

**CREDIT OPINION**

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# Town of Braintree, MA

## Update to credit analysis following downgrade to Aa3

### Summary

[Braintree, MA](#) (Aa3) benefits from a growing tax base with elevated resident wealth and income metrics. The town's fund balance and cash levels deteriorated significantly in fiscal 2024 driven in part by a one time legal settlement, however, the town plans to bond out and recover insurance proceeds for those costs and will see that portion of fund balance added back when fiscal 2025 results are published. The deterioration also reflects a structural imbalance though as growth in revenue is not keeping up with rising costs. In fiscal 2024, the town's general fund saw a \$16.6 million decline driven by a one-time \$11.9 million expense related to the Weichel vs. Braintree settlement, as well as higher than expected costs across police and fire, public works, and education. Effective fiscal 2025, the town approved an \$8 million override, which will provide some operating flexibility, however, the town's continued ability to run breakeven operations will depend on constraining growth in its expenditures as property taxes, its main source of revenue, are constrained by Proposition 2 ½. Finally, the town maintains a 212% long term liabilities ratio, which is modestly higher than peers.

### Credit strengths

- » Above average resident wealth and incomes
- » Moderate liability profile

### Credit challenges

- » Declining fund balance and cash position
- » Proposition 2 ½ limits on revenue raising ability

### Rating outlook

We do not assign outlooks to local governments with this amount of debt outstanding.

### Factors that could lead to an upgrade

- » Return to sustainably balanced operations
- » Fund balance levels above 25% of revenue on a sustained basis

### Factors that could lead to a downgrade

- » Decline in fund balance below 10% of revenue
- » Significant increase in leverage above 300% of revenue

## Key indicators

Exhibit 1

### Braintree (Town of) MA

	2021	2022	2023	2024	Aa Medians
<b>Economy</b>					
Resident income ratio (%)	151.5%	143.0%	143.0%	N/A	114.1%
Full Value (\$000)	\$8,213,296	\$8,213,296	\$8,924,863	\$8,924,863	\$2,888,367
Population	38,712	38,748	38,762	N/A	22,430
Full value per capita (\$)	\$212,164	\$211,967	\$230,248	N/A	\$125,640
Annual Growth in Real GDP	7.0%	2.4%	1.5%	N/A	2.0%
<b>Financial Performance</b>					
Revenue (\$000)	\$276,657	\$287,534	\$309,754	\$303,206	\$52,335
Available fund balance (\$000)	\$83,804	\$87,178	\$92,673	\$40,866	\$29,526
Net unrestricted cash (\$000)	\$163,347	\$149,216	\$131,172	\$85,392	\$41,432
Available fund balance ratio (%)	30.3%	30.3%	29.9%	13.5%	57.1%
Liquidity ratio (%)	59.0%	51.9%	42.3%	28.2%	79.6%
<b>Leverage</b>					
Debt (\$000)	\$226,380	\$212,903	\$202,901	\$197,294	\$37,305
Adjusted net pension liabilities (\$000)	\$300,088	\$281,926	\$213,044	\$218,399	\$45,496
Adjusted net OPEB liabilities (\$000)	\$249,158	\$241,402	\$232,134	\$201,752	\$4,376
Other long-term liabilities (\$000)	\$8,769	\$11,074	\$10,578	\$26,128	\$1,726
Long-term liabilities ratio (%)	283.5%	259.9%	212.6%	212.3%	210.2%
<b>Fixed costs</b>					
Implied debt service (\$000)	\$13,008	\$15,878	\$14,869	\$14,095	\$2,477
Pension tread water contribution (\$000)	\$11,347	\$11,376	\$9,907	\$12,811	\$1,199
OPEB contributions (\$000)	\$8,253	\$8,354	\$9,189	\$9,703	\$179
Implied cost of other long-term liabilities (\$000)	\$592	\$615	\$773	\$735	\$115
Fixed-costs ratio (%)	12.0%	12.6%	11.2%	12.3%	9.6%

For definitions of the metrics in the table above please refer to the [US Cities and Counties Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [US Cities and Counties Median Report](#).

The real GDP annual growth metric cited above is for the Boston-Cambridge-Newton, MA-NH Metropolitan Statistical Area.

Sources: US Census Bureau, Braintree (Town of) MA's financial statements and Moody's Ratings, US Bureau of Economic Analysis

## Profile

Braintree, MA, is a residential and commercial tax base located about 12 miles southeast of Boston, MA (Aaa stable) and is home to approximately 38,762 people.

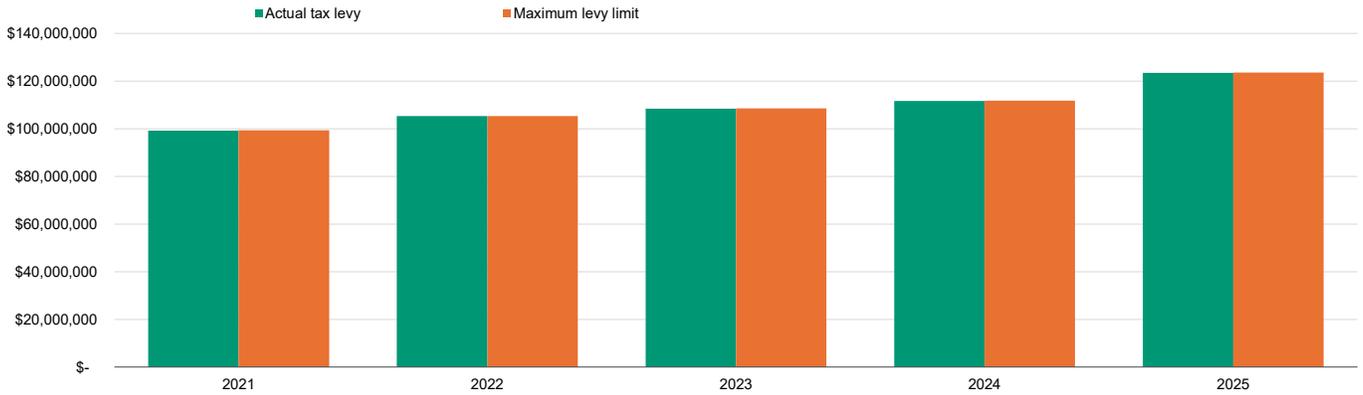
## Detailed credit considerations

Braintree's local economy, which is about 81% residential and 14% commercial, will remain stable. Resident incomes are robust at 143% of the US, yet the town is unable to fully leverage these high income levels due to tax levy restrictions imposed by Proposition 2 ½ (see exhibit). Wealth indicators remain strong as well, with full value per capita rising from around \$170,000 in 2018 to \$230,000 in 2023. However, student enrollment has dropped from 5,800 students to approximately 5,000 with projections suggesting enrollment will stabilize going forward.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Exhibit 2

**Braintree is levying just up to the Proposition 2 ½ limit each year**



Source: Issuer's official statement

Though we expect fund balance and cash levels to increase in fiscal 2025, the town's finances will remain pressured going forward. In fiscal year 2024, the town faced a significant financial challenge due to a lawsuit that resulted in an \$11.9 million expense. The town will issue bonds (for up to a period of 15 years) to cover any portion of the cost not reimbursed by insurance. So far, \$3 million has been received from insurance and additional receipts are possible.

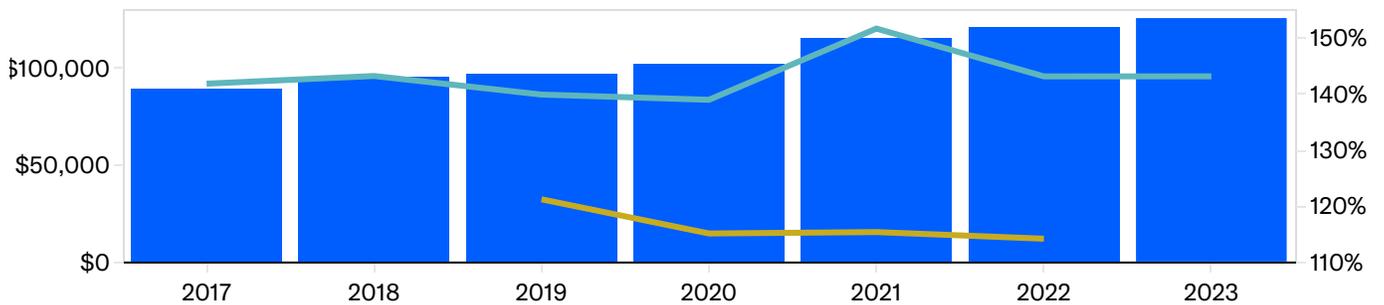
Outside of the lawsuit, the town had initially appropriated \$4 million from its fund balance to balance the budget, but ultimately needed to use \$6 million because of cost overruns in various departments. For fiscal year 2025, an \$8 million override was enacted with strong voter support at 67%, providing additional funding for education, police and fire services, and general government needs. During this year, \$6.5 million was spent, leaving \$1.5 million available for use in future years. The town expects to see an increase in its fund balance by \$3-5 million by year end. The 2026 budget is set to rise by 4%, or \$7 million, compared to the previous year, while the tax levy will increase by 3.4%, accounting for new growth and excluding debt exclusions.

The town's leverage profile has declined from close to 300% of revenue to nearly 200% in the last several years driven by pension and OPEB revaluation and revenue growth. Fixed costs, at 12% of revenue, are higher than Aa peers but will remain manageable.

Exhibit 3

**Resident Income**

■ Median household income (\$) — Resident income ratio (%) — Median resident income ratio

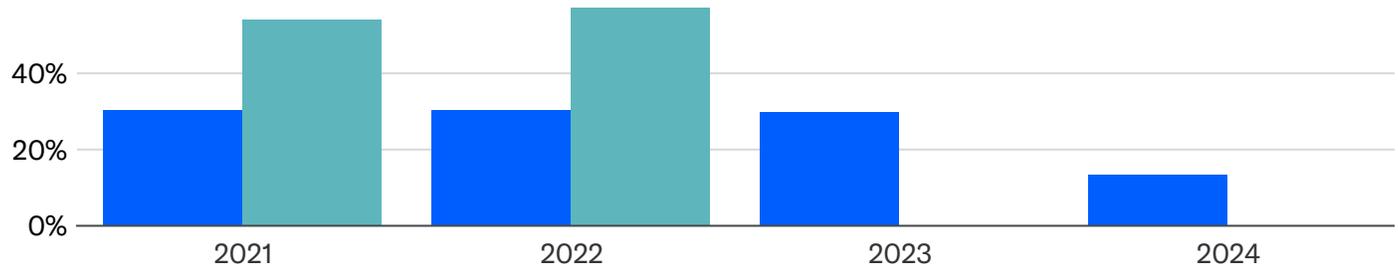


Source: US Census Bureau - American Community Survey 5-Year Estimates; US Bureau of Economic Analysis; Moody's Ratings

Exhibit 4

**Fund Balance Ratio**

■ Available fund balance ratio ■ Median available fund balance ratio



Source: Audited financial statements; Moody's Ratings

**ESG considerations****Environmental**

While carbon transition, natural capital, and water and pollution risks are modest, the city is exposed to physical climate risks associated with the city's location including exposure to sea level rise and extreme weather events such as hurricanes and nor-easters.

**Social**

The city benefits from a positive health and safety profile, while exposures to demographics, labor and income, education, housing and access to basic services are neutral to low.

**Governance**

The city is managed by certified and experienced professionals who are responsible for implementing its policy objectives. Braintree benefits from a strong state-wide institutional framework and conservative budgeting that has resulted in stable financial operations. The city also approves and releases its budgets and audited financial statements in a timely manner.

## Rating methodology and scorecard factors

The US Cities and Counties Methodology includes a scorecard, which summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 5

### Braintree (Town of) MA

	Measure	Weight	Score
<b>Economy</b>			
Resident income ratio	143.0%	10.0%	Aaa
Full value per capita	266,766	10.0%	Aaa
Economic growth metric	0.3%	10.0%	Aaa
<b>Financial Performance</b>			
Available fund balance ratio	13.5%	20.0%	Baa
Liquidity ratio	28.2%	10.0%	A
<b>Institutional Framework</b>			
Institutional Framework	Aa	10.0%	Aa
<b>Leverage</b>			
Long-term liabilities ratio	212.3%	20.0%	A
Fixed-costs ratio	12.3%	10.0%	Aa
<b>Notching factors</b>			
No notchings applied			
Scorecard-Indicated Outcome			Aa3
<b>Assigned Rating</b>			<b>Aa3</b>

The Economic Growth metric cited above compares the five-year CAGR of real GDP for Boston-Cambridge-Newton, MA-NH Metropolitan Statistical Area Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.

Sources: US Census Bureau, Braintree (Town of) MA's financial statements and Moody's Ratings

## Appendix

Exhibit 6

### Key Indicators Glossary

	Definition	Typical Source*
<b>Economy</b>		
Resident income ratio	Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI	MHI: US Census Bureau - American Community Survey 5-Year Estimates RPP: US Bureau of Economic Analysis
Full value	Estimated market value of taxable property in the city or county	State repositories; audited financial statements; continuing disclosures
Population	Population of the city or county	US Census Bureau - American Community Survey 5-Year Estimates
Full value per capita	Full value / population	
Economic growth metric	Five year CAGR of real GDP for Metropolitan Statistical Area or county minus the five-year CAGR of real GDP for the US	Real GDP: US Bureau of Economic Analysis
<b>Financial performance</b>		
Revenue	Sum of revenue from total governmental funds, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services funds, excluding transfers and one-time revenue, e.g., bond proceeds or capital contributions	Audited financial statements
Available fund balance	Sum of all fund balances that are classified as unassigned, assigned or committed in the total governmental funds, plus unrestricted current assets minus current liabilities from the city's or county's business-type activities and internal services funds	Audited financial statements
Net unrestricted cash	Sum of unrestricted cash in governmental activities, business type activities and internal services fund, net of short-term debt	Audited financial statements
Available fund balance ratio	Available fund balance (including net current assets from business-type activities and internal services funds) / Revenue	
Liquidity ratio	Net unrestricted cash / Revenue	
<b>Leverage</b>		
Debt	Outstanding long-term bonds and all other forms of long-term debt across the governmental and business-type activities, including debt of another entity for which it has provided a guarantee disclosed in its financial statements	Audited financial statements; official statements
Adjusted net pension liabilities (ANPL)	Total primary government's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
Adjusted net OPEB liabilities (ANOL)	Total primary government's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
Other long-term liabilities (OLTL)	Miscellaneous long-term liabilities reported under the governmental and business-type activities entries	Audited financial statements
Long-term liabilities ratio	Debt + ANPL + ANOL + OLTL / Revenue	
<b>Fixed costs</b>		
Implied debt service	Annual cost to amortize city or county's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Ratings
Pension tread water contribution	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Ratings
OPEB contribution	City or county's actual contribution in a given period	Audited financial statements
Implied cost of OLTL	Annual cost to amortize city or county's other long-term liabilities over 20 years with level payments	Audited financial statements; Moody's Ratings
Fixed-costs ratio	Implied debt service + Pension tread water + OPEB contributions + Implied cost of OLTL / Revenue	

\*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US Cities and Counties Methodology](#).

Source: Moody's Ratings

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