

Sherborn, Massachusetts

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Credit Profile

US\$6.708 mil GO bnds dtd 05/15/2007 due 05/15/2026

Long Term Rating	AAA/Stable	New
Sherborn GO (MBIA)		
Unenhanced Rating	AAA(SPUR)/Stable	Upgraded
Ratings Detail >>		

Rationale

Standard & Poor's Ratings Services raised its underlying rating (SPUR) on Sherborn, Mass.' GO bonds to 'AAA' from 'AA+', reflecting the town's very high income and property wealth levels, as well as its sound financial position. The outlook is stable.

At the same time, Standard & Poor's assigned its 'AAA' rating, and stable outlook, to the town's series 2007 GO bonds.

The bonds are secured by the town's full faith and credit pledge. Proceeds from the current issue will be used to refund existing GO debt (\$4.2 million), retire BANs issued to begin the renovation of an elementary school (\$1.7 million), purchase equipment (\$600,000), and upgrade the water system (\$210,000).

Sherborn is located 18 miles southwest of Boston, Mass. The town's 4,200 residents are spread over nearly 17 square miles, dominated by large, heavily wooded lots. The town is primarily a residential community, with almost no commercial or industrial components. Similar to its neighboring town of Dover, Mass., and some suburbs to the west of Boston, Sherborn has very high income levels. According to the 2000 U.S. Census, the median household income in Sherborn is 290% of the national level, while per capita income is 269%.

Although the town contains no major employers other than the town itself, its location provides convenient access to employment throughout the greater Boston area.

Sherborn's tax base has grown by 50% over the past five years to \$1.20 billion. The increase is mostly due to the appreciation in value of the existing housing stock; little land is available in Sherborn for development (publicly owned land accounts for a large portion of undeveloped land, and the town's zoning regulations do not allow many existing lots to be further subdivided). The town's tax base is almost entirely residential. The median price for existing homes in the town was \$790,000 in 2006, with newly built homes selling for significantly more.

The town's financial position is sound after gradual improvement in recent years. In fiscal 2006, a \$352,000 surplus brought the unreserved general fund balance to \$1.6 million, or 8.4% of expenditures. A separate stabilization fund adds an additional reserve of \$364,000, or 1.9% of expenditures. General fund revenue is largely property taxes (85%), with state aid accounting for just 7%, which somewhat insulates the town from that recently volatile revenue source. The fiscal 2007 general fund budget uses \$181,000 of the previous year's fund balance; according to management, fiscal 2007 revenues and expenditures are currently in line with budget projections. The town collects property taxes in two installments, due Nov. 1 and May 1, and annually issues RANs for cash flow purposes. In fiscal 2006, the town issued \$2.2 million of RANs; it has issued \$1.6 million to date in fiscal 2007.

The town's elected board of selectmen works closely with a volunteer financial advisory committee to set financial priorities for the town. With the backing of these two bodies, management has routinely put successful operating and capital budget overrides on the ballot over the past several years. Town voters approved a \$612,000 operating levy override for fiscal 2007 and a \$494,000 override for fiscal 2006. The town has never had an unsuccessful operating override.

The town's management practices are considered standard under Standard & Poor's Financial Management Assessment (FMA). An FMA of standard indicates that the finance department maintains adequate policies in most, but not all, key areas. Highlights of the town's management practices include monthly reporting of budget performance and a five-year formal capital improvement plan. The town does not have formal long-term financial plan or debt policies, but it does utilize the financial advisory committee in its budgeting and debt planning.

Including the town's share of the regional school district it participates in, Sherborn's overall net debt is below average as a share of market value, at 1.6%, but above average per capita, at \$4,530. With the exception of a \$3 million school project identified for fiscal 2010, the town's capital needs are limited. All of the town's debt (including the overlapping debt of the regional school district) is exempt from the Proposition 2 1/2 levy limits.

Outlook

The stable outlook on the SPUR reflects Standard & Poor's expectation that the town's primarily residential property tax base will continue to provide a steady source of property tax revenue; coupled

with the town's successful history of debt and operating overrides, this should enable the town to maintain a sound financial position. The town's continued success in receiving voter approval for its levy-limit overrides—absent a strengthening of fund balance levels—is an important element in the stability of the rating.