Summary:
Wrentham Town, Massachusetts; General Obligation

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Credit Profile
US$1.145 mil 6.0% bonds due 04/01/2010

Long Term Rating: AA+/Stable

Rationale
Standard & Poor’s Ratings Services assigned its 'AA+' rating, and stable outlook, to the town of Wrentham, Mass. series 2010 general obligation (GO) bonds.

The rating reflects our opinion of the town’s:

- Access to diverse employment centers in and around, Boston and Providence, R.I.;
- Extremely strong wealth and income indicators;
- Sound financial profile and consistently strong reserves; and
- Moderate debt profile and minimal additional debt plans.

Officials plan to use bond proceeds to refund bond anticipation notes (BANs) outstanding issued for water mains.

Wrentham is in southeastern Massachusetts, approximately 27 miles from Boston and 20 miles north of Providence. The 2008 estimated population was 11,133. The town is mainly residential, and roughly 15% of its property tax base is classified as commercial and industrial property. The Outlet Mall, just outside Interstate 495, the outer belt around Boston, is the town’s leading taxpayer. The mall, which is stable, currently employs roughly 2,300 and accounts for 8% of assessed value (AV).

The town’s location and access to I-495 and I-95, which caters to diverse employment centers in and around, Boston and Providence, has led to favorable unemployment statistics compared with national rates. As of December 2009, town unemployment was 7.7%, below the commonwealth’s rate and well below the nation’s rate. Moreover, in our view, household income indicators have been very strong: 2008 median household effective buying income was 156% of the commonwealth level and 181% of the national level.

AV is 82% residential. AV has declined by 7% to $1.7 billion in fiscal 2010 from its peak valuation in fiscal 2007. Management attributes the decline mainly to the softened residential market following a period of strong real estate appreciation. The town’s 2008 median home value was an estimated $422,000, or roughly two times the national level. Despite reduced property valuations, full market value remains, in our view, an extremely strong $158,408 per capita.

The town’s financial profile remains sound despite budgetary challenges due to the weak economy. The town closed audited fiscal 2009 with an unreserved general fund balance of $1.99 million, or 6% of expenditures. Due to conservative budgeting practices, the town’s unreserved fund balance has remained upwards of 5% of expenditures in each of the past five audited years. Moreover, the town also maintains a stabilization fund separate from the...
general fund that it can use for any municipal purpose. The stabilization fund closed fiscal 2009 with a $1.9 million balance. Between the unreserved general fund and stabilization fund, available reserves totaled approximately 12% of operating expenditures in fiscal 2009, which we believe is a strong level of flexibility to manage through a challenged budgetary environment.

For fiscal 2010, reacting to decreased excise taxes and state aid, town officials cut spending from 2009 levels. According to management, the town is projecting balanced results in-line with budgeted estimates and reserves to remain comparable with the previous year. The town continues to operate within Proposition 2 1/2 without the use of an operating override. Property taxes, which we view as a stable revenue source, generate 73% of general fund revenues. Current-year tax collections came down to 96% in 2009 from an average of 98% in previous years. According to management, however, projections indicate collections have improved in 2010. State aid, which remains under pressure in this economy, accounts for 19% of revenues; as such, the town is not overly susceptible to midyear state cuts.

Standard & Poor’s considers Wrentham’s financial practices "standard" under its Financial Management Assessment (FMA) methodology, indicating the finance department maintains adequate policies in some, but not all, key areas. Highlights include a conservative budgeting approach and budget preparation. The town develops a five-year capital improvement plan that it updates annually with funding sources tied to each project. The finance department monitors budget variances monthly and makes monthly reports to the town’s finance committee and selectman. The town does not maintain any formal debt management or reserve liquidity policies.

Wrentham’s debt profile is moderate-to-low with an overall net debt of $2,688 per capita, or an overall debt-to-market value of less than 1%. These figures include the town’s proportionate share of school district debt, and they net out self-supporting water debt. The town’s carrying charge is a moderate 8% of expenditures, and the debt amortization schedule is above average with officials planning to retire 89% of existing debt over 10 years and 100% by 2029. The town does not currently have any additional debt plans.

Outlook

The stable outlook reflects Standard & Poor’s expectation that the town should sustain its financial position at its current level and that town management should be able to address future budgetary needs adequately. The town's access to Boston and Providence employment centers, strong wealth and income indicators, and stable property tax base provide further rating stability. Additional capital needs should remain manageable given the town's current moderate-to-low debt burden.

Related Criteria And Research

USF Criteria: GO Debt, Oct. 12, 2006

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