

Seekonk, Massachusetts

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Credit Profile

US\$2.775 mil GO bnds dtd 09/15/2008 due 10/15/2018

Long Term Rating	AA-/Stable	New
Seekonk Twn GO		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
Seekonk Twn GO		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services raised its Standard & Poor's underlying rating (SPUR) on Seekonk, Mass.' general obligation (GO) debt one notch to 'AA-' from 'A+' based on the town's improved financial position, making finances stronger. The outlook is stable.

Standard & Poor's also assigned its 'AA-' standard long-term rating, and stable outlook, to the town's GO refunding bonds.

The ratings also reflect the town's:

- Diverse property tax base; and
- Low debt ratios, coupled with limited additional capital needs.

Seekonk, with a population estimate of 13,688, is on the Massachusetts- Rhode Island border, just four miles east of Providence, R.I. Although primarily a residential community, easy highway access from Route 44 and Interstate 195 has helped the town develop as a regional retail center. Per capita retail sales of more than three times the national average reflect the area's vigorous retail activity. Income levels are strong with median household and per capita effective buying income indicators equal to 130% and 117%, respectively, of national levels.

Unemployment was 4.8% in 2007 compared with the commonwealth's 4.5% rate and the nation's 4.6% rate.

New construction of national big-box retailers has resulted in a strong 71% property valuation growth over the past four years, including a 2% increase in fiscal 2008 to \$2.35 billion. New growth levy increases due to this recent construction have ranged from roughly \$550,000-\$800,000; officials are projecting this to decline slightly to nearly \$500,000 for fiscal 2009 and beyond. Market value is an extremely strong \$171,500 per capita. The tax base has little concentration with the 10 leading taxpayers accounting for less than 8% of assessed value.

Seekonk's recent financial position has improved significantly. In fiscal 2007, the town had a \$2.2 million unreserved general fund balance and a \$1.1 million stabilization fund balance, or a strong combined balance of 8.4% of expenditures. In addition, in fiscal 2006, town officials created a capital stabilization fund dedicated to capital expenditures; the fund had a \$347,000 balance in fiscal 2007 and an estimated \$1.3 million balance in fiscal 2008. Management is projecting increases in both the general and general stabilization funds for fiscal 2008. Officials have balanced the fiscal 2009 budget with minimal use of fund balance.

Standard & Poor's considers Seekonk's financial management practices "good" under its Financial Management Assessment (FMA), indicating financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them. Highlights of the town's policies and procedures include management's:

- Monthly budget reports and presentations to the town administration, and
- Formal investment policy and quarterly reporting of investment positions to the town administration.

The town plans to add formal long-term planning for capital needs and general revenues and expenditures beginning with the fiscal 2010 budget. We will update the FMA as management incorporates new procedures.

Due in part to 70% commonwealth reimbursement for school debt service, the town's overall net debt burden is a low 0.7% of market value, or \$1,150 per capita. All of the town's debt outstanding has been voted exempt from Proposition 2 1/2 property tax limitations, providing operating flexibility. The town has identified three nonurgent capital needs totaling an estimated \$8 million; and management believes it will be able to fit debt service for these projects into the town's declining debt service schedule, resulting in only a minimal debt service increase.

Outlook

The stable outlook reflects Standard & Poor's expectation that the town's property tax base will remain a stable source of general fund revenues, which, when combined with the stabilization balance goal, should allow management to maintain the strong financial position. In addition, the debt burden should remain low due to a lack of urgent capital needs.

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