

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's assigns Aa2 to Framingham, MA's \$21.1M GO Bonds and MIG 1 to \$21M GO BANs

Global Credit Research - 14 Nov 2014

Affirms Aa2 rating on \$90 million of GO debt outstanding

New York, November 14, 2014 --

Moody's Rating

Issue: General Obligation Bond Anticipation Notes; Rating: MIG 1; Sale Amount: \$20,977,117; Expected Sale Date: 12-12-2014; Rating Description: Note: Bond Anticipation

Issue: General Obligation Municipal Purpose Loan of 2014 Bonds; Rating: Aa2; Sale Amount: \$21,074,000; Expected Sale Date: 11-26-2014; Rating Description: General Obligation

Opinion

Moody's Investors Service has assigned a Aa2 rating to the Town of Framingham's (MA) \$21.1 million General Obligation Municipal Purpose Loan of 2014 Bonds. Concurrently, Moody's has assigned a MIG 1 rating to \$21 million General Obligation Bond Anticipation Notes (dated December 12, 2014 and payable December 11, 2015). We have also affirmed the Aa2 rating on \$90 million of the town's previously-issued general obligation long-term debt. The bonds and notes are general obligations of the town, secured by a limited general obligation tax pledge, as debt service has not been voted exempt from the levy limitations of Proposition 2 ½. Proceeds from the bonds and notes will be used to fund various capital improvements focused primarily on water, sewer, and roadway improvements.

SUMMARY RATINGS RATIONALE

The Aa2 underlying rating reflects the town's sizeable and diverse tax base which benefits from a strong commercial presence and favorable location in Greater Boston. The rating further incorporates a healthy financial position with improving reserves and an above average debt profile.

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 status as a frequent issuer of bonds and notes.

STRENGTHS

- Sizeable and diverse tax base located on major transportation routes
- History of structurally balanced operations
- Improved reserve levels
- Above average wealth indices

CHALLENGES

- Historical, albeit declining, reliance on annual free cash appropriation to reduce levy,
- Elevated debt burden with moderate future planned borrowings

WHAT COULD CHANGE THE RATING UP

- Maintenance of structurally balanced operations
- Continued increase in reserves
- Reduced reliance on free cash appropriations

-- 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

Principal Methodology Used

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

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