

Littleton, Massachusetts

Credit Profile

Littleton GO (FGIC)

Unenhanced Rating

A+(SPUR)/Stable

Affirmed

Ratings Detail >>

Rationale

Standard & Poor's Ratings Services revised its outlook on Littleton, Mass.' GO bonds to stable from negative following the town's success in reversing the negative trend in its fiscal operations and its ability to bring balance and stability back to recurring revenues and expenditures. The 'A+' Standard & Poor's underlying rating (SPUR) was affirmed.

Additional rating factors include the towns:

- Sound location along Interstate 495, which rings metropolitan Boston, Mass., providing residents with access to larger job centers;
- The recent relocation of IBM providing the town with 3,200 jobs by next summer;
- Above-average wealth and income levels;
- Steady growth in the primarily residential property tax base; and
- Average debt burden, net of state school construction aid.

In May 2005, Standard & Poor's changed its outlook on the town's debt rating to negative based on the town's deteriorated financial position due to poor operating results when recurring expenditures outpaced recurring revenues and there was a subsequent drawdown of reserves. At that time, town officials presented a plan outlining several initiatives to correct the imbalance and bring stability back into operations. Since then the town's financial

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performance has rebounded with two consecutive surpluses in fiscals 2005 and 2006, and according to management operations are expected to remain stable in fiscals 2007 and 2008.

Littleton's financial performance was boosted when the town's electorate approved a Proposition 2 1/2 operating tax levy override of \$1.5 million for 2006. This, along with curtailed spending, remedied the imbalance within the town's operations. This also aided in a general-fund operating surplus of \$968,000 (3.5% of budget) in 2006, subsequently increasing the general fund to \$1.6 million, or 6.1% of expenditures, of which \$1.5 million (5.7%) was classified as unreserved. The ending unreserved fund balance is a vast improvement over fiscal 2004 levels in which the town had \$199,000 (0.8% of expenditures) at year-end. The stabilization fund provides additional flexibility. Over the past few years, the stabilization fund had been decreasing to help fund debt service requirements associated with the new high school; however, the town recently adopted a policy restricting the stabilization fund to a minimum 5% of expenditures. In total (stabilization plus unreserved fund balance), available reserves closed fiscal 2006 with a combined balance of \$3.4 million, or roughly 13% of expenditures.

For fiscal 2007, management expects no significant variances between revenues and expenditures, and projects overall year-end reserve levels to remain stable compared with 2006 balances. The 2008 budget totals \$27.9 million, and property taxes are budgeted to be the largest revenue source, making up approximately 70%, while state aid makes up 15% of budgeted revenues. Tax collections remain favorable, with the town averaging a 99% collection rate.

Standard & Poor's considers Littleton's management practices "good" under its Financial Management Assessment, indicating that the town's current management policies and practices are good, but not comprehensive. In response to the fiscal pressures put onto the budget, the finance committee adopted several policies and practices to help control reserve levels. Highlights include the town's formal revenue and expenditure analysis and the conservative assumptions in developing its annual budget. The town conducts intrayear budget surveillance regularly and reports revenue and expenditure variances on a monthly basis, along with investment performance. The town also maintains a formal fund balance policy limiting the unreserved fund balance to 2.5% of expenditures, and the stabilization fund to 5.0% of expenditures. Debt management policies are also in place limiting tax-supported debt to 10% of budget, but this is not currently being adhered to by the town.

Net of state school assistance, Littleton's debt burden is average. The town currently has \$9.5 million in BANs outstanding for school related projects. The expectation is to finance \$7.6 million of the outstanding balance with long-term bonds later this calendar year. Currently, the overall net debt burden is an average \$2,395 per capita, or 1.3% of total market value. Debt service expenditures are above average; in fiscal 2006, debt service payments accounted for about 14% of total operating expenditures and amortization of principal is slightly above average, with 70% of existing principal being retired over 10 years. Future capital needs are limited; town officials are evaluating a new public service building; however, plans are in the preliminary stages.

Outlook

The stable outlook reflects Standard & Poor’s expectation that the town will continue to manage recurring revenues and expenditures and maintain reserve levels according to their established goals and policies. Further stability is provided by the towns sound wealth and income levels as well as ongoing economic development.

Local Economy

Littleton, with an estimated population of 8,600, is located along I-495, about 26 miles northwest of Boston. The town is a primarily a residential community with a small commercial base; residential properties account for 82% of assessed value while commercial and industrial properties account for 17%. Total assessed valuation reached \$1.5 billion in fiscal 2007, up by 8% from the previous year. Since fiscal 2003, the tax base has grown 35%, largely due to real estate appreciation. The town’s full market value is an above-average \$175,936 per capita. The town’s location along I-495 and its easy access to the Massachusetts Turnpike, the Route 128 high-tech corridor, and downtown Boston has made it attractive to commercial businesses. Just recently, IBM signed a 490,000-square-foot lease to occupy the renovated Littleton Corporate Center (formerly occupied by Hewlett Packard). The intent of IBM is to consolidate its 12 to 14 facilities around the state and bring roughly 3,400 jobs into town by next summer. Other notable employers include Veryfine Products Inc. and Daymarc Inc. with 340 and 140 employees, respectively.

The town’s unemployment rate has historically remained below state and national averages; in 2006, Littleton’s unemployment rate was a low 4.0%, below the commonwealth and national jobless rate of 5.0% and 4.6%, respectively. Furthermore, wealth and income levels remain above average; the 2006 median household effective buying income is 118% of the commonwealth average and 138% of the national average. Similar trends are observed for per capita income.

| <i>Ratings Detail (As Of 05-Oct-2007)</i> | | |
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| Littleton GO (AMBAC) | | |
| <i>Unenhanced Rating</i> | A+(SPUR)/Stable | Affirmed |

Many issues are enhanced by bond insurance.

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