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ASSISTANT TOWN ADMINISTRATOR

JENNIFER HEWITT

PRESS RELEASE

October 19, 2023

Belmont, Massachusetts: Town Administrator Patrice Garvin and the Belmont Select Board are pleased to announce that Moody's Investors Service has affirmed the Town's Aaa rating for its outstanding debt, and forecasts a stable outlook. This is the continuation of a longstanding bond rating which has been in place since at least the 1980s, and is noteworthy as it is the first time the Town's bond rating has been reviewed since reorganizing the fiscal team.

In issuing the credit opinion (attached), Moody's noted Belmont's "stable financial operations and fiscal management." Moreover, they cited Belmont's:

- "Affluent tax base close to Boston and Cambridge"
- "History of voter approved debt exclusions and general overrides to the tax levy limit"

The Aaa rating is the highest bond rating that a municipality can obtain from Moody's. Strong bond ratings help the town secure favorable interest rates on borrowing and reflect positively on management practices.

The Town Administrator and Select Board would like to thank the members of the finance team for their contributions to maintaining this rating – Assistant Town Administrator/Finance Director Jennifer Hewitt, Town Accountant Donna Tuccinardi, Treasurer/Collector Leslie Davidson, Assessing Administrator Dan Dargon, and Budget Analyst Matt Haskell.

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CREDIT OPINION

18 October 2023



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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 within close proximity to New England's largest employment center. The town is expected to maintain a healthy financial position through conservative budgeting and ability to rely on operating flexibility provided by voter support for debt exclusions to the tax levy limit. The town also anticipates a townwide vote for a general operating override to the tax levy limit in spring 2024. The town's leverage is manageable although has recently risen due to an increase in debt issuance for a new school and other capital projects. Other long-term liabilities for pension and OPEB are manageable with the town planning to fully fund the pension plan in fiscal 2031.

Credit strengths

- » Affluent tax base close to Boston and Cambridge
- » Stable financial operations and fiscal management
- » History of voter approved debt exclusions and general overrides to the tax levy limit

Credit challenges

- » Above-average debt burden relative to Aaa peers
- » Reliance on debt exclusions and general overrides to the tax levy limit to maintain operating and capital plans

Rating outlook

The stable outlook reflects our expectation that the town will be able to maintain a healthy financial position and economy that will support a moderate leverage position.

Factors that could lead to an upgrade

- » Not applicable

Factors that could lead to a downgrade

- » Decline in reserves and liquidity
- » Unwillingness of voters to approve future debt exclusions and overrides to the tax levy limit
- » Material extension to the town's pension funding plan

Key indicators

Exhibit 1

Belmont (Town of) MA

	2019	2020	2021	2022	Aaa Medians
Economy					
Resident income ratio (%)	186.6%	192.0%	200.1%	N/A	173.0%
Full Value (\$000)	\$7,850,565	\$7,850,565	\$9,840,876	\$9,840,876	\$8,668,233
Population	26,113	26,158	27,056	N/A	35,992
Full value per capita (\$)	\$300,638	\$300,121	\$363,722	N/A	\$225,444
Economic growth metric (%)	N/A	0.5%	0.7%	N/A	-0.5%
Financial Performance					
Revenue (\$000)	\$181,044	\$208,247	\$229,326	\$214,413	\$101,177
Available fund balance (\$000)	\$65,376	\$65,336	\$75,330	\$74,126	\$58,570
Net unrestricted cash (\$000)	\$196,648	\$264,155	\$202,326	\$158,796	\$82,803
Available fund balance ratio (%)	36.1%	31.4%	32.8%	34.6%	61.7%
Liquidity ratio (%)	108.6%	126.8%	88.2%	74.1%	88.4%
Leverage					
Debt (\$000)	\$170,712	\$277,324	\$267,258	\$269,736	\$71,733
Adjusted net pension liabilities (\$000)	\$168,788	\$199,593	\$230,231	\$159,837	\$120,941
Adjusted net OPEB liabilities (\$000)	\$138,366	\$165,398	\$171,039	\$122,245	\$14,374
Other long-term liabilities (\$000)	\$9,638	\$9,218	\$10,462	\$8,916	\$3,750
Long-term liabilities ratio (%)	269.3%	312.9%	296.1%	261.5%	263.2%
Fixed costs					
Implied debt service (\$000)	\$5,522	\$12,447	\$19,860	\$18,745	\$4,989
Pension tread water contribution (\$000)	\$6,579	\$7,190	\$7,484	\$7,222	\$3,389
OPEB contributions (\$000)	\$5,113	\$5,585	\$5,281	\$4,744	\$523
Implied cost of other long-term liabilities (\$000)	\$723	\$703	\$660	\$734	\$245
Fixed-costs ratio (%)	9.9%	12.4%	14.5%	14.7%	11.6%

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 Economic Growth metric cited above compares the five-year CAGR of real GDP for Boston-Cambridge-Newton, MA-NH 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 Investors Service, 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.

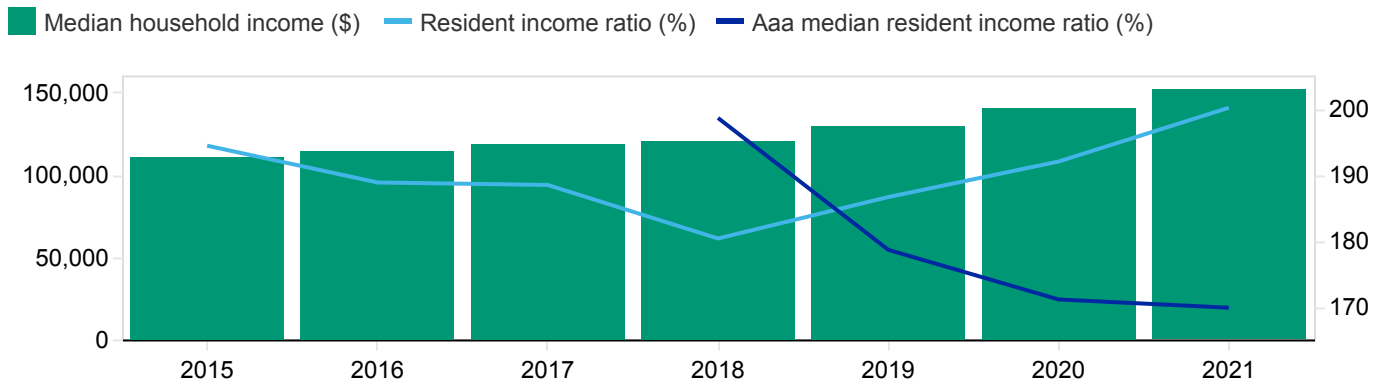
Detailed credit considerations

Economy: affluent residential tax base neighboring New England's largest employment center

Belmont has an affluent residential tax base that represents 95% of 2023 assessed value. The town's resident income is very strong with a median household income adjusted for regional price parity of just over 200% of the US median. Belmont's economy is part of the Boston metropolitan statistical area with a healthy economic growth rate of 0.7% as measured by the MSA's five year CAGR of real GDP compared to the US real GDP. 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 recent development includes mixed-use projects in Waverly Square with market rate residential units and over 10,000 square feet of retail space added to the area.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

Exhibit 2
Resident Income

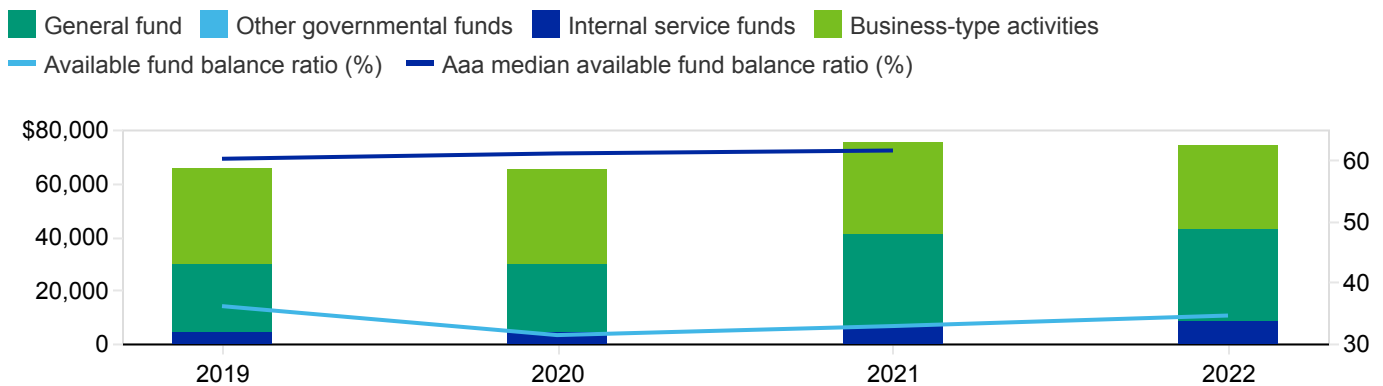


Source: Moody's Investors Service

Financial operations: stable operations likely given conservative fiscal management and taxpayer support for overrides to levy limit

The town's financial position is likely to remain stable over the next few years because of conservative fiscal management and a history of strong taxpayer support for overrides to the tax levy limit. Across all governmental funds and business-type activities, Belmont closed fiscal 2022 (the latest audit ending June 30, 2022) with an available fund balance and net unrestricted assets of \$74.1 million representing 34.6% of revenue (see exhibit). Fiscal 2022 governmental revenues and expenses were less than the prior year due to a decline in the Belmont high school construction fund.

Exhibit 3
Fund Balance



Source: Moody's Investors Service

Belmont's governmental activities provide 81% of the town's revenue base with property taxes representing 64% of fiscal 2022 governmental revenue. The town's electric, water and sewer operations represent the enterprise funds which provide the remaining revenue sources. The town does not have unused levy capacity but has historically benefited from ample operating flexibility provided by voters that have approved debt exclusions and general operating overrides to the tax levy limit. The town's largest expenditure is education representing 67% of 2022 governmental expenses.

Fiscal 2023 year-end results reflect a \$2 million positive variance in general fund revenues due to strong investment returns and local receipts. Expenditures also had a positive variance of \$2.3 million due to conservative budgeting for all major expenses. The fiscal 2024 operating budget represents a 4.2% increase over the prior year driven in part by increased education costs from opening a new middle

school and an increase in the solid waste collection contract. The budget is balanced with a tax levy increase to the 2.5% limit plus new growth, a healthy state aid increase of 14% for education, and the use of \$9.7 million in free cash.

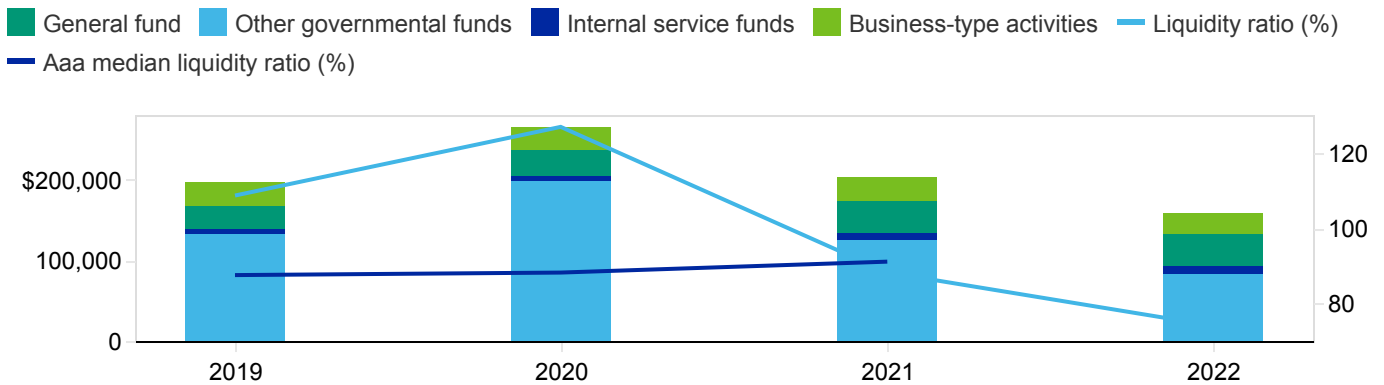
Beyond fiscal 2024, the town is planning for an April 2024 townwide vote for a general operating override to the tax levy limit ranging from \$6 million to \$9 million. The outcome of the vote will likely dictate how the town manages its financial position going forward. Regardless, of the outcome we expect the town to maintain conservative fiscal management.

Liquidity

Belmont's net unrestricted cash and investments at the end of fiscal 2022 was \$158.8 million representing a healthy 74.1% of revenue. The town's liquidity position is not expected to materially change based on fiscal 2023 year-end results.

Exhibit 4

Cash



Source: Moody's Investors Service

Leverage: driven by increase in debt issuance while pension funding schedule remains strong

Belmont's leverage is moderate for the highest rating category and will likely remain relatively unchanged over the next few years given a large capital plan while continuing to aggressively fund the pension plan and make annual deposits into the OPEB trust. The town ended fiscal 2022 with a long-term liabilities ratio of 261.5% of revenue (see exhibit). The town's debt accounts for 48% of the total leverage ratio while adjusted net pension liability and adjusted net OPEB liability represent 29% and 22%, respectively. The leverage ratio increases to 267% when adding the current 2023 note issuance to the long-term liabilities.

Exhibit 5

Total Primary Government - Long Term Liabilities



Source: Moody's Investors Service

Following the note issuance, the town will have around \$38 million in authorized but unissued debt. Given the town's principal amortization we expect the leverage ratio to increase slightly but remain around 270% of revenue.

Legal security

The general obligation unlimited tax bonds are backed by the town's full faith and credit unlimited tax pledge given that voters have voted to excluded the debt service from the Proposition 2 ½ tax levy limit. The general obligation limited tax bonds are backed by the town's full faith and credit limited tax pledge given that voters did not vote to exclude all of the debt service from the Proposition 2½ tax levy limit.

Debt structure

The town's entire debt portfolio of \$281.2 million is all fixed rate with 44% of principal retired in 10 years. Final maturity of the town's debt is 2052.

Debt-related derivatives

Belmont does not have debt-related derivatives.

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. Moody's 2022 adjusted net pension liability of \$159.8 million uses just under a 3% discount rate assumption. We expect our adjusted discount rate to rise over the next few years given the interest rate trend and lead to a decline in the adjusted net pension liability.

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 12.4% of the total OPEB liability as of the end of fiscal 2022. The Moody's 2022 adjusted net OPEB liability of \$122.2 million uses a 4.4% discount rate assumption.

ESG considerations

Belmont (Town of) MA's ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 6

ESG Credit Impact Score

CIS-2

Neutral-to-Low



NEGATIVE : : POSITIVE
IMPACT : : IMPACT

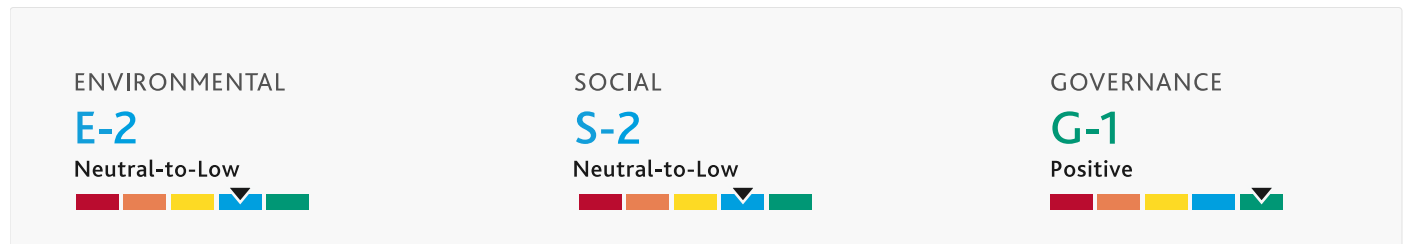
For an issuer scored CIS-2 (Neutral-to-Low), its ESG attributes are overall considered as having a neutral-to-low impact on the current rating; i.e., the overall influence of these attributes on the rating is non-material.

Source: Moody's Investors Service

Belmont's CIS 2 ESG credit impact score reflects the town's low exposures to environmental and social risks and positive governance profile.

Exhibit 7

ESG Issuer Profile Scores



Source: Moody's Investors Service

Environmental

Belmont's **E-2** environmental issuer profile score reflects 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 **S-2** social issuer profile score is neutral to low 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 **G-1** governance issuer profile score reflects the town's strong budget management and policy credibility and effectiveness.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The US Cities and Counties Rating 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.

Exhibit 8

Belmont (Town of) MA

	Measure	Weight	Score
Economy			
Resident income ratio	200.1%	10.0%	Aaa
Full value per capita	383,811	10.0%	Aaa
Economic growth metric	0.7%	10.0%	Aaa
Financial Performance			
Available fund balance ratio	34.6%	20.0%	Aa
Liquidity ratio	74.1%	10.0%	Aaa
Institutional Framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio	261.5%	20.0%	A
Fixed-costs ratio	14.7%	10.0%	Aa
Notching factors			
Additional Strength in Local Resources	0.5		
Scorecard-Indicated Outcome			Aa1
Assigned Rating			Aaa

The complete list of outstanding ratings assigned to the Belmont (Town of) MA is available on their [issuer page](#). Details on the current ESG scores assigned to the Belmont (Town of) MA are available on their [ESGView page](#).

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

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 City and Counties Methodology](#).

Source: Moody's Investors Service

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