

Summary:

Lee, Massachusetts; General Obligation

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Summary:

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<i>Long Term Rating</i>	AA-/Stable	Upgraded
Lee Twn GO		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Upgraded
Lee Twn chapter 70B GO		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Upgraded

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services has raised its issuer credit rating on the Town of Lee, Mass. and its long-term rating and underlying rating (SPUR) on the town's general obligation (GO) bonds to 'AA-' from 'A+'. The upgrades reflect our opinion of the town's financial performance, which is characterized by very strong available fund balances and above-average taxing flexibility. The outlook is stable.

Additional rating factors include our assessment of the town's:

- Stable property tax base with good income levels and extremely strong wealth;
- Continued strong economic fundamentals despite the economic downturn; and
- Low debt burden.

Lee is in western Massachusetts and has an estimated 5,800 residents. Its median household effective buying income is good, in our view, at 99% of the national average, and per capita retail sales measure 168% of the national average. The town's February 2010 unemployment rate was 9.7%--lower than the state (10.0%) and national (10.4%) levels. The fiscal 2010 assessed value (AV) totaled \$889.1 million, having increased 2.6% year-over-year in fiscal 2009 and 0% in fiscal 2010. The tax base is largely residential (71% of fiscal 2010 AV) and commercial (18%). The 10 leading taxpayers account for 15.4% of fiscal 2010 AV, which we consider diverse--led by the Prime Outlets at Lee (4.5%) and Silverleaf Resort & Timeshare (2.3%). Market value per capita is extremely strong, in our view, at about \$150,000.

Lee's financial position remains sound, reflected by our view of very strong available reserves and above-average taxing flexibility. Property taxes are its largest revenue source (accounting for 58% of fiscal 2008 general fund revenues), followed by intergovernmental (30%) and excise taxes (5%). The fiscal 2009 total property-tax-collection rate remained strong, in our view, at 99.4%. The town closed fiscal 2008 with nearly balanced operations and a \$2.4 million unreserved general fund balance (14.0% of expenditures, which we consider strong). Factoring in the stabilization fund, which totaled \$1.5 million at 2008 year-end, raises the town's available balance to 22.8% of general fund expenditures, which we consider very strong. The stabilization fund has been in place for several years and is available for appropriation. Unaudited results for fiscal 2009 reveal a \$794,000 general fund drawdown,

lowering the unreserved general fund balance to \$2 million. The unaudited stabilization fund balance is \$1.6 million. Management reports that the town has available taxing capacity of roughly \$800,000.

Lee'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 some but not all key areas. Management considers recent trends when constructing the annual budget and provides elected officials with monthly financial updates at minimum. While the town does not have a long-term financial plan or formal debt policy, it does maintain a capital improvement plan and investment policy. The town targets a stabilization fund balance of 5%-10% of expenditures.

The town's overall net debt burden is low, in our view, at about 1.3% of market value and \$1,900 per capita. Debt service carrying charges are also low at 6.5%. Management reports that there are no current plans to issue additional debt.

Outlook

The stable outlook reflects our expectation that the town will maintain its healthy financial position. We believe the taxing flexibility provides credit stability.

Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

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