MOODY'S
INVESTORS SERVICE

New Issue: "REVISED" CORRECTION TO HEADLINE AND TEXT, JUNE 1, 2011 RELEASE: MOODY'S ASSIGNS Aa2 RATING TO TOWN OF FRAMINGHAM'S (MA) $34.3 MILLION G.O. BONDS AND MIG 1 RATING TO $33.1 MILLION G.O. BANS

Global Credit Research - 01 Jun 2011

LONG-TERM Aa2 RATING AFFECTS $111 MILLION OF OUTSTANDING G.O. DEBT, INCLUDING CURRENT ISSUE

Municipality
MA

Moody's Rating

ISSUE		RATING
General Obligation Bond Anticipation Notes		MIG 1
Sale Amount	$33,100,000	
Expected Sale Date	06/07/11	
Rating Description	Bond Anticipation Notes	
General Obligation Municipal Purpose Loan of 2011 Bonds		Aa2
Sale Amount	$34,300,000	
Expected Sale Date	06/07/11	
Rating Description	General Obligation	

Opinion

NEW YORK, Jun 1, 2011 -- This press release corrects and replaces the press release issued on June 1, 2011. The par amounts for the Town of Framingham's General Obligation Municipal Purpose Loan of 2011 Bonds and General Obligation Bond Anticipation notes have been updated to reflect the correct amount issued. The revised press release follows below.

Moody's Investors Service has assigned a Aa2 rating to the Town of Framingham's $34.3 million General Obligation Municipal Purpose Loan of 2011 Bonds and a MIG 1 rating to the town's $33.1 million General Obligation Bond Anticipation Notes (dated June 17, 2011 and payable June 15, 2012). Concurrently, Moody's has affirmed the town's Aa2 long-term general obligation bond rating, affecting approximately $111 million of outstanding long-term debt. The bonds and BANs, are secured by Framingham's limited general obligation tax pledge as debt service was not voted exempt from the limitations of Proposition 2 ½ by the town's voters. Proceeds from the issuance will be used to finance various town wide capital projects.

SUMMARY RATING RATIONALE

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 Aa2 rating reflects of the town's sizeable and diverse tax base, narrow financial position with limited flexibility, wealth characteristics above state and national medians and a satisfactory debt position.

STRENGTHS

-Sizable tax base.

-Favorable demographic profile.

CHALLENGES

-Declines in state aid.

DETAILED CREDIT DISCUSSION

DEMONSTRATED MARKET ACCESS

Framingham has demonstrated satisfactory access to the capital markets, having received four bids on its most recent note sale, dated June 18, 2010, seven bids on its previous note sale, dated December 17, 2009, and three bids each on its note and bond sales, each dated June 19, 2009. 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 June 2012 maturity.

FINANCIAL POSITION MARKED BY SLIM RESERVES

Moody's believes that although Framingham has maintained stable credit strength through the economic downturn, the town's financial strength will remain challenged in the medium term. Operations in fiscal 2009 produced an operating deficit of roughly $797,000 and available reserves (unreserved General Fund and Stabilization Fund) dropped to a very slim $6.9 million, or only 3.2% of annual General Fund revenues, down from a more satisfactory 5.9% in fiscal 2003. Favorably, layoffs and a town-wide hiring freeze, as well as other departmental expenditure reductions, have somewhat stabilized expenditure growth and in fiscal 2010 the town produced its first operating surplus ($1.2 million) in six years. Available fund balance grew to $9.1 million (4.1%of General Fund revenues) in fiscal 2010, the stabilization fund grew to $5.8 million from

$4.9 million and the town's free cash certification increased by $200,000 to $2.0 million.

The fiscal 2011 budget increased expenditures by a moderate 3.7% and is balanced by property tax increases as allowed under Proposition 2 ½ and a $3.3 million increase in state aid due to a shift in the commonwealth's funding formula more favorable to Framingham's demographic profile. The budget also includes a free cash appropriation of $1.5 million, the maximum allowed under the town's financial management policies, in support of the fiscal 2011 operating budget.

The town projects a $1.4 million surplus in fiscal 2011 that will be appropriated to the stabilization fund. Moody's believes that the town will be pressured to fully replenish its reserve appropriation, as revenue and expenditure budgeting assumptions remain tight after years of fiscal stress.

Although Framingham recently adopted legislation mandating retiree participation in Medicare after reaching age 65, the town's OPEB liability, estimated at $173 million (assuming an 8% discount rate) will continue to be an increasing burden on future budgets. Going forward, the town's credit strength will heavily weigh its progress towards maintaining balanced operations and replenishing reserves to levels equivalent to similarly-rated communities. The town does pay 100% of its ARC, at approximately $2.5 million last year.

RECENT DECLINES IN TAX BASE

Moody's believes that Framingham's $8.4 billion tax base will continue to benefit from its favorable location and healthy commercial and industrial presence but notes a weakened real estate market has depressed values. Despite relatively healthy new growth construction activity, the town's overall assessed valuation declined by 0.7% in fiscal 20010 due to slumping residential real estate values. Assessed values declined by 6% from fiscal 2010 to 2011, reflecting market values as of January 1, 2010, while new growth activity remains modest. While bank foreclosure activity has increased, current-year tax collections are holding steady and are projected to total at least 99% at fiscal year-end, which is consistent with prior years. Overall tax collections are healthy due to the sale of $1.8 million in tax titles. The town's proximity to Boston (rated Aaa/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. 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 the medium term. Also, contributing to the town's well diversified tax base is the stable corporate presence of Staples, Inc. (senior unsecured rated Baa2/stable), Bose Corporation, TJX Companies Inc. (senior unsecured rated A3/stable 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 $130,182, reflecting the town's solid residential base and large commercial sector.

MODERATE DEBT PROFILE SUPPORTED BY SELF-SUPPORTING ENTERPRISES

Moody's expects that Framingham's 2.9% 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 2.7% of equalized value. Principal is retired at an above-average rate of 81.8% within 10 years. The town is updating its multi-year capital improvement plan, which is expected to conform to management's informal targeted goal of maintaining net debt service within 5% of expenditures. The town plans to issue roughly $1.3 million in general fund debt within the next 18 months as well as additional debt to support water and sewer system improvements. Framingham has no exposure to variable or auction rate debt or derivative agreements.

KEY STATISTICS:

2008 Estimated Population: 64,885 (-3% since 2000 census)

2010 Equalized Value: $8.4 billion

2010 Equalized Value Per Capita: $130,182

1999 Per Capita Income: $27,758 (107% of MA; 128% of US)

1999 Median Family Income: $67,420 (109% of MA; 134% of US)

2010 General Fund Balance: $6.2 Million (2.8 % of revenues)

2010 Undesignated Fund Balance: $3.2 Million (1.5% of revenues)

2010 Available Reserves: $9.1 Million (4.1% of revenues)

Adjusted Debt Burden: 2.7%

Principal Amortization within 10 years: 81.8%

Post-Sale General Obligation Long-Term Debt Outstanding: $111 Million

PRINCIPAL METHODOLOGY USED

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

REGULATORY DISCLOSURES

Information sources used to prepare the credit rating are the following: parties involved in the ratings, public information, and confidential and proprietary Moody's Investors Service information.

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

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