

RatingsDirect®

Summary:

Pittsfield Charter Township, Michigan; General Obligation

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Summary:

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Credit Profile

Pittsfield Charter Twp GO ltd tax rfdg bnds

Long Term Rating

AA+/Stable

Upgraded

Pittsfield Charter Twp GO cap imp bnds ser 2004 dtd 04/01/2004 due 05/01/2005-2025 2029

Unenhanced Rating

AA+(SPUR)/Stable

Upgraded

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services raised its long-term and underlying ratings (SPUR) on Pittsfield Charter Township, Mich.'s general obligation (GO) bonds by one notch to 'AA+' from 'AA' based on the application of our recently released local GO criteria. The outlook on all ratings is stable.

The bonds are secured by a limited tax, full-faith-and-credit pledge of the township.

The rating reflects our assessment of the following factors for the township:

- We consider the township's economy to be strong, with projected per-capita effective buying income at 127.7% of the U.S. level and a per-capita market value of \$96,750. Residents have relatively easy access to the Ann Arbor metropolitan statistical area (MSA), and although the MSA's economy is broad and diverse, it's centered on the University of Michigan and its associated hospitals. The township's tax base, although residential, has a strong commercial presence with a business park located in the local area. The assessed value (AV), after declining by an average of 2.5% from fiscal years 2009 to 2012, has remained stable at \$1.65 billion for fiscal 2013. The top 10 taxpayers are very diverse, contributing about 8% of the total AV. The county's unemployment rate for calendar year 2012 was 5.7%.
- In our opinion the township's budgetary flexibility remains very strong, maintaining very strong reserves for the past three audited fiscal years. Including the \$965,000 restricted fund balance for budget stabilization purposes, the available general fund reserves for fiscal 2012 were \$6.1 million, or 53% of expenditures.
- In our view, the township's budgetary performance was adequate in fiscal 2012, with a 2.5% surplus for the general fund and a 10% deficit of total governmental funds. Property taxes and intergovernmental revenues are the major sources of general fund revenues for the township constituting 55.5% and 22.6%, respectively. Management projects balanced operations in the general fund while estimating a deficit of 8.3% in the total governmental funds for fiscal 2013. Historically, the township's actual expenditures have been close to the budgeted expenditures.
- Supporting the township's finances is very strong liquidity, based on our criteria, with total government available cash at 96% of total governmental fund expenditures and more than 100% of debt service. We believe the township has strong access to external liquidity.
- We view the township's management conditions as strong with good financial practices.
- The township's debt and contingent liabilities profile is very strong, in our opinion, with total governmental funds to

debt service at 5.7% of total governmental funds expenditures and net direct debt at 20.6% of total governmental funds revenue. The overall net debt burden (including the overlapping debt but excluding the debt supported by the water and sewer system) is low at 2.8% of market value. The amortization is rapid with 60% of the debt to be repaid in the next 10 fiscal years. We expect that the debt profile will remain largely unchanged during the next two years as management has no plans to issue additional debt at this time.

- The township participates in the Michigan Municipal Employees' retirement system (MERS). The township contributes 100% of annual required contributions (ARC) to the system, which was 76.2% funded as of Dec. 31, 2011. The township also provides other post-employment benefits through health care fund operated by MERS. The combined ARC pension costs and other postemployment benefit contributions for fiscal 2012 were about 7.4% of expenditures, and we do not anticipate that these costs will increase substantially in the near term.

We consider the Institutional Framework score for Michigan townships as strong. See Institutional Framework score for Michigan.

Outlook

The stable outlook reflects our expectation that the township, will maintain very strong budgetary flexibility even with an adequate budgetary performance, and maintain very strong reserves during the two-year outlook horizon. The stable outlook also reflects our view that the township will maintain very strong debt profile supported by limited future capital needs. Although unlikely we could raise the rating if the township adopts, in our opinion, strong management policies including a formal reserve policy. Conversely, we do not expect to lower the rating in two-year outlook horizon.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Michigan Local Governments

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