

**-REVISED COPY-**

August 31, 2012

Town of Duxbury  
878 Tremont Street  
Duxbury, MA 02332  
Attention: Mr. Thomas Connolly, Treasurer

Re: *\$83,447,000 Duxbury Town, Massachusetts, General Obligation Municipal Purpose Loan of 2012 Bonds, dated: September 14, 2012, due: September 01, 2037*

Dear Mr. Connolly:

Pursuant to your request for a Standard & Poor's rating on the above-referenced issuer, we have reviewed the information submitted to us and, subject to the enclosed *Terms and Conditions*, have assigned a rating of "AAA". Standard & Poor's views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer/obligor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would

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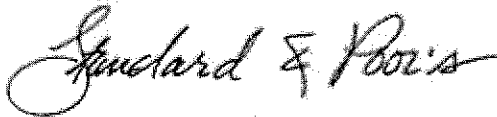
facilitate the process. You must promptly notify us of all material changes in the financial information and the documents. Standard & Poor's may change, suspend, withdraw, or place on CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information if necessary to maintain the rating.

Please send all information to:

Standard & Poor's Ratings Services  
Public Finance Department  
55 Water Street  
New York, NY 10041-0003

Standard & Poor's is pleased to be of service to you. For more information on Standard & Poor's, please visit our website at [www.standardandpoors.com](http://www.standardandpoors.com). If we can be of help in any other way, please call or contact us at [nypublicfinance@standardandpoors.com](mailto:nypublicfinance@standardandpoors.com). Thank you for choosing Standard & Poor's and we look forward to working with you again.

Sincerely yours,

The logo for Standard & Poor's, featuring the company name in a stylized, cursive script.

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Im  
enclosures

cc: Ms. Patricia E. Bowen, Vice President  
Eastern Bank

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## Summary:

# Duxbury, Massachusetts; General Obligation

### Primary Credit Analyst:

Victor M Medeiros, Boston (1) 617-530-8305; victor\_medeiros@standardandpoors.com

### Secondary Contact:

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## Summary:

# Duxbury, Massachusetts; General Obligation

### Credit Profile

US\$83.447 mil GO mun purp loan of bnds ser 2012 dtd 09/14/2012 due 09/01/2037

*Long Term Rating*

AAA/Stable

New

Duxbury Twn GO

*Long Term Rating*

AAA/Stable

Affirmed

## Rationale

Standard & Poor's Ratings Services has assigned its 'AAA' long-term rating to Duxbury, Mass.' general obligation (GO) municipal purpose loan of 2012 bonds and affirmed its 'AAA' long-term rating on the town's GO parity debt.

The 'AAA' rating reflects our opinion of the town's:

- Participation in the deep and diverse Boston metropolitan area economy,
- Extremely strong wealth and income levels,
- Strong financial position supported primarily by reliable property taxes (with no appreciable funding interdependence with the federal government), coupled with good management policies and practices; and
- Moderate debt burden, with virtually all the debt outstanding excluded from the limitations of Proposition 2 1/2.

Officials plan to use bond proceeds to fund various capital projects. Roughly \$70 million will be used to fund the construction of a middle-high school. The remainder will be used to fund a crematory construction, police station construction and a fire station construction. All the bonds have been debt excluded from Proposition 2 1/2.

Duxbury, with an estimated population of 14,541, is an affluent community 33 miles southeast of Boston, along the Atlantic Coast. The town is predominantly residential with a small commercial component. Despite the local economy's limited nature, Duxbury residents have access to the greater Boston metropolitan area economy via Route 3, Massachusetts Bay Transportation Authority commuter rail, and water ferry service in a neighboring town. Median household effective buying income is very strong, in our view, at 207% of the national level. Town unemployment remains relatively favorable, with monthly unemployment averaging 5.4% in 2011.

Due to softening in the region's home values, the town's total assessed value (AV) has fallen 14% since its peak in fiscal 2009 to \$3.2 billion. Despite the decrease, we consider this an extremely strong level at \$221,000 per capita. Furthermore, in 2011, the town's estimated median home value remained very high at three and a half times the national median. The decrease in AV does not directly affect the town's finances, as officials, under Proposition 2 1/2, have been able to adjust its millage rate to maintain property tax levies.

The town's financial position remains strong and consistent, in our opinion, following three consecutive years of general fund surpluses. Fiscal 2011 closed with a \$656,000 general fund surplus, equal to 1.1% of budget, which brought the total general fund balance to \$9.7 million. The town's unassigned (which includes the stabilization fund)

and assigned fund balances totaled \$8.7 million, or a strong 14.1% of general fund expenditures. The committed fund balance includes an additional \$768,000 set aside for future pension costs and \$233,000 set aside for unemployment.

The town's fiscal 2012 budget totaled \$57.8 million, a modest 1.5% increase over the fiscal 2011 budget. In keeping with years past, Duxbury is projecting balanced operations in fiscal 2012, due in large part to favorable operating variances. The 2013 budget is balanced at \$59.8 million, an increase of 3.4% over the previous year. Driving the increase is higher debt service costs and employee benefit costs. Property taxes, which we view as a stable revenue source, generate 68% of general fund revenues; current-year tax collections have averaged 98.5% of the tax levy over the past three audited fiscal years. Intergovernmental aid accounts for 19.5% of revenues.

Standard & Poor's considers Duxbury's management practices "good" under its Financial Management Assessment methodology, indicating financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them.

Factoring in this bond issue, Duxbury's debt profile is high on a per capita basis, but low to moderate as a percent of market value. Overall net debt is \$6,180 per capita and about 2.9% of market value. The town's carrying charges have historically been very low, averaging just 3.7% of governmental expenditures, less capital outlay, over the past three fiscal years. However, factoring in this issue, debt service carrying charges rise to roughly 9.5% of expenditures—levels we consider moderate. We note that this bond issue has been debt excluded from the limitations of Proposition 2 1/2, so the full amount of debt service will be raised on the tax levy. Principal amortization is structured so that 46% is retired in 10 years and 100% is retired by 2038. Following this issue, the town will have roughly \$50.5 million of debt authorization outstanding for the school construction project. Of the \$120 million authorized, the town anticipates receiving a grant reimbursement from the Massachusetts school building authority for approximately 45% of the project costs.

The town contributes to the Plymouth County Contributory Retirement System and is current on all of its payments. In fiscal 2011, the town's pension payments totaled \$2.17 million, or 3.5% of general fund expenditures. The town's other postemployment benefits (OPEB) liability totaled \$66.7 million (185% of covered payroll), as of July 1, 2009. The town has recently taken steps that we believe will mitigate the OPEB liability by adopting various sections of Massachusetts general laws chapter 32B, which increase employee copayments and deductibles, and transferring eligible town retirees to Medicare. Officials estimate that such changes will produce more than \$1 million in current-year savings in fiscal 2013.

## Outlook

The outlook is stable. We do not expect to change the rating within the two-year outlook period, as we expect the town to maintain its financial position at at least its current level and that management will be able to address future budgetary needs adequately. The stable outlook also reflects the town's extremely strong tax base with high wealth and income levels.

## **Related Criteria And Research**

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008
- State And Local Government Ratings Are Not Directly Constrained By That Of The U.S. Sovereign, Aug. 8, 2011

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at [www.globalcreditportal.com](http://www.globalcreditportal.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.