

Rating Action: Moody's assigns MIG 1 and Aa2 to Framingham, MA's GO BANs and Bonds; outlook stable

16 Nov 2020

New York, November 16, 2020 -- Moody's Investors Service has assigned a MIG 1 short term rating to the City of Framingham, MA's \$9.3 million General Obligation Bond Anticipation Notes (BANs, dated December 18, 2020 and payable June 25, 2021) and a Aa2 long term rating on the city's \$40 million General Obligation Municipal Purpose Loan of 2020 Bonds. Moody's maintains the Aa2 issuer rating and Aa2 rating on the city's outstanding general obligation limited tax (GOLT) bonds. The issuer rating is a hypothetical general obligation unlimited tax rating; there is no debt associated with this security. The outlook is stable.

The current issue and outstanding GOLT bonds are considered limited tax because the entire amount of debt service has not been excluded from restrictions under Massachusetts law on the city's ability to increase the property tax levy to pay debt service, referred to as Proposition 2 1/2.

RATINGS RATIONALE

The Aa2 issuer rating reflects the city's stable financial position, sizeable tax base with a large local economy, above-average but manageable debt burden, and moderate unfunded pension liability.

The absence of distinction between the GOLT rating and the issuer rating reflects the city's ability to override the property tax cap and its pledge of its full faith and credit.

The MIG 1 rating reflects the above-average long term credit fundamentals of the city, satisfactory management of refinancing risk and very healthy liquidity. The city is also a frequent market participant.

The coronavirus is not a material driver for the rating given the city's reliance on property taxes as a primary revenue source and the continued dependability of collections. Although, the pandemic has impacted the city's utility enterprise fund that accounts for water and sewer operations. Fiscal 2020 financial reports are expected to reflect a negative fund balance in the utility fund due to the dramatic decline in commercial property water and sewer usage during the fourth quarter of the year. Under state law the city has three years to cure the deficit and is currently developing a plan to address the issue within that time period including the possibility of federal and state aid. The general fund is projected to remain balanced and we do not expect the enterprise fund deficit to impact the primary operating fund position.

RATING OUTLOOK

The stable outlook reflects the healthy growth in the tax base that is expected to experience limited growth over the next two years as well as a balanced financial position given a strong management team.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Material growth in reserves and liquidity (long term rating)
- Significant decline in the debt burden (long term rating)
- Sustained trend of higher resident income levels (long term rating)

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Continued growth in the debt burden (long term rating)
- Decline in reserves and liquidity (long term rating)
- Significant decline in the long term credit profile of the city (short term rating)

LEGAL SECURITY

The notes and bonds are secured by the city's general obligation limited tax pledge as debt service has not been excluded from the tax levy limitations of Proposition 2 1/2. The city also pledges its full faith and credit.

USE OF PROCEEDS

Bond and note proceeds will fund various capital projects of the city including school renovations.

PROFILE

Framingham has a population of 70,743 and is primarily residential with a large commercial presence. The city is located in Middlesex County, approximately 20 miles west of Boston.

METHODOLOGY

The principal methodology used in the long-term rating was US Local Government General Obligation Debt published in July 2020 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1230443. The principal methodology used in the short-term rating was Short-term Debt of US States, Municipalities and Nonprofits Methodology published in July 2020 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1210749. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004

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