MOODY'S
INVESTORS SERVICE

CREDIT OPINION
12 September 2017

New Issue

Rate this Research

Contacts

Nicholas Lehman 617-535-7694
AVP-Analyst
nicholas.lehman@moodys.com

Cristin Jacoby 212-553-0215
VP-Senior Analyst
cristin.jacoby@moodys.com

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Woburn (City of) MA

New Issue - Moody's assigns Aa1 and MIG 1 to Woborn MA's GO Bonds and BANs

Summary Rating Rationale

Moody's Investors Service has assigned an Aa1 long term rating to the City of Woburn MA's $13.5 million General Obligation Municipal Purpose Loan of 2017 Bonds and a MIG 1 to $14.7 million General Obligation Bond Anticipation Notes (BANs, dated September 29, 2017 and payable September 28, 2018). Concurrently, Moody's has affirmed the Aa1 rating on the city's outstanding general obligation bonds and assigned an Issuer Rating of Aa1 to the city, which we use as a reference point for the limited tax rating. This Issuer Rating is equivalent to the General Obligation Unlimited Tax (GOULT) rating we would assign to GOULT debt of the issuer; the limited tax rating is at the same level.

The Aa1 long term rating reflects the city's large and expanding tax base with above average wealth and income levels, strong financial position bolstered by conservative management practices, and manageable debt burden and long term liabilities.

The MIG 1 short term rating reflects the strong long-term credit characteristics, limited refinancing risk and strong liquidity.

Credit Strengths

» Sizeable tax base with potential for growth

» Strong financial position including healthy unused levy capacity

» Conservative fiscal management

Credit Challenges

» Moderate pension and OPEB liabilities

Rating Outlook

We do not usually assign outlooks for local government credits with this amount of debt outstanding.

Factors that Could Lead to an Upgrade

» Continued trend of balanced financial operations

» Maintenance of current reserve levels

» Increase in the city's wealth and income levels

» Reduction in the debt burden and/or long term liabilities

Factors that Could Lead to a Downgrade

» Multi-year trend of operating deficits resulting in a significant decline in reserves

» Substantial increase in the debt burden or long term liabilities

» Material decline in the tax base

Key Indicators

Exhibit 1

Woburn (City of) MA	2012	2013	2014	2015	2016
Economy/Tax Base					
Total Full Value ($000)	$ 6,224,746	$ 5,944,103	$ 5,944,103	$ 6,189,093	$ 6,189,093
Full Value Per Capita	$ 162,819	$ 154,280	$ 153,096	$ 158,273	$ 162,358
Median Family Income (% of US Median)	140.3%	144.0%	148.4%	147.0%	147.0%
Finances					
Operating Revenue ($000)	$ 123,531	$ 130,099	$ 133,331	$ 130,579	$ 140,915
Fund Balance as a % of Revenues	24.6%	26.1%	26.0%	28.4%	32.6%
Cash Balance as a % of Revenues	27.0%	28.4%	30.0%	31.9%	32.3%
Debt/Pensions					
Net Direct Debt ($000)	$ 82,862	$ 79,685	$ 73,807	$ 69,319	$ 44,192
Net Direct Debt / Operating Revenues (x)	0.7x	0.6x	0.6x	0.5x	0.3x
Net Direct Debt / Full Value (%)	1.3%	1.3%	1.2%	1.1%	0.7%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	0.8x	0.9x	1.0x	1.2x	1.2x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	1.6%	2.0%	2.3%	2.4%	2.6%

As of June 30 fiscal year end; Full value = Equalized value
Source: Moody's Investors Service and Woburn's audited financial statements

Recent Developments

In August 2017 the city council adopted formal financial policies that address financial operations and planning, capital improvements, and debt management. The policies include an unreserved fund balance target of 17-20% of General Fund operating expenditures.

Detailed Rating Considerations

Economy and Tax Base: Sizeable tax base with favorable location and expectation for growth

Woburn's equalized tax base of almost $7 billion (2017 equalized value) will continue to expand due to the city's favorable location 10 miles northwest of Boston (Aaa stable). As of fiscal 2017 the assessed value, which is predominantly residential, grew at a five year annual compound rate of 3.5%. Woburn is experiencing growth across the residential and commercial sectors. Residential improvements include two major apartment complexes scheduled to be completed in fall 2017, as well as over 260 townhouses and a few single family homes in the building phase. The city's active economic development planning is focused on redevelopment of the former Kraft Foods site that closed in 2016, New Boston Street industrial area, and the potential for transit-oriented and traditional development around the Anderson/Woburn Regional Transit Center. Annual new growth revenues is expected to remain above $2 million in 2018.

Woburn's wealth and income indicators are above average, with median family income equal to 147% of the US median and 2017 equalized value per capita is a healthy $182,972. The city's unemployment rate of 3.7% (June 2017) continues to trend below the commonwealth (4.4%) and nation (4.5%).

Financial Operations, Reserves and Coverage: Healthy financial position with strong reserves expected to be maintained over the near term

Woburn is expected to maintain its strong financial position due to conservative budgeting practices, structurally balanced financial operations, and healthy reserve and liquidity levels. Fiscal 2016 audited financials reflect an operating surplus of $8.8 million attributable to strong tax collections, positive variance in local receipts including motor vehicle excise tax, and turnbacks in all major departments. The surplus increased the available General Fund balance (committed, assigned and unassigned) to $45.9 million or a strong 32.6% of revenues.

Fiscal 2017 year-end unaudited results are expected to reflect another operating surplus over $2 million due to positive variance in both revenues and expenditures. The fiscal 2018 budget increased by 4.5% compared to 2017, driven by insurance, retirement and salaries. The budget is balanced with an increase in the tax levy to the limit and conservative increase in new growth and local receipts.

Woburn's primary revenue source is property taxes (69% of 2016 revenues) with a strong collection rate of 99% in the current fiscal year. The largest expenditures is education (43% of 2016 expenditures). Additionally, as of 2017 the city has $15.5 million in unused levy capacity under Proposition 2 ½, that is equal to over 10% of annual revenues and provides greater operating flexibility under the tax cap than most municipalities in Massachusetts.

The five year budget forecasts reflects balanced operations with annual surpluses of less than 2% of revenues. Forecast assumptions include 2.5% annual increases in property taxes and state aid while education is budgeted to increase from 3-4% annually.

LIQUIDITY

Cash and investments at the end of fiscal 2016 represented $45.5 million or a healthy 32.3% of revenues. The cash position provides strong coverage of 2.8 times the amount of BANs outstanding should market access be a problem to payoff the notes.

Debt and Pensions: Debt and long term liabilities will remain manageable over near term

The net direct debt burden of 1% of equalized value will remain manageable given sufficient amortization and modest debt plans. Specifically, the city plans to issue another round of BANs and bonds in September 2018. Additionally, a five year capital plan has been approved by city council and will be updated annually. Management anticipates a slight increase in debt issuance to cover capital needs with a goal of maintaining debt service around 5% of expenditures.

DEBT STRUCTURE

The entire debt portfolio is fixed rate with 69% of principal retired in ten years. Fiscal 2016 debt service represented $4.5 million or 3.4% of expenditures.

DEBT-RELATED DERIVATIVES

Woburn has no derivatives.

PENSIONS AND OPEB

The city participated in the Woburn Contributory Retirement System, a multi-employer defined benefit pension plan for all employees other than teachers and certain administrators who are covered under the state teachers' plan. The city's 2016 contribution was $5.8 million, or a manageable 4.3% of General Fund expenditures. The 2016 three-year average Moody's Adjusted Net Pension Liability, under Moody's methodology for adjusting reported pension data, is $162.6 million, or an average 1.2 times General Fund revenues and 2.6% of equalized value. The current funding date is scheduled for 2036.

The city is currently funding its Other Post-Employment Benefits (OPEB) obligation on a pay-as-you-go basis. In 2016, the city funded 42% of the annual OPEB cost, representing $7.1 million. The city also makes an annual contribution to an OPEB trust that had a balance of $3.2 million as of the end of fiscal 2016. The total Unfunded Actuarially Accrued Liability is $211.2 million and is 1.5% funded as of July 1, 2015.

Total fixed costs in 2016, including debt service, required pension contributions and retiree healthcare payments, represented $17.4 million, or a manageable 13% of expenditures.

Management and Governance

City management is strong with conservative and formalized fiscal policies. The city also maintains a five year budget forecast with conservative assumptions.

Massachusetts Cities have an Institutional Framework score of Aa, which is high compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. Massachusetts cities major revenue source, property taxes, are subject to the Proposition 2 1/2 cap which can be overriden with voter approval only. However, the cap of 2.5% still allows for moderate revenue-raising ability. Unpredictable revenue fluctuations tend to be minor, or under 5% annually. Across the sector, fixed and mandated costs are generally greater than 25% of expenditures. However, Massachusetts has public sector unions, which can limit the ability to cut expenditures. Unpredictable expenditure fluctuations tend to be minor, under 5% annually.

Legal Security

The bonds and BANs are secured by the city's general obligation limited tax pledge as debt service has not been excluded from the levy limitations of Proposition 2 ½. The is no notching distinction between the limited tax and unlimited tax pledge in Massachusetts due to the municipalities given the inherent nature of the tax cap and a municipality's ability override the tax cap through a general override or debt exclusion.

Use of Proceeds

Bond proceeds will fund the library reconstruction and various other capital projects. The BAN proceeds will fund the Wyman-Hurld Elementary School project and the library reconstruction.

Obligor Profile

The City of Woburn has a population of 39,100 and is located in Middlesex County approximately 10 miles northwest of Boston.

Methodology

The principal methodology used in the long term rating was US Local Government General Obligation Debt published in December 2016. The principal methodology used in the short term rating was US Bond Anticipation Notes published in April 2014. Please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

Ratings

Exhibit 2

Woburn (City of) MA

Issue	Rating
General Obligation Municipal Purpose Loan of 2017 Bonds	Aa1
Rating Type	Underlying LT
Sale Amount	$13,510,000
Expected Sale Date	09/14/2017
Rating Description	General Obligation Limited Tax
General Obligation Bond Anticipation Notes	MIG 1
Rating Type	Underlying ST
Sale Amount	$14,700,000
Expected Sale Date	09/14/2017
Rating Description	Note: Bond Anticipation

Source: Moody's Investors Service

REPORT NUMBER 1089087

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

MOODY'S INVESTORS SERVICE