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Summary:

Hingham, Massachusetts; General Obligation

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Summary:

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Credit Profile

US\$38.566 mil GO mun purp loan of 2009 ser A due 04/15/2010-2029

Long Term Rating

AAA/Stable

New

US\$3.78 mil GO rfdg bnds ser 2009B due 02/15/2010-2018

Long Term Rating

AAA/Stable

New

Hingham Twn GO unlimited tax bnds

Long Term Rating

AAA/Stable

Affirmed

Rationale

In Standard & Poor's Ratings Services' opinion, the 'AAA' long-term rating assigned to Hingham, Mass.' series 2009A general obligation (GO) municipal purpose loan bonds and series 2009B GO refunding bonds and on the town's parity GO debt reflect the town's:

- Wealthy, redeveloping tax base tied into the greater Boston economy;
- High property wealth and income levels coupled with low unemployment;
- Sound financial position;
- Experienced management team with good financial management policies; and
- Moderate debt position, with a history of debt exclusions from Proposition 2-1/2 tax limitations.

The bonds are general obligations of the town, secured by its full faith and credit pledge. The town will use series 2009A bond proceeds to retire maturing BANS issued for school renovation and construction (\$34.56 million), land acquisition (\$8.45 million), the construction of a public works facility (\$6.787 million), and other projects. The town will use series 2009B bond proceeds to refund its series 1998A and 1998B bond outstanding.

Hingham is an affluent, seacoast community located in Plymouth County roughly 15 miles south of Boston. The area has seen growth tied to ongoing redevelopment efforts, with an estimated 2008 population of 22,275, an 11.4% increase from 2003. The town's income levels are high, with household effective buying income (EBI) equal to 177.8% of national level and per capita EBI equal to 192.2% of the national level. The wealth is also reflected in the very high per capita market value of \$277,909, which is especially notable because the tax base to date is predominantly residential (88%). While the town's tax base is nearly built out, it had continued to grow due to both increasing value of existing property along with ongoing redevelopment. Following a tax rate recapitulation in fiscal 2009, the tax base saw a modest reduction of 1.26%, which is reflective of the national housing and economic downturn. However, the town has several major ongoing developments that are expected to add new tax levy growth yearly, which benefits the town under the commonwealth's Proposition 2 1/2 levy limits.

The local employment base is concentrated in the retail and health care sectors. Leading local employers include Talbot's (retail clothing, 1,200 employees), the town itself (1,020), Blue Cross/Blue Shield (990), and Serono Laboratories (biotechnology, 601). The town's 2008 unemployment rate of 6.1% was significantly lower than the commonwealth (7.8%) and national (8.5%) rates. As of August 2009, according to the Massachusetts Department

of Employment and Training, the town's unemployment rate measured 6.4%, which remains favorable compared with the commonwealth and national averages of 9.1% and 9.7%, respectively. In addition to local businesses, Hingham residents have good access to Boston through a commuter boat, along with an expansion of commuter rail into the town.

The town's financial position remains sound. A \$552,000 surplus in fiscal 2008 brought the unreserved general fund balance to \$7.582 million, or 10% of expenditures. The primary general fund revenue source in fiscal 2008 was property taxes (74% of revenues), followed by intergovernmental (20%). The town also receives payments in lieu of taxes from the Hingham Municipal Light Plant, equal to roughly \$500,000 per year. The largest expenditure categories were education (53%) and public safety (13%). Drawdowns in previous years were due primarily to transfers out of the general fund for pay-as-you-go capital funding. Management estimates a modest fund balance decrease for fiscal 2009, due to ongoing pay-as-you-go financing of capital and land acquisition. The town has historically operated within the Proposition 2 1/2 levy limits for operations without the need for operating overrides of the limit. Hingham's management practices are considered "good" under Standard & Poor's Financial Management Assessment, indicating that practices exist in most areas, although not all may be formalized or regularly monitored by governance officials.

Hingham's overall net debt position is moderate, due to self-supporting utility debt, state support for school debt, and pay-as-you-go capital funding, which reduces the need to issue debt. After accounting for self-supporting debt and state support, the town's overall net debt was a moderate \$3,029 per capita, but low as a share of the wealthy tax base, at 1.3%. Debt service represented a low 5.36% of expenditures in fiscal 2008.

Outlook

The stable outlook reflects the expectation that financial management will remain solid, bolstered by comfortable reserve levels, strong financial performance, and pay-as-you-go funding of capital improvements.

Related Research

- USPF Criteria: "GO Debt," Oct. 12, 2006
- USPF Criteria: "Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality," April 2, 2008

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