

September 2010

Boston's Bonds Now Rated Aaa by Moody's

The rate is due to a recalibration, not a change in credit opinion

As a result of its recalibration of U.S. municipal ratings to its global rating scale, Moody's Investors Service has assigned a Aaa rating to the City of Boston's long-term general obligation (GO) bonds, the highest investment grade rating given by Moody's. This same scale is used to rate sovereign, sub-sovereign, financial institutions and corporate obligations and was applied to municipal ratings to enhance the rating comparability between municipal and non-municipal sectors.

The recalibration does not reflect a change in Moody's credit opinion for Boston's municipal debt. Prior to the recalibration, Moody's credit rating for Boston was Aa1 and Standard & Poor's rating was AA+, the highest AA rating given by each firm. Boston's strong debt position in the municipal market has been demonstrated over the past few years when even though access to municipal credit has been tight, the City has been able to competitively sell GO bonds without insurance at excellent interest rates. This past March Boston successfully sold two separate issues totaling \$173.2M and utilized all federal American Recovery and Reinvestment Act (ARRA) options available to maintain planned capital spending at

reduced costs to the City. [See July 2010 Bureau Update.](#)

Moody's Aaa rating on a global scale is intended to denote extremely low credit risk. The global rating scale seeks to measure expected loss, which for municipalities means an assessment of the probability of default and the loss in the event of a default. Again, this rating recalibration does not reflect any change in Moody's assessment of the creditworthiness of Boston's bonds.

Long-term concern

Moody's anticipates widespread pressure for local governments over the next few years. As expressed in the [July Bureau Update](#), factors being watched by the rating agencies include rising long-term liabilities for pensions and health care. The continual escalation of employee benefit spending for pensions, health insurance and retiree health care will limit resources for other basic services without significant reform. The solutions are known - the reports and recommendations have been issued. All that is required is for the Governor and Legislature to have the political will to execute sensible reforms.