

Woonsocket Budget Commission Considerations In Developing Five Year Financial Plan

Independent Assessments of Woonsocket's Financial Health from the Rating Agencies:

Moody's

WHAT COULD MAKE THE RATING GO UP (remove the negative outlook):

- Improvement in liquidity and reduced dependence on state aid advances
- Multi-year reduction in accumulated deficit in the School Fund
- Progress toward reducing the large unfunded pension liability

WHAT COULD MAKE THE RATING GO DOWN:

- Inability to secure state aid advances in the event of future liquidity shortfalls
- Continued severe liquidity strain
- Deepening of the accumulated operating deficit

Fitch

KEY RATING DRIVERS

PROGRESS IN IMPLEMENTING FISCAL STABILIZATION INITIATIVES: The revision in the Outlook to Stable from Negative reflects progress in implementing key objectives in a five-year deficit reduction plan including labor concessions and a supplemental tax levy approved by the state legislature.

CITY BENEFITS FROM STATE OVERSIGHT: Fitch views state oversight of the city via the Budget Commission (the commission) positively, though an indication of the severity of the city's fiscal problems. The commission's support in restructuring city finances and stabilizing liquidity will continue to be key to the city's fiscal recovery.

CONTINUED FINANCIAL CONSTRAINTS; LIQUIDITY CONCERNS: The low 'B' rating reflects the city's continued fiscal pressure driven by a weak economy, prior exposure to school deficits with minimal budget control, the state-wide property tax cap, and underfunding of retiree obligations. Liquidity remains an issue, although in the near term, has been addressed through another advance of state aid.

WEAK EMPLOYMENT AND DEMOGRAPHICS: City demographics are weak with high unemployment levels, low income levels, and declining population.

HIGH DEBT AND RETIREE COSTS: Debt levels are above average and total carrying costs for pensions, OPEB pay-go, and debt service are high.

RATING SENSITIVITIES

LIQUIDITY STABILIZATION: The demonstrated ability of the city to adequately address cash flow needs, with decreased reliance on state aid advances, would lessen Fitch's concerns about stressed liquidity.

ABILITY TO ADDRESS CUMULATIVE OPERATING DEFICITS: The ability to address school and city accumulated operating deficits adequately as planned would lead to a rating upgrade.