Moody's Investors Service

7 World Trade Center at 250 Greenwich Street
New York, New York 10007

November 18, 2008

Ms. Renee Fernandez-Abbott
City Treasurer
City of New Bedford
133 William Street
New Bedford, MA 02740

Dear Ms. Fernandez-Abbott:

We wish to inform you that on June 18, 2008, Moody's Rating Committee reviewed and assigned a rating of **MIG 1** to the City of New Bedford's Bond Anticipation Notes, Series 2008.

In order for us to maintain the currency of our ratings, we request that you provide ongoing disclosure, including annual financial and statistical information.

Moody's will monitor this rating and reserves the right, at its sole discretion, to revise or withdraw this rating at any time in the future.

The rating, as well as any revisions or withdrawals thereof, will be publicly disseminated by Moody's through normal print and electronic media and in response to verbal requests to Moody's ratings desk.

Should you have any questions regarding the above, please do not hesitate to contact me or the analyst assigned to this transaction, Susan Kendall, at 617-204-5634.

Sincerely,

Patrick Mispagel
Vice President/Senior Analyst

cc:
Ms. Cynthia McNerney
First Southwest Company
54 Canal Street, Suite 320
Boston, MA 02114

Moody's Investors Service

Global Credit Research
New Issue
18 JUN 2008

New Issue: New Bedford (City of) MA

MOODY'S ASSIGNS MIG 1 RATING TO NEW BEDFORD'S (MA) $11.2 MILLION BANS

A3 LONG-TERM RATING AFFECTS TOTAL OF $100 MILLION OF OUTSTANDING LONG-TERM GOLT DEBT; $88 MILLION ALSO CARRIES ENHANCED Aa3 RATING WITH STABLE OUTLOOK

Municipality
MA

Moody's Rating

ISSUE	RATING
Bond Anticipation Notes, Series 2008	MIG 1

Sale Amount $11,242,874
Expected Sale Date 06/19/08
Rating Description Bond Anticipation Notes

Opinion

NEW YORK, Jun 18, 2008 -- Moody's Investors Service has assigned a MIG 1 rating to the city's $11.2 million Bond Anticipation Notes, dated June 27, 2008 and due February 13, 2009. Moody's has also affirmed the city's long-term bond rating of A3, affecting approximately $100 million of previously-issued general obligation, limited tax (GOLT) debt. Of the outstanding GOLT bonds, roughly $88 million also carries the Massachusetts Qualified Bond Program's enhanced rating of Aa3 with a stable outlook. The notes are secured by the city's general obligation, limited tax pledge, as debt service has not been exempted from the levy limitations of Proposition 2 ½. Proceeds of the notes renew maturing BANs originally issued for the Keith School project, water meter installation and equipment purchases. The A3 long-term rating incorporates the city's sizeable tax base with below-average wealth and income levels, satisfactory financial position despite likely fund balance declines, and affordable debt burden. The MIG 1 short-term rating reflects the city's improved underlying long-term credit characteristics, a history of demonstrated capital market access and Moody's expectation that the notes will be permanently financed by State Qualified Bonds.

DEMONSTRATED MARKET ACCESS

New Bedford is a frequent issuer of long- and short-term debt, the majority of which benefits from the city's authorization to issue bonds under the commonwealth's qualified bond program (QBP). The city received four bids on its most recent note sale, dated February 7, 2008 and six and five bids on its two prior note sales, dated December 14, 2007 and June 7, 2007, respectively. All bids were received from major regional and financial institutions; this history indicates the city's ability to refund the notes, if necessary, at their February 2009 maturity. Moody's expects the city's access to the market to be further enhanced by qualification of the take-out bonds under the QBP.

MAJORITY OF DEBT ENHANCED BY MASSACHUSETTS QUALIFIED BOND PROGRAM

The enhanced Aa3 rating and stable outlook assigned to approximately $88 million of New Bedford's outstanding bonded debt, reflect the credit enhancement provided by the Commonwealth of Massachusetts' Qualified Bond Program. The program is a direct-payment system whereby the Commissioner of Revenue authorizes the State Treasurer to deduct from the city's quarterly state aid payments an amount sufficient to meet the city's debt service on qualified securities. In fiscal 2009 New Bedford is expected to receive aid from the commonwealth totaling more than 17 times the city's maximum projected obligation for debt service on the enhanced bonds. The State Treasurer makes debt service payments directly to a state-approved paying agent on behalf of the city. Moody's believes that the commonwealth's strong commitment to state aid for municipalities and the program's sound payment mechanisms, which do not rely on the trigger of a notice of potential default, enhance the likelihood of full and timely debt service payment. The programmatic rating is linked to the commonwealth's general obligation rating, which is one rating notch higher at Aa2 with a stable outlook.

TRANSFER TO STABILIZATION BOLSTERS AVAILABLE RESERVES

Moody's expects New Bedford's fiscal profile to remain satisfactory, recognizing significant augmentation of available reserve levels in compliance with the city's policy to maintain combined free cash and stabilization fund between 5-10% of budget. Additionally, the city has pursued one-time opportunities for revenue enhancement and has implemented sound management practices designed to control expenditures, notably recent competitive bidding of employee health insurance. After several years with no certification, New Bedford has issued bonds to resolve deficits in several capital project accounts and has had its free cash certified as available for appropriation by the commonwealth at approximately $2.6 million and $8.5 million at fiscal 2006 and 2007 year-end, respectively. Given the city's inability to appropriate free cash, budgets have been structurally balanced. Moving forward,the maintenance of structural balance will be critical to maintaining the city's financial strength as current ($3.75 million for the fiscal 2008 budget) and future appropriations, if unreplenished, could erode fund balance. Fiscal 2007 results show a fifth consecutive operating surplus of $3 million, prior to a transfer of nearly all of the surplus to the stabilization fund, with stable general fund balance of $26 million, a solid 10.3% of general fund revenues, which has improved significantly from $14.5 million or an adequate 6.8% of revenues in fiscal 2002.

City officials project balanced operations in fiscal 2008 with revenues showing an overall modest surplus and expenditures running close to budget, with the exception of a small over expenditure in the snow and ice removal line. However, general fund and free cash balances are likely to decline primarily due to a $4.7 million transfer to the stabilization fund. The city's $7.5 million Stabilization Fund is legally available for any purpose, providing additional flexibility and a cushion against unanticipated financial pressures, but is currently earmarked for future debt service related to school construction projects currently in the planning phase. Another source of flexibility is the city's $2.6 million fiscal 2008 property tax levy capacity under Proposition 2 ½, which is expected to be fully tapped to balance the fiscal 2009 budget. Management reports that the city has recently separated its water and airport operations into discrete enterprise funds; the water enterprise is self-supporting, however the airport fund was expected to receive a modest $34,000 subsidy in fiscal 2008. The mayor's fiscal 2009 budget is balanced without an appropriation of free cash and has been delivered to the city council, and includes a minimal 0.75% overall expenditure increase over the fiscal 2008 budget. However, escalating personnel-related fixed costs have pressured spending in most departments and the city has exhausted its remaining property tax margin, which could impair financial flexibility in future budgets.

Moody's believes the city will be challenged to maintain service levels as well as structural balance and financial flexibility given anticipated growth in salary-related expenditures, including an increasing pension system assessment, in an anticipated year of flat state revenues and more moderate property tax growth. The city plans to comply with GASB 45 reporting requirements and has undertaken an actuarial study which identifies an unfunded liability of $225 million for other post employment benefits (OPEB), which is primarily due to retiree health insurance. New Bedford's pay-as-you-go OPEB expense is roughly $18 million in fiscal 2008, significantly lower than the annual required contribution (ARC) of $30 million, which amortizes the unfunded liability over 30 years, as identified in the study. The city has no plans to establish a trust for OPEB or to fund the unfunded liability.

City officials have historically issued RANs ($10 million in fiscal 2008) to allow prepayment of the city's pension obligations, yielding significant savings in avoided interest charges from the retirement system; city officials report similar levels of RAN borrowing are anticipated in fiscal 2009.

WATERFRONT EXPANSION CONTINUES; AMPLE OPPORTUNITY FOR REDEVELOPMENT

New Bedford, located on Buzzards' Bay on the southeast shore of Massachusetts, is a local industrial center and a major regional fishing port with a deep water harbor. Moody's believes that the city's tax base will sustain additional growth but at a more moderate pace, reflecting both solid new development and regional and national market declines. The fiscal 2008 assessed valuation increased by a modest 0.7% to $6.6 billion, far below the annual average increase of 14.9% since fiscal 2002 but inline with regional growth trends. The city has enjoyed annual new growth revenue averaging over $1.8 million since fiscal 2000 due to steady residential tax base growth and appreciation as well as commercial growth and industrial expansion as tax increment financing incentives expire. Moody's anticipates that the tax base will continue to expand, albeit at more moderate levels, in all sectors due to ample redevelopment opportunities, particularly in former mill properties along the Acushnet River, proposed enhancement of the regional airport, improved service offered by the high-speed ferry for passengers and freight to Martha's Vineyard. A proposed extension of the commuter rail from Boston (GO rated Aa1/stable outlook) could further fuel growth in all sectors. City officials project a decline in total assessed valuation of roughly 5% for fiscal 2009, reflecting regional weakness in residential valuations, and new residential construction has slowed in several 100+ unit developments of $250,000 single-family homes in the city's North End, which provide an affordable residential location for Boston commuters. However, overall growth continues as shown by year-to-date building permit activity, which exceeds that in 2007. Improvements at the city-owned airport are expected to support the vibrant commercial fishing industry by allowing direct shipment of fishing products from the city. Continued tax base development and the expected additional property tax revenues are particularly important to the city's credit profile as the city has historically maintained slim excess levy capacity under Proposition 2 ½.

In the past five years the city's large industrial park has added 10 companies and 700,000 square feet of developed property and gained 1,600 employees. Major employers include St. Luke's Hospital (3,300), Polaroid Corporation (1,700) and American Flexible Conduit (550). Management reports that redevelopment of the city's downtown district is underway as older commercial buildings are redeveloped into student housing for nearby University of Massachusetts-Dartmouth facilities. However, New Bedford socioeconomic indices are significantly weaker than the state as evidenced by per capita income 60% and median family income 58% of state medians. The poverty rate is 20.2% and unemployment consistently exceeds the commonwealth's unemployment rate. The equalized valuation per capita is a modest $68,531, well below the commonwealth and national medians.

MANAGEABLE DEBT PROFILE WITH FUTURE SCHOOL CONSTRUCTION NEEDS

Moody's anticipates that the city's debt position will remain affordable given significant levels of self-supporting debt and anticipated commonwealth grants in support of school construction projects, as well as limited borrowing plans. New Bedford's overall debt burden is a moderate 2.2%, which includes a small amount ($3 million) of overlapping vocational high school and regional refuse system district debt. After significant (90%) anticipated commonwealth school building aid is deducted, New Bedford's overall debt burden drops to a more manageable 1.9%. Amortization of long-term principal, including $139 million in wastewater system loans from the Massachusetts Water Pollution Abatement Trust (rated Aaa/stable outlook), is below average at 56.9% in 10 years, and debt service claims a modest level of General Fund expenditures (4.2% in fiscal 2007). Water and sewer rates are adjusted annually to maintain the self-supporting nature of the water and wastewater enterprise funds. Water and sewer upgrades ($126 million) and school projects ($136 million) represent the majority of the $270 million in outstanding debt authorizations.

KEY STATISTICS

2006 Population (est, US Census): 92,538 (-1.3% from 2000)

2007/8 Equalized Valuation: $6.3 billion

Average Annual Equalized Value Growth (2001-2007): 14.4%

2007 Equalized Value Per Capita: $68,531

Overall Debt Burden (adjusted): 1.9%

Amortization of Principal (10 years): 56.9%

FY07 General Fund Balance (unaudited): $25.7 million (10.3% of General Fund revenues)

FY07 Available Reserves (unaudited): $30.7 million (12.3% of General Fund revenues)

1999 Per capita income: $15,602 (60% of MA, 72% of US)

1999 Median Family income: $35,708 (58% of MA, 71% of US)

General Obligation long-term debt outstanding: $100 million

State Qualified long-term debt outstanding: $88 million

FY2009 State Aid Coverage of State Qualified maximum annual debt service (projected): 17x

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