

New Issue: Duxbury (Town of) MA

MOODY'S ASSIGNS Aa2 RATING TO DUXBURY'S (MA) \$3.13M G.O. BONDS

TOTAL OF \$22.2 MILLION IN RATED DEBT OUTSTANDING, INCLUDING CURRENT ISSUE

Municipality
 MA

Moody's Rating

ISSUE	RATING
General Obligation Bonds	Aa2
Sale Amount	\$3,135,000
Expected Sale Date	05/12/08
Rating Description	General Obligation

Opinion

NEW YORK, Apr 24, 2008 -- Moody's Investors Service has assigned a Aa2 rating to the Town of Duxbury's \$3.13 million General Obligation Municipal Purpose Loan of 2008 Bonds. Concurrently, Moody's has affirmed the Aa2 rating on the town's \$20.4 million of long-term general obligation debt outstanding. The bonds are secured by a general obligation limited tax pledge as debt service is subject to the levy limitations of Proposition 2 ½. Proceeds from the sale will refund \$1.3 million in outstanding bonds originally issued in 1999 and provide \$1.82 million in new money to finance water system and sea wall improvements. The refunding is expected to generate a net present value savings of approximately \$57,000 without extending the maturity of the debt. The Aa2 rating reflects the town's historically stable financial position and increasing reliance on reserves to fund ongoing expenditure demands. The rating also incorporates the town's highly residential tax base with above average income levels and manageable debt position.

SATISFACTORY FINANCIAL POSITION MAY BE CHALLENGED BY INCREASING USE OF RESERVES TO FUND OPERATIONS

Moody's believes Duxbury's financial position will remain sound over the near term. However, the town may be challenged to maintain structural balance given slower revenue growth and the increasing use of reserves to fund ongoing expenditures. Through the effective management of fiscal resources the town has added to its level of available reserves (unreserved fund balance and stabilization fund) each of the last three fiscal years. Fiscal year 2007 ended with an available reserve balance of \$5.8 million (10.5% of revenues), a 10% increase over fiscal 2005 levels. However, the modest \$81,000 addition to available reserves did not keep pace with revenue growth. When measured as a percent of General Fund revenues the town's level of available reserves in fiscal 2007 declined to 10.5% from 11.1% the prior year, however remained in line with the 10.0% median for Aa2 rated municipalities in Massachusetts. Further reserve declines are possible nearing the close of fiscal 2008 with slower revenue growth and greater than budgeted snow removal costs challenging the town's ability to fully replenish its \$1.7 million free cash appropriation. Adjusting for declining local receipts, the preliminary fiscal 2009 budget includes an enlarged reserve appropriation in an effort to maintain level services. The \$55.7 million budget, a 3.95% increase over the prior year, is balanced, in part, with \$2.1 million of free cash, a 21.8% increase over fiscal 2008. Notably, 75% of the proposed \$2.2 million revenue increase is funded by property taxes and state aid, which represent a combined 85% of revenues. The budget also plans to draw down the remainder of the town's excess levy capacity, which was reduced to \$31,766 in 2008 from a more ample \$293,188 in fiscal 2005. The increasing reliance on free cash to fund operations, without corresponding expenditure reductions or revenue enhancements, will challenge the town's ability to remain structurally balanced. Going forward, Duxbury's ability to maintain a satisfactory financial position, in line with similarly rated communities, will be an important consideration in future rating reviews.

Positively, the town maintains additional financial flexibility with a fiscal 2007 ending balance of \$909,206 in its pension trust fund, dedicated to mitigating the growth in annual pension costs. Additionally, the \$1.98 million Community Preservation Act fund balance is available for future capital projects and a modest \$150,000 contingency budget line provides added budgetary cushion. Importantly, the town has been successful in stemming the growth of health care costs through the collective bargaining process with the fiscal 2009 budget projecting a manageable 3.2% increase in health expenditures. Notably, the financial position of the town's self-funded health account continues to strengthen with cash representing a healthy

37.5% of internal service fund operating revenues.

HIGHLY RESIDENTIAL TAX BASE WITH ABOVE AVERAGE INCOME LEVELS

Moody's expects Duxbury's \$3.8 billion tax base will continue to experience slower than historical growth over the near term, reflecting regional real estate trends. Located on the south shore 33 miles southeast of Boston (rated Aa1/stable outlook), the town's highly residential (97% of assessed value) tax base has experienced healthy growth, averaging 12.5% annually since 2003, supported by ongoing market appreciation and new residential development. Fiscal 2008 assessed values exhibited their first downward adjustment in recent history, declining a modest 0.5% from the prior year, a reflection of market values as of January 1, 2007. Notably, under the provisions of Proposition 2 ½, overall property tax growth is expected to remain steady, with slowdowns occurring in new growth applied to the levy from new construction and improvements to existing structures. A conservative \$368,000 in new growth revenue has been budgeted as part of the fiscal 2009 budget, below the town's five-year average of \$560,000. Looking ahead, the town hopes to capture the future tax base growth associated planned residential projects including two 40B housing developments expected to add an estimated 150 new units of housing over the near term. Income levels in Duxbury remain well above state and national medians and the equalized value per capita, reflecting high residential values, is a strong \$262,841.

DEBT BURDEN EXPECTED TO REMAIN MANAGEABLE

Moody's anticipates Duxbury's currently low debt burden will increase to a more moderate level if the town moves forward with plans for a public safety facility and high school improvements. The potential increase in debt is expected to remain manageable given future tax base growth, the town's relatively rapid rate of principal amortization (85% in 10 years) and anticipated debt exclusions from the limitations of Proposition 2 ½, which are subject to voter approval. The town's current direct debt burden of 0.5% of equalized value remains below state and national median and debt service payments accounted for a manageable 6.3% of total General Fund expenditures in fiscal 2007. The community's current capital plan includes additional bonded debt of \$25.3 million through fiscal 2012. Assuming the town issues debt for the full amount outlined in the capital plan its direct debt burden would increase to a pro-forma \$49.3 million or 1.28% of the 2008 equalized value, however this would remain below the current state median of 1.4%. Notably, the town's current debt profile is composed entirely of fixed rate debt.

KEY STATISTICS

2000 Population: 14,248

2007 Equalized Valuation: \$3.8 billion

2007 Equalized value per capita: \$262,841

Average annual growth, Equalized Value 2001-2007: 12.5%

1999 Median Family Income: \$106,245 (172% of the Commonwealth, 212% of the nation)

1999 Per Capita Income: \$40,242 (155% of the Commonwealth, 186% of the nation)

FY07 General Fund Balance: \$5.8 million (10.6% of General Fund revenues)

FY07 Unreserved General Fund Balance: \$5.0 million (9.2% of General Fund revenues)

FY07 Available Reserves: \$5.79 million (10.5% of General Fund revenues)

Net direct debt burden: 0.5%

Overall debt burden: 0.5%

Amortization of Principal (10 years): 85.7%

Post-sale long-term debt outstanding: \$22.2 million

Analysts

Conor McEachern
Analyst
Public Finance Group

Moody's Investors Service

Susan Kendall
Backup Analyst
Public Finance Group
Moody's Investors Service

Patrick Mispagel
Senior Credit Officer
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

© Copyright 2008, Moody's Investors Service, Inc. and/or its licensors including Moody's Assurance Company, Inc. (together, "MOODY'S"). All rights reserved.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, such information is provided "as is" without warranty of any kind and MOODY'S, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such information. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The credit ratings and financial reporting analysis observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER. Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling.

MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay to MOODY'S for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,400,000. Moody's Corporation (MCO) and its wholly-owned credit rating agency subsidiary, Moody's Investors Service (MIS), also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at www.moody.com under the heading "Shareholder Relations - Corporate Governance - Director and Shareholder Affiliation Policy."