MOODY'S RATINGS

CREDIT OPINION
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City of Boston, MA

Update to credit analysis

Summary

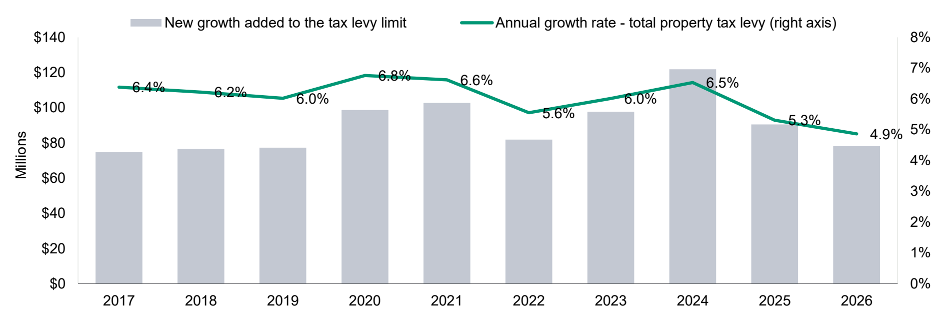
Boston's (Aaa stable) credit profile reflects a resilient economy that benefits from a healthy mix of industries and is anchored by significant and world-renowned higher education and healthcare institutions. The tax base is likely to remain strained due to a softening of the city's commercial real estate valuations and limited new development. The rate of assessed valuation growth over the long-term will likely trend at a more moderate pace after historic development gains over the last decade driven by seaport district investments.

The city's financial position will remain strong with healthy reserves and liquidity. The city ended fiscal 2025 with an available fund balance and net unrestricted assets of over $1.7 billion, or a healthy 31.3% of revenue. However, the decline in new growth has contributed to a fiscal 2026 tax levy growth rate of just 4.9%, down from a ten-year average of 6% annually. The proposed fiscal 2027 budget includes a tax levy increase of 3.6%, reflecting a three-year decline in the growth rate.

Softened real estate growth will potentially strain the city's revenue raising flexibility, a challenge exacerbated by rising expenditures. Increased costs for health insurance, snow and ice removal and public safety have contributed to a projected operating deficit of $48.5 million, around 1% of revenue, for fiscal 2026 year-end. Positively, the city remains steadfast in its commitment to increase the tax levy to the limit under Proposition 2½. The city's preliminary budget forecasts also reflect manageable budget gaps of less than 1% for fiscal 2028 and 2029, in line with historic operating norms.

The city's leverage profile is favorable with a modest debt burden and strong funding of pension and OPEB liabilities. The long-term liabilities ratio was 152.9% as of June 30, 2025 along with a low fixed-costs ratio of 8.8%, quite favorable relative to Aaa peers. The pension plan is scheduled to be funded in fiscal 2028, providing some operating flexibility in the next few years.

A decline in annual new construction is resulting in lower tax levy growth
Boston's annual new growth amount and the annual growth rate of the city's total tax levy



Source: Massachusetts Division of Local Services

Credit strengths

» Large, regional economy with access to highly educated workforce

» High reliance on stable property tax revenue

» Low leverage ratio with strong funding commitment towards pension and OPEB liabilities

Credit challenges

» Declining revenue growth rate

» High dependence on weakened commercial real estate sector for property tax revenue

» Large personnel related costs subject to collective bargaining with strong employee unions

Rating outlook

The stable outlook reflects the city's strong fiscal management that acknowledges slower revenue growth and the need to moderate expenditures in line with more modest budget expectations. The outlook also incorporates the city's economy, which remains competitive despite challenges brought on in part by ongoing weakness in commercial real estate and generally softer tax base and economic growth.

Factors that could lead to an upgrade

» Not applicable

Factors that could lead to a downgrade

» Erosion of the city's strong financial position, particularly leading to budget imbalance and growth in forecasted budget gaps

» Available fund balance ratio declines to below 25%

» Continued commercial real estate stress that constrains the city's ability to increase the tax levy to the levy limit

» Significant economic contraction that includes the decline in the economic growth rate to -1% or lower

Key indicators

Exhibit 2
Boston (City of) MA

	2022	2023	2024	2025	Aaa Medians
Economy					
Resident income ratio (%)	105.8%	109.3%	111.4%	N/A	167.9%
Full Value ($000)	$203,894,526	$226,367,657	$226,367,657	$241,761,863	$9,704,244
Population	665,945	663,972	666,442	N/A	36,112
Full value per capita ($)	$306,173	$340,930	$339,666	N/A	$239,458
Annual Growth in Real GDP	2.0%	1.3%	N/A	N/A	2.1%
Financial Performance					
Revenue ($000)	$4,676,012	$5,197,869	$5,610,600	$5,741,520	$116,165
Available fund balance ($000)	$1,667,128	$1,997,877	$2,306,586	$1,796,351	$78,547
Net unrestricted cash ($000)	$2,795,910	$3,025,326	$2,936,129	$2,806,367	$109,144
Available fund balance ratio (%)	35.7%	38.4%	41.1%	31.3%	65.8%
Liquidity ratio (%)	59.8%	58.2%	52.3%	48.9%	93.9%
Leverage					
Debt ($000)	$1,766,477	$2,027,799	$2,098,320	$2,427,319	$81,498
Adjusted net pension liabilities ($000)	$6,015,162	$3,598,372	$3,545,414	$2,495,431	$71,276
Adjusted net OPEB liabilities ($000)	$3,136,196	$2,967,692	$3,078,883	$3,142,207	$10,296
Other long-term liabilities ($000)	$533,260	$562,937	$666,063	$713,948	$4,168
Long-term liabilities ratio (%)	244.9%	176.2%	167.3%	152.9%	183.1%
Fixed costs					
Implied debt service ($000)	$105,307	$123,370	$140,862	$145,223	$5,076
Pension tread water contribution ($000)	$101,173	$159,316	$126,348	N/A	$3,403
OPEB contributions ($000)	$172,149	$167,968	$183,864	$187,447	$543
Implied cost of other long-term liabilities ($000)	$37,519	$37,243	$39,105	$46,098	$279
Fixed-costs ratio (%)	8.9%	9.4%	8.7%	8.8%	10.0%

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, Boston (City of) MA s financial statements and Moody s Ratings, US Bureau of Economic Analysis

Profile

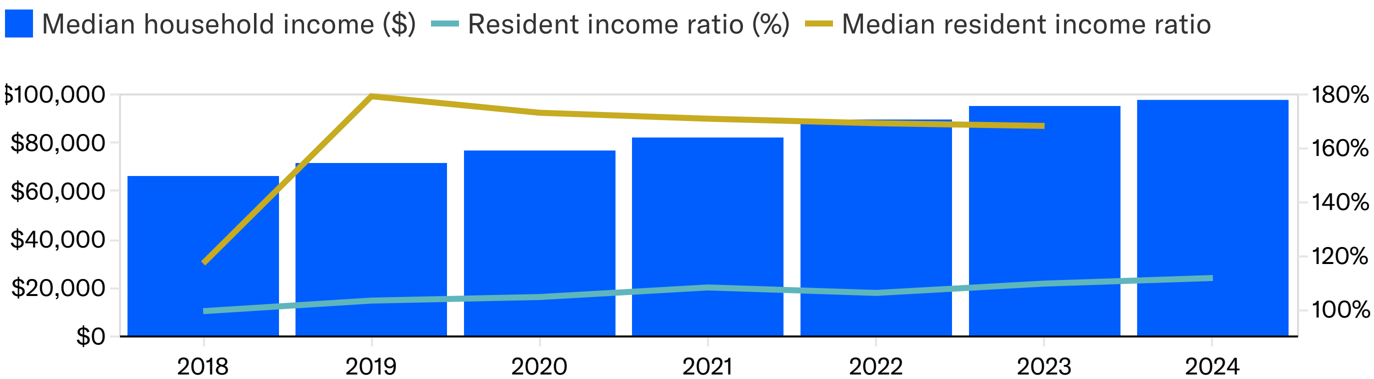
Boston is the capital and largest city in Massachusetts (Aa1 stable) as well as New England. It has a population of around 675,000 and is New England's principal regional economic center. The city provides governmental services including K-12 public education, public safety, public health, public works, public library system and parks and recreation.

Detailed credit considerations

Economy: resilient regional economy; commercial sector weakness and reduced new construction will continue to moderate tax base growth

Boston's economy includes a healthy mix of industries anchored by significant and world-renowned higher education and healthcare institutions. The institutional presence in the city contributes to a large life science industry within the city and across the region. Access to a highly educated workforce and venture capital will likely continue to be a long-term credit strength for the city. Boston's economic resilience is evident, as the city faces a mixed economy challenged by federal policies around tariffs, NIH funding cuts and immigration. The unemployment rate as of February 2026 was equal to the Commonwealth's at 4.8% - just above the US at 4.7%. The city's unemployment rate ticked above the US in 2025 for the first time since the pandemic and has held through today.

Exhibit 3
Resident Income is likely to remain stable



Source: US Census Bureau - American Community Survey 5-Year Estimates; US Bureau of Economic Analysis; Moody's Ratings

Boston's tax base value growth has slowed over the past two years and the city's exposure to the commercial sector remains a concern. Ongoing valuation declines are likely to increase the residential tax burden and could hit a level that jeopardizes the city's historically strong commitment to increasing the property tax levy to the levy limit each year. The 2026 total assessed value increased by 1% over 2025 bolstered by a 2.7% increase in the residential sector, but the commercial and industrial sectors declined by 3.9% and 3.1%, respectively. These declines continue to be driven by large value losses in the office market. The city's commercial sector value has declined by a total 6.7% over the last two years.

There is a pending class action lawsuit brought by around 60 commercial properties which alleges a uniform pattern of retaliatory actions to taxpayers that appealed their tax assessments in fiscal 2024 and 2025. The lawsuit claims the city assessing department added discretionary adjustments to property assessments that added back value despite market declines. The potential financial liability is unclear but a negative judgement on the city could be a credit negative event.

Another contributing factor to the tax base value leveling off is the decline in new construction or new growth. While the city's development pipeline remains healthy, it is trending down from the historic growth that the city experienced over the last decade, largely attributable to the expansion of the Seaport district. The decline in new growth value also impacts the amount of new growth revenue that is added on top of the 2.5% tax levy limit each year. It is likely that the city's historical growth rate over the last decade is returning to more modest levels going forward.

Financial operations: strong reserves and liquidity help bolster current strain on balanced operations from narrow revenue growth and rising expenses

Boston's financial position is strong. The city maintains healthy reserves and liquidity and relies on property taxes as a stable revenue source. The city has a long history of maintaining structurally balanced operations. However, the growth rate of the tax levy is trending down over the last three years to 3.6% in the proposed fiscal 2027 budget. A marked reduction compared to the 10-year average of 6% (2017-2026). The city's ability to maintain balanced operations under a more constrained revenue growth projection will be key over the next few years. The city is currently forecasting budget gaps in fiscal 2028 and 2029 to be less than 1% of revenue, a level that is consistent with historic financial projections. We will monitor future budget forecasts for potential increases in budget gaps as a sign of potential financial pressure.

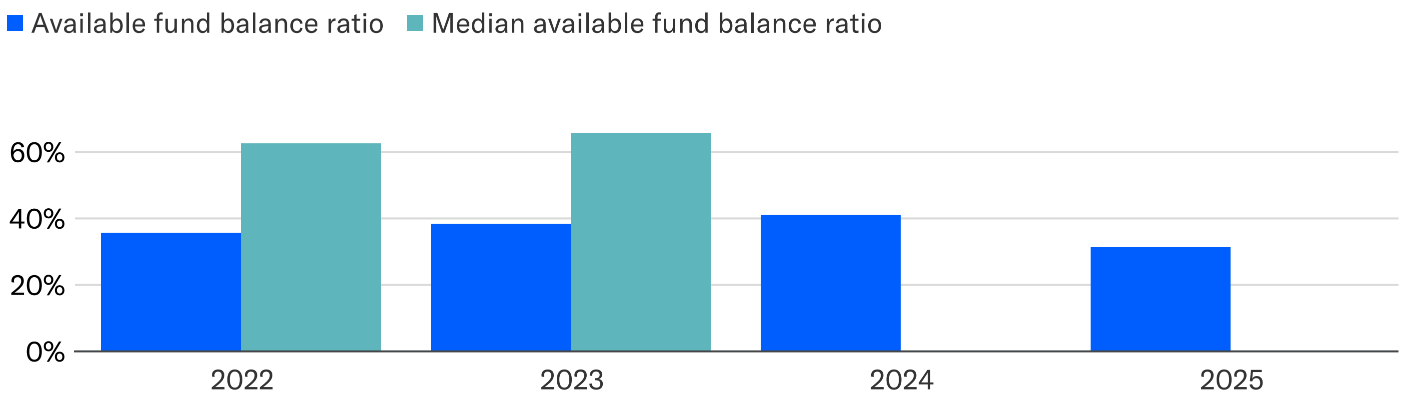
The city has been responsive to this shift in revenue growth, with a more limited budget increase in 2026 and additional expenditure controls proposed in the fiscal 2027 budget. The fiscal 2027 proposed budget reflects a 2.1% increase over 2026, driven by health insurance and education costs. Net of health insurance costs, departmental budgets actually decrease by 1.3% - a favorable reflection of management's prudent controls. The budget is balanced with a tax levy increase to the limit plus new growth. The budget also includes one-time savings from an optimized pension schedule and restructuring debt service. While these tools are not usually used by highly rated entities, the savings represent around 1% of the total budget and may help bridge the budget gap to more structural balance in 2028 and beyond.

Fiscal 2026 year-end projections reflect a small operating deficit of $48.5 million representing 1% of revenue that will be covered by reserves. As of February 2026 there is an additional deficit of $22.8 million in Boston Public Schools operations that is expected to be reduced through expenditure controls but if not, will add to the city's operating deficit at year-end. The deficits are attributable to significant increase in health insurance costs, snow and ice removal, and public safety overtime. The education budget continues to be strained by limited net state aid and the volatility in costs associated with transportation and out of district special education.

Despite the budget strain, the city remains committed to key priorities including improving education operations, affordable housing and funding long-term liabilities. In fiscal 2025, general fund operations ended balanced and the city appropriated $110 million to the housing accelerator fund. The city also continues to budget $40 million in fund balance to be deposited into the OPEB trust. In addition, the city's pension funding commitment has put the city in a position to smooth out the remaining annual contributions and once fully funded in fiscal 2028 has the potential to provide material operating flexibility.

Exhibit 4

Fund Balance Ratio remains healthy with a significant nominal amount of $1.8 billion at the end of fiscal 2025



Fiscal 2025 available fund balance decline is largely because of a new auditor that reported special revenue fund balance as restricted in fiscal 2025 compared to prior audits that reported the fund balance as assigned fund balance. Restricted fund balance is not included in Moody's available fund balance.
Source: Audited financial statements; Moody's Ratings

Liquidity

The city's unrestricted cash and investments at the end of fiscal 2025 totaled $2.8 billion representing a strong 48.9% of revenue. The liquidity position is not expected to materially change through fiscal 2026.

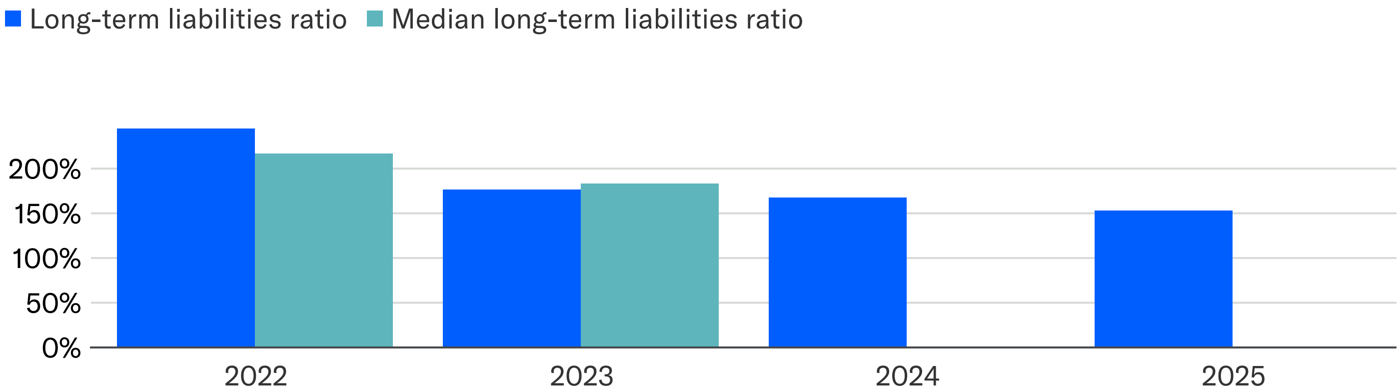
Leverage: long-term liabilities remain low as percent of revenue given manageable CIP and funding commitments to pension and OPEB

Boston's leverage is low and below the median for the highest rating category and is expected to remain a credit strength given the proposed 2027 capital plan and funding towards pension and OPEB. As of June 30, 2025 the city's long-term liabilities (Moody's adjusted) totaled just under $8.8 billion representing 152.9% of revenue. The city's debt accounts for 28% of the total leverage ratio while adjusted net pension liability and adjusted net OPEB liability represent another 28% and 36%, respectively.

The city's proposed fiscal 2027-2031 capital plan totals $4.4 billion, a reduction from last year's $4.5 billion. The plan prioritizes school buildings, transportation and mobility and climate resiliency projects. Debt issuance is the largest funding source representing 82.6% of project costs.

Exhibit 5

Total Primary Government - Long Term Liabilities are likely to remain low given capital plans and funding commitments



Source: Audited financial statements; Moody's Ratings

Debt-related derivatives

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

Pensions and OPEB

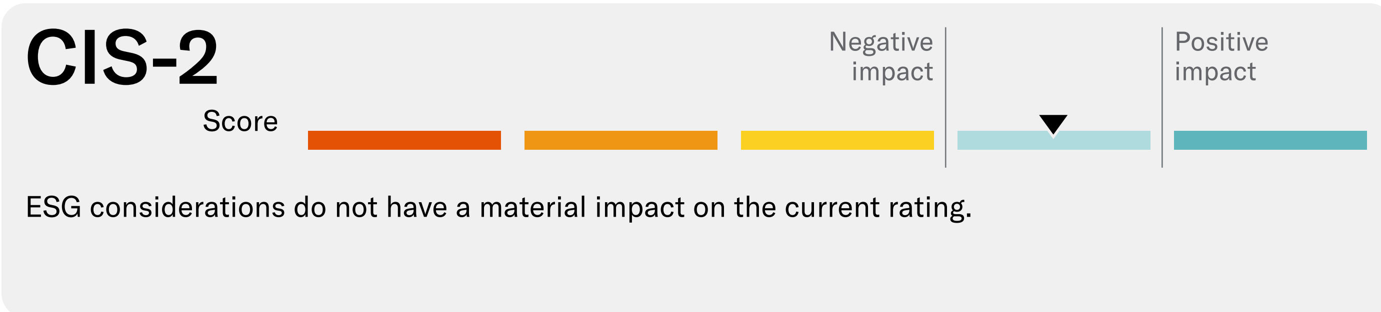
Boston's pension and OPEB liabilities are well funded given strong fiscal governance and long-term planning. The city participates in the Boston Retirement Plan, a multi-employer defined benefit plan, to which it makes annual required contributions. The latest actuarial report assumes a 6.9% discount rate or assumed return on pension assets, and projects that the plan will be fully funded based on plan assumptions by fiscal 2028. The city's teachers participate in the Massachusetts Teachers Retirement System the city's contributions to which are covered by on-behalf payments made by the Commonwealth of Massachusetts.

The city funds its OPEB liability on a pay-go basis plus annual budgeted deposits into an OPEB trust. The OPEB plan fiduciary net position is 32% of the total OPEB liability as of the end of fiscal 2025, well above most cities with an OPEB liability.

In fiscal 2025 the city's fixed costs ratio (adjusted debt service plus pension and OPEB contributions) was 8.8% of revenue, which compares very favorable to fixed costs of other large cities and will likely be stable over the next several years. Additionally, the city's annual pension contributions for the last five years have been significantly higher than the Moody's tread water indicator, which is the amount required to keep the unfunded liability from increasing if all actuarial assumptions are realized, a reflection of the commitment to meet the pension funding date.

ESG considerations

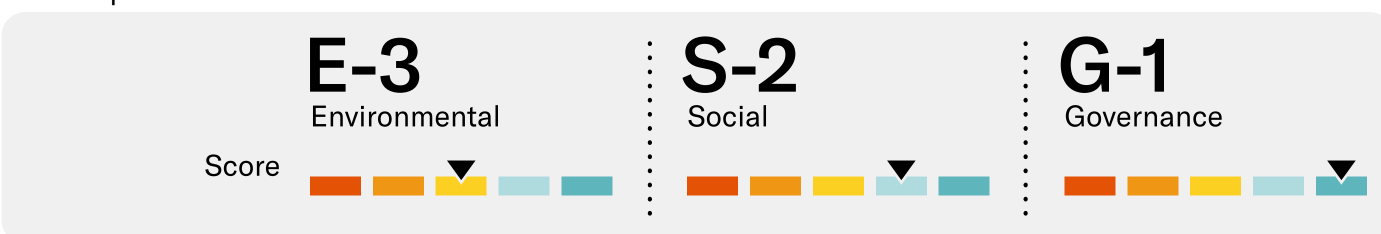
Exhibit 6
ESG credit impact score



Source: Moody's Ratings

Boston's ESG Credit Impact Score of **CIS-2** reflects elevated exposure to environmental risks, modest exposure to social risks and a very strong governance profile that supports the city's credit rating, resilience and capacity to respond to shocks.

Exhibit 7
ESG issuer profile scores



Source: Moody's Ratings

Environmental

Boston, MA's overall Environmental issuer profile score is **E-3** reflecting moderate physical climate risks associated with the city's geographical location and exposure to sea level rise and weather events including hurricanes. The score also incorporates lower risks associated with carbon transition, natural resources management, waste and pollution. Mitigating factors reflected in the score include the city's very strong underlying economy, robust financial reserves and the Climate Ready Boston initiative which includes long-term capital planning around resilience to climate change. The US Army Corps of Engineers coastal storm risk management study is due in 2027.

Social

Boston, MA's social issuer profile score is **S-2** indicating the city benefits from strong educational attainment and access to health and safety given access to world-renowned healthcare institutions. City residents also have access to basic services, and the city benefits from favorable demographics trends. Housing affordability is a growing challenge that the city has prioritized with financial resources and developer incentives.

Governance

Boston, MA's governance issuer profile score is positive (**G-1**). The city benefits from strong institutional structure, budget management and demonstrated policy effectiveness. The city also maintains favorable transparency and disclosure.

Massachusetts cities and towns have a strong ability to match revenues to expenditures. While their primary operating revenue source (property taxes) is subject to state-imposed caps, there are voter approved exemptions that allow for general overrides and exclusions for debt service. State aid is another primary revenue source which mainly funds K-12 education provided by the cities and towns.

Rating methodology and scorecard factors

The US Cities and Counties Methodology includes a scorecard that 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

Boston (City of) MA

	Measure	Weight	Score
Economy			
Resident income ratio	111.4%	10.0%	Aa
Full value per capita	362,765	10.0%	Aaa
Economic growth metric	0.2%	10.0%	Aaa
Financial Performance			
Available fund balance ratio	31.3%	20.0%	Aa
Liquidity ratio	48.9%	10.0%	Aaa
Institutional Framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio	152.9%	20.0%	Aa
Fixed-costs ratio	8.8%	10.0%	Aaa
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			Aa1
Assigned Rating			**Aaa**

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, Boston (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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