



New Issue: Moody's assigns Aa3 rating to the City of Brewer's (ME) \$21.3 million 2012 General Obligation Refunding Bonds

Global Credit Research - 04 Jun 2012

Aa3 rating affects \$21.4 million of post-refunding parity bonds outstanding

BREWER (CITY OF) ME
Cities (including Towns, Villages and Townships)
ME

Moody's Rating

ISSUE	RATING
2012 General Obligation Refunding Bonds	Aa3
Sale Amount	\$21,250,000
Expected Sale Date	06/15/12
Rating Description	General Obligation

Moody's Outlook NOO

Opinion

NEW YORK, June 04, 2012 --Moody's Investors Service has assigned a Aa3 rating to the City of Brewer \$21.3 million 2012 General Obligation Refunding Bonds. At this time, Moody's has also affirmed the Aa3 rating assigned to the city's \$50,000 in outstanding parity debt.

SUMMARY RATINGS RATIONALE

The bonds are secured by the city's limited property tax pledge as debt service is subject to LD 1 levy limitations. Bond proceeds will be used to refund various USDA loans and portions of city outstanding Series 2002 bonds for an expected net present value savings of 9.8% of refunded principal, with no change to the existing maturity schedule. The Aa3 rating reflects the city's satisfactory financial position, limited tax base with average wealth levels and an above average debt burden.

STRENGTHS

-Satisfactory fund balance reserves

CHALLENGES

-Limited tax base with moderate taxpayer concentration

-Above average debt burden

DETAILED CREDIT DISCUSSION

FINANCIAL POSITION EXPECTED TO REMAIN SOUND DUE TO WELL-MANAGED OPERATIONS

Moody's expects the city's trend of healthy financial operations to continue given management's conservative budgeting practices as reflected in the city's solid reserve levels. The city recorded surpluses in three of the last five years ended fiscal 2011, increasing General Fund balance to \$6 million, a healthy 17.8% of revenues, from \$5.4 million in fiscal 2007. The city reported a modest \$343,000 surplus in fiscal 2011 due to expenditure savings. Unassigned fund balance equaled \$3.4 million (10.2% of revenues) and the city maintained \$1.2 million in restricted fund balance for the school department.

The fiscal 2012 budget is relatively level to the prior year's budget and includes the use of \$1.8 million, mostly for school department needs, which is in line with prior years. Year-to-date, officials project positive city operations and a small deficit in the school department. Total fund balance is expected to decline by up to \$400,000, although unassigned should remain unchanged. Going forward, the fiscal 2013 budget represents a 1.9% increase over fiscal 2012 budgeted expenditures, largely attributed to a pay increase for employees. Offsetting the budgetary growth is a 1-mill tax rate increase. The budget also includes a \$1.7 million fund balance appropriation. Taxes are the city's primary source of revenue, making up 46% of total revenues in 2011, and intergovernmental revenues made up the second largest source at 36.7% in the same year.

SUBURBAN TAX BASE WITH HIGH TAXPAYER CONCENTRATION

A suburb of the City of Bangor (G.O. rated Aa2), Brewer is a mixed residential-commercial/industrial community with a modestly sized tax base of \$732 million. The full market value of the city's tax base has increased at an average annual rate of 1.6% during the past five years, which includes 1.2% and 0.8% declines in fiscal 2011 and 2012. Significant taxpayer concentration exists, as the top 10 taxpayers represent 19.1% of total tax base, although Moody's notes that concentration has declined slightly following the closure of ZF Lemforder, which closed in 2010 and had been the city's second largest taxpayer. City officials report that the plant has been purchased and is currently being redeveloped for a container manufacturer. Moving forward, the city expects the assessed valuation of the tax base to increase slightly in fiscal 2013 given an increase in permits. City income levels are strong, as seen by per capita income equal to 104.3% and 96.9%, respectively, of the statewide and national medians. Full value per capita of \$77,215 is below state and national averages.

ABOVE AVERAGE DEBT LEVELS EXPECTED TO REMAIN MANAGEABLE

Moody's anticipates that the city's above average debt burden of 2.5% will remain manageable given minimal future debt plans. The city plans to issue \$1.3 million for wastewater system projects later this year and \$1 million for the renovation of a school building in fiscal 2013. The city has an average principal amortization rate, with 62.8% of debt paid within 10 years, and debt service comprised 6.4% of fiscal 2011 operating expenditures. All of the city's debt is fixed rate and the city is not party to any derivative agreements.

WHAT COULD MOVE THE RATING UP

- Continued growth and diversification of tax base
- Development of and adherence to formal fiscal policies
- Significant increase in fund balance

WHAT COULD MOVE THE RATING DOWN

- Decreases in fund balance reserves
- Declines in tax base
- Increased debt burden

KEY STATISTICS

2010 Population: 9,482

2012 Full valuation: \$732 million

Full value per capita: \$77,215

1999 Per capita income (as % of state and US): \$26,482 (104.3% and 96.9%)

1999 Median family income (as % of state and US): \$44,556 (94.9% and 84.8%)

Net direct debt burden: 2.5%

Overall debt burden: 7.4%

Payout of Principal (10 years): 62.8%

FY 2011 General Fund Balance: \$6 million (17.8% of General Fund revenues)

FY 2011 Unassigned General Fund Balance: \$3.4 million (10.2% General Fund revenues)

Long-term G.O debt outstanding: \$41 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. Please see the Credit Policy page on www.moody.com for a copy of this methodology.

REGULATORY DISCLOSURES

The Global Scale Credit Ratings on this press release that are issued by one of Moody's affiliates outside the EU are endorsed by Moody's Investors Service Ltd., One Canada Square, Canary Wharf, London E 14 5FA, UK, in accordance with Art.4 paragraph 3 of the Regulation (EC) No 1060/2009 on Credit Rating Agencies. Further information on the EU endorsement status and on the Moody's office that has issued a particular Credit Rating is available on www.moody.com.

For ratings issued on a program, series or category/class of debt, this announcement provides relevant regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides relevant regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides relevant regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moody.com.

Information sources used to prepare the rating are the following: parties involved in the ratings, parties not involved in the ratings, and public information.

Moody's considers the quality of information available on the rated entity, obligation or credit satisfactory for the purposes of issuing a rating.

Moody's adopts all necessary measures so that the information it uses in assigning a rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

Please see the ratings disclosure page on www.moody.com for general disclosure on potential conflicts of interests.

Please see the ratings disclosure page on www.moody.com for information on (A) MCO's major shareholders (above 5%) and for (B) further information regarding certain affiliations that may exist between directors of MCO and rated entities as well as (C) the names of entities that hold ratings from MIS that have also publicly reported to the SEC an ownership interest in MCO of more than 5%. A member of the board of directors of this rated entity may also be a member of the board of directors of a shareholder of Moody's Corporation; however, Moody's has not independently verified this matter.

Please see Moody's Rating Symbols and Definitions on the Rating Process page on www.moody.com for further information on the meaning of each rating category and the definition of default and recovery.

Please see ratings tab on the issuer/entity page on www.moody.com for the last rating action and the rating history.

The date on which some ratings were first released goes back to a time before Moody's ratings were fully digitized and accurate data may not be available. Consequently, Moody's provides a date that it believes is the most reliable and accurate based on the information that is available to it. Please see the ratings disclosure page on our website www.moody.com for further information.

Please see www.moody's.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Analysts

Lauren Von Bargen
Lead Analyst
Public Finance Group
Moody's Investors Service

Susan Kendall
Additional Contact
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
USA



© 2012 Moody's Investors Service, Inc. and/or its licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. ("MIS") AND ITS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information

contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable, including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody's.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Any publication into Australia of this document is by MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657, which holds Australian Financial Services License no. 336969. This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001.

Notwithstanding the foregoing, credit ratings assigned on and after October 1, 2010 by Moody's Japan K.K. ("MJKK") are MJKK's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities. In such a case, "MIS" in the foregoing statements shall be deemed to be replaced with "MJKK". MJKK is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO.

This credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be dangerous for retail investors to make any investment decision based on this credit rating. If in doubt you should contact your financial or other professional adviser.