



Northampton benefits from good bond rating

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NORTHAMPTON – Thanks to sound financial practices and the generosity of its taxpayers, the city has received a clean bill of health from a financial rating service that will save it money in the long run.

Moody's Investors Service has bestowed upon Northampton an Aa2 rating that is several steps up from its previous financial rating by Standard & Poor's, another rating service. Because ratings affect borrowing rates, Northampton can expect to save on interest on the \$19 million bond the City Council is expected to approve for several major projects.

"In order to go to the marketplace, you have to have a rating," said Finance Director Susan Wright. "It provides information to investors. You get a better interest rate with a higher rating."

In the sometimes Byzantine world of finance, it's somewhat difficult to assess the latest rating in terms of the city's recent financial history. In 2007, Moody's gave Northampton an A1 rating, which is below the current rating on its latest scale. However, Moody's recalibrated its scale a few years ago, so the Aa2 rating is equivalent to the old A1 rating.

Last year, Northampton went to Standard and Poor's for its rating and received an A+ grade, which is lower than the current Moody's rating. Wright said the city went to Moody's this time on the advice of First Southwest, the company that serves as its financial advisor.

Several factors played into the latest rating, most notably the \$2 million override passed by voters in 2010, the \$10 million debt exclusion for the new police station and the overwhelming decision by voters to keep the Community Preservation Act during the November election. Moody's also liked that the city is rebuilding its Stabilization Fund, Wright said. Upon the recommendation of Mayor-elect David J. Narkewicz, the City Council recently put \$268,000 in late-arriving state aid into that fund.

The new rating will pay dividends when the city begins making payments on the \$19 million bond it will seek. Nearly \$1 million of that will go towards the purchase of the Bean/Allard property, with another \$16 million paying for the police station. The Community Preservation Committee, which funded the Bean/Allard project, will pay the principal and interest on that item, but that money also comes out of the property tax rolls.

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