

**STANDARD  
& POOR'S**

225 Franklin Street, 15th Floor  
Boston, MA 02110-2804  
tel 617 530-8303  
reference no.: 1151126

March 25, 2011

Town of Sandwich  
130 Main Street  
Sandwich, MA 02563  
Attention: Mr. Bud Dunham, Town Administrator



Re: **US\$6,635,000 Town of Sandwich, Massachusetts, General Obligation Refunding Bonds, dated: April 15, 2011, due: September 15, 2022**

Dear Mr. Dunham:

Pursuant to your request for a Standard & Poor's rating on the above-referenced obligations, we have reviewed the information submitted to us and, subject to the enclosed *Terms and Conditions*, have assigned a rating of "AA". Standard & Poor's views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer/obligor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would facilitate the process. You must promptly notify us of all material changes in the financial information and the documents. Standard & Poor's may change, suspend, withdraw, or place on

STANDARD  
& POOR'S

Mr. Bud Dunham

Page 2

March 25, 2011

CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information if necessary to maintain the rating.

Please send all information to:

Standard & Poor's Ratings Services  
Public Finance Department  
55 Water Street  
New York, NY 10041-0003

Standard & Poor's is pleased to be of service to you. For more information on Standard & Poor's, please visit our website at [www.standardandpoors.com](http://www.standardandpoors.com). If we can be of help in any other way, please call or contact us at [nypublicfinance@standardandpoors.com](mailto:nypublicfinance@standardandpoors.com). Thank you for choosing Standard & Poor's and we look forward to working with you again.

Sincerely yours,

Standard & Poor's Ratings Services  
a Standard & Poor's Financial Services LLC business



ah

enclosures

cc: Mr. Craig Mayen  
Mr. James O. Eldredge

## Sandwich, Massachusetts

**Primary Credit Analyst**

Victor Medeiros

Boston

(1) 617-530-8305

victor\_medeiros@

standardandpoors.com

Secondary Contact: Matthew

Stephan

Boston

(1) 617-530-8316

matthew\_stephan@

standardandpoors.com

**RatingsDirect**

**Publication Date**

March 29, 2011

**Credit Profile**

**US\$6.635 mil GO rfdg bnds dtd 04/15/2011 due 09/15/2022**

Long Term Rating	AA/Stable	New
Sandwich Twn GO		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed

**Rationale**

Standard & Poor's Ratings Services has assigned its 'AA' long-term rating to Sandwich, Mass.' series 2011 general obligation (GO) refunding bonds and affirmed its 'AA' ratings on the town's previously rated GO bonds.

In our opinion, the ratings reflect:

- Access to the diverse regional economic base of southeastern Massachusetts and the greater Boston metropolitan statistical area (MSA);
- Strong wealth and income levels;
- Extremely strong per capita market values despite a lower assessed value;
- A still strong available reserve position and
- Moderate debt burden.

Sandwich, with an estimated population of 20,136, is located 60 miles south of Boston on Cape Cod. Residents have access to Boston's and Providence, R.I.'s economies, contributing to the town's high wealth factors and history of low unemployment. Median household effective buying income was 140% of the national level in 2009, and the unemployment rate remained below average at 5% as of January 2010. The town is primarily a residential community with an extremely strong and diverse tax base. Despite a soft real-estate environment that has reduced assessed values (AV) over the past few years, we believe market valuations remain extremely strong. Total AV decreased to \$3.8 billion in fiscal 2011 down 15% from its peak. Nevertheless, the per capita market value of the community was \$190,172 per capita, which

we still view as extremely strong. The tax base is very diverse as the 10 leading taxpayers comprise 8% of AV.

We consider Sandwich's financial position to be strong, but reserves may decrease as budgetary challenges remain through 2013. The town closed audited fiscal 2009 with a \$4.0 million unreserved general fund balance, or 6.4% of expenditures. The town's stabilization fund, a separate reserve fund, closed fiscal 2009 with a \$2.0 million balance. Overall, the town closed with a combined unreserved general and stabilization fund balance of \$6.0 million, or a strong 9% of 2009 operating expenditures.

Despite a tough budgetary environment, driven by increasing local assessments and other fixed obligations, town officials are projecting available reserves for fiscal 2010 to remain comparable to previous years. For fiscal 2011, however, management believes it will have to use roughly \$800,000 in stabilization reserves to balance the budget. The use of stabilization funds will reduce reserves, but we believe available reserves will remain at good levels heading into fiscal 2012.

The town will continue to face near-term budgetary challenges in fiscals 2012 and 2013, in particular as new tax levy growth slows and fixed costs, specifically health insurance, continue to increase. Town officials have traditionally taken a conservative approach to budgeting, but, according to management, current forecasts indicate a need for a Proposition 2 1/2 override for the 2013 budget year, if the town hopes to maintain current service levels and reserve levels. At the moment, there is no clear indication how much of an override the town would seek. In our view, however, despite the operating pressures projected for the near-term, the town has demonstrated the willingness to make the expenditure adjustments needed to keep budgets in balance without considerable use of reserves.

In our opinion, the town's primary revenue sources are stable overall. Property taxes, which we consider a stable revenue source, account for 70% of revenues while intergovernmental aid accounts for 22%. Property tax collections remain strong and stable, averaging 97% of the current-year tax levy.

Based on a review of several key financial practices, Standard & Poor's considers Sandwich's management practices "good" under its Financial Management Assessment methodology, indicating 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 planning and forecasting. The town performs five-year budget projections to identify revenue and expenditure trends and address operating stresses. The town maintains a five-year capital plan that management reviews yearly. Town officials budget conservatively, using prior trends, and monitor the budget regularly, providing monthly reports to the board of selectmen. The town does not maintain a formal debt management policy or reserve policy.

Sandwich's debt burden is low. The overall debt burden, including this bond issue, is a low 0.8% of total market value, or \$1,597 per capita. Debt service carrying charges were a moderate 8% of operating expenses in 2010, and projections have carrying charges remaining moderate following the issuance of these refunding bonds. Amortization is slightly above average, with officials planning to retire 80% of principal by 2020 and 100% by 2030. Additional borrowing needs are limited.

As of July 1, 2008, Sandwich's other postemployment benefits (OPEB) unfunded actuarial accrued liability was \$85.6 million on a pay-as-you-go basis and \$51.9 million on a prefunded basis assuming an 8.25% rate of return. In fiscal 2010, the OPEB annual required contribution (ARC) was \$6.2 million on a pay-as-you-go basis (roughly 10% of budget) and \$4.3 million on a prefunded basis (6% of budget). The town's actual payment was \$1.6 million, or 25% of the ARC. For its pension liabilities, the town contributes to the Barnstable County retirement system. Sandwich's share of the estimated

unfunded liability is roughly \$29.4 million. The town's fiscal 2010 pension contribution was \$2.4 million, roughly 3.5% of budgetary expenditures.

## Outlook

We do not expect that the rating will change within the two-year parameter of the stable outlook because we expect the town to continue to maintain a good reserve position. We believe the town's diverse tax base and economic fundamentals lend strength to property tax collections, which are the town's primary revenue source. Moreover, we believe that management will continue to make timely expenditure adjustments in order to maintain structural balance despite revenue growth remaining modest for the next two years. Credit factors that could lead toward negative rating actions include a considerable decrease to reserves.

## Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

### Ratings Detail (As Of 29-Mar-2011)

#### Sandwich Twn GO

Long Term Rating	AA/Stable	Affirmed
------------------	-----------	----------

#### Sandwich Twn GO

Unenhanced Rating	AA(SPUR)/Stable	Affirmed
-------------------	-----------------	----------

Many issues are enhanced by bond insurance.