

Tewksbury, Massachusetts

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Credit Profile

US\$20.65 mil GO bnds dtd 03/15/2008 due 03/15/2028

Long Term Rating	A+/Stable	New
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US\$17.541 mil BANs dtd 03/20/2008 due 02/10/2009

Short Term Rating	SP-1+	New
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Tewksbury Twn GO (CIFG)

Unenhanced Rating	A+(SPUR)/Stable	Affirmed
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Tewksbury Twn GO (MBIA)

Unenhanced Rating	A+(SPUR)/Stable	Affirmed
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Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services assigned its 'SP-1+' short-term rating to Tewksbury, Mass.' bond anticipation notes (BANs). At the same time, Standard & Poor's affirmed its 'A+' rating, with a stable outlook, on the town's GO bonds.

The 'A+' rating reflects the town's:

- Good access to the deep and diverse greater Boston, Mass. economy;
- Above-average income and below-average unemployment levels; and
- Primarily residential tax base with above-average per capita market values.

The recent trend of unreserved fund balance deficits is a mitigating factor.

The town's full faith and credit general obligation pledge secures the bonds and BANs. Tewksbury will use bond proceeds to retire BANs that were issued primarily for sewer improvements and BAN proceeds will be used to continue ongoing water and sewer improvements in the town.

Tewksbury (population 29,420) is located 20 miles north of Boston ('AA' GO rating) at the intersection of Interstates 495 and 93. Income levels are above average. Median household effective buying income (EBI) is 139% of the commonwealth average and 175% of the national average, while per capita EBI is 121% and 145% of the commonwealth and national levels, respectively. The town's unemployment average historically mirrors the commonwealth's average; Tewksbury's unemployment rate in December 2007 was 3.7%, better than the commonwealth's 4.1% and the nation's 4.8%.

Tewksbury's financial position has narrowed in recent years, but remains adequate, and management projects that financial operations will stabilize in fiscal 2008 and future years. Both revenue and expenditure pressures have resulted in deficit operations in five of the past six fiscal years. An \$837,000 deficit in fiscal 2007 brought the unreserved general fund balance to \$3.0 million, or 3.7% of expenditures, a decrease of \$3.7 million from the fiscal 2001 level. The 2007 deficit was due to the budgeted use of fund balance; the 2007 budget scheduled the use of \$2.6 million of fund balance. The town's stabilization fund is less than 0.5% of expenditures.

After accounting for state assistance for school debt and for the self-support of debt by utility revenues, the town's overall net debt burden is low, at \$490 per capita and less than 1% of total market value. An average 47% of outstanding debt is retired over the next 10 years, and 95% over the next 20 years.

Outlook

The stable outlook on the long-term rating reflects Standard & Poor's expectation that the town will end the recent trend of fund balance reductions and maintain an adequate financial position. If structural balance is not achieved, the rating could be lowered. The town's debt burden is expected to remain manageable, due to the debt service self-support projected for the majority of the expected future debt issuance.

Economy: Above-Average Market Value

The town's total assessed value (AV) for fiscal 2008 declined by 1.4% to \$4.18 billion, due primarily to a 1.4% decline in residential AV and a 3.0% decline in commercial AV. Market value is an above-average \$142,000 per capita. Current development in the town includes a 360-unit apartment complex, which will contain 25% affordable housing units, along with two smaller condominium developments. While the town hosts a number of large employers, 84% of the property tax base is residential.

Employers in the town include:

- Raytheon Co. (electronics, 2,100 employees);
- Tewksbury State Hospital (1,500); and
- Avid Technology Inc. (computer systems, 800).

In addition, residents have access to other employment centers in the region, with highway access and commuter rail stops in each of four surrounding towns.

Finances: Reliant On Property Tax And State Aid

The town typically appropriates most of the fund balance available from previous years, but also expects positive budget variances due to conservative projections for local receipt revenue and expenditures. For fiscal 2008, the town budgeted to use about \$2.5 million of fund balance, but management projects break-even operations due to conservative budget assumptions. Management has an informal policy to maintain an unreserved general fund balance of at least 3% of expenditures.

The local property tax is the town's primary revenue source, and accounted for 59% of 2007 general fund revenues. Intergovernmental revenue accounts for 31% of revenues, and is comprised primarily of state aid, which has been volatile in recent years. The town has levied essentially at its Proposition 2 1/2 levy limit for each of the past five years. In addition to the base 2 1/2% levy increase allowed under Proposition 2 1/2, the town has added an average of \$780,000 of additional levy from new development over the past five years, and expects future new levy increases of about the same level.

Financial Management Assessment: 'Good'

Standard & Poor's considers Tewksbury's management practices "good" under its Financial Management Assessment, indicating that practices exist in most areas, although not all may be formalized or regularly monitored by governance officials. The town's sound policies and practices include monthly budget monitoring reports presented to the Board of Selectmen and long-term financial and capital planning. The town maintains informal policies for debt management and general fund reserve levels. The informal reserve policy specifies an unreserved general fund balance of at least 3%.

Debt

Tewksbury has had success in receiving voter approval to exempt debt from the limitations of Proposition 2 1/2, with about \$22 million of debt excluded from the limits. The town has maintained an aggressive capital plan for the past few years to address some past deferred maintenance, but with this BAN issuance, it will have issued most of its authorized debt. Additional large capital needs that are not yet authorized include the funding of a new high school that is expected to receive substantial state support and is estimated to cost \$80 million, as well as a new town hall that is estimated to cost between \$2 million and \$6 million, depending on scope.

<i>Tewksbury, Massachusetts</i>	
<i>Economic statistics</i>	
Population	29,418
Median household EBI, % of U.S.	174
Per capita EBI, % of U.S.	145
Total market value per capita (\$)	142,025
Net direct debt (\$000s)	14,366
Net direct debt per capita (\$)	488
Net direct debt, % of market value	0.3

Tewksbury, Massachusetts (cont. 'd)**Economic statistics**

Population	29,418
Assessed value (\$000s)	4,178,103
Market value (\$000s)	4,178,103

EBI—effective buying income. Population and income source: Claritas

Financial statistics (fiscal year ended)	6/30/2007	6/30/2006	6/30/2005
General fund balance (\$000s)	3,429	4,267	4,887
General fund balance, % of general fund expenditures	4.3	5.6	6.4
Unreserved fund balance (\$000s)	3,000	3,941	4,573
Unreserved fund balance, % of general fund expenditures	3.7	5.1	6.0
Total general fund expenditures (\$000s)	80,064	76,663	76,107
Total general fund expenditures - one-year change (%)	4.4	0.7	6.5
Total general fund revenues (\$000s)	78,957	75,552	76,471
Total general fund revenues - one-year change (%)	4.5	(1.2)	8.3

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