

MOODY'S

RATINGS

Rating Action: Moody's Ratings upgrades Massachusetts' hotel tax revenue bonds to Aa3 from A1; outlook stable

25 Sep 2024

New York, September 25, 2024 -- Moody's Ratings (Moody's) has upgraded to Aa3 from A1 the Special Obligation Dedicated Tax Revenue Refunding Bonds, Series 2005, issued by the Commonwealth of Massachusetts to finance costs of renovating or constructing three convention centers. The upgrade concludes a review for possible upgrade initiated on July 24, 2024, in conjunction with an update to the US States and Territories rating methodology. The state's stable outlook applies to the bonds, of which \$397 million were outstanding as of March 31, 2024.

RATINGS RATIONALE

The upgrade to Aa3 from A1 incorporates the narrow nature of the pledged travel and hospitality revenue (primarily hotel taxes in three cities), and the credit of the Commonwealth of Massachusetts (Aa1, stable), which provides strong parental support that mitigates pledged revenue vulnerabilities. Solid coverage of maximum annual debt service (4.4 times using 2024 revenue) is also a consideration, although the additional bonds test allows leverage up to 1.5 times based on recent revenue.

RATING OUTLOOK

Massachusetts' stable outlook, which applies to the convention center bonds, is supported by prospects for continued strong financial management, including proactive steps to navigate challenges that emerge in the event of unexpected economic underperformance.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Upgrade of Massachusetts' issuer rating
- Enhancements to legal provisions such as tighter constraint on additional debt

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Downgrade of Massachusetts' issuer rating
- Reduction in debt service coverage to less than 1.5 times maximum debt service, resulting from factors including weaker revenue

LEGAL SECURITY

Massachusetts' convention center bonds are special obligations payable from Boston, Cambridge, Springfield and Worcester hotel tax receipts; parking surcharges at three convention facilities; surcharges on Boston car rentals and sightseeing tours and cruises, and sales tax receipts from certain hotels and other retail establishments in Boston, Cambridge and Springfield.

USE OF PROCEEDS

Not applicable

PROFILE

The Commonwealth of Massachusetts is the 16th-largest state by population, with just over 7 million residents as of July 2023, according to the US Census Bureau. Its gross domestic product, at \$733.9 billion in 2023, ranks 12th among the states. Adjusted per capita income was 118% of the national average in 2022, the second highest.

METHODOLOGY

The principal methodology used in these ratings was US States and Territories published in July 2024 and available at <https://ratings.moodys.com/rmc-documents/425428>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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Edward Hampton
Lead Analyst
State Ratings
Moody's Investors Service, Inc.
7 World Trade Center
250 Greenwich Street
New York 10007
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Nicholas Samuels
Additional Contact
State Ratings
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A

JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

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