

New Issue: Framingham (Town of) MA

MOODY'S ASSIGNS A1 RATING TO THE TOWN OF FRAMINGHAM'S (MA) \$7.8 MILLION G.O. BONDS AND MIG 1 TO \$24.8 MILLION BANS

A1 RATING AFFECTS \$72.6 MILLION G.O. DEBT

Municipality
 MA

Moody's Rating

ISSUE	RATING
General Obligation Municipal Purpose Loan of 2009 Bonds	A1
Sale Amount	\$7,300,000
Expected Sale Date	06/04/09
Rating Description	General Obligation
General Obligation Bond Anticipation Notes, Series A	MIG 1
Sale Amount	\$2,545,000
Expected Sale Date	06/10/09
Rating Description	Bond Anticipation Notes
General Obligation Bond Anticipation Notes, Series B	MIG 1
Sale Amount	\$22,276,076
Expected Sale Date	06/10/09
Rating Description	Bond Anticipation Notes

Opinion

NEW YORK, Jun 9, 2009 -- Moody's Investors Service has assigned an A1 rating to the Town of Framingham's \$7.8 million General Obligation Municipal Purpose Loan of 2009 Bonds and MIG 1 ratings to \$2.5 million General Obligation Bond Anticipation Notes, Series A (dated June 19, 2009 and payable December 17, 2009) and \$22.2 million General Obligation Bond Anticipation Notes, Series B (dated June 19, 2009 and payable June 18, 2010). Concurrently, Moody's has affirmed the town's A1 long-term general obligation bond rating affecting approximately \$64.8 million of outstanding debt. The majority of the bonds and notes are secured by Framingham's general obligation limited tax pledge, as debt service has not been excluded from the levy limitations of Proposition 2 ½, and are issued to retire maturing BANs originally financing municipal capital projects. Of the notes, \$3.3 million are secured by the town's unlimited tax pledge as debt service for the high school renovation project have been voted exempt from the limitations of Proposition 2 ½. The remainder of the notes are issued to retire \$4.9 million in maturing BANs and provide \$19.9 million in new money, short-term financing for various capital projects including school, park and library renovation, water and sewer system improvements and well reactivation. The MIG 1 rating incorporates the town's satisfactory history of access to the capital markets as well as its above-average long-term credit profile. Affirmation of the A1 rating reflects of the town's sizeable and diverse tax base, narrow financial reserve levels, wealth characteristics above state and national medians, and a satisfactory debt position.

DEMONSTRATED MARKET ACCESS

Framingham has demonstrated access to the capital markets, having received four bids on its most recent note sale, dated June 20, 2008, seven bids on each of its November 2007 and June 2007 note sales and nine bids on its November 2006 sale. Bids were received from major local and regional financial institutions. Moody's believes that this history indicates the town's ability to refund this note issue, if necessary, at the December 2009 and June 2010 maturities.

STRAINED FINANCIAL POSITION INTENSIFIED BY STATE AID REDUCTIONS

Moody's believes Framingham's financial strength will remain challenged. Structural imbalance has eroded the town's financial position as ongoing reliance on free cash to support operations has produced five

consecutive reserve declines through fiscal 2008. Furthermore as revenue growth diminishes, compounded by significant declines in state aid, expenditure pressures persist, particularly related to education and employee benefits. Although the decline in fiscal 2008 was a modest \$249,000, significantly lower than the \$1.48 million average deficit in the four prior years, available reserves (unreserved General Fund and Stabilization Fund) remain slim at \$8 million and represent only 3.8% of annual General Fund revenues, significantly lower than 5.9% in fiscal 2003. Expenditure budget cuts totaling \$1.2 million were enacted in this year and balanced operations are projected for fiscal 2009 after absorbing a \$1.2 million mid-year state aid reduction and projections for underperforming local receipts. Available reserves are anticipated to remain narrow at levels roughly equivalent with fiscal 2008, and progress has stalled in achieving management's goal to maintain 5% of budget in the Stabilization Fund. Layoffs and a town-wide hiring freeze, spurred by the fiscal 2009 reductions, will be maintained in fiscal 2010 and the total budget appropriation is \$1.1 million less, a drop of approximately 2.5% from the initial fiscal 2009 budget, due in part to a further reduction in state aid of \$2.9 million. The town may face additional pressure to fund settlements for several collective bargaining contracts which expired in June 2008. Additionally, the town's OPEB liability, estimated at \$173 million (assuming an 8% discount rate) indicates retiree health care obligations will be an increasing burden on future budgets. Future budgets are also expected to be stressed as revenue growth, outside of proposed state legislation allowing local-option meals and room occupancy taxes, is anticipated to be minimal. Going forward, the town's credit strength will heavily weigh the town's progress towards maintaining balanced operations and adequate reserve levels.

SIZEABLE AND DIVERSE TAX BASE WITH LONG-TERM REDEVELOPMENT POTENTIAL

Moody's believes that Framingham's \$9.5 billion tax base will continue to benefit from its favorable location, and healthy commercial and industrial presence but notes a weakened real estate market may depress values in the near term. Despite relatively healthy new growth construction activity, the town's overall assessed valuation declined by 0.8% in fiscal 2009 due to slumping residential real estate values. Assessed values are again expected to decline by a substantial 10% in fiscal 2010, and new growth activity, outside of a new \$1.9 million utility valuation, is expected to be modest. While bank foreclosure activity has increased, tax collections are holding steady and are projected to total at least 98% at fiscal year-end, which is consistent with prior years. The town is considering the sale of up to \$3.4 million in tax liens, although many delinquent taxpayers are expected to pay overdue amounts directly to the town prior to the sale date. The town's proximity to Boston (rated Aa1/stable outlook), with ample highway and rail access, lends stability and vibrancy to its tax base. The town is well-diversified with nearly 22% of the base in the commercial and industrial sectors. The town's large commercial component is centered on a regional shopping mall and big-box retail outlets where town officials report low vacancy rates.

Management expects development efforts to continue at a modest pace, primarily through redevelopment and expansion of existing commercial properties. Progress has stalled at the Arcade at Downtown Framingham, one of the town's largest potential redevelopment projects, although a Massachusetts Bay Community College plans to expand its downtown presence. Other significant developments either planned or underway include the Dennison Mill Rehabilitation—a mixed use development with 180 units of housing; The Villages at Danforth Farms, a mixed apartment and condominium development; and the expansion of Genzyme Corporation's research laboratory, a project expected to add nearly \$10 million in assessed value in coming years. Also, contributing the town's well diversified tax base is the stable corporate presence of Staples, Inc. (senior unsecured rated Baa2/stable), Bose Corporation and TJX Companies Inc. (senior unsecured rated A3/negative outlook) and Gulf Oil/Cumberland Farms, employing approximately 9,700 employees combined.

Framingham's wealth indices have been declining, relative to state and national norms, throughout the last two decades. Currently the median family (MFI) and per capita incomes (PCI), as a percent of the nation, are 134% and 128%, respectively. Equalized value per capita is strong at \$147,165 for fiscal 2009, reflecting the town's solid residential base and large commercial sector.

SOUND DEBT POSITION SUPPORTED BY STATE SCHOOL AID AND ENTERPRISE REVENUE

Moody's expects that Framingham's average 2.7% overall debt burden will remain manageable given both the continued self-support of the water and sewer obligations and the substantial funding of the school construction program through commonwealth grants. Adjustments for commonwealth construction aid and overlapping debt for regional water, sewer, transportation and vocational/technical education bring the town's adjusted debt burden to an affordable 2.5% of equalized value. Principal is retired at an above-average rate of 80.4% within 10 years. The town has a multi-year capital improvement plan, which conforms to management's informal targeted goal of maintaining net debt service within 5% of expenditures. Future projects will primarily address sizeable maintenance needs, fleet replacement, road improvements, and enterprise infrastructure repair—which are expected to be self-supporting.

KEY STATISTICS:

2007 Estimated Population: 64,786 (-3.2% since 2000 census)

2009 Equalized Value: \$9.5 billion

2009 Equalized Value Per Capita: \$147,165

1999 Per Capita Income: \$27,758 (107% of MA; 128% of U.S.)

1999 Median Family Income: \$67,420 (109% of MA; 134% of U.S.)

2008 General Fund Balance: \$5.7 Million (2.7 % of revenues)

2008 Undesignated Fund Balance: \$2.8 Million (1.4% of revenues)

2008 Available Reserves: \$8 Million (3.8% of revenues)

Adjusted Debt Burden: 2.5%

Principal Amortization in 10 years: 80.4%

General Obligation Long-Term Debt Outstanding: \$64.8 Million

METHODOLOGY AND LAST RATING ACTION TAKEN

The principal methodology used in rating the Town of Framingham's current issues was "Local Government General Obligation and Related Ratings," which can be found at www.moody.com in the Credit Policy & Methodologies directory, in the Index of Special Reports - U.S. Public Finance. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Credit Policy & Methodologies directory.

The last rating action was on June 11, 2008 when a MIG 1 short-term rating was assigned to Framingham's bond anticipation notes and the town's long-term A1 rating was affirmed.

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