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Summary:

Foxborough, Massachusetts; General Obligation

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Credit Profile

US\$10.4 mil GO sch bnds of 2009 unltd tax dtd 09/01/2009 due 09/01/2010-2029

Long Term Rating

AA+/Stable

New

Rationale

Standard & Poor's Ratings Services assigned its 'AA+' rating, and stable outlook, to Foxborough, Mass.' series 2009 unlimited-tax general obligation (GO) school bonds.

In our opinion, the rating reflects the town's:

- Access to the regional employment bases in the Boston metropolitan statistical area (MSA) and nearby Providence, R.I., as well as its own growing commercial property tax base;
- Very strong household income levels and per capita market values;
- Consistent, conservative financial management and very strong reserve balances; and
- Moderate-to-low debt burden, low debt service carrying charges, and limited additional capital needs.

The bonds, authorized to remodel the town's high school, are a GO pledge of the town.

Foxborough, with a population estimate of 16,238, is in southeastern Massachusetts, approximately 24 miles south of Boston. The town enjoys good access to various employment centers commonwealthwide via interstates 95 and 495. Foxborough is primarily residential, but it maintains a growing economic base that also caters to the overall region. Foxborough is home to Gillette Stadium and the National Football League's New England Patriots and the Major Soccer League's New England Revolution. The town is almost equidistant between Boston and Providence along U.S. Route 1, and it has a sizable amount of developable land.

Overall, we view the town's economic indicators as very strong: June 2009 unemployment, while rising to 7.3% during the economic recession, remained better than the commonwealth's 8.2% rate and the nation's 9.4% rate. In addition, median household effective buying income is, in our opinion, a strong 145% of the national level.

Assessed value (AV) is primarily residential. While growth in home values has been tempered during this recession, commercial sector growth has been robust, helping to stabilize the overall property tax base. Patriots Place, a mixed retail development surrounding the stadium along route 1, has driven growth. While it remains slightly down from 2007 levels, AV of \$2.7 billion is above fiscal 2008 AV by 1.9%. In our opinion, market value is an extremely strong \$176,000 per capita. In our view, the tax base remains very diverse with the 10 leading taxpayers accounting for 13% of AV.

In our opinion, Foxborough maintains a very healthy financial profile due mainly to the town's conservative fiscal management. The town has historically maintained a healthy reserve balance that has only improved over the past few years with the addition of new tax revenues from commercial growth. In fiscal 2008, the town closed with a

\$6.6 million undesignated general fund balance and a roughly \$3.0 million stabilization account. These balances combined for roughly \$9.7 million, or, in our opinion, a very strong 19% of expenditures. In fiscal 2009, operations remained favorable despite local aid reductions from the commonwealth and a national economy in recession. Management was conservative in its budget expectations, and it adjusted expenditures to help offset certain revenues coming in below budgeted estimates. Overall, according to management, the town will close with a roughly \$7.9 million undesignated fund balance and a \$3.0 million stabilization account.

For fiscal 2010, officials have balanced the town's budget, totaling \$54.1 million. Property taxes, accounting for roughly 55% of general fund revenues, are the town's leading revenue source; we believe this remains a very strong and consistent revenue source. Current-year property tax collections remain, in our view, extremely healthy with the town maintaining a rate above 98%. According to management, current trends indicate no deviation from that level. Intergovernmental aid accounts for 28% of revenues.

Standard & Poor's considers Foxborough's financial management practices "good" under its Financial Management Assessment (FMA) methodology, indicating financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them. The town is, in general, very conservative in its budget estimates by building in contingencies in some areas to cover budget shortfalls in other areas. The town performs five-year budget projections and maintains a five-year capital improvement plan to manage capital outlays. Management does not have any formalized reserve policies; but it manages to maintain a minimum 5% balance in the stabilization account, a level the town currently exceeds. The town does not have formalized debt management policies.

While debt levels have increased with this issue, they remain a moderate-to-low \$2,433 per capita, or 1.4% of market value. Amortization of long-term debt principal is average with officials planning to retire 59% over 10 years. The debt service carrying charge was a low 5% of operating expenditures in fiscal 2008. Debt service on nearly all of the town's debt is exempt from Proposition 2 1/2 levy limits, increasing the town's flexibility under those limits. We believe this a credit strength. According to management, additional borrowing authorizations will also seek exempt status from commonwealth-imposed levy limits.

Outlook

The stable outlook reflects Standard & Poor's expectation that the town's financial position will remain strong. We believe the town's healthy general fund reserves will provide the revenue flexibility to address potential revenue declines stemming from the recession in fiscal 2010. The regional economy's strength, specifically the deep and diverse employment base with access to I-95 and I-495, and strong wealth levels further stabilize the rating.

Related Research

USPF Criteria: "GO Debt," Oct. 12, 2006

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