

MOODY'S

INVESTORS SERVICE

New Issue: MOODY'S ASSIGNS Aa2 RATING TO THE CITY OF WOBURN'S (MA) \$10 MILLION G.O. BONDS SERIES 2011

Global Credit Research - 14 Sep 2011

Municipality
MA

Moody's Rating

ISSUE	RATING
General Obligation Municipal Purpose Loan of 2011	Aa2
Sale Amount	\$10,000,000
Expected Sale Date	09/14/11
Rating Description	General Obligation

Opinion

NEW YORK, Sep 14, 2011 -- Moody's Investors Service has assigned a Aa2 rating to the City of Woburn's (MA) \$10 million General Obligation Municipal Purpose Loan of 2011 Bonds. Moody's maintains a Aa2 rating on approximately \$62.5 million of outstanding general obligation parity debt. The current issue carries the city's general obligation limited tax pledge as the projects are not exempted from the levy limitations of Proposition 2 ½. The proceeds will be used to retire \$10M in bond anticipation notes maturing on September 23, 2011.

RATINGS RATIONALE

The Aa2 rating reflects the city's strong financial position reinforced by healthy stabilization fund reserves, a sizeable and diverse tax base, and a manageable debt burden.

STRENGTHS

- Sizeable and diverse tax base
- Strong financial position with healthy reserves

CHALLENGES

- Above average long-term OPEB liabilities

DETAILED CREDIT DISCUSSION

FAVORABLE FINANCIAL POSITION WITH HEALTHY RESERVE LEVELS

Woburn is expected to maintain its strong financial position due to conservative budgeting practices and healthy reserve levels, including substantial balances outside of the General Fund. The city ended fiscal 2010 with minimal use of free cash and stabilization funds and at year's end available funds as a percentage of revenues were a solid \$16.9 million or 14% of general fund revenue. Fiscal 2010 audited results indicated a \$753,638 operating deficit resulting in a total General Fund balance decrease of just \$763,638 rather than the budgeted \$4.5 million draw (the amount of the reserve) initially projected. The city had projected a large draw from the designated debt service reserve within the general fund to call \$3.8 million in school debt. Nonetheless, facing a \$2.8 million reduction in state aid, lower new growth and another weak year for local receipts, management decreased the 2010 budget slightly from 2009 levels by increasing employee health insurance contributions and copayments, eliminating \$495,000 in debt service due to bond retirement, and renegotiating a solid waste removal contract to achieve savings of \$250,000.

In fiscal 2011, management restrained expenditure growth with level education expenditures and the implementation of cost saving initiatives including the re-bidding of existing vendor contracts and bringing their payroll operation in-house. The budgeted \$230,000 reduction in state aid was offset by increases in other

revenue sources, including a room occupancy tax increase from 4% to 6% and the adoption of the local meals excise tax on July 1, 2010. Unaudited fiscal 2011 results indicate a large \$7 million operating surplus driven by expenditure reductions and \$3M in surplus revenues including \$2.3 million positive variance as a result of an increase in the hotel tax from 4% to 6% and implementation of the meals tax on July 1, 2010. Projections show fiscal 2011 ended with a \$3.3 million increase in undesignated General Fund balance bringing the total balance to an ample \$13 million undesignated fund balance and \$7.6 million in certified free to cash. The city's OPEB liability was valued at \$227.9 million as of June 30, 2011 and Woburn has approximately \$937,086 in reserve for this liability, however this represents a fraction of the \$13.8 million OPEB ARC payment in fiscal 2011. Going forward, continued conservative budgeting practices and a commitment to maintaining adequate financial cushion should continue to support a solid financial position. The fiscal 2012 adopted budget assumes 2.5% in budgetary growth over the fiscal 2011 adopted budget and balances the budget without appropriating reserves.

FAVORABLE LOCATION AND COMMERCIAL PRESENCE LENDS STABILITY

The city's sizeable \$6.2 billion tax base is expected to remain stable due to the city's favorable location and notable commercial presence. Located 12 miles northwest of Boston (G.O. rated Aaa/stable outlook) with immediate access to major regional highways and commuter rail, Woburn's economy is diverse, with commercial and industrial presence that comprise over one-quarter of the tax base. In fiscal 2011, the city's unused levy capacity grew to \$4.6 million as a result of an unexpectedly strong \$2 million in new growth revenue. Management projects continued healthy new growth and development, given changes in the city's zoning codes to create more mixed use areas. Further, officials have been granted seven new liquor licenses to encourage new commercial developments. The city's resident income levels approximate commonwealth medians, and the \$163,293 equalized value per capita is significantly higher than the commonwealth and national medians, reflecting the large commercial and industrial presence. Unemployment levels at 6.8% in June 2011 remain below state and national measures of 7.8% and 9.3%, respectively.

DEBT POSITION TO REMAIN MANAGEABLE

Moody's believes that the city's average 1.2% direct debt burden is manageable given an average rate of principal retirement (61.6% within 10 years) however the direct debt burden is expected to increase but remain manageable. The city has \$43.9 million of authorized but unissued long-term debt which will be used primarily for a new school project (\$25.3 million) which the city anticipates will receive 53% of its funding through state grants; \$17.8 million of the authorized and unissued debt will fund self-supporting water and sewer projects. The city's overall debt burden rises to a slightly above average 2.6% after including overlapping obligations of the Massachusetts Water Resource Authority (senior lien revenue bonds rated Aa1/stable outlook), MWPAT (revenue bonds rated Aaa/stable outlook), Massachusetts Bay Transportation Authority (revenue bonds rated Aa1/stable outlook), and Middlesex County. Debt service expenditures in fiscal 2010 comprised an affordable 6.7% of total expenditures. The city has no variable-rate debt or exposure to swap agreements.

WHAT COULD CHANGE THE RATING (UP):

- Significant growth in taxable assessed valuation due to new development
- Improved demographic profile
- Maintenance or growth of current reserve levels relative to budgetary expansion

WHAT COULD CHANGE THE RATING (DOWN):

- Material multi-year declines in fund balances and liquidity
- Significant growth in the city's direct debt burden

KEY STATISTICS

2010 Estimated Population: 38,480

2011 Equalized Valuation: \$6.2 billion

2011 Equalized Value Per Capita: \$163,293

Overall Debt Burden: 2.6%

Amortization of Principal (10 years): 61.6%

FY10 General Fund balance: \$14.6 million (12.1% of General Fund revenues)

FY10 Undesignated General Fund balance: \$9.7 million (8% of General Fund revenues)

FY10 Available Reserves (Unreserved General and Stabilization Funds): \$16.9 million (14% of general fund revenues)

1999 Per capita income: \$26,207 (101% of commonwealth, 121.4% of nation)

1999 Median family income: \$66,364 (107.6% of commonwealth, 132.6% of nation)

Post-Sale Long-Term General Obligation Debt Outstanding: \$72.5 million

The principal methodology used in this rating was General Obligation Bonds Issued by U.S. Local Governments published in October 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides relevant regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides relevant regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides relevant regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

Information sources used to prepare the rating are the following: parties involved in the ratings and public information.

Moody's considers the quality of information available on the rated entity, obligation or credit satisfactory for the purposes of issuing a rating.

Moody's adopts all necessary measures so that the information it uses in assigning a rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

Please see Moody's Rating Symbols and Definitions on the Rating Process page on www.moodys.com for further information on the meaning of each rating category and the definition of default and recovery.

Please see ratings tab on the issuer/entity page on www.moodys.com for the last rating action and the rating history.

The date on which some ratings were first released goes back to a time before Moody's ratings were fully digitized and accurate data may not be available. Consequently, Moody's provides a date that it believes is the most reliable and accurate based on the information that is available to it. Please see the ratings disclosure page on our website www.moodys.com for further information.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Analysts

Shannon McCue
Analyst
Public Finance Group

Moody's Investors Service

Susan Kendall
Backup Analyst
Public Finance Group
Moody's Investors Service

Geordie Thompson
Senior Credit Officer
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
USA

MOODY'S
INVESTORS SERVICE

© 2017 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY'S PUBLICATIONS MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED,

REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be reckless and inappropriate for retail investors to use MOODY'S credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of

MJJK. MSFJ is not a Nationally Recognized Statistical Rating Organization (“NRSRO”). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJJK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.