Holyoke Receives Boost in Long-Term Credit Rating

S&P Ratings has improved the long-term credit rating for the City of Holyoke from AA- to AA.

An S&P Global Ratings issuer credit rating is a forward-looking opinion about an obligor’s overall creditworthiness. This opinion focuses on the obligor’s capacity and willingness to meet its financial commitments as they come due. An obligor rated ‘AA’ has very strong capacity to meet its financial commitment.

“This upgrade is welcome news for the city as these ratings have a significant impact on the cost of our long-term projects. The AA rating reflects what City Hall has been saying for quite some time, that the fiscal situation in Holyoke and across the Commonwealth is improving and now is an excellent time to invest in our community, said Mayor Alex Morse.”

S&P also reaffirmed the city’s underlying rating of A-, citing the city’s stable financial operations over the past three years which has led to the continued maintenance of strong budgetary flexibility. Specifically cited is the city’s:

- Strong budgetary performance, with slight operating surpluses in the general fund and at the total governmental fund level in fiscal 2018;
- Strong budgetary flexibility, with an available fund balance in fiscal 2018 of 13.5% of operating expenditures;
- Very strong liquidity, with total government available cash at 9.2% of total governmental fund expenditures and 4.2x governmental debt service, and access to external liquidity we consider strong;

An obligation rated ‘A’ is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor’s capacity to meet its financial commitment on the obligation is still strong.

Ratings calls happen sporadically as agencies review cities and states that they are responsible for covering. Notification of the new rating was brought to the city’s attention following an August
29th call with S&P. As a part of rating review process S&P includes recommendations as to how to further improve the city’s borrowing rate:

*If management is able to implement and institutionalize more formal financial policies and practices, as well as address the fixed costs associated with its long-term liabilities, while improving reserves through positive budgetary performance, we could raise the rating.*

“The City has a robust internal financial team as well as a long standing relationship with Hilltop Securities who serve as the city’s financial advisors. We are in full agreement with the S&P recommendations as they echo the recommendations of the Commonwealth’s Department of Revenue.”

DOR conducted a review of the city’s financial management structure in March of 2015 and provided a list of recommended changes. We have been able to implement some of these suggestions, such as financial forecasting, while others are in progress (ex. Long-term capital planning). A large piece of the puzzle that has yet to be implemented is a fundamental change to the city’s financial management structure, which includes consolidation of the Treasurer and Tax Collector Departments, and moving to an appointed Finance Director. Such a change would require a ballot initiative in the city and is something the Mayor’s Office plans to bring forward in 2020.

“This is the nuts and bolts work of city government that doesn’t get as much attention as it probably should. I’m proud of our city’s finance team and their continued commitment to serve the people of Holyoke.”