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Moody's assigns MIG 1 to Framingham's GO BANs

Moody's Investors Service has assigned a MIG 1 short-term rating to the City of Framingham, MA's \$16.2 million General Obligation Bond Anticipation Notes (BANs, dated June 25, 2021 and payable December 17, 2021). Moody's maintains the city's Aa2 issuer rating and Aa2 rating on the city's outstanding general obligation limited tax (GOLT) bonds. Post issuance the city will have approximately \$301 million in outstanding general obligation debt.

RATINGS RATIONALE

The MIG 1 rating reflects the very good underlying credit quality of the city reflected in its Aa2 general obligation rating. The rating also incorporates the city's history of strong and consistent market access and healthy liquidity at the time of issuance.

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. The fiscal 2020 draft audited financials reflect a negative \$2.5 million fund balance in the utility fund, equal to approximately 5% of the utility fund operating revenue, due to the dramatic decline in commercial property water and sewer usage during the fourth quarter of the year.

Positively, the pandemic has spurred the city to perform a review of its utility fund and develop a multiyear plan to replenish reserves as well as gradually recover from a change in overall consumption trends. Going into the pandemic, the city had drawn down utility fund reserves in prior years for capital needs that did not include corresponding rate increases to maintain reserves. The plan includes a 12% rate increase effecting July 1, 2021 and the evaluation of alternative billing models given the diverse makeup of its rate payers that include large corporate offices to individual residential homes. The city also anticipates the use of federal ARPA funds to help replace the lost revenue in the utility fund.

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Press Release

Overall, the city's finances are expected to remain solid. Fiscal 2021 year-end operations are projected to end with a slight surplus, and a recovery from fiscal 2020 in which general fund operations ended the year with the first deficit in at least six years totaling \$1.6 million representing only 0.5% of revenue.

RATING OUTLOOK

Not applicable

FACTORS THAT COULD LEAD TO AN UPGRADE

- Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Significant deterioration in the city's long-term credit profile

LEGAL SECURITY

The notes are payable from the city's full faith and credit general obligation limited tax pledge as debt service has not been voted excluded from the tax levy limitations of Proposition 2½.

USE OF PROCEEDS

Note proceeds will fund various capital projects under the city's capital improvement plan.

PROFILE

Framingham is located in Middlesex County approximately 20 miles west of Boston. It has a population of 70,743 and a land area of 25.65 square miles. The city is primarily residential with a large commercial presence including headquarters for multiple retail companies. The city provides governmental services including police, fire, solid waste disposal, street maintenance, water and sewer, parks and recreational facilities as well as education for grades K-12.

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Press Release

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