

Summary:

Burlington, Massachusetts; General Obligation; Note

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Credit Profile		
US\$13.276 mil GO BANs dtd 07/27/2011 due 07/27/2012		
Short Term Rating	SP-1+	New
US\$12.2 mil GO mun purp loan of 2011 bnds due 07/15/2041		
Long Term Rating	AA+/Stable	New

Rationale

Standard & Poor's Ratings Services assigned its 'SP-1+' rating to Burlington, Mass.' general obligation (GO) bond anticipation notes (BANs) and affirmed its 'AA+' rating, and stable outlook, on the town's long-term GO debt outstanding. The long-term debt to retire the BANs has been authorized. The ratings reflect our assessment of the town's:

- Good location and tax base, with extremely high per capita market value of more than \$170,000;
- Very strong income levels, with median household effective buying income (EBI) above 160% of the national level;
- Strong reserve levels that have been maintained at more than 10% of expenditures over the past six audited fiscal years; and
- A low debt burden, with rapid debt amortization and limited future capital needs.

These factors are somewhat offset by moderate taxpayer concentration and low pension funding levels.

We understand that bond and BAN proceeds will be used primarily for school and sewer utility construction.

Burlington, with a population of about 25,000, is located 14 miles northwest of Boston, along Interstate 95/Route 128 and Route 3, providing good access to the major employment centers in the commonwealth and making the town an attractive location for large regional employers. The major employers in the town include the Lahey Clinic, a hospital (4,500 employees); Oracle/Sun (2,300); Siemens-Nixdorf Information (1,000); Avid Tech (800); and the Burlington Mall (750). Avid Tech recently relocated to Burlington. The town's income levels are very strong in our opinion, with median household EBI at 162% of the national level and per capita EBI equal to 150%. Burlington's unemployment rate was 5.2% in April 2011, better than commonwealth and national levels.

The town's overall assessed value (AV) declined by 6.2% in fiscal 2010 and 1.1% in fiscal 2011 to \$4.47 billion, after increasing by 4.5% in fiscal 2009. Burlington's market value is extremely strong in our view, at \$180,000 per capita, reflecting the large commercial base. The town's commercial tax base was \$1.28 billion in fiscal 2010, 29% of total AV, slightly more than the previous year. The tax base is moderately concentrated, with the 10 leading taxpayers accounting for 28% on the net tax levy, although they are only 17% of AV, due to the town's dual residential/commercial tax rate. The Burlington Mall accounts for 6% of the net levy, with corporate office parks accounting for the majority of the additional taxpayers, but no other taxpayer accounts for more than 5% of the net

levy. The town has approved the redevelopment of a 127-acre industrial park to a mixed-use project, which could lead to a substantial increase in property taxes, and redevelopment construction has recently begun.

Burlington ended fiscal 2010 with a \$1.4 million increase in the unreserved general fund balance, which brought it to \$10.2 million. The separate stabilization fund added an additional \$3.3 million, a \$500,000 decline from previous years, and the combined available fund balance is \$13.5 million or 12.1% of general fund expenditures, which is strong in our view. The town's financial position has been relatively stable in recent years, with available reserves between 11% and 14%.

In fiscal 2011, officials appropriated \$1.9 million of general fund balance for capital projects and an additional \$750,000 of fund balance was appropriated into the stabilization fund. Despite this appropriation, management projects a fund balance increase of about \$1.0 million for the year, primarily due to the projected receipt of about \$1.0 million from a newly-implemented local option tax that was not budgeted. In addition, the stabilization fund is projected to increase to about \$3.8 million. Management indicates that about \$2.0 million of general fund balance is appropriated in fiscal 2012, which includes an appropriation into the stabilization fund balance, which is projected to increase by a net \$750,000 after some allocation out of the fund.

The town's unused levy capacity under the Proposition 2 1/2 levy limits increased to \$2.5 million in fiscal 2011 after a decline in prior years, and is higher than that of many municipalities in the commonwealth. The unused levy capacity is equal to about 1% of general fund revenues. Burlington's management practices are considered "good" under Standard & Poor's Financial Management Assessment (FMA), indicating that financial management practices exist in most areas, although not all might be formalized or regularly monitored by governance officials.

In our view, Burlington's overall net debt position is low at about 1.0% of market value and \$2,000 per capita. The debt service carrying charge is also a low 4% of expenditures despite rapid amortization of 70% in the next 10 years. The town has \$50 million of authorized but unissued debt, but due to projected state support of about 50% of the \$42 million of school authorization and utility self-support of \$5.7 million authorization, the authorized debt is not expected to significantly increase the net tax levy debt.

Outlook

The stable outlook reflects our view of the ongoing strength of the local economy, which benefits from its participation in the greater Boston metropolitan statistical area. The outlook also reflects Standard & Poor's expectation that town's stable tax base and strong tax collections will enable officials to maintain structural budget stability and a strong financial position. We do not expect that the rating will change within the two-year parameter of the stable outlook as we anticipate Burlington continuing to maintain consistently strong reserve levels.

Finances

The town's exposure to state aid is less than that of many other municipalities in the commonwealth, which is a credit strength due to the recent declines in that aid. State aid accounted for only 17% of general fund revenues in fiscal 2010 and real estate tax collections are Burlington's leading source of general fund revenues, at 69%. Tax collections remained strong in 2010, with current collections equal to about 100% of the net levy, and management estimates that collection levels were similar in fiscal 2009.

Burlington is a member of the Middlesex retirement system, which is only 44% funded as of Jan. 1, 2010, the latest valuation. The town's share of the system's unfunded liability is approximately \$74 million. However, Burlington has been making 100% of its annual required contributions (ARC), and the system is on pace to be fully funded by 2036, four years earlier than the state maximum funding schedule. The town's unfunded other postretirement employee benefits (OPEB) liability is \$140 million on a pay-as-you-go basis, with an ARC of \$12.5 million. The actual OPEB payment in fiscal 2010 was \$3.1 million, only 25% of the ARC. Burlington recently approved an OPEB trust fund, and officials indicate a plan to deposit about \$200,000 into it in January 2012.

Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Short-Term Debt, June 15, 2007

Ratings Detail (As Of July 7, 2011)		
Burlington GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Burlington GO		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

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