

CREDIT OPINION

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City of Framingham, MA

Update to credit analysis

Summary

Framingham's (Aa2 stable) credit profile benefits from a strong economy and sizeable tax base that includes a large commercial and industrial sector. Additionally, the city's resident income of 112% and full (equalized) value per capita of \$213,707 are above-average and in line with the rating category.

The city is expected to maintain a stable financial position including a trend of growing reserves although they still are below-average for the Aa rating category. The city's available fund balance ratio improved to 19.9% of revenue as of the fiscal 2024 audited financials. The city also maintains a healthy amount of unused levy capacity (equal to 8% of revenue) that provides greater operating flexibility than most Massachusetts municipalities.

The city's long-term liabilities ratio totaled 155.2% at the end of fiscal 2024 and is expected to remain manageable given the city's capital plans and funding commitment towards unfunded pension and OPEB liabilities.

Credit strengths

- » Strong and diverse economy
- » Above-average resident income and wealth
- » Large amount of unused levy capacity

Credit challenges

- » Low reserves as a percent of revenue
- » History of using reserves to balance operations

Rating outlook

The stable outlook incorporates 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 the available fund balance ratio to at least 35%
- » Material growth in the city's resident income and full (equalized) value per capita

Factors that could lead to a downgrade

- » Decline in the available fund balance ratio to less than 12%

» Large increase in the leverage ratio and/or a fixed costs ratio of 18% or greater

Key indicators

Exhibit 1

Framingham (City of) MA

	2021	2022	2023	2024	Aa Medians
Economy					
Resident income ratio (%)	119.5%	112.5%	112.0%	N/A	114.1%
Full Value (\$000)	\$11,101,739	\$11,101,739	\$12,640,217	\$12,640,217	\$2,888,367
Population	72,089	71,805	72,013	N/A	22,430
Full value per capita (\$)	\$154,000	\$154,610	\$175,527	N/A	\$125,640
Annual Growth in Real GDP	7.0%	2.4%	1.5%	N/A	2.0%
Financial Performance					
Revenue (\$000)	\$431,233	\$432,217	\$453,328	\$498,598	\$52,335
Available fund balance (\$000)	\$57,717	\$61,957	\$77,629	\$99,295	\$29,526
Net unrestricted cash (\$000)	\$73,949	\$110,286	\$133,532	\$149,634	\$41,432
Available fund balance ratio (%)	13.4%	14.3%	17.1%	19.9%	57.1%
Liquidity ratio (%)	17.1%	25.5%	29.5%	30.0%	79.6%
Leverage					
Debt (\$000)	\$310,561	\$306,163	\$305,337	\$325,082	\$37,305
Adjusted net pension liabilities (\$000)	\$377,350	\$311,106	\$228,385	\$221,585	\$45,496
Adjusted net OPEB liabilities (\$000)	\$397,926	\$300,418	\$233,939	\$222,783	\$4,376
Other long-term liabilities (\$000)	\$4,725	\$4,175	\$4,123	\$4,237	\$1,726
Long-term liabilities ratio (%)	252.9%	213.3%	170.2%	155.2%	210.2%
Fixed costs					
Implied debt service (\$000)	\$22,348	\$21,783	\$21,382	\$21,210	\$2,477
Pension tread water contribution (\$000)	\$32,380	\$10,943	\$8,047	N/A	\$1,199
OPEB contributions (\$000)	\$15,466	\$15,715	\$16,057	\$15,664	\$179
Implied cost of other long-term liabilities (\$000)	\$341	\$331	\$292	\$286	\$115
Fixed-costs ratio (%)	16.4%	11.3%	10.1%	9.1%	9.6%

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

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

Profile

Framingham has a population of around 72,300 and is primarily residential with a large commercial and industrial component that makes it 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.

Detailed credit considerations

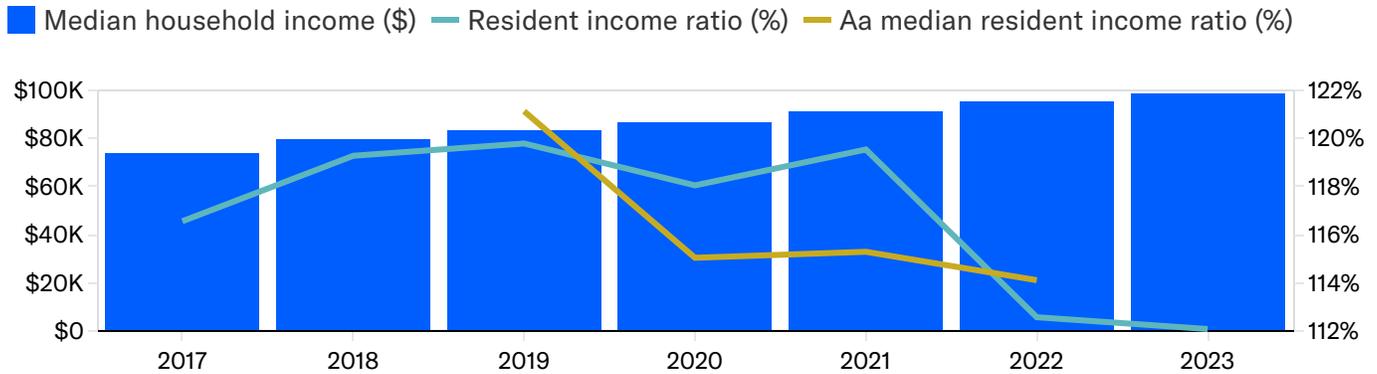
Economy: strong, diverse economy that continues to benefit from healthy development and expansion

Framingham's economy is strong and driven in part by its favorable 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 0.3%. 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., [TJX Companies, Inc.](#) (A2 stable), and [Staples, Inc.](#) (B3 stable). The Massachusetts Department of State Police with around 2,300 employees as well as Framingham State University also provide some institutional presence.

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The city's commercial sector remains stable with a few top taxpayers appealing 2024/25 assessed values although the potential tax liability remains low and could be covered by the overlay account balance. TJX is also expanding its footprint with the purchase of two properties after just completing a major renovation of their headquarters, reflecting its commitment to the city. Shoppers World is also planning a redevelopment of the Kohl's site and there is also an expansion of the Logan Express location that handles around 40,000 people per week shuttling to Boston's Logan airport. The 2025 total assessed value increased by 8.7% over the prior year and the commercial sector increased by 8.5%.

Exhibit 2
Resident Income is above the national average and continues to trend just below Aa median



Source: Moody's Ratings

Financial operations: stable position expected to continue while the city continues to balance use of reserves and tax levy increases to balance operations

Framingham's financial position is likely to remain stable over the next few years given conservative budgeting. The city has improved its available reserves balance over the last three years after reaching a low point at the end of fiscal 2021. The available fund balance ratio equaled 19.9% as of fiscal 2024 year-end. While reserves are trending up, the city is using a larger amount to balance the fiscal 2026 budget. Greater use of reserves beyond the fiscal 2026 plans versus tapping ample unused levy capacity will be a key credit factor in future reviews.

The fiscal 2026 proposed budget reflects an increase of 6.7% over the prior year driven by education, health insurance, debt and employee benefits. The budget is expected to be balanced with a 2.5% tax levy increase and \$10 million in free cash. The free cash appropriation equals 2% of revenue (FY24) and is larger than the fiscal 2025 budget that included \$3.4 million. Currently, the city has \$41.4 million in unused levy capacity equal to 8.3% of revenue and provides the city with ample revenue flexibility should it have the willingness to use.

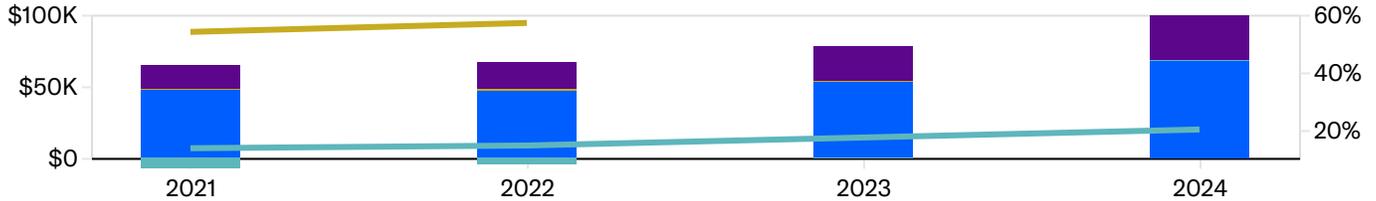
The fiscal 2025 year-end projections indicate a relatively balanced to slightly positive operating results. Revenues are trending with a positive variance in local receipts from motor vehicle excise, meal and room taxes and interest earnings. While expenditures are on budget with spending limits in place for the last quarter.

Framingham's governmental activities provide 88% of the city's revenue base with property taxes representing 49% of fiscal 2024 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 51% and 24%, respectively, of total governmental costs.

Exhibit 3

Fund Balance continues to improve

- General fund(\$000) ■ Other governmental funds(\$000) ■ Internal service funds(\$000)
- Business-type activities(\$000) — Available fund balance ratio (%)
- Aa median available fund balance ratio (%)



Source: Moody's Ratings

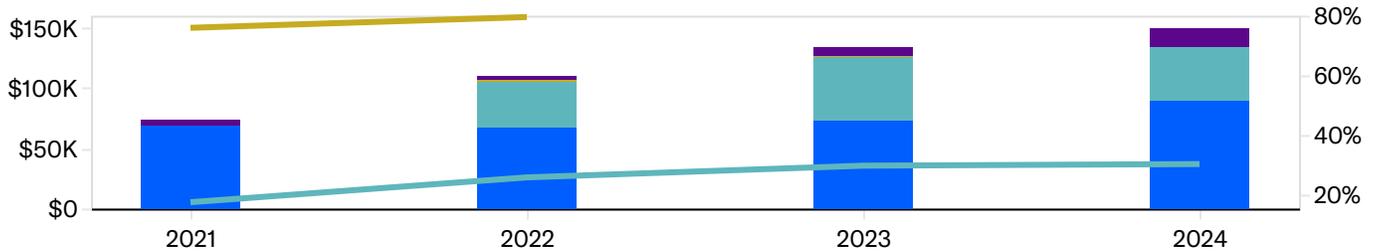
Liquidity

Framingham's net unrestricted cash and investments at the end of fiscal 2024 was \$149.6 million representing 30% of revenue. The cash position is higher than available fund balance because it includes governmental funds including \$12.3 million in remaining ARPA funds and other nonmajor balances. The liquidity position through the end of fiscal 2025 is not expected to materially change once the audit is released.

Exhibit 4

Cash position is likely to remain healthy but below Aa median

- General fund ■ Other governmental funds ■ Internal service funds ■ Business-type activities
- Liquidity ratio (%) — Aa median liquidity ratio (%)



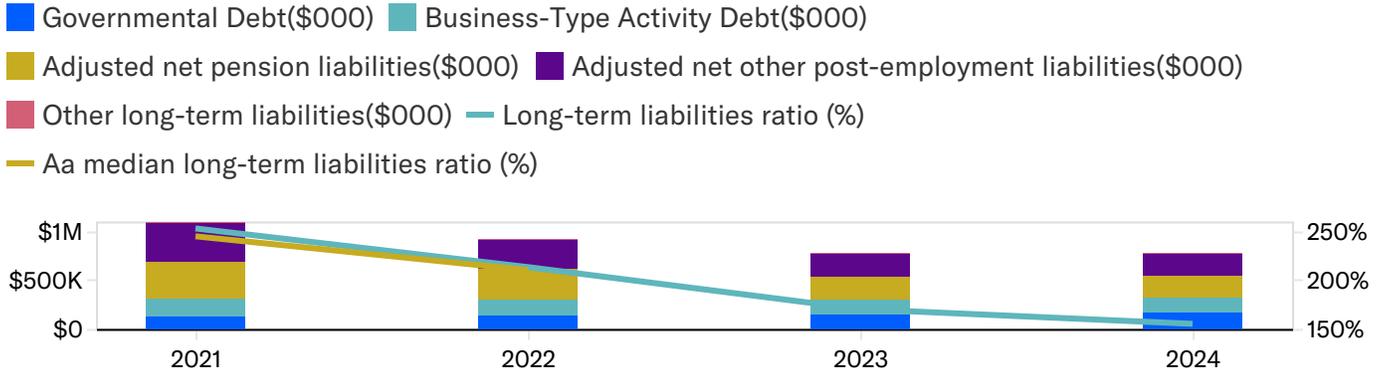
Source: Moody's Ratings

Leverage: manageable capital plans and sound funding commitments towards pension and OPEB liabilities

The city's leverage is in-line with peers in the rating category. We expect the long-term liabilities to remain manageable but will likely increase slightly driven by an increase in capital projects and debt financing. The fiscal 2026 capital budget currently totals almost \$43 million related to the general fund and \$63 million for enterprise projects. The 2026-30 five year plan totals over \$208 million. The city anticipates leveraging state loans for the water and sewer projects. The city maintains a debt policy for general fund debt service to equal no more than 5% of the budget.

The city ended fiscal 2024 with a long-term liabilities ratio of 155.2% of revenue. The city's debt accounts for 42% of the total leverage ratio while adjusted net pension liability and adjusted net OPEB liability represent another 29% and 29%, respectively.

Exhibit 5
Total Primary Government - Long Term Liabilities are manageable



Source: Moody's Ratings

Debt structure

All of the city's debt is fixed rate with a final maturity of 2045.

Debt-related derivatives

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

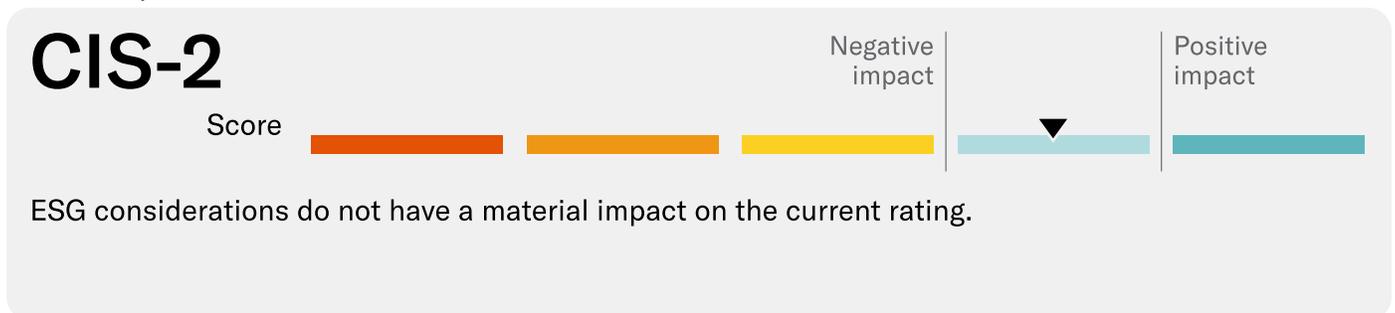
Pensions and OPEB

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 3.7% of the total OPEB liability as of the end of fiscal 2024.

ESG considerations

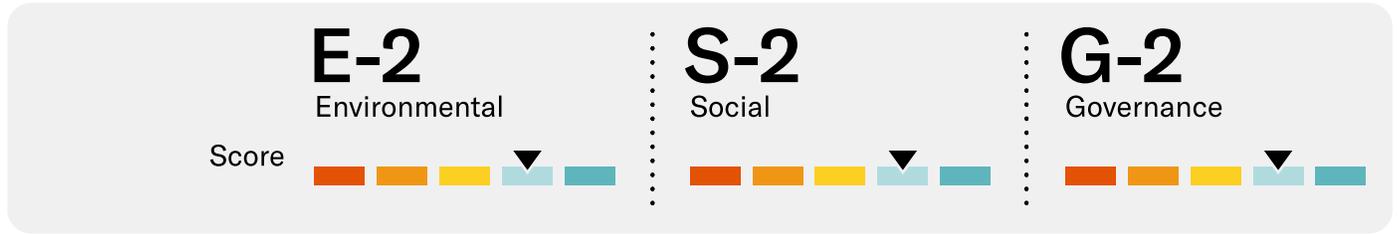
Exhibit 6
ESG credit impact score



Source: Moody's Ratings

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.

Exhibit 7
ESG issuer profile scores



Source: Moody's Ratings

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 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 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

Framingham (City of) MA

	Measure	Weight	Score
Economy			
Resident income ratio	112.0%	10.0%	Aa
Full value per capita	213,707	10.0%	Aaa
Economic growth metric	0.3%	10.0%	Aaa
Financial Performance			
Available fund balance ratio	19.9%	20.0%	A
Liquidity ratio	30.0%	10.0%	Aa
Institutional Framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio	155.2%	20.0%	Aa
Fixed-costs ratio	9.1%	10.0%	Aaa
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			Aa2
Assigned Rating			Aa2

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, Framingham (City 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 Ratings
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 Ratings
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 Ratings
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 Ratings
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 Ratings
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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