bond anticipation notes was Bond Anticipation Notes and Other Short-Term Capital Financings published in May 2007. Please see the Credit Policy page on www.moodys.com for a copy of these methodologies.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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