Summary:
Burlington, Massachusetts; General Obligation; Note

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Credit Profile

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<th>Due Date</th>
<th>Rating</th>
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Rationale

Standard & Poor's Ratings Services has assigned its 'SP-1+' rating to Burlington, Mass.' bond anticipation notes (BANs) series 2012 and its 'AA+' long-term rating to the town's general obligation (GO) bonds series 2012. At the same time, Standard & Poor's affirmed its 'AA+' rating, and stable outlook, on the town's long-term GO debt outstanding. The long-term debt to retire the BANs has been authorized. The ratings reflect our assessment of the town's:

- Good location and tax base, with extremely high per capita market value of more than $170,000;
- Very strong income levels, with median household effective buying income (EBI) above 160% of the national level;
- Strong reserve levels that have been maintained at more than 10% of expenditures over the past six audited fiscal years; and
- A low debt burden, with rapid debt amortization and limited future capital needs.

Somewhat offsetting these factors are moderate taxpayer concentration and low funding levels in the multiemployer pension system the town participates in.

The bonds and BANs are secured by the town's GO pledge. The bond proceeds will be used to retire BANs that were issued for various capital projects and the BAN proceeds will be used to retire some BANs outstanding and for new money for additional capital projects.

Burlington, with a population of about 25,000, is located 14 miles northwest of Boston, along Interstate 95/Route 128 and Route 3, providing good access to the major employment centers in the commonwealth and making the town an attractive location for large regional employers. The major employers in the town include the Lahey Clinic, a hospital (4,500 employees); Oracle/Sun (2,300); Siemens-Nixdorf Information (1,000); Avid Tech (800); and the Burlington Mall (750). Avid Tech recently relocated to Burlington. The town's income levels are very strong in our opinion, with median household EBI at 162% of the national level and per capita EBI equal to 150%. Burlington's unemployment rate was 4.2% in May 2012, better than commonwealth and national levels.

The town's overall assessed value (AV) increased by 2.9% for fiscal 2012 to $4.60 billion, following declines in fiscals 2010 and 2011. Burlington's market value is extremely strong in our view, at $180,000 per capita, reflecting the large commercial base. The town's commercial tax base comprises about 30% of total AV. The tax base is moderately
concentrated, with the 10 leading taxpayers accounting for about 30% on the net tax levy, although they are only about 17% of AV, due to the town's dual residential/commercial tax rate. The Burlington Mall accounts for about 6% of the net levy, with corporate office parks accounting for the majority of the additional taxpayers, but no other taxpayer accounts for more than 5% of the net levy. A commercial development has recently broken ground and is expected to open in 2013, and a Wegman's supermarket has signed a lease as an anchor tenant in that development. Town management estimates the full value of the project to be $50 million. In addition, Keurig, Incorporated, a coffee supply company, is relocating its headquarters to Burlington, which is expected to bring in 500 jobs.

The 2011 statements, the town's first prepared per Governmental Accounting Standards Board Statement 54, indicate a total general fund balance of $20.4 million, and an unassigned balance of $16.2 million, or 14.5% of expenditures. The stabilization fund is now reported in the unassigned general fund. In addition, Burlington had an assigned general fund balance of $3.0 million, which represented encumbrances, and committed fund balance of $1.2 million. The town's financial position has been relatively stable in recent years, with available reserves between 11% and 14%. Management attributes the fund balance increase primarily to increased local revenues for meals taxes and hotel taxes and to unexpended funds.

The fiscal 2012 budget appropriated about $2 million, which officials earmark for pay-as-you-go capital spending. However, management projects that the year ended better than budget by $1.5 million to $2.0 million, primarily due to expense surplus of about $1.0 million and building permit revenue surplus of about $800,000. The 2013 budget included $1.6 million in general fund balance for nonrecurring capital projects, but none for operations. The budget included a 4% property tax levy increase. Burlington's management practices are considered "good" under Standard & Poor's Financial Management Assessment, indicating that financial management practices exist in most areas, although not all might be formalized or regularly monitored by governance officials.

In our view, Burlington's overall net debt position is low at 1.3% of market value and $2,400 per capita. The debt service carrying charge is also a low 4% of expenditures despite rapid amortization of 70% in the next 10 years. The town has $28 million of authorized but unissued debt, but due to projected state support of about 50% of the $21 million of school authorization, management doesn't expect the authorized debt to significantly increase the net tax levy debt.

**Outlook**

The stable outlook reflects our view of the ongoing strength of the local economy, which benefits from its participation in the greater Boston metropolitan statistical area. The outlook also reflects Standard & Poor's expectation that town's stable tax base and strong tax collections will enable officials to maintain structural budget stability and a strong financial position. We do not expect that the rating will change within the two-year parameter of the stable outlook as we anticipate Burlington continuing to maintain consistently strong reserve levels.
Finances

The town’s exposure to state aid is less than that of many other municipalities in the commonwealth, which is a credit strength due to the recent declines in that aid. State aid accounted for only 16% of general fund revenues in fiscal 2011 and real estate tax collections are Burlington’s leading source of general fund revenues, at 69%. Tax collections remained strong in fiscal 2010, with current collections equal to about 100% of the net levy, and management estimates that collection levels were similar in fiscal 2009.

Burlington is a member of the Middlesex retirement system, which is only 44% funded as of Jan. 1, 2010, the latest valuation. The town's share of the system's unfunded liability is approximately $74 million. However, Burlington has been making 100% of its annual required contributions (ARC), and the system is on pace to be fully funded by 2036, four years earlier than the state maximum funding schedule. The town's unfunded other postretirement employee benefits (OPEB) liability was $128 million on a pay-as-you-go basis, as of Dec. 31, 2010, with an annual OPEB cost of $8.2 million for fiscal 2011. The actual OPEB payment in fiscal 2011 was $4.3 million, or 52% of the ARC. Burlington recently approved an OPEB trust fund, and officials deposited $750,000 into the fund in fiscal 2012 and plan to continue making deposits in future years, although none was scheduled in the fiscal 2013 budget.

Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Bond Anticipation Note Rating Methodology, Aug. 31, 2011
- State And Local Government Ratings Are Not Directly Constrained By That Of The U.S. Sovereign, Aug. 8, 2011

Ratings Detail (As Of July 11, 2012)

<table>
<thead>
<tr>
<th>Bond Type</th>
<th>Rating</th>
<th>Scope</th>
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<td>AA+/Stable</td>
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<td>Burlington GO BANs ser 2012 dtd 07/27/2012 due 07/26/2013</td>
<td>SP-1+</td>
<td>Affirmed</td>
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<tr>
<td>Unenhanced Rating</td>
<td>AA+(SPUR)/Stable</td>
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Many issues are enhanced by bond insurance.

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.
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