

### Summary:

## Bourne, Massachusetts; General Obligation

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## Summary:

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Credit Profile		
US\$4.561 mil GO mun purp In bndsser 2011 dtd 09/15/2011 due 09/15/2031		
Long Term Rating	AA/Stable	New
<b>Bourne GO</b>		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed

## Rationale

Standard & Poor's Ratings Services has assigned its 'AA' long-term rating to the Town of Bourne, Mass.' general obligation (GO) municipal purpose loan bonds series 2011 and affirmed its 'AA' long-term rating and underlying rating (SPUR) on the town's existing GO debt. The outlook is stable.

In our opinion, rating factors include the town's:

- Stable, primarily residential tax base with good income levels and extremely strong per capita market valuation,
- Good financial practices and policies and improved reserve levels, and
- Low debt levels.

The town will use the proceeds from this issuance, in combination with available funds, to redeem outstanding bond anticipation notes (BANs) issued for various municipal purposes. The debt service on \$1.7 million of these bonds, issued for school construction, was voted exempt from Proposition 2 1/2 limitations.

Bourne is located in the upper Cape Cod region of Massachusetts, approximately 60 miles south of Boston. It is the only town that straddles both sides of the Cape Cod Canal, with two-thirds of the town on the Cape and the remainder on the mainland. The year-round population, estimated at 18,980, nearly doubles during the summer months due to a large number of second homes in the town. Despite the town's largely residential character, residents have employment opportunities within the town and in surrounding areas. Otis Air Force Base (1,200 employees) and Massachusetts Maritime Academy (200) are the two largest employers. In addition, roughly 20% of the town's workers commute to Boston via commuter rail lines in nearby towns. Unemployment is somewhat cyclical, generally rising in the winter months. Unemployment averaged 9.9% in 2010, higher than the commonwealth's 8.5%, and, as of June, was 8.6%. In our opinion, income levels are good, with median household effective buying income at 91% and 110% of state and national levels, respectively. Moreover, the town's median net worth is also roughly 71% higher than the national level.

After good tax base growth in fiscals 2003 through 2008, assessed value (AV) has decreased by 9.9%. Nevertheless, the community maintains tax rate flexibility under Proposition 2 1/2, as town officials have the statutory ability to increase the property tax levy, at levels allowed under Proposition 2 1/2, without electorate approval. For fiscal 2011, the tax rate remains below average compared with other local governments in the commonwealth at \$8.21 per \$1,000 of AV. The town, however, has a negligible amount of excess levy capacity under Proposition 2 1/2; increasing the levy above the proposition's limitations would require electorate approval.

Despite the AV decrease, per capita market values remain extremely strong and diverse. In 2011, the town's AV totaled \$4.3 billion, equating to an extremely strong per capita market value of \$212,320 when measured against the year-round population. The value remains, in our opinion, extremely strong at approximately \$106,000 when measured against the estimated peak population. In our view, the tax base is very diverse, as the 10 leading taxpayers account for just 3% of total AV. Residential properties account for 88% of AV, and, in 2010, the median home value was an estimated \$320,000, 88% higher than the national median.

In our opinion, Bourne's financial position has strengthened over the past few years, reflective of the town's improved financial management policies and procedures. The town's financial position improved in audited fiscals 2008 and 2009 and again in fiscal 2010, with the unreserved general fund increasing to \$7.2 million and the stabilization fund increasing to \$3.9 million. The \$11.2 million combined balance on the June 30, 2010, fiscal year-end equaled 20% of general fund expenditures, which we consider very strong. The current level of reserves represents a substantial increase from 6% in fiscal 2003. The marked improvement to reserves is the result of conservative budget estimates, and management's demonstrated willingness to make the necessary spending adjustments appropriate to yield balanced results without use of reserves.

According to management, for fiscal 2011, local revenues trended above estimates, and expenditures were in-line with expectations. Overall, management is estimating general fund reserves to remain comparable with the previous year. Property taxes are the town's chief revenue source, accounting for 65% of general fund revenues, and collection rates have been stable, averaging approximately 97% over the past five years. State aid revenue, which has come under pressure recently, accounted for 25% of general fund revenues. For the long-term, the town will manage its financial position in accordance with its fund balance policy. The town's policy requires the unreserved general fund balance to be at least 5% of the general fund budget, and the town must maintain the stabilization fund at least at 7% of the general fund budget.

Standard & Poor's considers Bourne's management practices "good" under its Financial Management Assessment methodology, indicating that financial practices exist in most areas, but that governance officials might not formalize or regularly monitor all of them.

We consider the town's debt burden low on a per capita basis at \$1,167, based on the year-round population. The debt burden is also low on a market value basis, at roughly 1%. Debt service carrying charges have averaged 7% of governmental expenditures over the past five years. Following this borrowing, we believe debt service carrying charges will remain low to moderate. Principal amortization is relatively aggressive, with officials due to retire 73% of debt through fiscal 2021 and all debt through 2031.

As of June 30, 2008, the town's other postemployment benefit liability was estimated to be \$74.9 million, with a \$4.9 million annual required contribution (8.7% of general fund budget). In fiscal 2009, the town contributed \$2.16 million (3.8% of budget). For its pensions, the town contributes to the Barnstable County retirement system. The town's 2011 contribution was \$2.4 million (4.2% of budget).

## Outlook

The outlook is stable. We do not expect the rating to change during the two-year timeframe of the outlook because we believe the town will maintain strong reserves and a low-to-moderate debt burden. In our opinion, management has demonstrated the willingness to make the appropriate budgetary adjustments needed to maintain structural

balance and operating flexibility. Moreover, the town's good financial policies are additional stabilizing factors. Despite a slowdown in new taxable growth, the town's tax base remains stable, with good wealth and income levels.

## Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

Ratings Detail (As Of August 26, 2011)		
Bourne Twn GO		
Long Term Rating	AA/Stable	Affirmed
<b>Bourne GO</b>		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

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