

Summary:

Littleton, Massachusetts; General Obligation

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Summary:

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Credit Profile		
US\$7.08 mil GO mun purp loan bnds ser 2011 dtd 04/15/2011 due 04/15/2031		
Long Term Rating	AA/Stable	New
Littleton GO		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services has assigned its 'AA' long-term rating to Littleton, Mass.' general obligation (GO) bonds series 2011 and affirmed its 'AA' long-term rating and underlying rating (SPUR) on the town's outstanding parity GO debt.

The rating reflects our opinion of the town's:

- Favorable location at the intersection of Interstate 495 and Massachusetts Route 2, with direct commuter rail service to downtown Boston;
- Very strong income and extremely strong property wealth levels;
- Consistently strong financial reserve position, coupled with good financial management practices and policies; and
- Low-to-moderate overall debt burden, net of school building aid and self-supported enterprise debt.

The town's full faith and credit pledge secures the bonds. Officials plan to use bond proceeds primarily to permanently finance bond anticipation notes; a relatively small amount of new money is also being included.

Littleton, with a 2010 population of 8,918, is located in Middlesex County at the intersection of Interstate 495 and Route 2, roughly 26 miles northwest of Boston. The town's location at the intersection of I-495 and Route 2, with access to the Massachusetts Turnpike, the Route 128 high-tech corridor, and downtown Boston (AA+/Stable) has made it attractive to both commuters and commercial businesses. The town also has a modest local employment base; the largest employer, IBM, is currently in the process of consolidating its Massachusetts operations (primarily software engineering) into a single site within the town. IBM currently employs approximately 2,000 at its Littleton site, with as many as 1,400 jobs being added in the coming years. The town's unemployment rate has historically trended, and continues to be, below both commonwealth and national averages; in November 2010, town unemployment was just 6.5%.

The town's total assessed valuation (AV) increased 2.3% to \$1.49 billion for fiscal 2011 after three consecutive years of decline. It now totals \$166,547 per capita, which we consider extremely strong. Income levels in the town are very strong, as median household effective buying income is 137% and 159% of commonwealth and national levels, respectively.

In our opinion, Littleton's financial reserve position has been strong over the past several years. In fiscal 2010, available reserves (the unreserved general and stabilization fund balances) increased by \$1 million to \$4.8 million, or

a strong 14.5% of general fund expenditures. Property taxes continued to be the town's primary revenue source, accounting for 69% of general fund expenditures; current-year collections were stable at 97% of the net tax levy. State aid receipts accounted for 22% of general fund expenditures. For the close of fiscal 2011, management currently projects a potential general fund drawdown of \$200,000 due to fund balance appropriations for one-time capital projects. Management believes, however, that expenditure savings across departments could result in break-even operations.

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 them. The town maintains a debt management policy stating that debt service for nondedicated revenue-supported debt (debt that is neither self-supporting nor excluded from Proposition 2 1/2 levy limits) be no greater than 10% of total budget.

Net of state building aid and self-supported enterprise debt, the town's overall net debt burden is low as a percentage of market value (2.0%), but moderate on a per capita basis (\$3,394). Carrying charges have been moderate, averaging 9.6% of governmental expenditures over the past three fiscal years. The moderate carrying charge is driven by above-average debt amortization, with 66% of principal due to be retired through 2020, 92% through 2030, and 100% through 2031. Future capital needs are limited.

The town's unfunded other postemployment benefit (OPEB) liability is \$33 million, roughly equal to the town's annual general fund budget. The annual required contribution (ARC) is \$3.6 million; the town's actual fiscal 2010 contribution was \$1.16 million. Had the town contributed the full ARC payment, it would have accounted for approximately 10% of general fund expenditures. In fiscal 2011, the town contributed \$900,000 to begin prefunding the OPEB liability, in addition to paying its pay-as-you-go OPEB costs.

Outlook

The stable outlook reflects our expectation that the town will continue to maintain consistently strong reserve levels. Should the town's financial reserve position deteriorate significantly, the rating could be lowered. If, on the other hand, the town continues to add to its financial reserves, the rating could improve.

Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008

Ratings Detail (As Of April 6, 2011)		
Littleton GO		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Littleton GO		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

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