



FITCH AFFIRMS BURRILLVILLE, RI'S GOS 'AA'; OUTLOOK STABLE

Fitch Ratings-New York-15 October 2010: Fitch Ratings takes the following rating action on the Town of Burrillville, RI's (the town) general obligation (GO) bonds as part of its continuous surveillance effort:

--Approximately \$27.4 million GO bonds affirmed at 'AA'.

The Rating Outlook is Stable.

RATING RATIONALE:

--The town of Burrillville's financial position is strong. Management has made prudent and conservative budget decisions contributing to its history of sound operating and solid reserve levels for both municipal and school department operations.

--The town's wealth levels exceed state and national averages, but its unemployment rate is very high and slightly above the state's level.

--The town benefits from steady tax collection rates and low taxpayer concentration.

--Debt levels are moderate and pension and other post employment benefit (OPEB) liabilities are manageable.

KEY RATING DRIVERS:

--Continued strong management practices and adherence to the town's prudent fiscal policies.

--Maintenance of strong reserve fund levels.

SECURITY:

The bonds are secured by the town's full faith and credit and unlimited taxing power.

CREDIT SUMMARY:

Burrillville, with a population of 16,545, is a bedroom community located in the northwest corner of the state on the border of Massachusetts and Connecticut, approximately 20 miles from Providence, 22 miles from Worcester and 45 miles from Boston. The tax base is largely residential (85% of assessed value) and the 10 largest property taxpayers represent a low 4.4% of the tax base as of 2009. The town's gross taxable value declined 18% in fiscal 2011, a revaluation year, to \$1.4 billion, the result of housing value declines associated with the overall economic downturn. However, the town increased its property tax rate to more than offset the loss in value. Income levels are above-average with per capita income at \$35,920 which is 126% and 131% of the state and nation, respectively. The town's unemployment rate is high at 12% as of August 2010, slightly up from the town's 11.7% rate a year prior and the state's current rate of 11.8%.

The town's history of sound financial performance has been pressured over the last two years, the result of significant cuts in state aid. State aid represented 20% of fiscal 2009 general fund revenues with the bulk of the town's revenues coming from property taxes (78%). For fiscal 2009, the town's unreserved/undesignated fund balance increased from \$5.1 million to \$5.9 million, representing a solid 17.9% of spending and transfers out. The town is projecting adding \$900,000 to fund balance in fiscal 2010 despite a reduction in state motor vehicle reimbursements totaling \$398,904. The surplus is the result of continued cost cutting, which commenced in fiscal 2009 after a \$400,000 state revenue sharing cut, elimination of non-essential services and purchases, and hiring freezes instituted since fiscal 2009. The town's general fund unreserved/undesignated fund balance policy requires the reserves to be maintained at the higher of 12% of the following year's

budget or the budgeted amount for debt service. The fiscal 2009 unreserved/undesignated fund balance is in compliance with the policy.

In fiscal 2011 the town estimates its reduction in state aid to be \$3.6 million, \$2.8 million of which represents motor vehicle reimbursement. The town levied an additional \$1.8 million in property tax revenues to partially offset the loss. The town is subject to the current state imposed 4.5% tax levy cap over the prior year's levy, but due to the loss of state aid it is permitted by the state to exceed its cap without board approval. It will exceed the cap in fiscal 2011 by \$699,000, however, according to town officials, if the town did not need to levy for the lost motor vehicle reimbursement its budget would have been under its tax cap by \$1 million.

The school department's financial condition is sound. Operating surpluses reported in fiscal 2009 and projected for fiscal 2010 provide for a total fund balance of \$1.1 million, or 4% of spending.

The town's debt levels are moderate with dept per capita at \$1,695 and 2% of market value. The town has no future debt plans and continues to pay for capital projects and improvements with government grants and payment-in-lieu-of-tax (PILOT) revenues received from Ocean State Power (OSP). The town's 20-year tax agreement with OSP is based upon OSP operating two electric generating units commercially and expires in 2012. The town is preparing for negotiations with OSP for a new agreement. In the event that negotiations fail, town officials report that the taxable value of the plant is anticipated to provide a revenue base comparable to the PILOT revenues. The town has greatly reduced its dependence on OSP for operating expenditures and plans to continue its practice of using OSP tax payments for capital improvements.

The town's police and general employees participate in the state's municipal employees' retirement system (MERS) and its teachers participate in the state's employees' retirement system (ERS). The town and school have made 100% of their annual required contributions (ARC) for the past three years and funded ratios exceeded 100% as of June 30, 2008. Combined police and general employee pension costs for fiscal 2009 were \$526,619 and employer contributions for ERS were \$1.6 million, manageable relative to the town's \$16.9 million general fund budget and the school department's \$27 million operating budget. The town's OPEB liability as of July 1, 2008 was a manageable \$1.675 million and the town's ARC was \$129,436. The town makes pay-go contributions and contributed \$107,000 in fiscal 2009 equivalent to 83% of its ARC.

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In addition to the sources of information identified in the Tax-Supported Rating Criteria, this action was additionally informed by information from Creditscope, LoanPerformance, Inc., and IHS Global Insight.

Applicable Criteria and Related Research:

--'Tax-Supported Rating Criteria', dated Aug. 16, 2010.

--'U.S. Local Government Tax-Supported Rating Criteria', dated Oct. 8, 2010.

Applicable Criteria and Related Research:

Tax-Supported Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=548605

U.S. Local Government Tax-Supported Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=564566

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