

PRESS RELEASE – TOWN OF LINCOLN

For immediate Release – June 25, 2010

Re: Lincoln – Town Administrator T. Joseph Almond announces that the Town of Lincoln has achieved an AA bond rating.

Town Administrator T. Joseph Almond is pleased to announce that upon review by Fitch Ratings, the Town of Lincoln has recently secured an upgraded bond rating to AA status. This is the highest rating the town has ever secured, and will help ensure the town's excellent fiscal health into the future.

Almond said, "The town has implemented effective budget controls in response to pending S3050 property-tax caps, projected reductions in revenues, and a forecast of bleak economic conditions in the region and nation. These budget controls included strict adherence to expenditures that only existing revenues could support, and the achievement of substantial cost savings."

He states, "Despite the continued economic downturn, and additional losses of state aid exceeding \$3,000,000.00 in the current and next fiscal year, we anticipate closing the fiscal year ending June 30, 2010 with a balanced budget. In addition, we have maintained our unrestricted surplus accounting for 8% of our annual fiscal budget, and continue to add to our restricted surplus accounts designated for capital improvements and open space / recreation".

Town Administrator Almond concluded, "Lincoln's excellent fiscal health could not have been achieved without cooperation, hard work, and sacrifice. I would like to acknowledge the Lincoln Finance Department, department directors, and our employees for making these achievements possible. I would also like to recognize the Town Council, Budget Board, and School Department for their budget management, support, and oversight which were essential to the success of this outstanding achievement."

The Fitch report in its entirety can be viewed at www.fitchratings.com

Contact: T. Joseph Almond, Town Administrator – 333-8419

**FITCH AFFIRMS TOWN OF LINCOLN, RI GOS AT 'AA';
OUTLOOK STABLE**

Fitch Ratings-New York-24 June 2010: Fitch Ratings takes the following rating action on the Town of Lincoln, RI's (the town) general obligation (GO) bonds as part of its continuous surveillance effort:

--\$39.9 million GO bonds issued prior to 2007 affirmed at 'AA'.

The Rating Outlook is Stable.

RATING RATIONALE:

--The town of Lincoln's strong financial management has made prudent and conservative budget decisions contributing to its sound operating results the past five years and solid reserve levels for both municipal and school department operations.

--Above-average economic indicators include high income levels and unemployment rates below the state level.

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

--Debt levels are moderate and pension and other post employee 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:

The town of Lincoln, with a population of 21,790, is an affluent suburban community located 5 miles north of Providence, Rhode Island's capital. The town is home to Amica Mutual Insurance Company's headquarters and Twin River Casino entertainment and dining complex, which are the largest employers with 1,139 and 873 employees, respectively. The tax base is largely residential (72% of assessed value [AV]) and the commercial base (20% of AV) is diverse. The 10 largest property taxpayers represent a low 3.4% of the tax base as of 2008, with Twin River, the largest, representing only 1%. The town's taxable AV declined to \$2.2 billion, with the Dec. 31, 2009 revaluation, a high 13.6% change from the prior year's tax roll. The decline resulted from a substantial reversal of the area's strong real estate market due to the downturn in the economy. However, the city increased its property tax rate to more than offset the loss. Income levels are above average with median household income at \$69,973 exceeding the state level of \$55,327 and nation's \$52,175. The town's unemployment rate was 11.2% in April 2010, lower than the state's 12.5%, but an increase from 10% the year prior.

The town's finances remain sound. Due to management's prudent budgeting practices, the town has maintained its unreserved general fund at 7.7% of expenditures and net transfers, just below its policy of 8%. Fiscal 2009 results showed a \$1.77 million operating deficit which was attributable to required \$2.3 million transfers to the Open Space Restricted Surplus Fund and Capital Projects Surplus Fund. These funds were established by town charter for the transfer of surplus in excess of the 8% fund balance threshold. Excluding these transfers, the general fund would have ended with a \$533,000 operating surplus. The town offset cuts in state aid in fiscal 2009 with a combination of restrictions on spending and purchase deferrals. The school department had positive operations ending fiscal 2009 with a \$416,000 operating surplus. Its unreserved fund balance was \$1.9 million or 4% of expenditures.

For fiscal 2010, despite additional state aid cuts the town expects to end with a small surplus in its municipal operations after holding the line on expenses, lowering its fee expectations and higher than budgeted tax collections. Revenues came in higher than anticipated which offset additional state aid cuts. The school department's operations for fiscal 2010 are anticipated to be in line with its original budget. For fiscal 2011, the town prepared a flat budget compared to 2010, but due to the state's financial pressures and its cut in motor vehicle revenue reimbursement aid to localities, the town instituted an increase in its tax levy of 3.5%, or \$1.76 million. Additionally, the estimated tax collection rate was increased from 96% to 97% based on fiscal 2010's good performance, and the school department's local appropriation was reduced by \$800,000.

The town receives its portion of video lottery terminal (VLT) commissions from Twin River's operations which are payable by the state in accordance with state statute. These funds have exceeded budget the last three years and for fiscal 2009 they exceeded the budgeted amount by a high 9%. By town ordinance, this excess is transferred into a town capital projects fund. VLTs have been growing and represented a high 7.4% of total fiscal 2009 general fund revenues and a very high share of general fund revenue excluding resources transferred to the school department. Twin River's owner, UTGR Inc., filed for bankruptcy in June 2009 and the facility is currently owned by its consortium of lenders. While Fitch recognizes the lenders' interest in continuing to operate Twin River, Fitch also notes that a decline in VLT commissions could pressure the town's future financial flexibility given lower state funding and the state-imposed tax levy cap which limits the increase in the property tax levy to 4.5% in 2011, 4.25% in 2012 and 4% per year in 2013 and beyond.

All of the town's eligible employees are covered by one of four pension plans which are adequately funded. One plan is operated by the town, another is a cost-sharing multi-employer plan operated through a union, and the remaining two are state-run plans. The town plan is 90% funded as of June 2008. For the state sponsored plan, the general employees unit was funded 87% and the police and fire unit was funded 70% as of June 2008. The town's OPEB costs were \$907,000 in 2009, about one half of its actuarially required contribution. The town debt levels are low to moderate with debt per capita at \$2,183 and debt-to-market value at 1.4%. Par amortization is average with 56% maturing in 10 years. The town's debt needs are limited as it is still spending down its series 2008 proceeds and is performing capital improvements on a pay-as-you-go basis.

Applicable criteria available on Fitch's website at www.fitchratings.com:

--'Tax-Supported Rating Criteria,' dated Dec. 21, 2009;

--'U.S. Local Government Tax-Supported Rating Criteria,' dated Dec. 21, 2009.

Contact: Kevin Dolan +1-212-908-0538 or Ann Flynn +1-212-908-9152, New York.

Media Relations: Cindy Stoller, New York, Tel: +1 212 908 0526, Email: cindy.stoller@fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

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