

**Summary:**

## Pittsfield Charter Township, Michigan; General Obligation; General Obligation Equivalent Security

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Credit Profile		
US\$3.69 mil GO ltd tax rfdg bnds ser 2010 due 04/01/2011-2017		
<i>Long Term Rating</i>	AA/Stable	New
<b>Pittsfield Charter Twp GO cap imp bnds ser 2004 dtd 04/01/2004 due 05/01/2005-2025 2029</b>		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Upgraded
<b>Huron Util Auth, Michigan</b>		
Pittsfield Charter Twp, Michigan		
Huron Util Auth (Pittsfield Charter Twp) GO		
<i>Long Term Rating</i>	AA/Stable	Upgraded
Many issues are enhanced by bond insurance.		

## Rationale

Standard & Poor's Ratings Services raised its rating and underlying rating (SPUR) on Pittsfield Charter Township and Huron Utilities Authority, Mich.'s general obligation (GO) bonds to 'AA' from 'A+'. The ratings are based on the limited-tax, full faith and credit pledge of the township, and the rating action reflects the township's revenue-raising flexibility, additional liquidity outside the general fund, and sound financial practices. At the same time, Standard & Poor's assigned its 'AA' long-term rating to the township's series 2010 GO limited-tax refunding bonds. The outlook on all ratings is stable.

In our opinion, the ratings reflect the township's:

- Participation in the diverse Ann Arbor, Mich. MSA economy;
- Very strong wealth and income levels;
- Very strong financial position, with strong reserves and revenue flexibility; and
- Moderate debt burden.

Pittsfield Charter Township is located less than 5 miles south of Ann Arbor ('AA+' GO rating) and covers approximately 28 square miles in Washtenaw County ('AA+' GO rating). The township's population grew 13% between 2000 and 2009 to 34,196 residents. Township residents have full access to the Ann Arbor economy, which is centered on the University of Michigan and its associated hospitals. Major employers in the township include Infra Source (site preparation contractors, 500-900 employees), Meijer (supermarket, 500-900), Kroger (supermarket, 250-499), Target (250-499), and Mobility Transportation (special-needs transportation, 250-499). The local economy is experiencing continued growth and expansion, as evidenced by its relatively low unemployment rate. The unemployment rate for the township was 8.1% through April 2010, well below the state and national rates.

The tax base is primarily residential (56.3% of 2010 state equalized value) but has a strong commercial component (33.3%). Income levels for the township are what we consider to be very strong, with 2009 median household buying income levels at 138% and 131%, respectively, of state and national levels. Taxable value has increased by 7.1% overall between 2005 and 2010 but has dropped for the past three years, and management projects further declines. The tax base is diverse, with the 10 largest taxpayers accounting for only 8.0% of taxable value. Estimated market value stands at \$3.79 billion, which is what we consider an extremely strong \$106,704 per capita.

The township's financial position is very strong despite recent general fund deficits that have decreased general fund reserves (prior township management had drawn down reserves significantly in the past four years to purchase land). Fiscal year-end 2009 (Dec. 31) closed with a deficit of \$295,000, resulting in a general fund unreserved balance of \$4.2 million, or what we consider to be a very strong 37.5% of expenditures. For fiscal 2010, the township projects that the general fund will show break-even results, although the unpredictability of state funding could alter that result. Management has made numerous expenditure reductions that it believes will allow for a break-even budget for fiscal 2011.

The township is afforded some revenue flexibility by operating at only 93% of its Headlee limit for 2009. Management can draw on a budget stabilization fund, which is separate from the general fund and held \$965,000 as of April 2010, to support operations with a three-fifths vote of the board.

The township's management practices were revised to "good" from "standard" under Standard & Poor's Financial Management Assessment (FMA) methodology. An FMA of "good" indicates that practices exist in most areas, although not all may be formalized or regularly monitored by governance officials. Management reviews revenues and expenditures monthly and provides the board with monthly budget reports. Management does some financial forecasting past the current budget year, but plans to develop a more comprehensive five-year forecast and a formal capital improvement plan this calendar year. The township makes investments according to its board-approved investment policy. Although the township does not have a formal fund balance policy for the general fund, it maintains a goal of keeping 15% of general fund expenditures in reserves and established a budget stabilization fund in 1998.

The township's overall debt burden, including overlapping debt but excluding debt that is paid by the township's water and sewer system, is moderate at \$3,147 per capita and 2.9% of estimated market value. Debt service carrying charges are moderate at 10.5% of total governmental expenditures less capital outlays in 2009. We understand that the township does not have additional debt plans at this time.

## Outlook

The stable outlook reflects our expectation that the township will maintain sound financial operations and strong reserves and successfully offset any reductions in state-shared revenue. The township's participation in the diverse Ann Arbor area economy supports the outlook.

## Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

Complete ratings information is available to RatingsDirect on the Global Credit Portal subscribers at

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www.globalcreditportal.com and RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

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