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Summary:

Foxborough, Massachusetts; General Obligation

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Summary:

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| US\$5.34 mil GO rfdg ser 2012 due 12/01/2023 | | |
| <i>Long Term Rating</i> | AA+/Stable | New |
| Foxborough Twn GO sch bnds of 2009 unlt'd tax dtd 09/01/2009 due 09/01/2010-2029 | | |
| <i>Long Term Rating</i> | AA+/Stable | Affirmed |

Rationale

Standard & Poor's Ratings Services has assigned its 'AA+' long-term rating to Foxborough, Mass.' \$5.3 million general obligation (GO) refunding bonds. At the same time, we affirmed the 'AA+' rating on debt previously issued by Foxborough. The rating outlook is stable.

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.;
- Very strong household income levels and extremely strong per capita market values;
- Currently strong available fund balances that have come down in recent years; and
- Moderate-to-low debt burden, low debt service carrying charges, and limited additional capital needs.

The bonds are a GO of the town, secured by a full faith and credit pledge. We understand proceeds will refund certain outstanding maturities of the town's GO bonds.

Foxborough, with an estimated population of 16,000, is in southeastern Massachusetts, approximately 24 miles south of Boston. It 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 has good access to regional employment centers via interstates 95 and 495. As a result, its unemployment rate averaged 6.4% in 2010, which was well below the state (8.5%) and nation (9.6%). The rate remained low in December 2011 when just 5.8% of the town's labor force was unemployed. The town's median household effective buying income is 155 % of the national average, which we consider very strong.

The town's assessed value (AV) totaled \$2.6 billion in fiscal 2012, having increased 2% year over year in fiscal 2010 before falling 4.2% in 2011 and 2.9% in 2012. Management attributes the declines to depressed real estate values. Residential and commercial properties dominate the tax base; the former represents 74% of 2012 AV while the latter accounts for 20%. The tax base is diverse, in our view, with the 10 leading taxpayers representing 17.3% of 2012 AV. The leading taxpayer is Foxboro Realty Associates and accounts for 7.9% of AV; this taxpayer owns Patriots Place (a mixed retail development) and a vacant parcel across from the stadium. Management reports plans for the 150-acre vacant parcel include a biotech facility, a high-tech center, or a casino. In our opinion, market value is extremely strong at about \$190,000 per capita.

Foxborough maintains what we consider a strong available fund balance despite recent general fund drawdowns. Unaudited results for fiscal 2011 shows a \$1.4 million general fund drawdown (2.4% of budget) and an \$8.5 million available fund balance (general fund and stabilization fund combined). The available balance represents 14.2% of general fund expenditures, which we consider strong. The town closed fiscal 2010 with a \$1.1 million general fund drawdown (2% of budget), which management reports was due to diminished local aid. The fiscal 2010 year-end unreserved general fund balance was \$6.6 million (\$1.9 million of that amount was designated for subsequent years' expenditures and \$4.6 million was undesignated) and the stabilization account was \$2.6 million. These balances combined for roughly \$9.2 million, which we consider very strong at 16% of expenditures.

Management reports that it used \$1.68 million of general fund reserves to balance the fiscal 2012 budget, which was less than the \$1.8 million used in fiscal 2011. The proposed fiscal 2013 budget includes a \$1.55 million appropriation. Management reports the city is likely to benefit from reduced health care expenditures beginning in fiscal 2013 due to proposed changes in their plans. We believe this is a positive credit factor due to the recent trend of general fund drawdowns.

Property taxes, accounting for roughly 59% of general fund revenue in fiscal 2010, 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 averaging a rate greater than 98% in the past five years. 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. 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's debt burden is about \$2,100 per capita, which we consider moderate, or 1.1% of market value, which we consider low. Amortization of principal is faster than average with officials planning to retire 67% over 10 years. The fiscal 2010 debt service carrying charge was low, in our opinion, at 4% of operating expenditures. 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. Management reports the town could issue additional GO debt this spring.

As of June 30, 2009, the town's actuarial accrued other postretirement benefit (OPEB) liability was \$62.2 million. The town contributed \$2.5 million toward the liability in fiscal 2010, or 47% of the annual OPEB cost. The contribution rate was up from 21% in 2009. The town has established an irrevocable trust to fund this liability; management reports the current balance is \$1.9 million. The town contributes to the Norfolk County Contributory Retirement System, a defined benefit pension plan administered by the Norfolk County Retirement Board. The town contributed \$2.1 million in fiscal 2010, which was the required contribution.

Outlook

The stable outlook reflects Standard & Poor's expectation that the town's financial position will remain at a level we consider strong. Failure to adopt a structurally balanced budget in the near term could result in negative rating pressure. The regional economy's strength, specifically the deep and diverse employment base with access to I-95 and I-495, and strong wealth levels provides credit stability, in our opinion.

Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

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