

Town of Braintree, Finance Department

Debt Affordability Policy

1. Purpose

The purpose of this Debt Affordability Policy is to establish guidelines for the responsible issuance, management, and evaluation of debt to ensure the Town of Braintree maintains its long-term financial sustainability. This policy aims to protect the Town's credit rating, optimize capital structure, and ensure debt service remains affordable within the financial capacity of the organization.

2. Scope

This policy applies to all forms of debt incurred by the Town of Braintree, including but not limited to general obligation bonds, revenue bonds, lease-purchase agreements, and short-term borrowings.

3. Objectives

- Maintain the organization's creditworthiness.
- Ensure annual debt service obligations are sustainable within available revenue.
- Provide a framework for evaluating and prioritizing new debt proposals.
- Set quantitative limits on borrowing levels relative to revenue and expenditure.

4. Debt Affordability Metrics

To ensure debt levels remain affordable and sustainable, the following metric shall be monitored:

- **Debt Service as a % of General Revenues:** Annual General Fund debt service should not exceed an annual amount above the target range of 6%-7% of General Fund revenues.

Where appropriate and beneficial the Town may elect to adopt future additional metrics, including but not limited to:

- **Debt Per Capita:** Where total outstanding debt should not exceed a target \$ amount per capita.
- **Debt-to-Operating Expenditures Ratio:** Where total debt service should not exceed a target % of annual operating expenditures.

- **Debt Payback Period:** Where a targeted % of principal should be retired within 10 years.

5. Evaluation Criteria for New Debt

All proposals for new debt must include:

- Clear justification for the financing need.
- Projected cash flows and revenue sources to service debt.
- Analysis of how the new debt fits within affordability metrics.
- Impact on the Town's long-term financial forecast.

6. Capital Planning Integration

Debt issuance decisions shall be aligned with the Town's capital improvement plan (CIP). Projects proposed for debt financing must be prioritized within the CIP and demonstrate long-term value and necessity. Annually, the Finance Department shall update its CIP budget based on debt affordability targets, ensuring that resulting borrowing from the CIP shall continue to be fall within the adopted target range of annual debt service.

7. Monitoring and Reporting

The Finance Department (or designated body) shall:

- Annually review and report on the Town's debt position and compliance with this policy.
- Update the debt affordability model based on latest financial forecasts and capital needs.
- Provide regular briefings to senior management and/or governing bodies.

8. Policy Review

This policy shall be reviewed annually to account for any significant financial, economic, or regulatory changes that may occur.