

Summary:

Littleton, Massachusetts; General Obligation

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Credit Profile		
US\$6.942 mil GO mun purp loan bnds ser 2010 dtd 02/01/2010 due 11/01/2029		
<i>Long Term Rating</i>	AA/Stable	New
Littleton GO		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

Rationale

Standard & Poor's Ratings Services assigned its 'AA' long-term rating to Littleton, Mass.' general obligation (GO) bonds series 2010. At the same time, Standard & Poor's affirmed its 'AA' underlying rating (SPUR) on the town's existing GO debt. The outlook is stable.

The rating, in our opinion, reflects the town's:

- Sound location along Interstate 495, which rings metropolitan Boston, Mass., providing residents with access to larger job centers;
- Very strong wealth and income levels;
- Maintenance of a strong financial position for the last five years; and
- Moderate-to-low overall net debt burden.

Proceeds from this issuance will be used to permanently finance bond anticipation notes, which were authorized for the construction of a new police station, currently outstanding.

Littleton, with a 2008 population of 8,695, is located in Middlesex County along I-495, about 26 miles northwest of Boston. The town's location along I-495 and its easy access to the Massachusetts Turnpike, the Route 128 high-tech corridor, and downtown Boston (AA+/stable) has made it attractive to commercial businesses. Approximately two years ago, IBM signed a 490,000-square-foot lease to occupy the renovated Littleton Corporate Center (formerly occupied by Hewlett Packard). The intent of IBM was to consolidate its 12-14 facilities around the state and bring roughly 2,200 jobs into town by the end of 2010; as of now, there are over 2,000 employees stationed at IBM's facility.

The town's unemployment rate has historically remained below commonwealth and national averages; in November 2009, the county's unemployment rate was 7%. Furthermore, wealth and income levels are above average; median household effective buying income is 139% of the commonwealth average and 161% of the national average. The town is primarily a residential community with a small commercial base; residential properties account for 80% of assessed value (AV), while commercial and industrial properties account for 18%. Total AV totaled \$1.45 billion in fiscal 2010, down by 5% from fiscal 2007. The town's full market value is \$1.59 billion, and has increased by 2.5% since fiscal 2007, yielding an extremely strong \$183,021 per capita.

In our opinion, Littleton has maintained a strong financial position over the last five fiscal years (2005-2009), with

available reserves (stabilization plus unreserved fund balance) maintained between 11% and 12.5% of operating expenditures. The town recorded an operating surplus of \$359,000 in 2009 (June 30), subsequently increasing general fund balance to \$3.1 million, or 9.5% of expenditures, of which \$2.2 million (6.8%) was classified as unreserved. The stabilization fund provides additional flexibility; \$47,000 was added to the stabilization fund at the close of 2009, resulting in a balance of \$1.5 million that is also available for operations. The 2010 budget totals \$30.4 million, a decrease of 6.5% from fiscal 2009 expenditures, and management projects overall year-end reserve levels to remain stable to 2009 balances. Tax collections remain favorable, with the town averaging a 98.4% collection rate over the last four years.

Standard & Poor's considers Littleton's management practices "good" under its Financial Management Assessment methodology, indicating financial practices exist in most areas, but that governance officials might not formalize or regularly monitor all of them.

Net of state school assistance, Littleton's overall net debt burden is a moderate \$3,745 per capita, or a low 2% of market value. Carrying charges are moderate, accounting for 9.5% of operating expenditures in fiscal 2009. Amortization is rapid, with 70% of principal due to be retired in 10 years and 100% in 20 years. Future capital needs are limited; town officials are considering issuing \$1.5 million for a new track sometime in the next two years; however, plans are currently in the citizen's proposal stage.

Outlook

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

Michael Garruto contributed to this article.

Related Research

USPF Criteria: GO Debt, Oct. 12, 2006

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