Tax Supported
New Issue

San Antonio, Texas

Ratings

New Issues	
General Improvement Bonds, Series 2011	AAA
Combination Tax and Revenue Certificates of Obligation, Series 2011	AAA
Tax Notes, Series 2011	AAA
Municipal Facilities Corporation Lease Revenue Bonds, Series 2011	AA+
Outstanding Debt	
Limited Tax Bonds	AAA
Municipal Facilities Corporation Lease Revenue Bonds	AA+

Rating Outlook

Stable

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New Issue Details

Sale Information: $65,005,000 General Improvement Bonds, Series 2011; $89,505,000 Combination Tax and Revenue Certificates of Obligation, Series 2011; $10,165,000 Tax Notes, Series 2011; and $27,650,000 Municipal Facilities Corporation Lease Revenue Bonds, Series 2011, on June 12 via negotiated sale.
Security: Limited tax bonds and notes secured by an annual property tax levy limited to $2.50 per $100 of taxable assessed valuation; municipal facilities corporation lease revenue bonds secured by annually appropriated lease payments made by the city to the corporation.
Purpose: Proceeds to fund various public improvements.
Final Maturity: Feb. 1, 2042.

Related Research

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

Applicable Criteria
- *Tax-Supported Rating Criteria, Aug. 16, 2010*
- *U.S. Local Government Tax-Supported Rating Criteria, Oct. 8, 2010*

Rating Rationale

- San Antonio's favorable financial performance has been aided by management's focus on increasing efficiency and conservative budgeting, enabling the city to preserve its progress in implementing enhanced financial reserve policies during the economic slowdown.
- The city's favorable debt profile is characterized by its low direct debt burden, above-average pay out, and ample debt service capacity within the current tax rate. The city's capital plan is aggressive but will allow the city to address its sizable deferred capital needs.
- The legal provisions of the lease revenue bonds are sound, and the leased assets are essential to city operations.
- The city's population growth remains rapid, aided by affordable home prices and ample developable land, which, until recently, had fueled solid property tax base growth.
- Although the local economy has diversified notably, the military remains a major economic factor, as evidenced by very large ongoing investments and planned additions to troop strength resulting from base realignment and closure decisions that have benefited the city.
- The contraction of the local economy has moderated somewhat, enabling the city's unemployment rate to remain well below state and national averages.

Key Rating Drivers

- The maintenance of solid financial reserves, aided by continued attention to cost controls, is key to preserving credit quality.

Credit Summary

San Antonio is the second largest city in the state and the seventh largest in the U.S., with a population of 1.4 million for 2010. Prominent sectors in the local economy are military and government, domestic and international trade, convention and tourism, medical and healthcare, financial services, and telecommunications. The economic slowdown has impacted local employment levels as evidenced by a growing unemployment rate that totaled 6.8% in April 2011, up modestly from the 6.7% level recorded in April 2010. Nevertheless, the city's unemployment rate still compares favorably to state and national averages of 7.7% and 8.7%, respectively, for the same period. Near-term job growth is expected from the construction of the $3.1 billion San Antonio Military Medical Center scheduled to open in September 2011, which also is expected to draw 12,000 additional military personnel to the city. After growing by a five-year annual average of 9.6%, taxable values declined 1.5% in fiscal 2011 to $71.6 billion as new improvement values ($1.2 billion) were more than offset by losses ($2.8 billion) in existing values.

Finances

The city's financial profile remains solid, as evidenced by the maintenance of unreserved fund balances in excess of 20% of spending since fiscal 2008. Additions to fund balance had been enabled by previously strong sales tax growth and positive City Public Service

Rating History — Limited Tax Bonds

Rating	Action	Outlook/ Watch	Date
AAA	Affirmed	Stable	7/8/11
AAA	Affirmed	Stable	3/17/11
AAA	Affirmed	Stable	6/11/10
AAA	Revised[a]	Stable	4/30/10
AA+	Affirmed	Stable	3/1/10
AA+	Affirmed	Stable	11/21/08
AA+	Affirmed	Stable	10/14/08
AA+	Affirmed	Stable	7/1/08
AA+	Affirmed	Stable	11/11/07
AA+	Affirmed	Stable	10/31/06
AA+	Affirmed	Stable	3/28/05
AA+	Affirmed	Stable	11/29/04
AA+	Affirmed	Stable	3/10/04
AA+	Affirmed	Stable	6/16/03
AA+	Upgraded	—	10/26/99
AA	Assigned	—	10/13/92

[a]Due to rating recalibration.

Rating History — Municipal Facilities Corporation Lease Revenue Bonds

Rating	Action	Outlook/ Watch	Date
AA+	Affirmed	Stable	7/8/11
AA+	Affirmed	Stable	3/17/11
AA+	Revised[a]	Stable	4/30/10
AA	Assigned	Stable	3/1/10

[a]Due to rating recalibration.

(CPS) (the electric and gas utility is rated 'AA+' by Fitch Ratings) payment trends, along with management's aggressive cost controls in the form mainly of annual personnel reductions. Audited fiscal 2010 results were positive (as anticipated), showing a large $23.1 million surplus, aided by greater than projected sales tax revenues and CPS transfers. Sales tax receipts remained nearly level, despite previous estimates of a modest decline, and CPS payments increased notably due to a cold winter, natural gas price increases, and a rate hike. As a result, the unreserved fund balance totaled a strong $199 million, or 22.9% of spending.

The fiscal 2011 budget was based on conservative revenue growth assumptions. Additionally, the spending plan reflected the city's two-year budget strategy, in which a portion of reserves in excess of its fund balance policy is internally designated for next year's spending. The fiscal 2011 budget includes the use of $71 million of these reserves to balance its operations. As a result, the city's remaining unreserved fund balance will decline by year end to a still adequate $114 million, or 12% of spending. However, favorable year-to-date sales tax receipts should reduce the level of reserve drawdowns. Excluding the 9% dedicated cushion, up to $18 million of fiscal 2011 reserves will be used to reduce the projected fiscal 2012 budget gap down to $37 million.

Debt

The series 2011 bonds and certificates of obligation are issued to provide funds to finance improvements to streets, bridges, sidewalks, drainage, public safety, park, library, and municipal facilities. Note proceeds will finance improvements to the city's technology infrastructure and business systems and renovate, improve, and equip various facilities. The lease revenue bonds will be utilized to fund the construction of the city's new 911 dispatch center, which is currently under construction and scheduled to be operational by December 2011.

General Fund Financial Summary

($000, Audited Fiscal Years Ended Sept. 30)

	2006	2007	2008	2009	2010
Revenues	738,993	753,742	858,058	835,409	857,493
Expenditures	617,421	647,880	737,797	764,205	816,690
Net Change	**121,572**	**105,862**	**120,261**	**71,204**	**40,803**
Transfers In/Other Sources	11,467	15,972	18,720	13,750	36,581
Transfers Out/Other Uses	(89,977)	(123,620)	(93,730)	(83,995)	(54,255)
Net Income/(Deficit)	**43,062**	**(1,786)**	**45,251**	**959**	**23,129**
Total Fund Balance	161,476	159,690	205,548	206,507	229,636
As % of Expenditures, Transfers Out, and Other Uses	22.8	20.7	24.7	24.3	26.4
Unreserved Fund Balance	149,610	142,960	190,775	190,407	199,110
As % of Expenditures, Transfers Out, and Other Uses	21.1	18.5	22.9	22.4	22.9
Unreserved, Undesignated Fund Balance	102,523	80,298	107,781	100,308	101,348
As % of Expenditures, Transfers Out, and Other Uses	14.5	10.4	13.0	11.8	11.6

Note: Numbers may not add due to rounding.

The general improvement bond issuance is from the city's $550 million authorization approved by voters in May 2007, the largest in the city's history, intended to address its large deferred capital needs. After this sale, the city will have $98.6 million remaining authorization from the 2007 election. The administration is proposing to seek voter authorization for a similar-sized program in fiscal 2012. According to the city, all future debt will be sized and timed to maintain the city's current debt service tax rate, assuming modest tax base growth. Additionally, the city plans to draw down its large debt service fund balance to maintain level tax rates as part of its overall capital plan, with a target of $25 million–$30 million for its debt service fund balance; the balance at fiscal year-end 2010 was $80 million. The principal pay-out rate is modestly above average with nearly 60% of principal to be retired within 10 years.

The impact of the proposed debt plans on the city's direct debt profile should be manageable given its low current levels, above-average pay-out rate, and expansive tax base. The brisk pay-out rate is reflected in sizable annual debt payments, which, in fiscal 2010, were above average at 19% of general government spending. The city's overall debt burden is high, even after adjusting for state support of local school district debt.

Property Value and Sales Tax Trends

($000, Fiscal Years Ending Sept. 30)

	TAV	% Change	Sales Tax Receipts[a]	% Change
1998	29,422,285	—	118,992	—
1999	31,253,551	6.2	126,473	6.3
2000	33,315,479	6.6	135,130	6.8
2001	36,033,321	8.2	136,811	1.2
2002	39,587,584	9.9	140,084	2.4
2003	41,535,547	4.9	138,962	(0.8)
2004	44,536,796	7.2	148,500	6.9
2005	46,481,974	4.4	162,786	9.6
2006	49,868,955	7.3	177,806	9.2
2007	56,767,702	13.8	189,753	6.7
2008	65,954,867	16.2	196,306	3.5
2009	72,541,141	10.0	187,400	(4.5)
2010	72,743,220	0.3	188,741	0.7
2011	71,631,155	(1.5)	188,070	(0.4)

[a]Fiscal 2011 sales tax receipts are projected. TAV – Taxable assessed valuation.

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July 8, 2011

Summary:
San Antonio Municipal Facilities Corp. San Antonio, Texas; Appropriations

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Summary:

San Antonio Municipal Facilities Corp. San Antonio, Texas; Appropriations

Credit Profile		
US$27.65 mil lse rev bnds (San Antonio) (Pub Safety Answering Point Proj) ser 2011 dtd 07/01/2011 due 08/01/2041		
Long Term Rating	AA+/Stable	New

Rationale

Standard & Poor's Ratings Services assigned its 'AA+' rating to San Antonio Municipal Facilities Corp., Texas' series 2011 lease revenue bonds. In addition, Standard & Poor's affirmed its 'AA+' rating on the corporation's debt outstanding. The outlook on all ratings is stable.

The 'AA+' rating reflects our view of:

- The general creditworthiness of the city of San Antonio ('AAA' GO debt rating),
- The lease payments to be made from the annual appropriation of the city, and
- A stable and diversified economic base.

Ongoing lease payments by the city to the municipal facilities corp., a not-for-profit corporation, secure the bonds. Lease payments are made based on an annual appropriation of the city from legally available general fund revenues as an ongoing obligation of the city for the lease term. Officials will use bond proceeds to fund the construction of a new Fire and Police Emergency Dispatch Center, also known as the Public Safety Answering Point. The center is located at Brooks City-Base, adjacent to the city's Emergency Operations Center and is scheduled to be complete in December 2011. The bonds will also fund the replacement and enlargement of the existing fire and police Emergency Dispatch Center, which is currently located at the police headquarters.

(For more information on San Antonio's GO rating, please read the report published July 8, 2011, on RatingsDirect on the Global Credit Portal.)

Outlook

The stable outlook reflects our view of San Antonio's expanding and increasingly diverse property tax base, solid financial performance, and growing level of general fund reserves, which we believe should allow management to successfully develop its capital program, and growing service delivery needs. The continued diversification of the city's economic and employment base, coupled with a steady increase in household wealth and income levels provides additional stability to the rating.

Related Criteria And Research

USPF Criteria: Appropriation-Backed Obligations, June 13, 2007

Ratings Detail (As Of July 8, 2011)

San Antonio, Texas

San Antonio Mun Facs Corp, Texas

San Antonio (San Antonio Mun Facs Corp) lease rev rfdg bnds (San Antonio Mun Fac Corp.) (Dev And Bus Svcs Ctr Proj) ser 2010

Long Term Rating	AA+/Stable	Affirmed

San Antonio Mun Facs Corp, Texas

San Antonio, Texas

San Antonio Mun Fac Corp lse rev bnds

Unenhanced Rating	AA+(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

MOODY'S INVESTORS SERVICE

New Issue: MOODY'S ASSIGNS Aaa RATING TO VARIOUS SERIES OF CITY OF SAN ANTONIO'S (TX) 2011 BONDS, CERTIFICATES AND NOTES; Aa1 RATING APPLIED TO SERIES 2011 LEASE REVENUE BONDS; OUTLOOK REMAINS STABLE

Global Credit Research - 11 Jul 2011

Aaa RATING AFFIRMATION AFFECTS $1.4 B IN OUTSTANDING PARITY DEBT; Aa1 RATING AFFECTS $37.3 M IN PARITY DEBT, INCLUSIVE OF CURRENT ISSUANCES

Municipality
TX

Moody's Rating

ISSUE		RATING
General Improvement Bonds, Series 2011		Aaa
Sale Amount	$65,005,000	
Expected Sale Date	07/13/11	
Rating Description	General Obligation Limited Tax	
Combination Tax and Revenue Certificates of Obligation, Series 2011		Aaa
Sale Amount	$89,505,000	
Expected Sale Date	07/13/11	
Rating Description	General Obligation Limited Tax	
Tax Notes, Series 2011		Aaa
Sale Amount	$10,165,000	
Expected Sale Date	07/13/11	
Rating Description	General Obligation Limited Tax	
Municipal Facilities Corporation Lease Revenue Bonds, Series 2011 (Public Safety Answering Point Project)		Aa1
Sale Amount	$27,650,000	
Expected Sale Date	07/13/11	
Rating Description	General Obligation Limited Tax	

Opinion

NEW YORK, Jul 11, 2011 -- Moody's Investors Service has assigned a Aaa rating to San Antonio's (TX) issuance of the following Series 2011 issuances: $65,005,000 General Improvement Bonds; $89,505,000 Combination Tax and Revenue Certificates of Obligation; and $10,165,000 Tax Notes. Concurrently, we have affirmed the Aaa rating on the City's $1.4 billion in outstanding general obligation bonds, inclusive of the current offerings. We have also assigned a Aa1 rating to the city's $27,650,000 Municipal Facilities Corporation Lease Revenue Bonds, Series 2011 and affirmed the rating on the outstanding lease revenue bonds totaling $37.3 million (inclusive of current issuance). Proceeds from the general obligation issuances will be used to fund various capital improvements throughout the city and to fund technology and equipment purchases. The Lease Revenue Bonds will fund the construction of an emergency dispatch center.

SUMMARY RATING RATIONALE

The General Improvement Bonds, Certificates of Obligation and Tax Notes are secured by an ad valorem tax levied against all taxable property within the city within the limits prescribed by law. The certificates are additionally secured by net revenues of the city's parks systems in an amount not to exceed $1,000. The Lease Revenue Bonds are secured by legally available revenues of the city's general fund and are subject to annual appropriation.

Assignment of the Aaa and Aa1 ratings reflect the sizeable regional economy that is driven by diverse industries and anchored by an expanding military presence but challenged by somewhat depressed socio demographic indicators. The ratings also reflect a history of surplus operations that have bolstered reserves; strong fiscal management practices that include multi-year forecasting and conservative budgetary assumptions; a slightly elevated debt burden and manageable long-term liabilities for pension and OPEB. The Aa1 rating considers the general fund appropriation risk, the essentiality of the project and the limited impact of debt service payments on the general fund.

STRENGTHS

Sizeable regional economy that remained relatively stable through economic downturn

Strong financial management practices demonstrated by a history of surplus operations and adequate reserves

CHALLENGES

Somewhat depressed socio demographic indicators

Operating pressures associated with large population and demand for services

Dependence on potentially volatile revenue streams such as utility transfer and sales tax

DETAILED CREDIT DISCUSSION

LOCAL EMPLOYMENT REMAINS RELATIVELY STABLE THROUGH NATIONAL ECONOMIC DOWNTURN

Per the 2010 U.S. Census, the City of San Antonio is the seventh largest city in the United States and the second largest city in the state following the City of Houston (GO Aa2 Stable). In the last ten years the population increased by 16% to 1.3 million. The local employment base includes a mix of military, tourism, financial, healthcare, and aerospace industries. Unemployment has historically tracked below the state and nation and performed favorably through the most recent economic downturn, increasing from an average of 4.5% in 2008 to a peak of 7% in 2010 while the state and national unemployment increased by a larger 3.3% and 3.8% respectively. City officials note that of the nation's largest 100 metropolitan areas, the unemployment rate was among the top ten in terms of stability. As of April 2011, unemployment within the city is 6.8% compared to 7.7% in the state and 8.7% in the U.S. Employment concentration exists in the armed forces as three of the top five employers are military installations that in total employ approximately 77,000. The other two top employers are USAA Insurance Company and a large hospital system. Increased military presence has occurred as San Antonio bases benefited from the Defense Department's Base Realignment and Closure (BRAC) activities. As a result of the recent BRAC realignments that began in 2006, over $3 billion in construction projects have been undertaken and more than 12,000 military personnel added. In addition to military expansions, which have been largely focused on medical facilities for treatment and training, other non-military medical development is also contributing to local economic activity and provides for construction employment. Ongoing military expansions will continue to bolster construction and employment activity with more than $1 billion in post-BRAC projects slated for completion.

Since 2009, the city's economic development initiatives have resulted in the addition of over 7,000 jobs in a variety of industries including retail distribution and regional headquarters, biotechnology and vehicle manufacturing. Through economic development incentives, Toyota expanded plant operations to include the manufacturing of Tacamos, adding an additional 1,000 jobs. In addition to the plant, there are 21 Toyota suppliers located in the Supplier Park. Tacoma production is began in 2010 and once in full production, there will be over 5,000 manufacturing jobs located in the Toyota Supplier Park from both Toyota and its onsite suppliers. The city continues to partner with the private sector to attract biomedical and alternative energy interests to diversify the local employment base. In addition to USAA Insurance Company, other large companies are headquartered in San Antonio including Valero, Tesoro, Clear Channel, and Nustar Energy which reflects a dynamic business environment. Tourism activity also supports employment and has remained relatively stable as an attractive and affordable travel destination.

Although the city's per capita income is low at $17,487, 89% of the state and 81% of the nation (per the 2000 Census), a low cost of living and relatively stable employment partially mitigates this weakness. According to Moody's Economy.com, the cost of living in the San Antonio metro area is 97% of the US. Moody's Economy.com also notes the favorable business environment exemplified by business costs of 79% of the nation. The report notes, "Longer term the high concentration of military medical activity, growing motor vehicle-related manufacturing, relatively low costs of doing business, and above-average population gains will contribute to an above average performance."

AFTER STRONG VALUE GROWTH TAXABLE VALUES DECLINE SIGHTLY

After double digit increases in fiscals 2007 through 2009 that increased values to $72.5 billion, ad valorem value increases stalled in fiscal 2010 and declined by a slight 1.5% in fiscal 2011 to a still sizeable $71.6 billion. Single-family housing values declined slightly in fiscal 2010 but were offset by new growth and values remained flat. In fiscal 2011 housing values stabilized but declines in commercial, industrial and business inventory could not offset new construction values of $1.2 billion. Fiscal 2012 values have not been finalized but preliminary estimates indicate an overall decline of 1.3% despite an estimated $800 million in new improvements mostly attributable to hotel construction and other mixed-use and medical additions.

Although housing values have declined slightly and foreclosure activities have increased, median housing prices have remained relatively stable through the downturn. City officials are focused on revitalization efforts in the city's aging core which should also help stabilize and improve values over the long-term. We believe that the size and diversity of the tax base remain consistent with the Aaa rating assignment despite recent challenges to growth driven by the national recession.

SOLID FINANCIAL OPERATIONS CONTINUE WITH PRUDENT FISCAL MANAGEMENT

The city's management team has developed and implemented strong financial management practices demonstrated by long-term planning, financial reserve policies, and a two year balanced budget approach strengthened by an annual mid-year budget review process. These practices have resulted in a positive financial trend, favorable to the Aaa rating. With the exception of fiscal 2007 when a slight deficit of $1.8 million was posted, the city has operated in a surplus position adding a net of $110 million to reserves between fiscals 2006 and 2010. On a GAAP basis, fund balances have ranged from 21.5% at FYE 2006 to FYE 2010's fund balance of 25.7%. Cash balances have been weaker, but strengthened to 19.3% at FYE 2010 when the city ended with a surplus of $23 million in the general fund. The designated fund balance of $97.8 million slightly exceeds the city's established practice of maintaining 10% of budgeted appropriations in reserves (budgetary basis). The city's five year budgetary forecast includes maintenance of this reserve while conservatively projecting revenues and incorporating expenditure pressures.

The city's general fund operations are supported primarily by revenues from the city's electric utility, CPS Energy (Aa1 revenue rating) which contributes approximately 1/3 of the revenue mix. CPS revenues are based on a percent of CPS returns which can fluctuate due to weather patterns and energy prices. The city takes measures to smooth revenue projections and match potential non-recurring spikes to one-time capital projects. Ad valorem revenues comprise an additional 1/3 while sales taxes comprise 22% of total general fund revenues. In fiscal 2009 sales taxes declined by 4.5% and CPS revenues declined by 9.6% (due to high energy costs). Overall, revenues declined by $27.6 million or 3% from the prior year. City officials responded with hiring freezes, the delay of capital projects, and budget cuts for travel and other discretionary spending. As a result of these efforts, the fiscal year ended with a surplus of $959,000 despite the revenue strain.

Through the city's two-year budget planning exercise, the expenditure adjustments made in fiscal 2009 were carried over to fiscal 2010. Additional expenditure adjustments and a conservative revenue forecast resulted in a surplus of $23 million compared to the adopted deficit of $34 million. The fiscal 2011 budget also reflected a conservative approach, reducing sales tax collections by 4% and conservatively budgeting for CPS revenues. Actual collections through the fiscal year have out-performed these estimates and the city expects to end the year with a budgetary surplus of $36 million. Expenditure savings have also been achieved and contribute to the anticipated surplus. The budget adoption process for fiscal 2012 is well underway and officials are again taking a measured approach to revenue forecasting, holding revenues to less than 1% growth over current receipts. The five-year financial plan reflects a continued conservative approach to revenues and holds projections for CPS, sales tax collections and ad valorem revenues well below historical performance.

The 2010 CAFR reflects a pension liability of $231.1 million for the Police and Fire pension plan and a $188 million unfunded liability for the civilian plan funded through the Texas Municipal Retirement System (TMRS). The uniformed plan has a solid funding level of 90.7% while the TMRS liability is 73% funded. The city has met 100% of the annual required contribution (ARC) for both plans. The combined FY 2010 ARC payments were a manageable 11% of fiscal 2010 general fund revenues. In 2010 the city took measures to reduce the TMRS pension liability and "turned off" the funding of the automatic cost of living increase to current retirees. The city also has OPEB liabilities for both civilian and uniform of a combined total of approximately $729 million. The city has also implemented cost-reducing measures to manage the unfunded OPEB liability. In addition, to establish a 30 year ammonization schedule and fully fund the ARC, the city plans to increase their contributed portion in 2018. The estimated increases are manageable and do not pose a significant impact to city finances. We view the city's actions to address the long-term liabilities as favorable and demonstrative of strong fiscal management practices. Additionally, the funding levels appear to be consistent with other highly rated cities.

The city's strong fiscal management is a key factor in the high quality rating. Management continues to demonstrate a willingness and ability to implement budget adjustments necessary to maintain solid reserves consistent with the rating. Additionally, the long term financial planning reflects management's commitment to remain fiscally sound despite challenges to key revenues.

DEBT PLANNING DESIGNED FOR THE LONG TERM

The City's management team has designed a long term capital improvement planning (CIP) program that is updated annually. The CIP includes plans for future debt issuances in order to meet ongoing capital needs. The current debt plan forecasts future bond elections in 2012 and 2017 for ongoing capital needs. The debt plan also includes the annual issuance of Certificates of Obligation for public safety improvements, streets, drainage, parks, and other city improvements.

The city's direct debt burden is moderate at 2.7% while the overall debt burden is high at 9.8% due to the debt of 16 overlapping entities. Much of this overlapping debt is from several school districts in the city that have issued large amounts of debt to keep up with student enrollment growth and / or aging facilities. Many of these school districts receive as much as 60% to 80% of funding from the State to pay for debt service; therefore, the overall debt burden is somewhat inflated when taking this into consideration. Payout of principal is rapid with 56.8% of debt retired in ten years. We note that the city's practice of scheduling debt to retire in twenty years is favorable and consistent with the Aaa rating. Ongoing conservative debt management should allow the City to layer in future debt without negatively impacting the direct debt burden.

Outlook

The stable outlook reflects our favorable view of the city's economic size, diversity and regional presence as well as our expectation that the city will continue to maintain adequate reserves that offset the pressures and risks associated with the operations of one of the nation's largest cities. We also expect the city's debt profile to remain manageable.

WHAT COULD CHANGE THIS RATING - DOWN

Failure to maintain balanced operations

Trend of declining reserves

Trend of significant taxable value loss indicating a weakening of economic position

KEY STATISTICS:

2010 Population: 1,327,407

2011 full valuation: $71.6 billion

2011 full value per capita: $53,963

Unemployment as of 4/2011: 6.8% (US: 8.7%)

Direct debt burden: 2.7%

Overall debt burden: 9.8%

Payout of Principal (10 years): 56.8%

2010 General Fund balance: $229.6 million (25.7% of General Fund revenues)

2010Unreserved General Fund balance: $199.1 million (22.3% of General Fund revenues)

Post sale GO parity debt (Aaa): $1.4 billion

Post sale Lease Revenue debt (Aa1): $37.3 million

PRINCIPAL METHODOLOGY

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.moodys.com for a copy of this methodology .

REGULATORY DISCLOSURES

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.moodys.com.

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