STANDARD &POOR'S

RATINGSDIRECT®

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Summary:

Nashua, New Hampshire; General Obligation

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Summary:

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Credit Profile		
US$7.4 mil GO bnds dtd 04/15/2009 due 04/15/2024		
Long Term Rating	AA+/Stable	New

Rationale

Standard & Poor's Ratings Services has assigned its 'AA+' long-term rating to Nashua, N.H.'s series 2009 general obligation (GO) bonds and affirmed its 'AA+' long-term rating and Standard & Poor's underlying rating (SPUR) on the city's preexisting GO debt. The outlook is stable.

In our opinion, the ratings reflect the city's:

- Diverse local economy, which is anchored by the high-tech, defense, and retail industries;
- Strong income levels and high market value per capita;
- Strong financial position; and
- Low debt burden, with limited additional debt needs.

The bonds are secured by the city's full faith and credit general obligation pledge. Officials will primarily use bond proceeds primarily for landfill expansion.

Nashua, with an estimated population of 87,123, is about 34 miles northwest of Boston, Mass. The city's new growth and development has continued, driven by the deep local and regional employment base, as well as access to the greater Boston metropolitan statistical area. The presence of high-tech and defense manufacturers, health care providers, and a strong retail presence anchors the local economy. The typically higher paying sectors in the city contribute to Nashua's strong income levels, with household effective buying income (EBI) of 125% of the national average and per capita EBI equal to 121%. BAE Systems, a manufacturer of aerospace electronics, employs 2,800 in the city and more than 4,000 in the region. While Hewlett-Packard recently relocated out of the city, city management reports that about half of the vacated space has been filled with smaller technology companies, and that the city's other large employers have been stable. Nashua's unemployment remains above the state's low rate but lower than the nation's rate. In 2008, city unemployment was 4.2% compared with the state's 3.8% rate and the nation's 5.8% rate.

Growth in Nashua's tax base has slowed but remained positive. Taxable assessed valuation reached $9.28 billion in fiscal 2008, and per capita market value is extremely strong in our opinion, at $107,400. The city's location near the Massachusetts border combined with the absence of a state sales tax has aided the city's development of a strong retail and commercial presence, and diversified the city's economy away from a once-dominant manufacturing base. The city's large retail presence benefits from the comparative advantage related to the absence of a state sales tax. The strong retail sector is reflected in Nashua's per capita retail sales, which are 214% of the national average. While a few of the large big box stores in the city have closed recently, due to corporate bankruptcies, city management reports than most of the retail establishments have been stable.

Nashua's financial position remains strong in our opinion. The unreserved general fund balance was reduced by about $4.5 million in fiscal 2006 for capital and operating purposes, but increased by about $5.3 million in fiscal 2008 to $33.3 million, or 15.4% of expenditures. The city's fund balance policy recommends the maintenance of unreserved fund balance at a minimum of 10% of operating expenditures. The city's general fund revenue sources are stable. Taxes accounted for 71% of general fund revenues in fiscal 2008, and collections are strong, typically above 98% of the current year's levy. The largest general fund expenditure is education, at 40% of the budget. Management projects a $2.0 million general fund surplus for fiscal 2009. The fiscal 2010 budget has just been proposed by the mayor, and includes an appropriation of $4.0 million of surplus funds. Management projects the potential for a $2.5 million reduction in state revenue sharing, based on a state House proposal, and has identified $2.5 million of excess funds in the health insurance fund as a revenue source to meet this cut. The city has a locally adopted charter amendment that limits budget growth to average of previous three years' CIP growth. Nashua's financial management practices are considered good under Standard & Poor's financial management assessment (FMA) methodology, indicating practices exist in most areas, although not all may be formalized or regularly monitored by governance officials.

After accounting for utility self-support and state support of school debt, Nashua's overall net debt is low, in our view, at 1.4% of market value and $1,500 per capita. Debt service carrying charges are a manageable 9% of expenditures. Additional tax levy debt plans are manageable. The city has $37 million of debt authorized for the Broad Street Parkway project, which management projects will be issued in fiscal 2012. Management also projects to issue about $7 million of debt in fiscal 2011 for a new computer system. About $51 million of capital projects have been identified for combined sewer overflow mitigation, but this debt is expected to be self-supported with utility revenue. The city's other post-employment benefits (OPEB) unfunded liability as of July 1, 2007, was $42.7 million, with an annual required contribution of $4.6 million. The city has not established an OPEB trust fund, and is not prefunding the liability.

Outlook

The stable outlook reflects our expectation that the city's diverse tax base and lack of large capital needs will enable management to maintain a sound financial position and low debt burden.

Related Research

USPF Criteria: "GO Debt," Oct. 12, 2006

Ratings Detail (As Of April 21, 2009)		
Nashua GO		
Long Term Rating	AA+/Stable	Affirmed
Nashua GO		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Complete ratings information is available to RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; under Ratings in the left navigation bar, select Find a Rating.

FitchRatings
KNOW YOUR RISK

FITCH RATES NASHUA, NH'S GOS 'AAA'; OUTLOOK STABLE

Fitch Ratings-New York-22 July 2010: Fitch Ratings assigns an 'AAA' rating to the following City of Nashua, New Hampshire (the city) general obligation (GO) bonds:

--$6 million GO capital improvement bonds, series 2010.

The bonds are expected to sell competitively on July 29, 2010.

In addition, Fitch affirms its 'AAA' rating on the city's GO bonds as follows:

--$1.2 million outstanding GO bonds, series 1999.

The Rating Outlook is Stable.

RATING RATIONALE:

--The city benefits from an expanding and diverse economic base and management's responsiveness in making appropriate spending cuts in order to maintain historical fund balance levels within city policy levels.
--Strong financial management practices are evidenced by consistently strong operating results and above-average reserves with the city projecting positive operating results for fiscal 2010.
--Wealth indicators are above-average and unemployment rates remain low.
--The overall debt burden is low with rapid amortization even after this issuance, but is expected to increase to a more moderate level with future new money borrowings.

KEY RATING DRIVER(S):

--Ability to maintain reserves at strong levels in order to provide financial flexibility consistent with the rating category.
--Continuation of manageable debt levels in light of future capital needs.

SECURITY:

The bonds are secured by the city's full faith and credit and unlimited taxing power.

CREDIT SUMMARY:

The city is located on the southern border of the state of New Hampshire and is 34 miles northwest of Boston. The local economy serves as a regional hub for retail with two very large retail shopping malls which provide tax-free shopping for New Englanders. The city has emerged as a regional center for medical services and is home to a diverse group of international companies including Oracle, Dell, Fidelity Investments and BAE Systems. The city has two industrial parks and is experiencing continued new development. The city's demographics are positive with unemployment levels having declined to 6.2% as of May 2010 from a high of 7.9% in January 2010 and 6.3% in May 2009. Wealth levels exceed both state and national averages. The city's population of 86,576 has remained relatively flat since 2000. A recent revaluation in 2009 resulted in a 10% decline in assessed value (AV) for fiscal 2010 reflecting losses in the residential and commercial sectors. The decline in AV does not affect the city's ability to raise its tax rate, but there is a cap on total appropriations, which cannot exceed the three-year average of the Northeast Region CPI percentage over the previous year's budget in accordance with the voter approved Budget Control Charter Amendment passed in 1993. An exemption of this appropriation limit is permitted for all capital expenditures and bonded debt with a two-thirds vote from the city's Board of Alderman. Top 10 taxpayer concentration is modest at 7%.

The city has generated year-end surpluses in the last three years as a result of increased revenues from incremental raises in property tax rates, conservative revenue estimates and expenditure reductions. Property taxes represent 71% of general fund revenues. While fiscal 2009 resulted in an operating deficit of $3.4 million, it was due in part to mis-budgeting of increased salaries by the school district and an unanticipated increase in severance payments. A transfer from the school capital reserve fund of $3.2 million was authorized to subsidize the increased expenditures and to offset the deficit at year-end.

An internal audit identified and corrected gaps in the budgeting process and a new superintendent and chief operating officer were hired in 2009. For fiscal 2010, the city anticipates a return to positive operations with a $2 million-$3 million surplus including the school department which expects an estimated $200,000 surplus after transfers. The city's unreserved and undesignated fund balance is expected to decline slightly from the level of $27 million at fiscal year-end 2009 but it is expected to exceed the city's fund balance policy of 10%. The city anticipates modest surpluses in its employee benefits fund and its self-insured fund.

The city's debt ratios remain low at 1.6% of fiscal 2010 market value and $1,628 per capita. Debt ratios net of estimated state assistance for school debt drops to 1.3% of fiscal 2010 market value and $1,254 per capita. Amortization is rapid with 85% of par retired in 10 years. The city has $7.5 million in additional bond authorizations for the completion of the installation of its city-wide enterprise resource planning system which is expected to be issued in fiscal 2011. The city's non-public works employees participate in the state's pension system and the city made a $9.1 million contribution in fiscal 2009, 100% of its annual required contribution (ARC). Public works employees participate in a city-managed single employer system. The fiscal 2009 ARC was $682,000 which the city paid in full. The plan is 91% funded and the unfunded liability is $3 million as of July 1, 2008. For fiscal 2009 the city's annual other post employment benefits (OPEB) cost was $4.6 million and the city contributed 62% of that amount. The unfunded liability was $43 million as of July 1, 2007, the most recent valuation available.

Applicable criteria available on Fitch's website at www.fitchratings.com:

--'Tax-Supported Rating Criteria,' dated Dec. 21, 2009.
--'U.S. Local Government Tax-Supported Rating Criteria', dated Dec. 21, 2009.

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Additional information is available at www.fitchratings.com.

Tax Supported
New Issue

Nashua, New Hampshire

Ratings

New Issues
General Obligation Bonds, Series 2010 AAA

Outstanding Debt
General Obligation Bonds, Series 1999 AAA

Rating Outlook

Stable

Analysts

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New Issue Details

Sale Information: $6,000,000 General Obligation Bonds (GOs), Series 2010, via competitive sale on July 29.
Security: Unlimited tax GOs.
Purpose: To fund capital improvements and a parkway extension.
Final Maturity: Bonds mature serially through July 15, 2030.

Related Research

For information on Build America Bonds, visit www.fitchratings.com/BABs.

Applicable Criteria
- *Tax-Supported Rating Criteria, Dec. 21, 2009*
- *U.S. Local Government Tax-Supported Rating Criteria, Dec. 21, 2009*

Other Research
- *Fitch Upgrades Nashua, NH GOs to 'AAA'; Outlook Stable, June 10, 2010*

Rating Rationale

- Nashua (the city) benefits from an expanding, diverse economic base and management's responsiveness in making appropriate spending cuts in order to maintain historical fund balance levels within city policy levels.
- Strong financial management practices are evidenced by consistently strong operating results and above-average reserves with the city projecting positive operating results for fiscal 2010.
- Wealth indicators are above average, and unemployment rates remain low.
- The overall debt burden is low with rapid amortization even after this issuance, but is expected to increase to a more moderate level with future new money borrowings.

Key Rating Drivers

- Ability to maintain reserves at strong levels in order to provide financial flexibility consistent with the rating category.
- Continuation of manageable debt levels in light of future capital needs.

Credit Summary

The city is located on the southern border of the state of New Hampshire, 34 miles northwest of Boston. The local economy serves as a regional hub for retail with two very large retail shopping malls, which provide tax-free shopping for New Englanders. The city has emerged as a regional center for medical services and is home to a diverse group of international companies including Oracle, Dell, Fidelity Investments, and BAE Systems. The city has two industrial parks and is experiencing continued new development. The city's demographics are positive, with unemployment levels having declined to 6.2% as of May 2010 from a high of 7.9% in January 2010. Wealth levels exceed both state and national averages. The city's population of 86,576 has remained relatively flat since 2000. A recent revaluation in 2009 resulted in a 10% decline in assessed value (AV) for fiscal 2010, reflecting losses in the residential and commercial sectors. The decline in AV does not affect the city's ability to raise its tax rate, but there is a cap on total appropriations, which cannot exceed the three-year average of the Northeast Region CPI percentage over the previous year's budget, in accordance with the voter-approved Budget Control Charter Amendment passed in 1993. An exemption of this appropriation limit is permitted for all capital expenditures and bonded debt with a two-thirds vote from the city's board of alderman. Top 10 taxpayer concentration is modest at 7%.

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Rating History

Rating	Action	Outlook/ Watch	Date
AAA	Affirmed	Stable	7/22/10
AAA	Upgraded	Stable	6/10/10
AA+	Revised	Stable	4/30/10
AA	Affirmed	Stable	1/31/08
AA	Affirmed	Stable	1/29/04
AA	Affirmed	Stable	6/11/99
AA	Affirmed	Negative	4/8/99
AA	Affirmed	Stable	1/20/99
AA	Assigned	Stable	9/8/94

reserve fund of $3.2 million was authorized to subsidize the increased expenditures and to offset the deficit at year end.

An internal audit identified and corrected gaps in the budgeting process, and a new superintendent and chief operating officer were hired in 2009. For fiscal 2010, the city anticipates a return to positive operations with a $2 million–$3 million surplus, including the school department, which expects an estimated $200,000 surplus after transfers. The city's unreserved and undesignated fund balance is expected to decline slightly from $27 million in fiscal 2009, but it is expected to exceed the city's fund balance policy of 10%. The city anticipates modest surpluses in its employee benefits fund and its self-insured fund.

Debt Statistics

($000)

This Issue	6,000
Outstanding Debt	134,975
Direct Debt	140,975
Estimated School Grants	32,370
Net Direct Debt	108,605
Total Overall Debt	108,605
Debt Ratios	
Direct Debt Per Capita ($)[a]	1,628
As % of Market Value[b]	1.64
Overall Debt Per Capita ($)[a]	1,254
As % Market Value[b]	1.26

[a]Population: 86,576 (2009 estimate).
[b]Market value: $8,574,513 (fiscal 2010 estimate).

The city's debt ratios remain low at 1.6% of fiscal 2010 market value and $1,628 per capita. Overall debt ratios, net of estimated state assistance for school debt, decrease to 1.3% of fiscal 2010 market value and $1,254 per capita. Amortization is rapid, with 85% of par retired in 10 years. The city has $7.5 million in additional bond authorizations for the completion of the installation of its citywide enterprise resource planning system, which is expected to be issued in fiscal 2011. The city's non-public works employees participate in the state's pension system, and the city made a $9.1 million contribution in fiscal 2009, 100% of its annual required contribution (ARC). Public works employees participate in a city-managed single employer system. The fiscal 2009 ARC was $682,000, which the city paid in full. The plan is 91% funded, and the unfunded liability is $3 million as of July 1, 2008. For fiscal 2009, the city's annual other post-employment benefits cost was $4.6 million, and the city contributed 62% of that amount. The unfunded liability was $43 million as of July 1, 2007, the most recent valuation available.

General Fund Financial Summary

($000; Audited Fiscal Years Ended June 30)

	2006	2007	2008	2009
Revenues				
Property Tax	146,446	154,220	157,459	160,672
Other Tax	615	627	1,007	886
Total Tax	147,061	154,847	158,466	161,558
Licenses and Permits	13,234	12,847	12,312	11,559
Charges for Services	1,708	1,831	1,720	1,864
Intergovermental	36,888	36,770	45,429	47,304
Other Revenue	3,447	5,157	5,154	3,755
Total Revenues	202,338	211,452	223,081	226,040
Expenditures				
General Government	47,345	51,093	53,818	52,804
Public Safety	30,572	29,770	32,246	36,457
Public Works	8,297	8,127	8,465	9,147
Health and Social Services	2,301	2,149	2,188	2,438
Culture and Recreation	4,922	4,581	4,771	5,384
Educational	82,966	81,504	84,965	93,518
Debt Service	19,853	18,341	19,055	18,441
Other	10,911	10,792	11,055	11,242
Total Expenditures	207,167	206,357	216,563	229,431
Operating Surplus/(Deficit)	(4,829)	5,095	6,518	(3,391)
Transfers In	3,860	2,320	3,501	8,260
Other Sources	0	0	108	0
Transfers Out	11,696	4,337	6,638	4,788
Net Transfers and Other	(7,836)	(2,017)	(3,029)	3,472
Net Surplus/(Deficit)	(12,665)	3,078	3,489	81
Fund Balances				
Total Fund Balance	31,768	34,846	38,334	38,413
As % of Expenditures, Transfers Out, and Other Uses	14.52	16.54	17.17	16.40
Unreserved Fund Balance	27,241	28,037	33,294	33,250
As % of Expenditures, Transfers Out, and Other Uses	12.45	13.31	14.92	14.20
Undesignated/Unreserved Fund Balance	17,488	23,384	28,740	26,900
As % of Expenditures, Transfers Out, and Other Uses	7.99	11.10	12.88	11.48
Revenue Diversity (%)				
Property Tax	72.4	72.9	70.6	71.1
Other Tax	0.3	0.3	0.5	0.4
Total Tax	72.7	73.2	71.0	71.5
Licenses and Permits	6.5	6.1	5.5	5.1
Charges for Services	0.8	0.9	0.8	0.8
Intergovernmental	18.2	17.4	20.4	20.9
Other Revenue	1.7	2.4	2.3	1.7

Note: Numbers may not add to 100% due to rounding.