

MOODY'S

RATINGS

Rating Action: Moody's Ratings assigns Aaa to Belmont, MA's 2024 GOULT bonds; outlook stable

03 Sep 2024

New York, September 03, 2024 -- Moody's Ratings (Moody's) has assigned an Aaa rating to the Town of Belmont, MA's General Obligation Municipal Purpose Loan of 2024 Bonds Unlimited Tax with an estimated par amount of \$63.1 million. We maintain the town's Aaa issuer rating and Aaa rating on the town's general obligation unlimited tax (GOULT) and general obligation limited tax (GOLT) bonds. Post issuance the town will have approximately \$281.2 million in outstanding general obligation debt. The outlook is stable.

RATINGS RATIONALE

The Aaa issuer rating reflects the town's affluent residential tax base including a resident income adjusted for regional price parity of 196% of the US median and strong economy that benefits from close proximity to New England's largest employment center. The financial position is expected to remain stable because of conservative and proactive fiscal management. Governance is a strength for the city (reflected in a G-1 Issuer Profile Score) and includes substantial revenue raising flexibility, prudent budget management, and adherence to fiscal policies.

Fiscal 2023 ended with an available fund balance and net unrestricted assets of \$66.7 million equal to 30.5% of revenue, a below-average ratio for the rating category. The rating also incorporates a leverage ratio of 228% that remains modest despite the town's large debt issuance over the last few years. The rating also considers the strong taxpayer support for debt exclusions and general overrides to the tax levy limit including a recent \$8.4 million general override in 2024. The long history of support for exclusions and overrides provides material operating flexibility compared to most Massachusetts municipalities.

The Aaa GOULT and GOLT bond ratings are placed at the same level as the issuer rating because of the town's full faith and credit pledge and the town's ability to override the Proposition 2 1 / 2 tax levy limit.

RATING OUTLOOK

The stable outlook reflects the likelihood that the town will be able to maintain a healthy financial position given a strong residential tax base and ongoing voter support for debt exclusions and general overrides to the tax levy to provide operating flexibility.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Decline in available reserves to 25% of revenue or below
- Increase in the leverage ratio to around 300%
- Increase in fixed costs ratio to around 20%

LEGAL SECURITY

The bonds are backed by the town's full faith and credit general obligation unlimited tax pledge given that all of the debt service has been voted by the town as excluded from the Proposition 2.5 tax levy limit.

USE OF PROCEEDS

Bond proceeds will redeem approximately \$35.7 million of outstanding bond anticipation notes scheduled to mature on November 14, 2024. The outstanding notes and new money are dedicated to funding the Belmont High School, Belmont Public Library, and Belmont Rink and Sports Facility projects.

PROFILE

Belmont is a primarily affluent residential community just northwest of Boston (Aaa stable) and Cambridge (Aaa stable). The town is approximately 4.7 square miles in area with a population of around 27,300. The town provides general government services including police and fire protection, ambulance service, solid waste disposal, water, sewer, parks and recreation, library and public education for grades kindergarten through 12.

METHODOLOGY

The principal methodology used in this rating was US Cities and Counties published in July 2024 and available at <https://ratings.moodys.com/rmc-documents/425429>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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