



New Issue: MOODY'S ASSIGNS MIG 1 TO THE TOWN OF WHITMAN (MA) \$10 MILLION GENERAL OBLIGATION BOND ANTICIPATION NOTES

Global Credit Research - 20 Apr 2010

AFFIRMS A2 ON THE TOWN'S \$3.4 MILLION OF OUTSTANDING GENERAL OBLIGATION DEBT

Municipality
MA

Moody's Rating

ISSUE	RATING
General Obligation Bond Anticipation Notes	MIG 1
Sale Amount	\$10,000,000
Expected Sale Date	04/22/10
Rating Description	BAN

Opinion

NEW YORK, Apr 20, 2010 -- Moody's Investors Service has assigned a MIG 1 rating to the Town of Whitman's (MA) \$10 million General Obligation Bond Anticipation Notes, Series 2010 (dated May 7, 2010 and due May 6, 2011). Moody's Investors Service has affirmed the A2 rating on the town's \$3.4 million in outstanding long-term debt, which is secured by both the town's general obligation limited (\$1.9 million) and unlimited (\$1.4 million) tax pledges. Debt service related to the town's outstanding unlimited tax debt has been voted exempt from the levy limitations of Proposition 2 ½. The A2 rating reflects the town's currently satisfactory financial position, despite declines in the General Fund driven by transfers to reserves and stabilization funds outside of the General Fund. It also incorporates the expectation that the town will face increased fiscal pressure over the near-term given the potential reduction in state aid and additional softening of market value growth. Additional rating factors are the town's satisfactory socio-economic profile and manageable debt burden. The assignment of Moody's highest quality short-term rating incorporates the town's underlying long-term credit characteristics and favorable history of market access.

DEMONSTRATED HISTORY OF MARKET ACCESS

The Town of Whitman has a satisfactory record of market access. The town received three bids for its April 2009 bond anticipation note sale, indicating historically favorable market interest. All bids were from major financial institutions providing reasonable expectation of ability to refinance these notes upon maturity.

HEALTHY RESERVE LEVELS; CHALLENGES MOVING FORWARD

Despite Whitman's current healthy reserve levels, continued draws on available reserves to support non-recurring purposes may place pressure on the town's credit quality. Although the majority of General Fund draws were for transfers to build reserves, the General Fund has experienced reserve reductions in four of the last five years partially driven by transfers to the town's Non-Major Governmental Funds and the Stabilization Fund. Fiscal 2008 ended with a \$487,000 reduction of General Fund balance including a transfer of \$769,000 to reserve funds outside of the General Fund. The General Fund balance declined to a still adequate \$1.5 million or 5.9% of revenues down from a healthier \$2.2 million or 9.4% of revenues in fiscal 2006. Total available reserves includes both the Unreserved General Fund and Stabilization Fund balances which ended fiscal 2008 with a satisfactory \$2.8 million (11.1% of General Fund revenues) down from a stronger \$3.8 million (15.5% of General Fund revenues) in fiscal 2006.). In addition, the town was forced to utilize \$1.6 million from free cash and capital stabilization account in fiscal 2008 towards a demolition of a building that was posing a health hazard, with costs exceeding initial projections.

Fiscal 2009 (unaudited) is expected to yield a significant \$994,000 General Fund balance reduction which was again partially related to transfers made to reserves outside of the General Fund. Total General Fund is expected to decline to a very narrow \$538,000 or 2.2% of General Fund revenues. While total available reserves are expected to end the year with a still satisfactory \$2.7 million or 11.0% of General Fund revenues in fiscal 2009, up slightly from previous years. The largest stabilization reserves held outside of the General Fund are expected to include the Debt Service Reserve for Town (\$755,000), Debt Service Reserve for the High School (\$1.2 million) and the Capital Stabilization

Reserve (\$691,000). The fiscal 2010 budget did not include an appropriation from reserves to balance the budget and fund balances are expected to approximate anticipated fiscal 2009 levels with uncommitted free cash of \$250,000. Management is currently assembling its fiscal 2011 budget and expects budgetary growth will be limited with no appropriation of reserves. Like other Massachusetts towns, management anticipates a state aid cut of approximately 4% of total state aid or \$133,000, management expects the cut will be offset by a salary freeze at 2010 levels. Moody's anticipates the town will continue to face financial pressure given state aid cuts and limited near-term growth of property tax receipts coupled with normal expenditure growth pressures such as pensions and healthcare. In addition, the current note borrowing has not been exempted from Prop 2 ½ and management may be challenged to accommodate new debt service.

TAX BASE DECLINES EXPECTED TO MODERATE

Moody's anticipates continued weakening over the medium-term in the Town of Whitman's primarily residential \$1.6 billion tax base given regional and national trends although declines are expected to moderate. The town is located in Plymouth County about 20 miles south of Boston (G.O. rated Aa1/stable outlook), serving as a bedroom community to the city. Over the past six years, the town's \$1.6 billion equalized value increased at a healthy 11.4% average annual rate; however recent assessment data show a decrease of 5.1% and 3.5% in 2009 and 2010, respectively, of assessed valuation. An old shoe factory is currently being remodeled for mixed-use real estate with approximately 113 residential rental properties. This new development drove an increase in total building permit value to \$20 million in 2009 from \$4 million in 2008. Residential income levels are compatible with the state median with per capita income of \$23,002 (88.6% of state) and median family income of \$63,706 (103.3% of state) and equalized value per capita is average at \$113,594.

MANAGEABLE DEBT POSITION TO CONTINUE DESPITE CURRENT BORROWING

Moody's expects that the town's debt position will remain manageable given its presently modest debt burden and average amortization of debt. Including the current short-term borrowing which will eventually be retired with long-term debt, the town's direct debt burden is a low 0.7% of equalized value and increases to 2.1% of equalized value when overlapping obligations are taken into account. Currently debt service payments account for a low 1.1% of annual expenditures, despite above average amortization of 85.5% of outstanding principal within 10 years (does not include current borrowing). The town does not have additional borrowing plans over the next five years. The town's outstanding debt consists entirely of fixed-rate obligations; Whitman is not party to any derivative or swap agreements.

KEY STATISTICS:

2008 Population: 14,447

2009 Equalized value: \$1.6 billion

1999 Per Capita Income (as a % of State and US): \$23,002 (88.6%, 106.6%)

1999 Median Family Income (as a % of State and US): \$63,706 (103.3%, 127.3%)

Direct debt burden: 0.7%

Overall debt burden: 2.1%

Adjusted debt burden: 1.3%

Payout of principal (10 years): 85.5%

2008 General Fund balance: \$1.5 million (6.1% of General Fund revenues)

2008 Available Reserves (Unreserved Undesignated General Fund and Stabilization Fund balance): \$2.9 million (11.4% of General Fund revenues)

2009 General Fund balance (unaudited): \$538,000 (2.3% of General Fund revenues)

2009 Available Reserves (Unreserved Undesignated General Fund and Stabilization Fund balance)(unaudited): \$2.7 million (11.5% of General Fund revenues)

RECALIBRATION OF RATING TO THE GLOBAL RATING SCALE; PRINCIPAL METHODOLOGY

The current long-term rating assigned to the Town of Whitman, MA was issued on Moody's municipal rating scale.

Moody's has announced its plans to recalibrate all U.S. municipal ratings to its global scale and therefore, upon implementation of the methodology published in conjunction with this initiative, the rating will be recalibrated to a global scale rating comparable to other credits with a similar risk profile. Market participants should not view the recalibration of municipal ratings as rating upgrades, but rather as a recalibration of the ratings to a different rating scale. This recalibration does not reflect an improvement in credit quality or a change in our credit opinion for rated municipal debt issuers. For further details regarding the recalibration please visit www.moody's.com/gsr.

The principal methodology used in rating the district was Moody's General Obligation Bonds Issued by U.S. Local Governments, published in October 2009 and available on www.moody's.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

The last rating action on the Town of Whitman, MA was on April 27, 2009 when the town's A2 rating was affirmed.

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