

**FITCH RATES HINGHAM, MASSACHUSETTS' \$42.3MM 2009  
GO & GO RFDG BONDS 'AAA'; OUTLOOK STABLE**

Fitch Ratings-New York-19 October 2009: Fitch Ratings assigns an 'AAA' rating to the town of Hingham, Massachusetts' \$42.3 million of general obligation (GO) bonds, consisting of the following issues:

- \$38.6 million GO municipal purpose loan of 2009 bonds, series A;
- \$3.8 million GO refunding bonds, series B.

Proceeds of the series A bonds will redeem a like amount of outstanding GO bond anticipation notes issued to finance various capital projects. Proceeds of the series B bonds will refund outstanding series 1998 bonds. Both series of bonds will sell competitively on Oct. 20, 2009; a portion of the series A bonds is exempt from statutory limitations. In addition, Fitch affirms the 'AAA' rating on the town's approximately of \$31.9 million of outstanding GO bonds. The Rating Outlook is Stable.

The 'AAA' rating reflects Hingham's strong economic indicators, satisfactory financial position aided by sound management practices, and moderately low debt levels with limited bonding plans. A well regarded school system and good transportation links to the Boston metropolitan area have contributed to steady residential demand this decade. However, faltered tax base growth more recently will limit Hingham's levying capacity. The town has been able to maintain reserves above policy minimums, despite annual contributions to pay-go capital. Fitch expects that comprehensive planning and forecasting practices, including a proposal to build reserve levels over several years, will continue to benefit the town's satisfactory financial position.

Located 15 miles south of Boston, Hingham is an affluent, growing suburban community with a population of 22,561. Many residents are employed in professional, executive, or managerial positions in the Boston metropolitan area, and the local employment base consists largely of retail and service-related establishments. Major employers include Talbot's -- which is headquartered in Hingham and has downsized this year -- Blue Cross/Blue Shield, and Serono Laboratories. Income levels are more than two times that of national figures and unemployment rates remain well below average at 6.4% in August 2009. Taxable assessed value (TAV) growth has averaged a healthy 9.9% annually this decade, including a 1.2% decline in fiscal 2009 related to the broader housing market correction. Completion of the Linden Ponds and Hingham Shipyard residential development projects should offset weakness in the existing housing market over the next several years.

Hingham maintains a satisfactory financial position despite general fund balance draw downs to fund pay-go capital projects. Quarterly financial reporting helped town officials identify revenue shortfalls that were offset with expenditure reductions early in fiscal 2009. An expected \$1.5 million draw on reserves was planned for pay-go capital spending; unreserved general fund balances are expected to equal an adequate 7.5%-8.5% of fiscal 2009 spending. A town policy calls for an undesignated general fund balance equal to 5% of spending. Officials have proposed strengthening this policy to 20% by making annual, tax levy-funded contributions to reserves beginning in fiscal 2011. However, the town's weakened tax base and the constraints of Proposition 2 1/2 may complicate this plan. Fitch will continue to monitor Hingham's adherence to its fund balance policies, as well as its ability to meet all spending needs in this challenging revenue-raising environment.

Debt ratios increase considerably with the current offering, but remain in moderately low ranges of \$2,521 per capita, or 1% of TAV. Annual contributions to pay-go capital and a modest capital improvement plan that includes no borrowing through fiscal 2014 should benefit the town's debt ratios over time. School infrastructure is Hingham's largest capital need and is strongly supported by the community, as evidenced by consistent voter approval of debt exclusions from the tax levy limit for school-related projects. The Hingham Contributory Retirement System is 63% funded,

having lost a significant one-third of asset values in fiscal 2009; the town continues to make its annual pension cost. Hingham's other post-employment benefits obligation totals approximately \$60 million and officials plan to fully fund the annual required contribution beginning in fiscal 2011.

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