

April 2007

Rating Boston in 2007

What the rating agencies say about Boston

Boston's economic outlook is positive reflecting the City's continued economic growth and demonstrated prudent fiscal management. That, in essence, is how the bond rating agencies view Boston and why Standard & Poor's upgraded its rating for Boston from AA to AA+ on March 7th, its highest AA rating.

Boston sold \$100 million in General Obligation Bonds on March 7 at which time the three bond rating agencies of Moody's Investors Service, Standard & Poor's and Fitch Ratings issued rating reports on the City's financial position. For more information about Boston's bond rating increase, click [here](#).

The positive aspects of the City's financial position include:

- Strong management with a demonstrated track record of managing through all economic cycles.
- High annual growth in assessed valuation of property (AV doubled over 7 years).
- Sound financial position with healthy reserve balances.
- Deep and diverse economy well positioned for future growth.
- Manageable debt burden with rapid bond amortization (70% in 10 years).

Current or future constraining factors affecting the City are:

- An environment of slow growth in state aid.
- Effects of Proposition 2½ tax limitation on fiscal operations.
- Rising employee health care costs.
- Substantial resources will likely be needed for future retiree benefit costs.
- Increased unfunded pension liability (64.4% funded).
- Sluggish employment growth.

The combination of strong budgetary controls, conservative revenue estimates and solid growth in property tax revenues has enabled Boston to manage through state aid reductions and the effects of the recession. The undesignated general fund balance on a GAAP basis is extremely strong (21% of FY06 annual expenditures), but the Commonwealth's certification of Free Cash, factoring in encumbrances and earmarked reserves, allows only \$63M legally available for appropriation.

The City benefits from a multifaceted economic base with the core industries of health care, higher education, financial services, technology and tourism. Boston is the 20th largest city in the United States and according to the federal Bureau of Economic Analysis, the City provides approximately 18% of the Massachusetts economy.