

CREDIT OPINION

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Town of Framingham, MA

Update following outlook revision to stable

Summary

[Framingham's](#) (Aa2 stable) credit profile is bolstered by its strong economy and diverse tax base. The city's resident income and full (equalized) value per capita are above-average and in line with the rating category. The rating also incorporates recovery of the city's financial position as it has reduced its use of reserves to balance the operating budget, raised utility fees, and stabilized reserves and liquidity. The city's available reserves and net unrestricted current assets at the end of fiscal 2022 totaled almost \$62 million representing 14.3% of revenue. While the nominal amount is large, the amount as a percent of revenue is the lowest of any Aa2 rated city or town in Massachusetts. Although reserves are likely to remain low as a percent of revenue for the rating category, we expect the financial position to remain stable in part due to financial flexibility afforded by unused levy capacity that can be tapped if needed. The leverage position is moderate and likely to remain manageable given a fixed costs ratio of 11.3% in fiscal 2022.

On March 1, 2024, Moody's revised Framingham's outlook to stable from negative and affirmed the Aa2 issuer rating and Aa2 general obligation limited tax bond rating.

Credit strengths

- » Strong economy
- » Above-average resident income and wealth

Credit challenges

- » Low reserves as a percent of revenue for the rating category
- » History of using reserves to balance operations with limited property tax increases

Rating outlook

The stable outlook reflects the strength of the city's economy and expectation that the tax base will continue to grow and provide the city with sufficient operating flexibility to maintain a stable financial position and gradually increase reserves while maintaining manageable long-term liabilities and fixed costs.

Factors that could lead to an upgrade

- » Significant increase in reserves as a percent of revenue to at least 35% of revenue
- » Material growth in city income and wealth metrics

Factors that could lead to a downgrade

- » Decline in available reserves as a percent of revenue to 12% or less
- » Decline in commercial/industrial/personal property (CIP) tax base value in 2025 or 2026
- » Large increase in leverage and a fixed costs ratio of 18% or greater

Key indicators

Exhibit 1

Framingham (City of) MA

	2019	2020	2021	2022	Aa Medians
Economy					
Resident income ratio (%)	119.9%	118.2%	119.6%	112.8%	115.0%
Full Value (\$000)	\$9,773,588	\$9,773,588	\$11,101,739	\$11,101,739	\$2,649,338
Population	72,308	72,846	72,089	71,805	22,694
Full value per capita (\$)	\$135,166	\$134,168	\$154,000	\$154,610	\$108,666
Annual Growth in Real GDP	3.6%	-1.5%	7.0%	2.3%	N/A
Financial Performance					
Revenue (\$000)	\$392,380	\$410,066	\$431,233	\$432,217	\$48,404
Available fund balance (\$000)	\$77,267	\$94,470	\$57,717	\$61,957	\$24,069
Net unrestricted cash (\$000)	\$109,328	\$86,718	\$73,949	\$110,286	\$32,092
Available fund balance ratio (%)	19.7%	23.0%	13.4%	14.3%	51.0%
Liquidity ratio (%)	27.9%	21.1%	17.1%	25.5%	69.0%
Leverage					
Debt (\$000)	\$264,149	\$312,069	\$310,561	\$306,163	\$34,496
Adjusted net pension liabilities (\$000)	\$285,628	\$333,831	\$377,350	\$311,106	\$55,543
Adjusted net OPEB liabilities (\$000)	\$345,127	\$404,956	\$397,926	\$300,418	\$6,316
Other long-term liabilities (\$000)	\$4,574	\$4,767	\$4,725	\$4,175	\$1,623
Long-term liabilities ratio (%)	229.2%	257.4%	252.9%	213.3%	244.8%
Fixed costs					
Implied debt service (\$000)	\$18,952	\$19,259	\$22,348	\$21,783	\$2,436
Pension tread water contribution (\$000)	\$10,284	\$12,239	\$32,380	\$10,943	\$1,565
OPEB contributions (\$000)	\$13,526	\$13,652	\$15,466	\$15,715	\$178
Implied cost of other long-term liabilities (\$000)	\$347	\$333	\$341	\$331	\$109
Fixed-costs ratio (%)	11.0%	11.1%	16.4%	11.3%	11.1%

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 [issuer specific] Metropolitan Statistical Area.

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

Profile

Framingham has a population of around 72,300 and is primarily residential with a large commercial and industrial presence acting as a regional economic center. The largest industry sectors that drive the local economy are professional, scientific, technical services, health services and retail trade. The city is located in Middlesex County approximately 20 miles west of [Boston](#) (Aaa stable). The city provides governmental services including police and fire protection, solid waste disposal, public education in grades K-12, street maintenance, parks and recreational facilities.

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.moodys.com> for the most updated credit rating action information and rating history.

Detailed credit considerations

Economy: strong economy supported by healthy residential sector and large companies

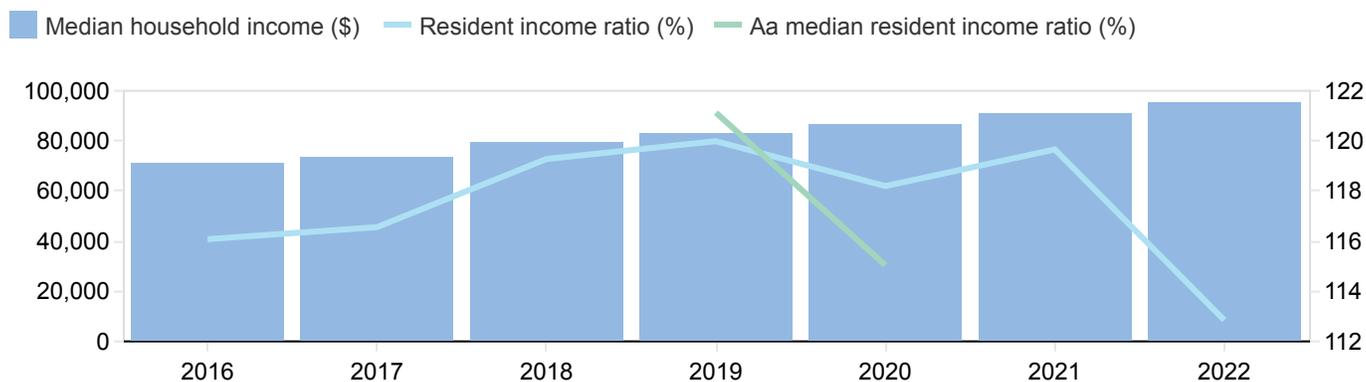
Framingham's economy is strong and driven in part by its location between the two largest cities in New England, Boston and Worcester, MA (Aa3 stable). The city's economic growth rate as measured by the Boston MSA's five year CAGR of real GDP compared to US real GDP is a strong 0.9%. The city also benefits from easy access to major transportation routes and has a large commercial and industrial presence. The city is home to many companies with over 1,000 employees including top employers with headquarters based in Framingham. Those top employers include Bose Corp., The [TJX Companies, Inc.](#) (A2 stable), and [Staples, Inc.](#) (B3 negative). The Massachusetts Department of State Police with around 2,300 employees as well as Framingham State University also provide some institutional presence.

The city's tax base is large with a 2024 assessed value of \$14.4 billion that grew by 11.1% from the prior year. Residential properties represent approximately 80% of the base and commercial properties about 13% with the balance industrial and personal property. While concerns remain around remote and hybrid work putting downward pressure on office property values over the next several years, the city expects no material decline in the commercial sector. Given the composition of the base, a severe downturn would be required to materially impact the city's tax base. Data compiled by Moody's Analytics reflects a 24.6% office vacancy rate in the Framingham/west suburban market area of Boston in Q4 2024 up from 20.9% as of Q4 2019.

The TJX Companies is opening a newly renovated office building it purchased in 2019 for \$120 million that adds to its footprint in the city. Additionally, Shoppers World, a destination outdoor retail plaza recently sold to a new owner for \$309 million as part of a transaction in which the owner acquired another shopping center in Massachusetts. Shoppers World's 2024 assessed value of \$171.2 million makes it the city's fourth largest taxpayer. The city's residential sector remains very healthy as well with mixed-use and transit oriented housing options in development in downtown and around the commuter rail stop. Residential construction includes 181 units of multifamily housing on Waverly Street and three projects pending permits that includes a 270 unit Baircroft Loft complex.

Exhibit 2

Resident Income



Source: Moody's Investors Service

Financial operations: return to stability while reserves remain low for the rating category

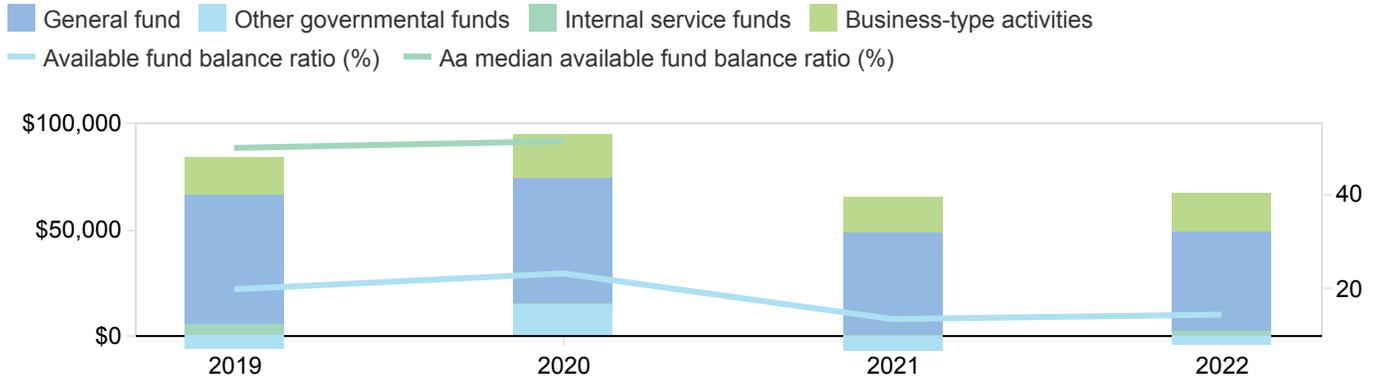
Framingham has stabilized its financial position over the last two years by reducing its use of reserves for operations, increasing utility fees to balance the water and sewer operations and positioning itself to maintain and grow reserves. The city also used modest tax increases, conservative budgeting and benefitted from a 20% increase in state education funding in both fiscal 2023 and 2024.

Conservative budgeting will support gradual growth in reserves as a percent of revenue. As of the end of fiscal 2022 the available fund balance and net current assets totaled almost \$62 million representing 14.3% of revenue, a level that is the lowest of any Aa2 rated city or town in Massachusetts. While reserves are likely to remain low for the rating category we expect financial operations to remain stable with the ability to grow reserves. Going forward, the city has \$40.9 million in unused levy capacity in fiscal 2024 representing 11% of governmental revenue that provides significant revenue flexibility which could be needed given growth in state aid

for education is expected to be cut to around 1% in fiscal 2025. The city's ability to balance expenses with revenues will be a key rating factor over the next several years.

The fiscal 2023 year ended with a positive variance in revenues and expenses resulting in a \$6.5 million surplus in the general fund while the utility fund improved its retained earnings as well. The fiscal 2024 budget increased by 6.5% driven by health insurance, retirement contributions, salaries and benefits. The budget was balanced with a 2.6% increase in the tax levy, a 20% increase in state aid and the use of only \$2 million in reserves.

Exhibit 3
Fund Balance



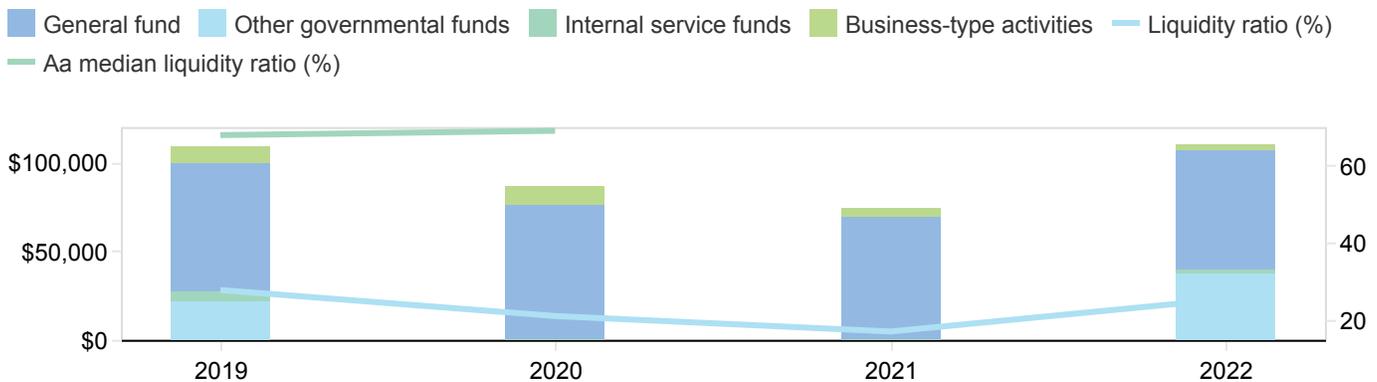
Source: Moody's Investors Service

Framingham's governmental activities provide 88% of the city's revenue base with property taxes representing 52% of fiscal 2022 governmental revenue. The city's business-type activities including the water and sewer utility fund provide the remaining revenue sources. The largest expenditures are education and general government representing 53% and 23%, respectively, of total governmental costs.

Liquidity

Framingham's net unrestricted cash and investments at the end of fiscal 2022 was \$110.3 million representing 25.5% of revenue. The liquidity position through the end of fiscal 2023 is not expected to materially change once the audit is released.

Exhibit 4
Cash



Source: Moody's Investors Service

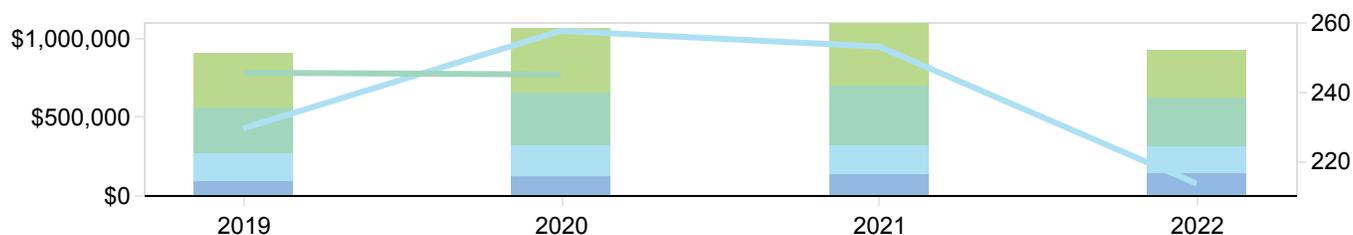
Leverage

The city's leverage is above-average for the rating category although it includes a large portion for school projects. We expect the long-term liabilities to remain manageable given the city's debt and capital policies and funding commitment towards pension and OPEB liabilities. The city ended fiscal 2022 with a long-term liabilities ratio of 213.3% of revenue (see exhibit). The city's debt accounts for 33% of the total leverage ratio while adjusted net pension liability and adjusted net OPEB liability represent another 34% and 33%, respectively.

Exhibit 5

Total Primary Government - Long Term Liabilities

■ Governmental Debt
 ■ Business-Type Activity Debt
 ■ Adjusted net pension liabilities
■ Adjusted net other post-employment liabilities
 ■ Other long-term liabilities
 — Long-term liabilities ratio (%)
— Aa median long-term liabilities ratio (%)



Decline in ANPL and ANOL is largely due to a higher Moody's adjusted discount rate compared to prior years
 Source: Moody's Investors Service

The fiscal 2024-28 capital plan totals almost \$39 million with an average annual cost of \$7.8 million. The 2022 fixed costs ratio of 11.3% of revenue has held relatively steady over the last five years and is expected to remain manageable.

Legal security

The city's bonds and BANs are backed by the city's full faith and credit general obligation limited tax pledge given that not all debt service has been voted to be excluded from the Proposition 2½ tax levy limit.

Debt structure

The debt portfolio of around \$278 million is all fixed rate with a final maturity of 2043.

Debt-related derivatives

Framingham is not party to any interest rate swaps or other derivative agreements.

Pensions and OPEB

Framingham's pension and OPEB liabilities are larger than its debt burden and though manageable at this time, represent a potential future credit challenge. The city participates in the Framingham Retirement Plan, a multi-employer defined benefit plan and makes annual required contributions. The latest actuarial report assumes a 7% discount rate and maintains a funded date of 2030 on a reported basis. Annual pension contributions are scheduled to increase by 5.5% annually until 2030. The city's teachers participate in the Massachusetts Teachers Retirement System in which the city receives on-behalf payments toward that liability that is covered by the Commonwealth.

The city also funds its OPEB liability on a pay-go basis and has made deposits into an OPEB trust but has not contributed to the trust since fiscal 2020. The OPEB plan fiduciary net position is 2.5% of the total OPEB liability as of the end of fiscal 2022.

ESG considerations

Credit Impact Score

The City of Framingham's ESG credit impact score is neutral-to-low (CIS-2), reflecting neutral to low exposure to environmental, social and governance risks that support the city's credit rating, resilience and capacity to respond to shocks.

Environmental

Framingham's E environmental profile score is neutral to low (E-2). The city's carbon transition, natural capital, and water and pollution risks are modest. Given Framingham's geographical location, physical climate risk is also neutral to low with no material exposure to sea level rise and moderate exposure to shocks from extreme weather events such as hurricanes and nor-easters.

Social

Framingham's S social issuer profile score is neutral to low (S-2). The city benefits from a positive health and safety profile, while exposures to demographics, labor and income, education, housing, and access to basic services are neutral to low.

Governance

Framingham's G governance issuer profile score is neutral to low (G-2). The city is managed by certified and experienced professionals who are responsible for implementing its policy objectives. Framingham benefits from a strong state-wide institutional framework and conservative budgeting that has resulted in historically stable financial operations. The city also approves and releases its budgets and audited financial statements in a timely manner.

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 6

Framingham (City of) MA

	Measure	Weight	Score
Economy			
Resident income ratio	112.8%	10.0%	Aa
Full value per capita	176,035	10.0%	Aa
Economic growth metric	0.9%	10.0%	Aaa
Financial Performance			
Available fund balance ratio	14.3%	20.0%	Baa
Liquidity ratio	25.5%	10.0%	A
Institutional Framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio	213.3%	20.0%	A
Fixed-costs ratio	11.3%	10.0%	Aa
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			Aa3
Assigned Rating			Aa2

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

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

Appendix

Exhibit 7

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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