

Rating Action: Moody's assigns MIG 1 to Framingham, MA's \$12.4M GO BANs

Global Credit Research - 03 Jun 2014

Affirms Aa2 rating on \$82.4 million of GO debt outstanding

New York, June 03, 2014 --

Moody's Rating

Issue: General Obligation Bond Anticipation Notes; Rating: MIG 1; Sale Amount: \$12,379,410; Expected Sale Date: 06-05-2014; Rating Description: Note: Bond Anticipation

Opinion

Moody's Investors Service has assigned a MIG 1 short-term rating to the Town of Framingham's (MA) \$12.4 million General Obligation Bond Anticipation Notes (dated June 17, 2014 and payable December 12, 2014). Concurrently, we have affirmed the Aa2 rating on \$124 million of the town's previously-issued general obligation long-term debt. The current issue is secured by the town's limited general obligation tax pledge, as debt service has not been voted exempt from the levy limitations of Proposition 2 ½. Proceeds will be used to fund various capital improvements focused primarily on water, sewer, and roadway improvements.

SUMMARY RATINGS RATIONALE

The MIG 1 rating reflects the town's strong fundamental credit characteristics, as mirrored in its long-term rating, ample projected liquidity at time of takeout, and demonstrated history of market access.

The Aa2 underlying rating reflects the town's satisfactory financial position with improving cash balances, sizeable tax base with above average wealth indicators, and elevated debt profile.

STRENGTHS

- Sizeable tax base located on major transportation routes
- Improving reserve levels
- Above average wealth indices

CHALLENGES

- Reliance on annual free cash appropriation to supplement budget
- Elevated debt burden with moderate future planned borrowings

WHAT COULD CHANGE THE RATING UP

- Maintenance of structurally balanced operations and increased reserve levels
- Significant tax base growth

WHAT COULD CHANGE THE RATING DOWN

- Reduction of General Fund Balance and free cash
- Deterioration of the town's tax base
- Failure to address long term pension and OPEB obligations
- Significant growth in debt burden above projected levels

RATING METHODOLOGY

The principal methodology used in the short-term rating was US Bond Anticipation Notes published in April 2014. The principal methodology used in the long-term rating was US Local Government General Obligation Debt published in January 2014. Please see the Credit Policy page on www.moody.com for a copy of these methodologies.

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Thomas Bradford Compton
Analyst
Public Finance Group
Moody's Investors Service, Inc.
60 State Street
Suite 700
Boston, MA 02109
U.S.A.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

Malcolm Thompson
VP - Senior Credit Officer
Public Finance Group
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

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