STANDARD & POOR'S

SUMMARY ANALYSIS

Marshfield, Massachusetts

Credit Profile

US$.014 mil GO bnds ser 2010A-B due 06/15/2021

Long Term Rating
AA/Stable
New

Marshfield GO

Long Term Rating
AA/Stable
Upgraded

Marshfield GO

Marshfield GO (MBIA) (National)

Unenhanced Rating
AA(SPUR)/Stable
Upgraded

Many issues are enhanced by bond insurance.

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Rationale

Standard & Poor's Ratings Services raised its long-term rating and underlying rating (SPUR) on Marshfield, Mass.' general obligation (GO) debt one notch to 'AA' f***rom 'AA-' based on o***ur view of the town's improved financial management procedures and budget changes that has allowed the town to maintain balanced operating results wi***thout the continued*** use of available reserves.

Standard & Poor's also assigned its 'AA' long-term rating and stable outlook, to the town's series 2010A GO refunding bonds, and series 2010B GO municipal purpose bonds.

Additional rating factors in support of the rating include our assessment of the town's:

- Location and access to employment centers throughout the Boston metropolitan statistical area;
- Very strong household income factors and below-average unemployment;
- Sound financial profile and good operating flexibility; and
- Low debt burden, with a rapid amortization schedule and limited future capital needs.

The town's full faith and credit GO pledge secures the bonds. Officials will use bond proceeds to fund various capital projects.

Marshfield, with a population of 24,324, is located along the Atlantic Coast, about 32 miles south of Boston, Mass. The town is a suburban community that has benefited from public transportation improvements that have contributed to property appreciation and tax base development. Such improvements, including a revitalization of the southern extension of the Massachusetts Bay Transit Authority's commuter rail and a new water shuttle service, have provided local residents with good access to downtown Boston benefiting both employment and household income levels. The unemployment rate recently increased to 7.7%, as of November 2009, from a 4.9% average in 2008. Despite the increase, unemployment remains below the commonwealth rate, and well below the national rate. Moreover, household income levels, based on median household effective buying income, are, in our view, a very strong 151% of the national level.

Since 2003, the town's full market value has increased by 52% due, in large part, to its higher-end residential waterfront development and strong growth in real estate values. The property tax base's makeup is overwhelmingly residential, accounting for 93% of assessed value (AV), while commercial properties account for just 5%. According to management, despite some regional softening of real estate values, the town's tax base should remain stable given the town's location and desirability of homes, particularly those along the waterfront. AV totaled $4.4 billion in fiscal 2009, decreasing slightly over the previous year. However, the town's market value of $192,528 per capita is in our opinion extremely strong, and a good indicator of the town's strong real estate values.

The town's financial performance has improved considerably following several years of declining reserves that it used to remedy a budget gap. To help remedy the operating imbalance, the town passed a Proposition 2 1/2 override for fiscal 2008 of $2 million, its first in 15 years, and established a strategic fiscal planning task force to help set standards for forecasting, budget growth, capital planning, and reserves.

For fiscal 2009, the town closed the year with an unreserved general fund balance of $4.3 million, or 6% of expenditures. In addition, the town's stabilization fund, which is outside the general fund, closed with a 2009 balance of $1.5 million; between the unreserved general and stabilization funds, available reserves totaled $5.9 million, or, in our opinion, a good 7.7% of expenditures. The town continues to face near-term budgetary challenges; however, we believe management has demonstrated the willingness over the past several years, of making the necessary budget adjustments to maintain balanced operating results without the continued use of available reserves.

The 2010 budget is balanced and totals $79.3 million. Town officials are currently projecting to close the fiscal year with no reductions to the unreserved fund balance. The local property tax, which we view as a stable revenue source, generates nearly 63% of total operating revenues. Tax collections are, in our view, strong and have been above 97% of the tax levy annually in each of the past five years; according to management, current estimates indicate no deviation from that level.

Standard & Poor's considers Marshfield's financial management practices "good" under its Financial Management Assessment (FMA) methodology. A good FMA indicates that financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them. Highlights include a good focus on financial and capital planning evidenced by the town's five-year capital improvement program (CIP), which sets the parameters and outlays the funding for both debt and nondebt financing of all the capital projects within the plan, and its five-year budget forecast, which identifies future revenue and expenditure trends. Budget assumptions are done conservatively and monitoring of budget performance is conducted on a monthly basis, along with investment performance. The town just recently adopted a reserve fund policy that manages several reserve accounts. The stabilization account is considered the town's main reserve account, and the policy requires at minimum 5% of general fund revenues. While the town is not currently at that level, management is projecting to build reserves and meet the target by 2015.

In our opinion, Marshfield's debt profile is positive. Overall net debt after accounting for self-supporting enterprise debt, and school construction grants, is a low $979 per capita, or 0.7% of true value. Amortization of principal is rapid, with 85% of existing debt being retired by 2020 and 100% by 2024. This is favorable given that we view the town's debt service carrying charge to be low at 7%

of the general fund expenditures. Future capital needs are manageable; the town's five-year capital improvement plan totals $51 million, and, following this issuance, $4.9 million remains as authorized but unissued debt.

Outlook

The stable outlook reflects Standard & Poor's opinion that the town's extremely strong residential property tax base, coupled with a strong tax collection history, should ensure continued stable property tax collections, which are the town's primary revenue source. The stable outlook also reflects our assumption that management will continue to make the necessary budget adjustments to maintain what we consider a good reserve position as it has demonstrated recently. Future capital needs outlined in the town's capital improvement plan are manageable in our view; as such we believe debt ratios should remain low to moderate for the rating level.

Related Research

USPF Criteria: GO Debt, Oct. 12, 2006

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