

Tax Supported
New Issue

Burrillville, Rhode Island

Ratings

New Issue

General Obligation Bonds,
Series 2006 A AA-
General Obligation Refunding Bonds,
2006 Series B AA-

Outstanding Debt

General Obligation Bonds AA-
(Upgraded from 'A+' on 10/19/06)

Rating Outlook Stable

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New Issue Details

\$5,400,000 General Obligation Bonds, 2006 Series A, and \$2,100,000 General Obligation Refunding Bonds, 2006 Series B, are scheduled to sell competitively on Oct. 25. Dated Nov. 1, the bonds will pay principal semiannually on Nov. 1 and May 1 from 2007–2026 for series A and 2007–2015 for series B.

Security: The bonds are general obligations of Burrillville, payable from ad valorem taxes on all taxable property in the town.

Purpose: Bond proceeds will be used to finance the construction of a new library, various sewer improvements, and refund a portion of outstanding debt.

■ Outlook

The upgrade to 'AA-' reflects Burrillville's long history of financial stability with sound reserves, declining debt burden over time to a currently low level, and minimal future capital needs. While debt service payments are projected to claim an above-average 13.6% of government expenditures in the 2007 budget, this is offset by Burrillville's practice of rapidly amortizing debt and policy of maintaining robust reserves. The limited local economy remains a concern. The Rating Outlook is Stable.

■ Rating Considerations

Burrillville is located in northwestern Rhode Island and had a population estimated at 16,563 for 2005. The town is primarily a bedroom community, with much of the labor force commuting to jobs in the Providence area. However, the town offers considerable local employment, mostly in health services. The leading employers, including three nursing homes, provide jobs for an equivalent of 11% of the town's population. The tax base is heavily reliant on residential property, which accounts for about 82% of taxable assessed value (TAV). Growth is expected from modest residential construction and a statistical revaluation scheduled for December of 2006 and impacting the 2008 tax year. The most recent full revaluation, in 2003, yielded a 63% increase in TAV.

Financial management is strong with sound institutionalized practices that have produced consistently high fund balances. In 1988, the town committed to a policy of maintaining an unreserved/undesignated fund balance at a level of at least 12% of current budget appropriations. The town has exceeded the policy minimum each fiscal year since at least 1990. The town has generally recorded operating surpluses, with deficits the result of planned drawdowns for capital improvements. Fiscal 2006 results are again expected to show a modest surplus. Tax rates are favorable compared with other Rhode Island communities, and collection rates have improved to 98.2% in fiscal 2006 from a respectable low of 96.81% in 2001. This long history of financial flexibility offsets expenditure pressures from growing education needs and the decline of state aid as a percentage of revenues, and is especially impressive given the city's practice of amortizing debt rapidly, resulting in above average debt service payments as a percentage of expenditures.

Overall debt levels are low at \$1,370 per capita and 1.57% of market value when taking into account state aid for debt service on various projects. Burrillville's future capital needs are limited and consist mainly of general road and sewer improvements, which management expects to fund primarily through low interest state loans and pay-as-you-go capital contributions. Another source of capital funding is

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Burrillville’s payment in lieu of taxes (PILOT) agreement with Ocean State Power (OSP). The town has dedicated two-thirds of this annual revenue source to capital and debt through 2020. Accordingly, the town has no future plans to issue debt at this time.

■ **Strengths**

- Favorable debt profile and minimal capital needs.
- Strong, consistent financial management.
- Long history of ample reserves.

■ **Risks**

- Operating pressures from high debt service payments as a percentage of expenditures and declining state aid as a percentage of revenue; however, mitigated by rapid amortization and financial flexibility.
- Limited economy.

■ **Debt**

Debt has been used primarily to fund school and sewer projects, with such services mainly focused in five populated villages (Glendale, Harrisville, Mapleville, Pascoag, and Oakland), though there are no plans for future debt issuances. Proceeds from this bond issue will fund the construction of a library, 73% of the bonded cost of which will be reimbursed by the state. Overall debt levels are low at \$1,370 per capita, or 1.6% of fair market value taking into account state-approved principal payment reimbursements for bonded debt dedicated to school and library construction. Debt service represents an above-average 13.6% of spending for the 2007 budget, although amortization is rapid, with 76.5% of debt retired in 10 years.

As part of a debt reduction plan, the town adopted an ordinance in January 1997 to create a special revenue

fund to reduce outstanding bonds and fund pay-as-you-go capital improvements. PILOTs from OSP, currently \$3.5 million and scheduled to increase to a high of \$5.0 million in 2010, were treated as general operating revenues in fiscal years 1991–1996. Beginning in fiscal 1997 (extending through fiscal 2012), PILOTs were divided among operations, debt reduction, and capital improvements. Debt reduction occurs as the city incrementally reallocates PILOTs from operations toward debt reduction at \$150,000 per year. The increments will accumulate in the fund, along with interest earnings, and balances will be used to prepay outstanding debt at the earliest economic opportunity. Also, the city protects the PILOT use by requiring a supermajority, six of seven council members, to approve any transfer of these moneys out of the special revenue fund that is specifically designated for debt reduction and capital improvements. It is expected that after the expiration of the PILOT treaty, the city and OSP may renew the agreement in as yet to be determined amounts. Also, the city may issue additional bonds for wastewater and library facilities dependent on formalized plans.

■ **Financial Operations**

The town has managed its finances well, as demonstrated by operating surpluses and strong fund balances. The town has maintained unreserved/undesigned general fund balances exceeding 12% of budgeted appropriations in each fiscal year since at least 1990. Unaudited fiscal 2006 results show an expected increase in unreserved/undesigned fund balance to about \$6.1 million, or about 13.7% of expenditures, keeping in line with the policy.

Debt Statistics

(\$000)

This Issue	7,500
Outstanding Debt	13,963
Direct Debt	21,463
Overlapping Debt	1,221
Total Overall Debt	22,684

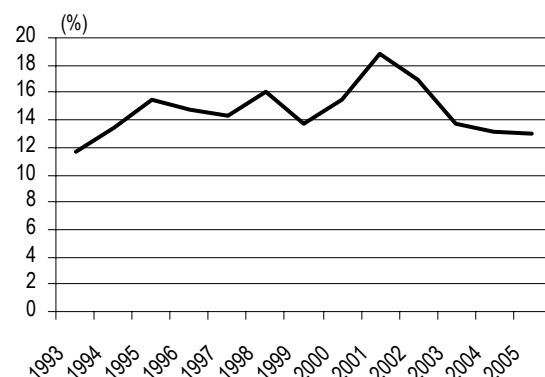
Debt Ratios

Direct Debt Per Capita (\$)*	1,296
As % of Market Value**	1.5
Overall Debt Per Capita (\$)*	1,370
As % of Market Value**	1.6

*Population: 16,563 (2005 estimate).

**Market value: \$1,440,964,000 (fiscal 2006).

Unreserved/Undesignated Fund Balance*
(Fiscal Years Ended June 30)



*Policy goal of 12%.

General Fund Summary

(\$000, Audited Fiscal Years Ended June 30)

	2002	2003	2004	2005
Revenues	25,383	25,842	26,670	27,924
Expenditures	13,669	13,103	14,807	14,209
Net Change	11,714	12,739	11,862	13,715
Transfers In	300	802	1,033	1,961
Other Sources	—	9,364	421	554
Transfers Out	(12,161)	(13,580)	(14,503)	(15,758)
Other Uses	—	(9,362)	(71)	—
Net Income	(147)	(37)	(1,258)	472
Total Fund Balance	8,314	8,277	7,019	7,491
Unreserved Fund Balance	7,779	7,724	6,391	7,015
Undesignated Fund Balance	6,540	6,373	5,496	5,458

Note: Numbers may not add due to rounding.

Increased costs associated with schools may pressure the operating position, though stable revenue streams are growing, and the city's cost containment efforts continue. This has enabled the city to compensate for inconsistent revenue from state aid toward school operations since fiscal 2002. Overall, general fund revenues have grown an annual average rate of 3.2% since fiscal 2002, outpacing the growth of expenditures of 1.6%.

Property taxes are the largest source of revenues, accounting for more than 55% of the general and school operations fund in fiscal 2005, followed by state grants, primarily for education, at 41%. The town's reported 98.2% collection rate for fiscal 2006 is the highest since a recessionary low of 91.5% in fiscal 1991 and demonstrates consistent annual improvement. Property taxes are split between real estate, \$13.05 per \$1,000 of TAV in fiscal 2006, and motor vehicles, \$40 per \$1,000 of TAV. These rates compare favorably with other Rhode Island communities. Tax levy growth has averaged a moderate 3.9% over the past five years, and further taxing flexibility should arise from the property revaluation scheduled for 2006, affecting 2008 collections. This will be the last revaluation of the decade, fulfilling the state requirement of three every 10 years. The previous revaluation in 2003 yielded a 63% growth in TAV. Historically, most of the increase has occurred in the residential tax base, which constitutes about 82% of the total

Education is the largest expense, accounting for 59% of expenditures. State aid for school operations accounted for \$12.2 million in fiscal 2005 and is expected to increase to \$12.3 million and \$14.1 million in fiscal years 2006 and 2007,

respectively, reversing the trend of aid cuts in previous years. A significant portion of school construction projects is also funded by state aid. The town received 52% reimbursement for school construction projects costs in 2005. The 2007 budget is balanced.

The city's labor contracts are in place through the summer of 2007. Historically, the town has had good labor relations and expects future wage increases to be affordable. Employee pension plans are well funded. The city is currently undertaking a study to determine its liability for other post employment benefits, which it expects to be minimal given its limited benefit plan.

■ **Economy**

The town is a rural and suburban community, with its population concentrated in five villages. Burrillville experienced rapid increases in population from 1970–1990 to 16,230, although population has stagnated since the 1990 census to an estimated 16,563 in 2005. Much of the town's labor force of 9,717 commutes to jobs in the Providence area. Still, the employment base is relatively broad for a town of this size, with the 10 largest employers providing jobs for an equivalent of 11% of the population. Burrillville's 2005 unemployment rate of 4.8% was below the state and national rates of 5.0% and 5.1%, respectively.

The town's employment base is concentrated primarily in health services. Burrillville's leading employer is Zambarano Hospital, a state-operated facility with 360 employees. Danielle Prosciutto, a meat producer, employs 180 people and is one of the first employers to take advantage of the city's development plan for

the route 120 corridor. The city has purchased land along the road and made it ready for commercial development through infrastructure improvements. Income levels are below average. According to the

2000 census, the town's per capita income was \$21,096, or 77.5% of the state average, reflecting the town's status as a bedroom community with a larger concentration of young families.

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