

# RatingsDirect®

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## Summary:

# Braintree, Massachusetts; General Obligation; Note

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### Credit Profile

US\$10.945 mil GO mun purp loan of 2025 bnds due 02/15/2040		
<i>Long Term Rating</i>	AA/Stable	New
US\$8.189 mil GO BANs dtd 02/27/2025 due 02/26/2026		
<i>Short Term Rating</i>	SP-1+	New

### Credit Highlights

- S&P Global Ratings assigned its 'AA' long-term rating to Braintree, Mass.' approximately \$10.9 million 2025 general obligation (GO) municipal-purpose loan bonds, and its 'SP-1+' short-term rating to the town's approximately \$8.2 million GO bond anticipation notes (BANs) dated Feb. 27, 2025.
- At the same time, we affirmed our 'AA' long-term rating on the town's GO debt outstanding.
- The long-term rating reflects the application of our "Methodology For Rating U.S. Governments," published Sept. 9, 2024, on RatingsDirect.
- The outlook is stable.

### Security

Braintree's full-faith-and-credit pledge, subject to Proposition 2-1/2 limitations, secures the GO debt. Its unlimited-tax bonds are not subject to the limitations of Proposition 2-1/2. Despite commonwealth levy-limit laws, we do not make a rating distinction between the town's limited-tax GO pledge and its general creditworthiness because our analysis of the town's financial and economic conditions already includes the tax limitation imposed on its revenue-raising ability. The bond and BAN proceeds will primarily fund capital projects, although a portion will be used to fund a legal judgement.

The short-term rating on the notes reflects our criteria for evaluating and rating BANs and our 'AA' long-term rating. In our view, Braintree maintains a very strong capacity to pay principal and interest when the notes come due. We view the town's market risk profile as low because it has strong legal authority to issue long-term debt to take out the notes and is a frequent debt issuer that regularly provides ongoing disclosure to market participants.

### Credit overview

The rating reflects Braintree's economic strength and our expectation of incremental improvement in finances over the next several years, despite reserve levels lower than state and national peers and with elevated debt and liability metrics. Under a new mayor and financial team, Braintree has made strides in bringing recurring balance to the town's finances, and we expect that the team will continue to strengthen its financial management policies and practices over the next few years. Braintree's available reserves will show an approximately \$3.5 million decline in the fiscal 2024

## Summary: Braintree, Massachusetts; General Obligation; Note

audit (the last budget enacted under the prior administration) largely due to growth in appropriated reserves, aggressive budgetary assumptions on public safety overtime costs, and rising contractual personnel costs.

In advance of the fiscal 2025 budget, for the first time, Braintree voters approved a levy limit override (\$8 million), \$1.5 million of which has been banked as reserves for future years; combined with expenditure cuts relative to initial fiscal 2025 projections, the new administration projects approximately balanced operating results over the next few years. In our conversation with management and a review of the 2025 budget, we believe the town is on a trajectory that leverages the strength of its local economy to raise sufficient revenue, which, combined with diligent budgeting, will produce sustainable operating balance. However, reserves are likely to remain below state and national peers over the next several years and, consequently, any further decline in reserves is likely to lead to a negative rating action.

The long-term rating reflects our view of the following factors:

- A growing, largely residential tax base, with elevated incomes relative to the national average and access to employment opportunities throughout the Boston region.
- In addition to improved budgetary assumptions and controls, management developed a new framework for long-term budget forecasting, with a new capital plan and formal policies for reserves, debt, and investments underway. We could improve our view of the financial management environment if additional robust policies and planning documents are finalized and are demonstrably generating positive budgetary results. The town is also taking measures to mitigate cyber risk.
- A generally stable revenue framework derived primarily from property taxes, with the recent levy override providing material revenue growth, but with projected reserves falling below 10% of operating revenue and an unclear timeline for growth to levels comparable to those of peers.
- Manageable fixed costs, but elevated debt and retirement liabilities per capita that may increasingly pressure the budget given a high pension discount rate (7.25%) and a relatively low other postemployment benefit funded ratio, although we note a significant portion of the debt is issued for the school department, operations of which are captured in the town's general fund reporting.
- The operating environment for Massachusetts municipalities has been largely stable, which we expect to continue. For more information on our institutional framework assessment for Massachusetts municipalities, see "Institutional Framework Assessment: Massachusetts Local Governments," published Sept. 11, 2024.

### Environmental, social, and governance

We analyzed Braintree's environmental, social, and governance factors relative to its economy, management, financial measures, and debt and liability profile. We view these as neutral within our credit analysis.

### Outlook

The stable outlook reflects our view that the fiscal 2024 results are likely to result in a low-point for the town's reserves, from which it will make incremental growth. Further supporting the rating is a high cash balance across all funds, given that more than \$20 million in cash available for liquidity purposes in the light fund.

### Downside scenario

If the town is unable to maintain budgetary balance, leading to a further decline in reserves without projected improvement, we could lower the rating.

### Upside scenario

If the town grows reserves to levels commensurate with those of higher-rated peers, while continuing to refine budgetary assumptions to maintain long-term balance, we could take a positive rating action.

**Table 1**

<b>Braintree, Massachusetts--Credit summary</b>	
Institutional framework (IF)	2
Individual credit profile (ICP)	2.42
Economy	1.0
Financial performance	2
Reserves and liquidity	2
Management	2.60
Debt and liabilities	4.50

**Table 2**

<b>Braintree, Massachusetts--Key credit metrics</b>				
	<b>Most recent</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>Economy</b>				
Real GCP per capita % of U.S.			121	120
County PCPI % of U.S.			168	165
Market value (\$000s)		8,988,462	8,550,391	7,982,578
Market value per capita (\$)		228,819	216,663	208,172
Top 10 taxpayers % of taxable value		9.4	9.7	11.0
County unemployment rate (%)		3.1	3.3	5.0
Local median household EBI % of U.S.		149	141	141
Local per capita EBI % of U.S.		137	136	140
Local population		39,282	39,464	38,346
<b>Financial performance</b>				
Operating fund revenues (\$000s)		168,355	158,461	162,877
Operating fund expenditures (\$000s)		164,751	157,353	168,369
Net transfers and other adjustments (\$000s)		3,226	1,760	1,949
Operating result (\$000s)		6,830	2,868	(3,543)
Operating result % of revenues		4.1	1.8	(2.2)
Operating result three-year average %		1.2	(0.9)	(2.2)
<b>Reserves and liquidity</b>				
Available reserves % of operating revenues		12.0	8.4	5.9
Available reserves (\$000s)		20,171	13,324	9,649
<b>Debt and liabilities</b>				
Debt service cost % of revenues		4.8	5.2	4.1
Net direct debt per capita (\$)	6,384	4,795	4,981	5,343

**Table 2**

<b>Braintree, Massachusetts--Key credit metrics (cont.)</b>				
	<b>Most recent</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Net direct debt (\$000s)	250,791	188,349	196,553	204,890
Direct debt 10-year amortization (%)	73			
Pension and OPEB cost % of revenues		11.0	11.0	11.0
NPLs per capita (\$)		2,640	1,571	1,840
Combined NPLs (\$000s)		103,694	61,999	70,567

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data are generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPL--Net pension liabilities.

<b>Ratings Detail (As Of February 5, 2025)</b>		
Braintree GO bnds		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Braintree GO mun purp loan		
<i>Long Term Rating</i>	AA/Stable	Affirmed

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 [www.spglobal.com/ratings](http://www.spglobal.com/ratings) for further information. Complete ratings information is available to RatingsDirect subscribers at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.spglobal.com/ratings](http://www.spglobal.com/ratings).

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