

New Issue: Burrillville (Town of) RI

MOODY'S ASSIGNS A1 RATING TO TOWN OF BURRILLVILLE'S (RI) \$5.4 MILLION G.O. BONDS, 2006 SERIES A AND \$2.1 MILLION G.O. REFUNDING BONDS, 2006 SERIES B

TOTAL OF \$35.5 MILLION IN RATED DEBT OUTSTANDING

Municipality
 RI

Moody's Rating

ISSUE	RATING
General Obligation Bonds, 2006 Series A	A1
Sale Amount \$5,400,000	
Expected Sale Date 10/25/06	
Rating Description General Obligation Unlimited Tax Pledge	
General Obligation Bonds, 2006 Series B	A1
Sale Amount \$2,100,000	
Expected Sale Date 10/25/06	
Rating Description General Obligation Unlimited Tax Pledge	

Opinion

NEW YORK, Oct 20, 2006 -- Moody's Investors Service has assigned an A1 rating to the Town of Burrillville's (RI) \$5.4 million General Obligation Bonds, 2006 Series A and \$2.1 million General Obligation Refunding Bonds, 2006 Series B. At this time, Moody's has affirmed the A1 rating on the town's \$35.5 million in parity debt. The current issue will provide \$5.4 million in new funds to finance construction of a new library and sewer system extensions. It will also provide \$2.1 million in funds to refund Series 1995 Bonds for a net present value savings of 3.8% of refunded principal. The A1 rating reflects the town's strong financial performance with ample reserves, an above average but manageable debt burden, and a moderately growing tax base enhanced by accessibility to employment centers in Connecticut, Rhode Island, and Massachusetts.

RECENT DECLINES IN SATISFACTORY FINANCIAL RESERVES

Moody's expects the town's finances to remain satisfactory despite planned recent draw-downs for capital expenditures, given conservative budgeting practices and satisfactory reserve levels. The General Fund balance reached a solid \$8.3 million in fiscal 2002 (32.4% of combined General Fund and School Unrestricted Fund revenues). In fiscal 2003 and 2004, the General Fund balance declined by \$37,000 and \$1.3 million, respectively, due to capital expenditures. The town finished fiscal year 2005 with a surplus of \$472,000, driven by receipt of local taxes in excess of budget. Preliminary results for fiscal 2006 indicate a surplus of approximately \$850,000, again due to receipts of local taxes and state aid in excess of budget, further boosting reserve levels. Reserves have strengthened despite management's reduction of its reliance on supplemental revenue provided by a PILOT arrangement with Ocean State Power, whereby funds previously relied on for operations have been re-allocated to the debt reduction program and to pay-as-you-go financing. Property taxes remain the town's main source of revenue, accounting for 54.2% of combined Funds revenues, followed by state aid at 40.3%. Moody's believes management's conservative structuring of PILOT payments and conservative budgeting of revenues provides strong operating flexibility should revenue constraints arise from minimal increase in property taxes in the fiscal 2007 budget or adverse changes in state aid levels.

MODERATE TAX BASE GROWTH

Moody's expects the town's \$1.4 billion tax base will continue to grow in the medium term, given its location within commuting distance to employment centers in Providence (G.O. rated A3) and Boston (G.O. rated Aa1) and on-going residential and commercial construction. Assessed values have grown an average of 14.9% annually since 2000 due to residential construction and revaluations in 2001 and 2004 that boosted values by 18% and 63%, respectively. Town's current residential development projects include 64 units of

high-end age-restricted housing, 67 units of condominiums, and 53 units of affordable housing units for seniors, which received funds provided by HUD (Department of Housing and Urban Development). The town's commercial tax base is also experiencing growth as existing businesses continue to renovate and expand their facilities and Stillwater Mill Complex and Commerce Industrial Park are under revitalization efforts. The town continues its economic development initiatives to attract new businesses to the community through rezoning and outreach efforts, and plans to pursue the Smart Growth approach through revitalization and redevelopment of the downtown area. Residential wealth levels are comparable to state medians, as is reflected in the \$85,410 full value per capita.

ABOVE AVERAGE DEBT BURDEN MITIGATED BY AN AGGRESSIVE DEBT REDUCTION PLAN

Moody's expects Burrillville's debt levels to remain manageable despite an above-average 2.6% overall debt burden, due to the town's debt reduction plan and an average 70.9% rate of principal retirement in ten years. The town's debt burden decreases to a more moderate 1.9% after adjusting for state school construction aid. Moreover, the town's aggressive debt reduction plan, which was implemented in fiscal year 1997, progressively shifted the town's use of PILOT payments from Ocean State Power from operational purposes to the prepayment of debt and funding of pay-as-you-go capital improvements. Under this plan (agreement expires in 2012), the town increases the portion of the PILOT dedicated to debt reduction by \$150,000 annually, while reducing the amount dedicated to operations. This escalating payment structure gives enhanced financial flexibility to add new debt or accelerate the current debt schedule. The town does not plan to issue additional debt in the near term.

KEY STATISTICS

2000 Population: 15,796

2005 Full valuation: \$1.4 billion

Full value per capita: \$85,410

Median Family Income as % of state: 117.8%

Per Capita Income as % of state: 97.3%

Overall debt burden: 2.6%

Adjusted debt burden: 1.9%

Payout of Principal (10 years): 70.9%

Fiscal 2005 General Fund Balance: \$7.5 million (24.6% of revenues)

Parity debt outstanding: \$35.5 million

Analysts

Catie Y. Tsao
Analyst
Public Finance Group
Moody's Investors Service

Christopher Coviello
Backup Analyst
Public Finance Group
Moody's Investors Service

Edith Behr
Senior Credit Officer
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

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