

Summary:

Duxbury Town, Massachusetts; General Obligation

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Table Of Contents

Rationale

Outlook

Related Research

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Credit Profile		
US\$3.15 mil GO mun purp loan of 2010 unltd tax dtd 03/15/2010 due 03/15/2025		
Long Term Rating	AAA/Stable	New
Duxbury Twn GO		
Long Term Rating	AAA/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' rating, and stable outlook, to the town of Duxbury, Mass.' series 2010 general obligation (GO) municipal purpose bonds and affirmed its 'AAA' rating, with a stable outlook, on the town's existing GO debt.

The rating reflects our opinion of the town's:

- Local economy that participates in the greater Boston metropolitan statistical area (MSA),
- Extremely strong wealth and income levels,
- Sound financial profile and consistently strong reserve position, and
- Low debt profile and rapid amortization schedule.

Officials plan to use bond proceeds to repay bond anticipation notes (BANs) outstanding issued for various town projects.

Duxbury, with a population estimate of 15,372, 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's residents have access to the greater Boston MSA economy via Route 3, Massachusetts Bay Transportation Authority commuter rail, and water ferry service in the neighboring town. Median household effective buying income is, in our view, a very strong 215% of the national level. In addition, unemployment, though rising over the past year, remained below commonwealth and national rates at 7.3%, as of December 2009.

Assessed value has declined by 5% to \$3.5 billion in fiscal 2010 from its peak valuation in fiscal 2007. Management attributes the decline mainly to the softened residential market. Nevertheless, despite reduced property valuations, market value remains, in our opinion, an extremely strong \$227,835 per capita, which we believe reflects the town's already high residential values.

Duxbury's financial position remains sound. The town closed audited fiscal 2009 with a net general fund surplus of \$929,000 (1.6% of budget). The unreserved general fund increased to \$5 million, or 8% of expenditures. Due to good conservative budgeting practices, the town's unreserved fund balance has remained upwards of 7.5% of expenditures in each of the past five audited years. The town also maintains a stabilization fund separate from the

general fund that it can use for any municipal purpose. The stabilization fund closed fiscal 2009 with a \$1 million balance. Between the unreserved general fund and stabilization fund, available reserves totaled approximately 9.7% of operating expenditures in fiscal 2009; this provided, what we believe is, a strong level of flexibility to manage through a challenging budgetary environment.

For fiscal 2010, reacting to decreased excise taxes and state aid, town officials cut spending from 2009 levels. According to management, the town is projecting balanced results and reserves to remain comparable with previous years. The town continues to operate within Proposition 2 1/2 without the use of an operating override. Property taxes, which we view as a stable revenue source, generate 68% of general fund revenues; tax collections remain above 99% of the tax levy with current trends showing no deviation from that level despite the unemployment increase. State aid, which remains under pressure in this economy, accounts for 18% of revenues; as such, the town is not overly susceptible to midyear state cuts.

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

Duxbury's debt profile is low with an overall debt-to-market value of less than 1%, or an overall net debt of \$1,086 per capita. The town's carrying charge was also low at roughly 4% of expenditures in 2009. This is favorable given the town's above-average amortization schedule with officials planning to retire 89% of existing debt over 10 years and 100% by 2029.

Outlook

The stable outlook reflects Standard & Poor's expectation that the town should sustain its financial position at its current levels and that town management should be able to address future budgetary needs adequately. The town's wealth and income levels, steady property tax base growth, and access to Boston provide further rating stability. Additional capital needs should remain manageable given the town's current low debt burden.

Related Research

USPF Criteria: GO Debt, Oct. 12, 2006

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