

CREDIT OPINION

3 September 2024



Send Your Feedback

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Town of Belmont, MA

Update to credit analysis

Summary

[Belmont's](#) (Aaa stable) strong credit profile benefits from an 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 town (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.

Credit strengths

- » Affluent tax base close to Boston and Cambridge
- » History of voter approved debt exclusions and general overrides to the tax levy limit providing significant operating flexibility
- » Strong fiscal management

Credit challenges

- » Moderate leverage driven by recent increase in debt issuance
- » Reliance on debt exclusions and general overrides to the tax levy limit to maintain operations and capital plans

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

- » Not applicable

Factors that could lead to a downgrade

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

Key indicators

Exhibit 1

Belmont (Town of) MA

	2020	2021	2022	2023	Aaa Medians
Economy					
Resident income ratio (%)	192.3%	199.9%	196.0%	N/A	170.6%
Full Value (\$000)	\$7,850,565	\$9,840,876	\$9,840,876	\$10,384,380	\$8,680,662
Population	26,158	27,056	26,997	N/A	36,119
Full value per capita (\$)	\$300,121	\$363,722	\$364,517	N/A	N/A
Annual Growth in Real GDP	-1.5%	7.0%	2.3%	N/A	4.9%
Financial Performance					
Revenue (\$000)	\$208,247	\$229,326	\$214,413	\$218,653	\$101,733
Available fund balance (\$000)	\$65,336	\$75,330	\$74,126	\$66,714	\$62,520
Net unrestricted cash (\$000)	\$264,155	\$202,326	\$158,796	\$116,449	\$88,880
Available fund balance ratio (%)	31.4%	32.8%	34.6%	30.5%	61.7%
Liquidity ratio (%)	126.8%	88.2%	74.1%	53.3%	91.1%
Leverage					
Debt (\$000)	\$277,324	\$267,258	\$269,736	\$259,030	\$68,781
Adjusted net pension liabilities (\$000)	\$199,593	\$230,231	\$159,837	\$111,690	\$105,726
Adjusted net OPEB liabilities (\$000)	\$165,398	\$171,039	\$122,245	\$118,668	\$11,674
Other long-term liabilities (\$000)	\$9,218	\$10,462	\$8,916	\$9,729	\$3,903
Long-term liabilities ratio (%)	312.9%	296.1%	261.5%	228.3%	258.2%
Fixed costs					
Implied debt service (\$000)	\$12,447	\$19,860	\$18,745	\$18,838	\$4,899
Pension tread water contribution (\$000)	\$7,190	\$7,484	\$7,222	\$5,256	\$3,333
OPEB contributions (\$000)	\$5,585	\$5,281	\$4,744	\$5,506	\$503
Implied cost of other long-term liabilities (\$000)	\$703	\$660	\$734	\$623	\$262
Fixed-costs ratio (%)	12.4%	14.5%	14.7%	13.8%	11.2%

For definitions of the metrics in the table above please refer to the [US Cities and Counties Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [US Cities and Counties Median Report](#).

The real GDP annual growth metric cited above is for the Boston-Cambridge-Newton, MA-NH Metropolitan Statistical Area Metropolitan Statistical Area.

Sources: US Census Bureau, Belmont (Town of) MA's financial statements and Moody's Ratings, US Bureau of Economic Analysis

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.

Detailed credit considerations

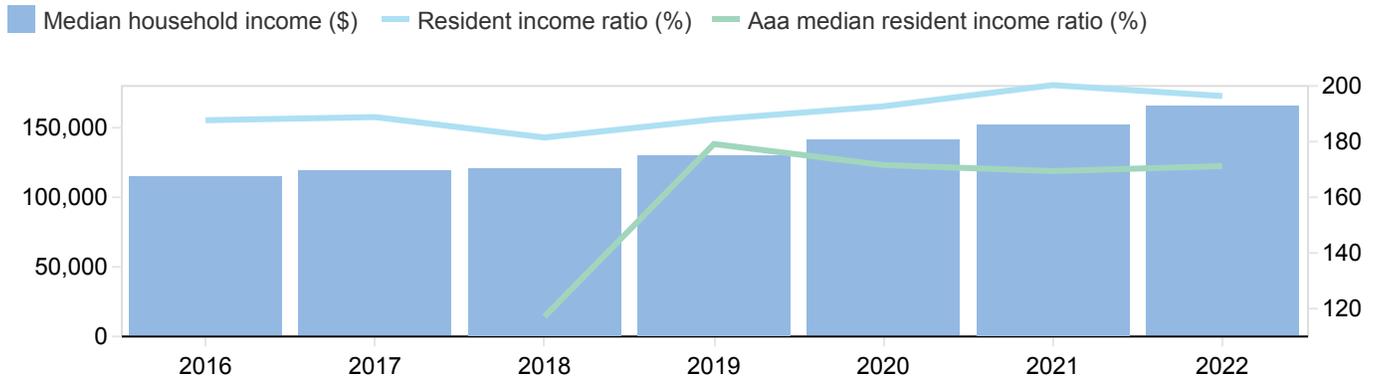
Economy

Belmont is an affluent community with very strong median household income adjusted for regional price parity of around 200% of the US median. Belmont's economy is part of the Boston metropolitan statistical area with a healthy economic growth rate of 0.9% as measured by the MSA's five-year CAGR of real GDP compared to the US real GDP. The tax base is 95% residential based on the

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2024 assessed value of \$11.3 billion. The AV grew 9.1% in 2024 from the prior year and the town expects ongoing stability in the tax base due to a strong housing market with stable building permits and new growth attributable to single-family teardowns, rebuilds and renovations. Other new development includes 130 housing units adjacent to the McLean hospital that will be developed over multi-year phases, while new MBTA zoning compliance could result in additional residential and commercial development over the longer term.

Exhibit 2
Resident Income



Source: Moody's Ratings

Financial operations

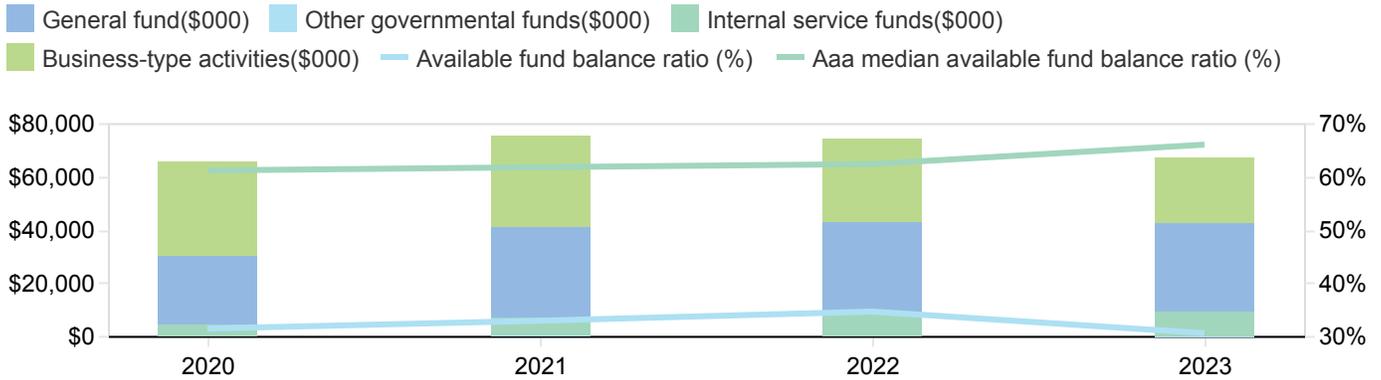
Belmont's financial position is likely to remain stable over the near term given prudent fiscal management and the ability to use a recent voter approved general override to the tax levy limit in the amount of \$8.4 million. The town has historically relied on voter approved debt exclusions and general overrides to provide additional revenue flexibility to fund large capital projects and maintain the quality of services that taxpayers demand. A key strength to the town's credit profile is the residents' support of these overrides. The town also acknowledges that operating and capital budgets would be scaled back to maintain structural budgetary balance if overrides to the tax levy were not in favor by residents.

The fiscal 2025 budget reflects an increase of 3.9% over the prior year driven by education, debt service, and employee benefits. The budget is balanced with a 10.8% increase in the tax levy that includes the \$8.4 million override. The town continues to adhere to fiscal policies that include the funding of various operating and capital reserves and the OPEB trust.

The town ended fiscal 2024 with an estimated general fund surplus of around \$4.5 million due to positive variance in both revenues and expenses. Revenues from investment income and local receipts were above budget while spending was below budget in benefits and staff payroll due to vacancies.

Belmont's governmental activities provide 81% of the town's revenue base with property taxes representing 66% of fiscal 2023 governmental revenue. The town's electric, water and sewer operations represent the enterprise funds which provide the remaining revenue sources. The town's largest expenditure is education representing 62.5% of 2023 governmental expenses.

Exhibit 3
Fund Balance

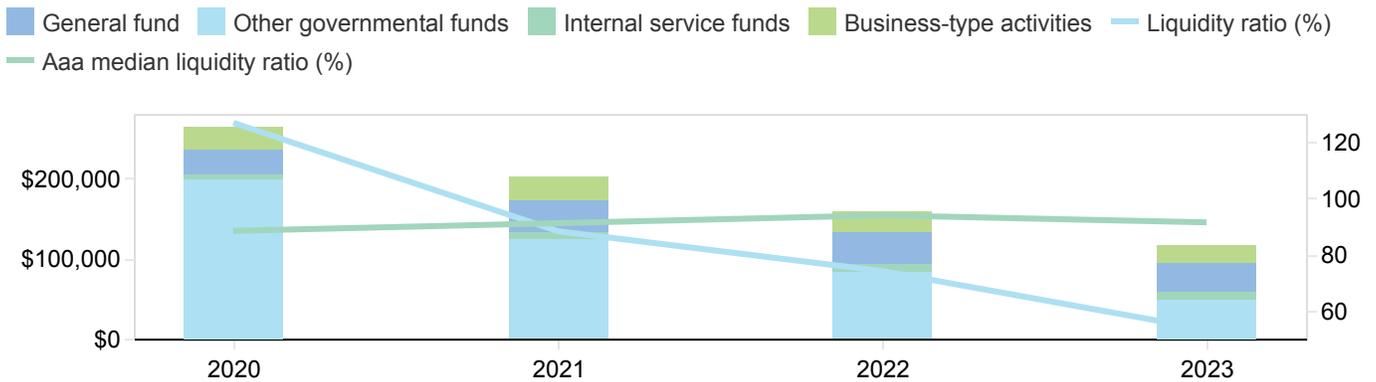


Source: Moody's Ratings

Liquidity

Belmont's net unrestricted cash and investments at the end of fiscal 2023 equaled \$116.4 million representing a healthy 53.3% of revenue. The town's liquidity position is not expected to materially change based on estimated fiscal 2024 operating results.

Exhibit 4
Cash



Source: Moody's Ratings

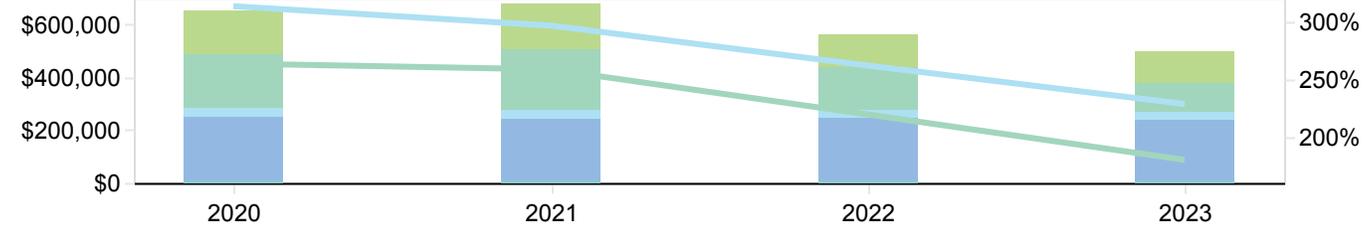
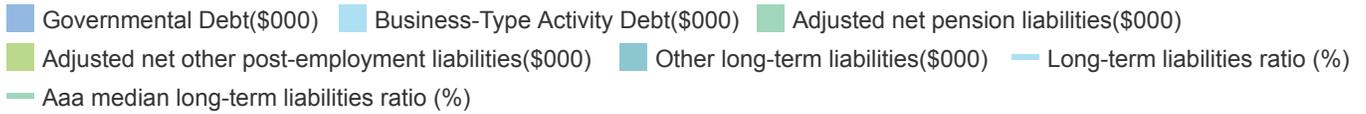
Leverage

Belmont's leverage is expected to remain moderate going forward and generally in line with the Aaa peers. While the town has increased its debt over the last few years to fund multiple large projects including a new high school, the strong funding commitment towards pension and OPEB liabilities have helped to keep leverage manageable. Additionally, the voter approved debt exclusions for the large capital projects allow the town to maintain operating flexibility.

The town ended fiscal 2023 with a long-term liabilities ratio of 228.3% of revenue. The town's debt accounts for 52% of the total leverage ratio while adjusted net pension liability and adjusted net OPEB liability represent 22% and 24%, respectively. The leverage ratio increases to around 238% when adding the current 2024 issuance to the long-term liabilities. Post 2024 issuance the town will have \$9.42 million in authorized but unissued debt mostly for the public library and ice rink and sports facility.

Exhibit 5

Total Primary Government - Long Term Liabilities



The decline in leverage is largely driven by the annual increase in the discount rate used in the Moody's adjusted net pension and OPEB liabilities
 Source: Moody's Ratings

Legal security

The 2024 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 to be excluded from the Proposition 2½ tax levy limit.

Debt structure

All of the town's debt is fixed rate with a final amortization in 2054.

Debt-related derivatives

Belmont is not party to any derivative products or swap agreements.

Pensions and OPEB

Belmont's adjusted pension and OPEB liabilities are slightly larger than its debt burden and though manageable at this time, represent a potential future credit challenge. The town participates in the Belmont Contributory Retirement Plan, a multi-employer defined benefit plan and makes annual required contributions. The latest actuarial report assumes a 7.0% discount rate and maintains a funded date of 2031. Favorably, annual pension contributions are scheduled to increase by only 2.5% through 2030. The town's teachers participate in the Massachusetts Teachers Retirement System in which the town receives on-behalf payments toward that liability that is covered by the Commonwealth.

The town also funds its OPEB liability on a pay-go basis plus annual budgeted deposits into an OPEB trust. The OPEB plan fiduciary net position was 12.5% of the total OPEB liability as of the end of fiscal 2023.

ESG considerations
Credit Impact Score

Exhibit 6
ESG credit impact score



Source: Moody's Ratings

Belmont's ESG Credit Impact Score of CIS-2 reflects the town's low exposures to environmental and social risks and a very strong governance profile that supports the town's credit rating, resilience and capacity to respond to shocks.

Exhibit 7
ESG issuer profile scores



Source: Moody's Ratings

Environmental

Belmont's Environmental issuer profile score is E-2 reflecting limited exposure to physical climate risk. Given its location near Massachusetts Bay, the town has exposure to hurricanes and other weather events that have the potential to damage infrastructure. Although the town's healthy financial position and history of strong state and federal support during natural disaster recovery offer sufficient mitigation.

Social

Belmont's social issuer profile score is S-2 indicating small exposure to social credit risks relating to housing, the labor force and demographic trends. The town benefits from a highly educated population with above-average incomes.

Governance

Belmont's governance issuer profile score is G-1 reflecting manageable institutional structure and strong budget management and policy credibility and effectiveness. The town also maintains favorable transparency and disclosure.

Rating methodology and scorecard factors

The US Cities and Counties Methodology includes a scorecard, which summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

The two-notch differential between the public rating and scorecard rating reflects the strong governance of the town and long trend of voter support for debt exclusions and general overrides to the tax levy limit.

Exhibit 8

Belmont (Town of) MA

	Measure	Weight	Score
Economy			
Resident income ratio	196.0%	10.0%	Aaa
Full value per capita	384,649	10.0%	Aaa
Economic growth metric	0.9%	10.0%	Aaa
Financial Performance			
Available fund balance ratio	30.5%	20.0%	Aa
Liquidity ratio	53.3%	10.0%	Aaa
Institutional Framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio	228.3%	20.0%	A
Fixed-costs ratio	13.8%	10.0%	Aa
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			Aa2
Assigned Rating			Aaa

The Economic Growth metric cited above compares the five-year CAGR of real GDP for Boston-Cambridge-Newton, MA-NH Metropolitan Statistical Area Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.

Sources: US Census Bureau, Belmont (Town of) MA's financial statements and Moody's Ratings

Appendix

Exhibit 9

Key Indicators Glossary

	Definition	Typical Source*
Economy		
Resident income ratio	Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI	MHI: US Census Bureau - American Community Survey 5-Year Estimates RPP: US Bureau of Economic Analysis
Full value	Estimated market value of taxable property in the city or county	State repositories; audited financial statements; continuing disclosures
Population	Population of the city or county	US Census Bureau - American Community Survey 5-Year Estimates
Full value per capita	Full value / population	
Economic growth metric	Five year CAGR of real GDP for Metropolitan Statistical Area or county minus the five-year CAGR of real GDP for the US	Real GDP: US Bureau of Economic Analysis
Financial performance		
Revenue	Sum of revenue from total governmental funds, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services funds, excluding transfers and one-time revenue, e.g., bond proceeds or capital contributions	Audited financial statements
Available fund balance	Sum of all fund balances that are classified as unassigned, assigned or committed in the total governmental funds, plus unrestricted current assets minus current liabilities from the city's or county's business-type activities and internal services funds	Audited financial statements
Net unrestricted cash	Sum of unrestricted cash in governmental activities, business type activities and internal services fund, net of short-term debt	Audited financial statements
Available fund balance ratio	Available fund balance (including net current assets from business-type activities and internal services funds) / Revenue	
Liquidity ratio	Net unrestricted cash / Revenue	
Leverage		
Debt	Outstanding long-term bonds and all other forms of long-term debt across the governmental and business-type activities, including debt of another entity for which it has provided a guarantee disclosed in its financial statements	Audited financial statements; official statements
Adjusted net pension liabilities (ANPL)	Total primary government's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Adjusted net OPEB liabilities (ANOL)	Total primary government's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Other long-term liabilities (OLTL)	Miscellaneous long-term liabilities reported under the governmental and business-type activities entries	Audited financial statements
Long-term liabilities ratio	Debt + ANPL + ANOL + OLTL / Revenue	
Fixed costs		
Implied debt service	Annual cost to amortize city or county's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Investors Service
Pension tread water contribution	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Investors Service
OPEB contribution	City or county's actual contribution in a given period	Audited financial statements
Implied cost of OLTL	Annual cost to amortize city or county's other long-term liabilities over 20 years with level payments	Audited financial statements; Moody's Investors Service
Fixed-costs ratio	Implied debt service + Pension tread water + OPEB contributions + Implied cost of OLTL / Revenue	

*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US Cities and Counties Methodology](#).

Source: Moody's Ratings

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