

Inside Town Finances

Volume 11: Hingham's Bond Rating

Like most municipalities, Hingham issues bonds to finance capital projects. Our goal is to obtain the lowest possible interest cost in order to minimize taxpayer impact.

A bond rating is similar to an individual credit score—it measures credit worthiness. The higher the rating, the less likely a municipality is to default on payment. Municipalities with strong bond ratings have greater access to capital markets and pay lower interest costs. Bond ratings are issued whenever a municipality issues debt.

Who issues bond ratings and what are possible ratings?

The three major municipal credit-rating agencies are Moody's Investors Service, S&P Global Ratings, and Fitch Ratings. Each rating agency researches and assesses the economic characteristics and financial health of a municipality as well as the financial particulars of the intended borrowing. This research results in a rating which is assigned to the bond issuance. Ratings fall into two categories: Investment Grade and High-Yield/Non-Investment Grade, based largely upon judgments of credit worthiness.

While each rating agency has its own scale, within the Investment Grade category, a Aaa/AAA rating represents the highest quality, while a rating of Baa/BBB represents adequate quality.

What criteria are used to rate municipalities?

Each firm employs its own methodology for developing ratings, which summarize both qualitative and quantitative factors relative to demographics, financial health, debt profile, and management. Moody's utilizes a *Local Government General Obligation Debt* scorecard, which includes the factors and weightings shown to the right.

Moody's Factors and Weightings	
Economy and Tax Base	30%
Finances (Fund balance and liquidity)	30%
Institutional Framework	10%
Leverage (Long-term liabilities and fixed costs)	30%

What is Hingham's bond rating?

Hingham first earned a Aaa/AAA bond rating from each rating agency in 2002 and has maintained it since then. **As of the publication of this document, Hingham is one of 2 municipalities in MA with a Aaa/AAA bond rating from all three rating agencies.** The "triple triple" rating was most recently affirmed in 2024 with the issuance of debt to finance the construction of the Public Safety Facility and Foster School. Below are highlights from each ratings report:

- **Moody's:** *"Hingham, MA benefits from a strong financial position with healthy reserves and liquidity that are bolstered by conservative fiscal management including formal fund balance and OPEB policies and multi-year financial planning. The town maintains a large and exceptionally affluent tax base, below average pension and OPEB liabilities, and an increasing debt burden that is expected to remain manageable over the next several years."*
- **Fitch:** *"The affirmation of the rating reflects Fitch's expectation that the Town of Hingham will maintain healthy financial flexibility through future economic cycles, consistent with a history of strong operating performance and sound reserves."*
- **S&P:** *"Hingham has produced consistently strong finances, attributed to the town's affluent and stable property tax base and management's conservative and forward-looking budgeting approach..... Management recognizes the potential negative effects on the tax base due to sea-level rise and changing weather patterns...The town is working toward improving resilience along its wharf's seawall to protect against storm surge and flooding."*

How valuable is our bond rating?

Hingham's Aaa/AAA bond rating ensures we have access to capital markets at the lowest possible rates, resulting in lower debt costs paid by taxpayers. Our bond rating has saved millions of dollars and ensured we have had uninterrupted access to capital markets. For example, in January 2024, Hingham borrowed \$57.5 million to partially finance the Foster School and Public Safety Facility projects. The difference in interest costs between a Aaa and AA rating on that issuance alone was over \$1.7 million.