

Research Update:

Somerville, MA's GO Bond Anticipation Notes Assigned 'SP-1+' Rating

February 2, 2026

Overview

- S&P Global Ratings assigned its 'SP-1+' short-term rating to [Somerville](#), Mass.' \$14.1 million general obligation (GO) bond anticipation notes (BANs).
- At the same time, we affirmed our 'AAA' long-term rating on the city's previously issued GO debt and our 'SP-1+' short-term rating on the city's previously issued BANs.
- The outlook, where applicable, is stable.

Rationale

Security

Somerville's full faith and credit secures its GO debt and BANs. The city's debt is subject to Proposition 2 1/2 limitations, but we make no rating distinction because we rate the limited obligation at the same level as our view of Somerville's general creditworthiness. The city's series 2020 municipal purpose loan bonds were excluded by vote from the limitations imposed by Proposition 2 1/2.

The short-term rating reflects our high investment-grade, long-term rating on the city and the city's low market risk profile. In our view, and pursuant to our BAN criteria, we have assessed market risk as low given strong market access, information availability, and takeout authorization. BAN proceeds will finance a portion of the purchase price of a parcel of land within the city.

Credit highlights

The 'AAA' long-term rating reflects our view of Somerville's large, growing property tax base, high incomes compared with the national average, favorable county economic output, sizable available reserves, and robust budgeting practices and long-term planning. Offsetting these strengths, in our view, are the city's large debt and retirement liabilities that produce per capita debt and liability metrics weaker than those of many similarly rated peers. During the outlook period, we believe positive economic trends and proactive management will support at least

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stable financial performance and reserves despite the potential for some slowdown in revenue growth and increasing health care and other costs.

The property tax base, a suburb of Boston, continues to grow following recent public and private development. Somerville's economic growth prospects and financial performance remain positive, but management has taken steps to conservatively project new growth figures, while also leveraging new incentives for developments, as vacancies for commercial and industrial properties remain. We note that the city anticipates breaking ground on several large-scale projects within the calendar year, with one project expected to significantly reduce vacant lab space within the city. Ongoing development efforts throughout the city will underpin economic performance, even as uncertainty affects our macroeconomic forecasts. (For more information, see "[Economic Outlook U.S. Q1 2026: Steady As She Goes But On A Narrow Path](#)," Nov. 24, 2025.)

Somerville maintains positive operations as revenue consistently outpaces expenses as a result of conservative budget assumptions. Property taxes remain the city's main revenue source, followed by intergovernmental aid and departmental income, and we expect that this will likely continue. For fiscal 2024, revenue outpaced expenditures, demonstrating conservative budgeting practices and strong revenue growth. However, we note a restatement of fund balance, reflecting a judgment against the city that significantly increased the cost of land previously purchased. We view this as an immaterial event given the sizable reserve position. Based on projections for fiscal 2025, the city once again produced a surplus, albeit at a level weaker than in previous years, as sluggishness in the building permit revenue line item continues. Once again, the city was able to outperform its expenditure budget.

The fiscal 2026 budget is \$415 million, roughly 4.3% higher than that of fiscal 2025 and consistent with budget growth during the past few fiscal years. The city recognizes several cost pressures from increased salaries, benefits, and health care costs, while facing slow revenue growth. As result, the city is looking to maintain core services while making strategic expenditure cuts that do not affect employees, and management is looking to join advocacy efforts at the commonwealth level to expand its ability to raise additional local revenue. We expect management will take the actions it deems necessary to maintain balanced operations, as demonstrated by its robust financial management policies.

Costs of debt and liabilities are manageable, though consistent debt needs and large pension and other postemployment benefit liabilities will likely lead to stable or increasing costs over the near term. On a per capita basis, debt and liabilities are a weakness in the overall debt and liability profile, though we understand a portion of direct debt is related to debt for the school district, possibly inflating per capita debt figures as compared with those of other states. The city plans to fully fund its pension liabilities by 2033 and has established an other postemployment benefit trust that contained \$31.8 million as of June 30, 2025. We will monitor the effect of debt plans and retirement liabilities on financial performance and reserves, though we expect metrics to remain stable during the outlook period as a result of management's proactive policies and practices.

The rating further reflects our view of the city's:

- Growing property tax base, high incomes, and county economic output and incomes on a per capita basis that are very favorable on a national scale;
- Robust management that incorporates upcoming changes into forward-looking long-term planning documents in a way that preserves structural balance and sizable available reserves;
- Consistently positive budgetary performance with another positive result expected in fiscal 2025 and reserves higher than those of most similarly rated commonwealth peers; and

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- Sizable debt and retirement liabilities that could grow in the near term as a result of additional debt needs, rising retirement costs, and a relatively high discount rate assumption associated with the pension liability.
- For more information on our institutional framework assessment for Massachusetts municipalities, see "[Institutional Framework Assessment: Massachusetts Local Governments](#)," Sept. 9, 2024.

Environmental, social, and governance

We view physical risks as slightly elevated given the city's location on the Mystic River. However, we think its multipronged approach to stormwater management somewhat mitigates these risks alongside its commitment to its physical environmental vulnerability assessment and adopted climate change plan. We view social and governance factors as neutral in our credit analysis.

Rating above the sovereign

We rate Somerville above the sovereign because we think the city could maintain better credit characteristics than the nation in a stress scenario based on its predominantly locally derived revenue base and our view that pledged revenue supporting debt service on the bonds is at limited risk of negative sovereign intervention. Somerville has predominantly locally derived revenue sources with most general fund local revenue coming from property taxes and independent taxing authority and treasury management from the federal government. (For further information, see "[Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions](#)," Nov. 19, 2013.)

Outlook

The stable outlook reflects our view of Somerville's trend of positive financial performance and sizable available reserves. We expect that the city will continue to incorporate increasing costs into its budget in a way that produces at least balanced operations and maintains reserves.

Downside scenario

We could lower the rating if financial performance or reserves weaken materially on a sustained basis or if debt and retirement liabilities significantly increase without a credible plan to address the issue.

Somerville, Massachusetts--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	1.61
Economy	1.0
Financial performance	1
Reserves and liquidity	1
Management	1.30
Debt and liabilities	3.75

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Somerville, Massachusetts--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita as % of U.S.	--	--	179	181
County PCPI as % of U.S.	--	--	154	154
Market value (\$000s)	--	23,544,660	22,302,696	20,853,026
Market value per capita (\$)	--	291,589	276,359	248,318
Top 10 taxpayers as % of taxable value	--	11.2	9.0	9.0
County unemployment rate (%)	--	3.6	3.0	3.0
Local median household EBI as % of U.S.	--	144	148	144
Local per capita EBI as % of U.S.	--	161	159	157
Local population	--	80,746	80,702	83,977
Financial performance				
Operating fund revenue (\$000s)	--	369,095	349,360	323,908
Operating fund expenditures (\$000s)	--	349,893	314,785	288,735
Net transfers and other adjustments (\$000s)	--	3,282	(21,152)	(19,633)
Operating result (\$000s)	--	22,484	13,423	15,540
Operating result as % of revenue	--	6.1	3.8	4.8
Operating result three-year average %	--	4.9	4.5	4.0
Reserves and liquidity				
Available reserves as % of operating revenue	--	30.5	33.9	31.7
Available reserves (\$000s)	--	112,697	118,294	102,792
Debt and liabilities				
Debt service cost as % of revenue	--	5.4	5.0	5.1
Net direct debt per capita (\$)	5,973	5,397	4,737	4,704
Net direct debt (\$000s)	482,278	435,802	382,306	395,013
Direct debt 10-year amortization (%)	50	37	39	32
Pension and OPEB cost as % of revenue	--	6.0	7.0	7.0
NPLs per capita (\$)	1,340	1,781	2,238	824
Combined NPLs (\$000s)	108,272	143,802	180,591	69,210

Financial data may reflect analytical adjustments and is sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. EBI--Effective buying income. GCP--Gross county product. NPL--Net pension liability. OPEB--Other postemployment benefits. PCPI--Per capita personal income.

Ratings List

New Issue Ratings

US\$14,113,000 Somerville, Massachusetts, General Obligation Bond Anticipation Notes, dated: February 20, 2026, due: February 19, 2027

Short Term Rating SP-1+

Ratings Affirmed

Local Government

Somerville, MA Limited Tax General Operating Pledge AAA/Stable

Somerville, MA Limited Tax General Operating Pledge BAN SP-1+

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Ratings List

Somerville, MA Unlimited Tax General Obligation	AAA/Stable
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The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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