

MOODY'S

INVESTORS SERVICE

New Issue: MOODY'S ASSIGNS MIG 1 RATING TO THE CITY OF WOBURN'S (MA) \$14.4 MILLION G.O. BOND ANTICIPATION NOTES

Global Credit Research - 13 Dec 2010

AFFIRMS Aa2 LONG-TERM RATING AFFECTING \$48.1 MILLION IN LONG-TERM G.O. DEBT

Municipality
MA

Moody's Rating

ISSUE	RATING
General Obligation Bond Anticipation Notes	MIG 1
Sale Amount	\$14,421,000
Expected Sale Date	12/14/10
Rating Description	Bond Anticipation Note

Opinion

NEW YORK, Dec 13, 2010 -- RATINGS

Moody's Investors Service has assigned a MIG 1 rating to the City of Woburn's (MA) \$14.4 million General Obligation Municipal Bond Anticipation Notes (BANS), dated December 21, 2010 maturing September 23, 2011. Concurrently, Moody's has affirmed the Aa2 rating on approximately \$48.1 million of post-refunding general obligation debt.]

RATINGS RATIONALE

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 provide temporary financing for the construction of a new elementary school. The MIG 1 short-term rating incorporates the city's long-term credit characteristics as well as demonstrated market access to the capital markets. The Aa2 rating reflects the city's strong financial position reinforced by healthy stabilization fund reserves, a sizeable and diverse tax base, and an average debt burden with moderate future borrowing plans.

DEMONSTRATED HISTORY OF MARKET ACCESS

The city has demonstrated satisfactory market access, receiving six bids three bids on the most recent note sales dated June 24, 2010 and six bids on the city's July 7, 2008 note sale. All bids were received from major regional and national financial institutions. This history indicates the city's ability to refund these notes, if necessary, at their September 23, 2011 maturity.

FAVORABLE FINANCIAL POSITION WITH HEALTHY RESERVE LEVELS

Moody's expects Woburn 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 recorded a particularly large \$9 million surplus in 2007, benefiting from \$6.9 million of one-time sources including better-than anticipated reimbursement from the Massachusetts School Building Authority (MSBA rated Aa1/stable outlook) and a \$1.7 million reduction in accrued interest expenses through the refinancing of a Massachusetts Water Pollution Abatement Trust (MWPAT rated Aaa/stable outlook) loan. As a result of these windfalls and continued conservative budgeting, the General Fund closed the year with a \$15.2 million undesignated balance, equal to a strong 12.6% of revenues. Available funds (consisting of Unreserved General Fund balances and Stabilization Funds) increased by a lesser but still substantial \$3.6 million to \$23.6 million, or a solid 19.5% of revenues, due to the city's use of \$2.5 million of Stabilization Funds for high school-related capital projects. Despite the use of \$4.6 million in fiscal 2008, including a \$2 million increase in capital outlay, available reserves remained level over the previous year at a strong 19.5% of revenues, given stabilization

fund investment earnings.

In fiscal 2009 reserves experienced declines to still strong levels driven by both changes in accounting treatments and a modest operating deficit. Available fund balance declined significantly to 11.9% as a result of the creation of a General Fund reserve for future debt service related to the large MSBA reimbursement received in fiscal 2007 which reduced undesignated funds balance to \$6.4 million or 5.4% of revenues. Fiscal 2009 operations resulted in a deficit of \$1.67 million, given mid-year state aid reductions of \$726,000 and weak performance of motor vehicle excise revenues, despite favorable collections in hotel/motel taxes. While no free cash was used to balance the initial budget, the city appropriated \$474,000 of free cash during the fiscal year to finance some small capital projects, personnel overtime, and wage increases for non-instructional school department employees.

Fiscal 2010 unaudited results indicate a surplus of \$3.7 million, exclusive of the planned utilization of the city's debt service reserve to call school debt from reserve funds. As a result total General Fund balance (unaudited) declined by just \$724,000 rather than the \$4.5 million (the amount of the reserve) initially projected. Available funds as a percentage of revenues improved to 14.1% as undesignated revenues increased as a result of the operating surplus. 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. Implementation of these measures and use of available levy capacity allowed the city to end fiscal 2010 without the use of free cash or stabilization funds and contributed to the significant surplus as state aid was reduced by \$620,000 (\$2.2 million less than what was projected).

Additional flexibility is provided by a reserve held outside the General Fund of \$4.5 million that was originally generated by levying a property tax debt exclusion in excess of annual debt service requirements related to the high school and White school projects; these funds are restricted to paying debt service on those projects and will be depleted over the life of the bonds. Management restrained expenditure growth again in 2011 with level education assessments and increased health care co-pays, preventing the use of free cash to balance the budget or significant use of levy capacity. Going forward, continued conservative budgeting practices and a commitment to maintaining adequate financial cushion should continue to support a solid financial position.

A January 1, 2011 actuarial study of Woburn's retirement system indicated a 68% funding level but like many communities, recent market losses drove declines from its highest funding level of 85.6% in January 2000. The city's OPEB liability was recently valued at \$138 million. Recent legislation passed by the Massachusetts General Assembly allows municipalities to now establish trusts for the purpose of prefunding the liability. Woburn has not yet established a trust but has begun to internally designate its annual Medicare reimbursements for this purpose. Planned contributions of \$200,000 to \$400,000 annually represent a fraction of the \$7.77 million pay-as-you-go outlay. Given the constraints under Proposition 2 ½ and limited flexibility to alter benefits, Moody's believes Woburn, like most Massachusetts communities, will be challenged to fully meet OPEB ARC payments.

FAVORABLE LOCATION AND COMMERCIAL PRESENCE LENDS STABILITY

Moody's expects that Woburn's sizeable \$6.3 billion tax base may continue to exhibit modest contraction given cooling of regional real estate markets, but believes the city's favorable location and notable commercial presence should insulate the city from large declines. 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. Following several years of strong industrial and commercial growth as well as appreciation of existing homes, which drove average annual equalized growth of 10.2% from 2002 to 2008, fiscal 2009 and 2010 assessments (based on January 1 prior year values) declined by a modest 2.1% and 3.1%, respectively. Management reports development throughout the city has slowed and calculates fiscal 2011 new growth revenues significantly lower than amounts received in recent years. The city's resident income levels approximate commonwealth medians, and the \$172,052 equalized value per capita is significantly higher than the commonwealth median, reflecting the large commercial and industrial presence. Unemployment levels at 8.9% as of September 2010 remain below state and national measures of 9.3% and 10.2%, respectively.

DEBT POSITION TO REMAIN MANAGEABLE

Moody's anticipates that the city's average 1.1% direct debt burden will remain manageable given an average rate of principal retirement (68.3% within 10 years) and moderate future borrowing plans. The debt service

claim on expenditures in fiscal 2010 comprised an affordable 6.7% of total expenditures. The city's overall debt burden rises to a slightly above average 2.7% after including overlapping obligations of the Massachusetts Water Resource Authority (senior lien revenue bonds rated Aa1/negative outlook), MWPAT (revenue bonds rated Aaa/stable outlook), Massachusetts Bay Transportation Authority (revenue bonds rated Aa1/stable outlook), and Middlesex County. Woburn has authorized \$33 million for water projects and plans to leverage state revolving loan funds and low-interest Massachusetts Water Resource Authority loans for \$26.5 million. The city also is planning a school project, partly funded with the proceeds from this sale, for approximately \$20 million with approximately 53% funded with state grants. Though these projects represent a substantial addition to the city's debt, management expects related debt service to be supported by water rates. The city exclusively issues fixed rate debt and is not party to any derivative agreements.

WHAT COULD CHANGE THE RATING (UP):

- Growth in taxable assessed valuation
- Improved demographic profile
- Maintenance or growth of current reserve levels relative to budgetary expansion

- Accelerated payout of debt burden

WHAT COULD CHANGE THE RATING (DOWN):

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

KEY STATISTICS

2008 Estimated Population: 36,871 (-1% since 2000 census)

2010 Equalized Valuation: \$6.3 billion

2010 Equalized Value Per Capita: \$168,825

Overall Debt Burden: 2.7%

Amortization of Principal (10 years): 68.3%

FY09 General Fund balance: \$15.4 million (13.4% of General Fund revenues)

FY09 Available Reserves (Unreserved General and Stabilization Funds): \$16.4 million (14.3% of general fund revenues)

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

FY10 Available Reserves (Unaudited Unreserved General and Stabilization Funds): \$17 million (14.1% 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-refunding General Obligation Bonds Outstanding: \$48.1 million

The principal methodology used in this rating was General Obligation Bonds Issued by US Local Governments, published in October 2009.

REGULATORY DISCLOSURES

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

Moody's Investors Service considers the quality of information available on the credit satisfactory for the purposes of assigning a credit rating.

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.

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

The date on which some Credit Ratings were first released goes back to a time before Moody's Investors Service's Credit Ratings were fully digitized and accurate data may not be available. Consequently, Moody's Investors Service 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 the Credit Policy page on Moodys.com for the methodologies used in determining ratings, further information on the meaning of each rating category and the definition of default and recovery.

Analysts

Josellyn Yousef
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
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 MJKK. 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.

MJKK 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.