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# THE CALL

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# Burrillville scores a AA bond rating

## Fitch praises town's fiscal management

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BURRILLVILLE – Town Manager Michael C. Wood has announced that Fitch Ratings has affirmed the town's AA bond rating.

The Fitch Ratings review cited the town's strong financial management, above-average liquidity and manageable debt and retirement costs.

A bond rating for a town is like a credit rating for a person. A higher municipal bond rating means a town will be able to secure a lower interest rate when it sells bonds to finance major projects.

Wood is expected to discuss the latest Fitch rating at the Town Council's meeting Wednesday at 7 p.m. at Town Hall, 105 Harrisville Main St.

According to the report, the "AA" unenhanced rating reflects, among other things, the town's conservative budgeting practices and policies, which the report says have contributed to historically sound operations and strong reserves, even during prior periods of volatile levels of state funding and recent declines in property values.

The town's finance department has also built up reserves from tax revenues with a substantial portion earmarked for pay-as-you-go capital and maintenance needs. This has significantly reduced the need to issue debt for such projects and provides a high degree of financial flexibility, the report said.

According to the report, overall debt levels are low and are expected to remain so over the next couple of years, while pension and other postemployment benefit (OPEB) liabilities are manageable and overall carrying costs are low.

"The town has experienced net operating surpluses in four of the last five fiscal years, leading to robust reserve levels," the report says. "A combination of conservative budgeting practices, strong tax collection rates and moderate tax increases contributed to these results."

For fiscal 2013 the town finished the year with positive variances to budget in both revenues and expenditures. Management had included the use of roughly $4 million in fund balance in the budget (primarily for capital), but the net operating deficit was only $687,000. The unrestricted general fund balance at year's end remained healthy at $14.4 million or a high 45

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## Bond

percent of spending. The School Department ended the year with a small deficit and had an unrestricted fund balance of $600,000, or 2 percent of School Department spending.

The $46 million budget for fiscal 2014 was up 2.2 percent compared to the prior year and included increases in capital and school outlays. The town underwent a three-year property revaluation effective December 2012, and property values declined by 15 percent. These lower values were used for the fiscal 2014 budget, and management increased the tax rate to be revenue neutral for the average homeowner. Approximately $1 million of the tax levy increase represented the final addition of Ocean State Power/TransCanada (OSP) property to the tax roll due to the expiration of a prior 20-year payment-in-lieu-of-tax (PILOT) agreement. The town is projecting a net operating surplus of approximately $1.5 million (3 percent of the budget) for the year, as revenues and expenditures both outperformed budget projections.

The fiscal 2015 budget includes a moderate tax increase and continued funding of capital needs from reserves. The tax base increased 1 percent to $1.5 billion, as a number of new residential housing projects have been completed and other commercial and industrial related improvements have been made. Management expects continued commercial and residential development activity, as well as substantial gas and electric utility improvements planned for the next two years, to further increase taxable values.

According to the report, OSP represents a somewhat high 12.3 percent of the town's fiscal 2015 tax base, but risk related to tax base concentration is mitigated as the town does not rely on OSP tax receipts for operating expenditures.

The town has traditionally used OSP revenues (which total $3.49 million in fiscal 2015) for capital and certain debt expenditures.

OSP has filed suit against the town challenging its tax valuation since its addition to the tax roll beginning in fiscal 2011. The town is hoping for a resolution of the case within the next year. In the event of an adverse decision the town anticipates a minimal effect on taxpayers since OSP tax revenues have not been used for general fund operations (although capital spending patterns may be affected). OSP tax revenues will continue to be used for capital needs.

The town's overall debt levels are low with debt per capita at $1,322 and 1.4 percent of market value. Amortization is very rapid with approximately 80 percent of principal retired within 10 years. There are no plans for additional tax-supported debt in the near term, as the town plans to continue using OSP tax revenue to fund capital projects. Additional debt for wastewater treatment plant improvements is contemplated for fiscal 2017, but would be repaid from user fees.

The town's police and general employees participate in the state's municipal employees' retirement system, and its teachers participate in the state's employees' retirement system (ERS).

On a combined basis, the report says, the police and general employees' plans are well funded at 87 percent as of June 30, 2013 assuming Fitch's conservative 7 percent rate of return.

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