

### Sector Review:

## The Ranks Of 'AAA' Municipalities Swell Despite Hard Times

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## Sector Review:

# The Ranks Of 'AAA' Municipalities Swell Despite Hard Times

Despite tough economic times, the number of U.S. municipalities with 'AAA' ratings has more than doubled since early 2008, to 169. A total of 86 communities joined this group in the 18 months through August 2009. The large increase reflects ongoing modifications to Standard & Poor's Ratings Services' criteria (see "Ongoing Criteria Changes May Lead To USPF Rating Changes," published on RatingsDirect, May 5, 2008), and our view of the economic, financial, and managerial strength of these municipalities.

Of the new entrants, 65 were upgraded from our 'AA' rating category, while the debt of 21 communities was initially rated 'AAA'. We removed Millburn, N.J., from the 'AAA' list after all of its bonds had matured. Another newcomer, Southampton, N.Y., is currently on CreditWatch with negative implications due to our view of material discrepancies related to internal controls and past financial audits. The New York State Comptroller's Office is reviewing the town's financial position.

Overall, the 'AAA' list (see table 1) has grown from 83 since our last review in January 2008 and from 70 in October 2006.

**Table 1**

'AAA' Newcomers*			
Municipality	State	Municipality	State
Acton Twn	MA	Kirkland	WA
Addison	TX	Lafayette	CA
Albuquerque	NM	Laguna Beach	CA
Apex	NC	Lake Forest	CA
Arlington	MA	Madison Boro	NJ
Austin	TX	Marblehead Twn	MA
Bellaire	TX	Mendham Twp	NJ
Boulder	CO	Mill Vy	CA
Bowie	MD	Minnetonka Beach Vill	MN
Branford	CT	Mission Viejo	CA
Brentwood	TN	Montville Twp	NJ
Bunker Hill Vill	TX	Natick	MA
Camarillo	CA	New Albany Vill	OH
Campbell	CA	New Fairfield	CT
Canton	MA	Norwell	MA
Carlsbad	CA	Oakland Charter Twp	MI
Carrollton	TX	Oklahoma City	OK
Chanhassen	MN	Olympia Fields Vill	IL
Charleston	SC	Ottawa Hills Vill	OH
Chatham	MA	Oyster Bay	NY
Clarkstown	NY	Pasadena	CA

**Table 1**

'AAA' Newcomers* (cont.)			
Clayton	MO	Peachtree City	GA
Colleyville	TX	Redmond	WA
Coppell	TX	Richardson	TX
Cranbury Twp	NJ	Sammamish	WA
Creve Coeur	MO	San Antonio	TX
Del Mar	CA	San Clemente	CA
Denver City & Cnty	CO	San Jose	CA
Des Moines	IA	San Ramon	CA
Des Peres	MO	Solon	OH
Duxbury	MA	Southampton Twn	NY
Easton	CT	Southlake	TX
Fountain Valley	CA	St. Louis Park	MN
Great Neck	NY	Sunnyvale	CA
Green Oaks	IL	Upper Arlington	OH
Greenburgh	NY	West Hollywood	CA
Hempstead	NY	West Univ Place	TX
High Point	NC	Westwood	MA
Huntington	NY	Winchester	MA
Huntsville	AL	Windsor	CT
Indian Hill Vill	OH	Woodbury	MN
Inverness Village	IL	Woodcliff Lake	NJ
Islip	NY	Wyoming	OH

\*January 2008 to August 2009.

## A Geographically Dispersed Group

While the Northeast region still has a higher number of 'AAA's than other regions (see table 2), the trend since 2005 shows strong growth in the West/Southwest and Midwest regions.

**Table 2**

'AAA' Municipalities By State And Region							
Northeast	Midwest		West/Southwest		Southeast		
Massachusetts	21	Minnesota	9	California	25	North Carolina	9
Connecticut	12	Illinois	8	Texas	13	Florida	3
New Jersey	10	Ohio	8	Washington	5	Virginia	3
New York	9	Michigan	4	Arizona	4	Georgia	3
Maryland	2	Missouri	4	Oregon	2	Tennessee	2
Pennsylvania	1	Nebraska	2	Colorado	2	Alabama	1
		Iowa	2	New Mexico	1	South Carolina	1
		Kansas	1				
		Indiana	1				
	Oklahoma	1					

## Size And Location Don't Matter

Our examination of 'AAA' rated communities' ratios shows that population size and geographic location have not been influential rating factors. The 'AAA' municipalities come from 30 states (up from 25 states since January 2008) and all regions. There are large cities such as Phoenix (1.5 million residents); San Antonio (1.48 million residents), Texas; and San Jose, Calif. (985,307 residents); and small ones like Minnetonka Beach Village, Minn.; Bannockburn, Ill.; Bloomfield Hills, Mich.; and Bunker Hill Village, Texas, which have fewer than 4,000 residents each. However, both large and small communities almost uniformly share key attributes, such as low unemployment rates and above-average to well-above-average wealth levels.

Grouping municipalities by size and region indicates that per capita market values and wealth levels generally tend to be higher in the north and northeast than in other regions. The fact that these two statistics tend to move in tandem suggests, not surprisingly, a direct link between the wealth of a community and property values. Even though we have observed that large cities generally have lower wealth levels, they still may achieve the highest rating.

## Profiles Generally Reflect High Incomes And Low Debt Ratios

The average overall net debt per capita for the 169 'AAA' rated communities is \$4,249, and the median is \$3,210. Eight communities have overall net debt above \$10,000 per capita, but other factors tend to offset this. For instance, Princeton Township, N.J.'s overall net debt per capita is, in our view, high at \$13,954, but its per capita effective buying income is also what we consider high at 201% of the national average, and its median household effective buying income is 257% of the national average.

In addition, the top-rated municipalities have what we view as a very low average debt-to-market-value ratio of 2.3% and a median of 1.9%, which has only increased slightly since 2005. These communities generally pay off debt at an above-average rate, with about two-thirds of long-term debt retired within 10 years. While such debt retirement schedules can increase fixed costs by accelerating repayment, these municipalities in many cases have policies supporting faster amortization of debt. Typically, they dedicate less than 10% of their general fund and debt service budgets to debt service.

## Tax Bases Vary Considerably

The 'AAA' municipalities have varying types of tax bases. Some are smaller, wealthy, and predominantly residential, and benefit from their close proximity to larger, more dynamic urban economies such as New York, Los Angeles, Chicago, and Boston. Larger municipalities such as Phoenix tend to support their own diverse economies. Stamford, Conn., and Raleigh and Durham, N.C., have strong corporate headquarters presence. The diversity of these economies suggests to us that they will likely be better able to weather a downturn in any sector.

The key ratios of a municipality's economic health that we consider include unemployment, the market value and trend of property valuations, and relative wealth as measured by effective buying income. High per capita property valuation represents a significant investment in property. In economic downturns, we have observed that higher-valued properties typically retain more of their value and may even appreciate in value. Greenwich, Conn., has what we consider a high market value per capita (\$767,472), as do Malibu, Calif. (\$681,878) and Bloomfield

Hills, Mich. (\$590,011). Based on our observations, communities with larger populations tend to have much lower per capita market values: San Antonio (\$48,999), Des Moines, Iowa (\$53,898), Indianapolis (\$56,255), and Oklahoma City (\$58,944).

The average per capita market value for all 'AAA' rated communities is \$219,845, and the median is \$199,992. This is up from eight years ago when the comparable figures were \$129,768 and \$119,112. The strength of the 'AAA' valuations becomes evident, we think, when comparing current per capita market values with our January 2008 report. The current average per capita market value rose to \$219,845 from \$198,799 in January 2008, while the median per capita market value increased to \$199,992 from \$199,433.

## Differences Between Small And Large Communities

Based on our observations, there are some differences among the 'AAA' municipalities, depending on population and location. Larger cities--those with around 250,000 residents or more--have an average per capita value of about \$110,104. Smaller communities--those with fewer than 15,000 people--show what we consider a very high average per capita value of \$334,169. We believe this difference largely reflects the relative homogeneity of smaller communities. Larger municipalities, by contrast, contain a mix of what we view as wealthy, middle-income, and poorer areas that tend to moderate per capita values. For instance, Duxbury, Mass., with a per capita market value of \$250,187, is a wealthy residential suburb of Boston. By contrast, Omaha is a diverse city with a per capita market value of \$60,155. We have observed that the higher per capital valuations of municipalities in the U.S. Northeast and California generally reflect higher housing prices in New Jersey, Connecticut, and Massachusetts, and California, as well as higher incomes. The relationship between per capita effective buying income and market value per capita confirms to us that higher incomes are associated with higher property values.

In addition, most municipalities share what we consider strong employment and income figures, which can offset other areas of weakness. The average wealth levels of Charlottesville, Va.; Tempe, Ariz.; and Columbus, Ohio, are offset by the presence of large and well-regarded state universities. While the large student population generally depresses wealth levels, we believe the intellectual capital helps create jobs and a dynamic economy. Just as the large university presence in Palo Alto, Calif. (Stanford), and Cambridge, Mass. (Harvard and MIT), help generate new businesses and jobs in those areas, Charlottesville (University of Virginia) and Columbus (Ohio State University) reap the benefits of a significant university presence. Raleigh and Durham have higher-than-average wealth levels, but also benefit from the presence of Duke University, Wake Forest University, and the University of North Carolina.

## A Broad Spectrum Of Reserve Ratios

The median balance of unreserved general funds (which include only funds not reserved for some specific purpose as a percentage of operating expenditures for all 'AAA' municipalities) is approximately 30.4%, up from 22% in 2005. Reserves of this magnitude provide local governments with flexibility in dealing with events such as an unexpected shortfall in revenues or rise in expenses.

Unreserved fund balances range widely, from nearly 800% of operating expenditures for the small budget of Bannockburn to a low of less than 5% for communities such as Weston, Mass., and Greenwich, Fairfield, and Stamford, Conn. (see table 3). This is a function of many factors, in our view, including the size of reserves to

general fund budgets. We do not prescribe an optimum fund balance level to achieve a 'AAA' rating; rather, we are more concerned about our view of the predictability of a municipality's revenues, its policies and procedures, and its record of following these practices. In assessing a community's financial position, we also take into account available reserves held outside the general fund.

Almost 90% of the 169 municipalities maintained a "strong" or "good" Financial Management Assessment score, which indicates our view that there has been a fair amount of planning and policies.

Table 3

<b>'AAA' Municipalities--Key Data And Ratios</b>											
<b>Municipality</b>	<b>State</b>	<b>Population</b>	<b>Household EBI as % U.S.</b>	<b>Per capita EBI as % U.S.</b>	<b>Total market value (Mil. \$)</b>	<b>Per capita market value (\$000)</b>	<b>General fund balance % expenditure</b>	<b>Unreserved fund balance %</b>	<b>Total direct debt (Mil. \$)</b>	<b>Overall debt % market value</b>	<b>Overall debt per capita (\$)</b>
Acton Twn	MA	20,511	197	200	4,102,027	199,992	11.7	7.4	47,753	1.0	1,997
Addison	TX	14,088	111	175	3,724,827	264,397	42.8	41.5	86,440	3.4	9,048
Albuquerque	NM	510,394	94	99	38,614,153	75,656	13.9	12.8	686,527	2.3	1,705
Alexandria	VA	141,675	142	191	34,379,163	242,662	13.9	13.2	397,515	1.2	2,806
Alpharetta	GA	42,183	162	178	11,115,803	263,514	52.7	52.6	50,408	0.7	1,825
Apex	NC	34,831	158	132	4,204,012	120,611	59.4	47.5	24,626	2.0	2,441
Arlington	MA	40,869	139	162	7,189,083	175,906	9.4	7.8	63,133	0.7	1,150
Austin	TX	752,666	97	107	76,455,461	101,580	15.4	14.8	836,398	2.4	2,470
Avon	CT	17,554	196	246	3,231,154	184,069	6.1	6.1	41,082	1.2	2,283
Bannockburn	IL	1,454	311	182	458,385	315,258	877.6	800.1	6,754	1.5	4,645
Barnstable	MA	46,906	109	124	14,544,783	310,084	17.1	15.6	145,433	0.6	1,821
Bedford	MA	13,092	195	188	2,946,953	225,096	14.6	11.8	88,833	2.1	4,828
Bedford Twn	NY	18,737	202	213	6,454,156	347,427	39.5	37.4	22,810	1.2	1,217
Bellaire	TX	17,206	209	244	3,198,441	185,891	32.4	31.6	63,960	4.4	8,220
Bellevue	WA	115,797	138	164	31,398,247	271,149	19.1	19.1	152,495	1.6	4,458
Bernards	NJ	26,904	247	250	5,452,590	205,797	60.1	51.9	17,805	1.4	2,882
Beverly Hills	CA	35,803	170	277	18,198,107	508,284	64.1	51.3	283,830	2.8	14,147
Birmingham	MI	19,201	164	261	5,851,521	304,751	51.3	49.9	53,075	18.0	54,689
Bloomfield Hills	MI	3,672	326	469	2,166,522	590,011	59.4	55.8	5,281	0.8	4,636
Bloomington	MN	85,504	118	134	12,502,745	146,224	37.8	36.6	81,210	2.2	3,193
Boca Raton	FL	85,293	141	217	24,425,002	286,366	43.8	43.0	167,194	0.6	1,764
Boulder	CO	103,650	98	117	18,685,545	180,275	27.2	23.3	204,664	0.5	910
Bowie	MD	53,167	175	144	6,159,240	115,847	79.8	78.9	18,768	1.6	1,803
Branford	CT	29,012	126	144	5,877,909	202,603	17.3	16.9	52,344	0.8	1,606
Brentwood	TN	35,262	254	235	8,654,835	245,444	99.8	99.8	42,944	1.7	4,211
Bunker Hill Vill	TX	3,759	373	413	1,235,747	328,744	78.1	76.7	13,205	5.2	16,945
Camarillo	CA	64,462	149	142	9,964,062	154,573	150.9	101.4	80,513	1.4	2,110
Cambridge	MA	102,229	113	141	23,876,058	233,555	44.4	39.8	370,082	1.0	2,437
Campbell	CA	38,699	147	150	5,983,519	154,617	85.0	81.4	46,985	2.6	3,984
Canton	MA	21,980	146	148	4,487,450	204,161	8.1	7.1	65,696	0.9	1,824

Table 3

'AAA' Municipalities--Key Data And Ratios (cont.)											
Carlsbad	CA	103,811	164	179	24,400,000	235,043	119.1	63.5	18,540	1.7	4,092
Carrollton	TX	120,553	141	120	9,086,432	75,373	22.5	21.8	176,990	5.7	4,256
Cary	NC	130,716	164	148	13,915,372	106,455	66.7	49.7	251,730	3.0	3,209
Cerritos	CA	52,096	162	114	6,824,297	130,995	235.4	107.1	182,300	3.3	4,343
Chandler	AZ	236,517	138	113	28,122,916	102,209	126.6	110.6	482,690	2.7	2,751
Chanhassen	MN	24,321	183	162	3,883,681	159,684	62.4	62.3	36,845	3.8	5,994
Chapel Hill	NC	51,032	92	110	5,659,756	110,906	46.5	24.6	57,283	2.1	2,294
Charleston	SC	104,053	86	106	16,615,314	159,681	24.9	24.8	148,206	2.0	3,210
Charlotte	NC	695,995	104	120	72,629,697	104,354	33.6	25.7	3,887,443	7.2	7,508
Charlottesville	VA	40,000	75	89	5,296,137	132,403	25.4	24.1	99,511	1.9	2,488
Chatham	MA	6,791	106	140	6,411,698	944,146	17.8	10.5	47,870	0.6	5,195
Clarkstown	NY	82,082	170	151	16,219,233	197,598	15.4	11.6	88,320	1.4	2,765
Clayton	MO	12,762	142	213	3,873,568	303,524	63.3	63.0	22,785	1.2	3,604
Colleyville	TX	23,587	242	224	3,446,562	146,121	50.7	50.7	16,275	2.6	3,827
Columbus	OH	732,084	86	91	46,572,521	63,616	18.0	15.4	2,986,633	6.8	4,334
Coppell	TX	39,565	208	189	4,608,759	116,486	78.6	64.5	101,188	5.1	5,931
Coral Springs	FL	127,312	138	118	10,397,223	81,667	53.5	52.7	69,960	0.8	678
Cranbury Twp	NJ	4,227	252	252	1,830,985	433,164	40.2	37.2	23,404	2.7	11,561
Creve Coeur	MO	16,625	157	211	4,259,914	256,235	93.3	76.9	8,456	0.9	2,301
Del Mar	CA	4,580	192	285	2,332,913	464,664	25.1	24.1	4,493	0.6	2,874
Denver City & Cnty	CO	573,231	90	107	78,563,808	137,054	20.7	18.1	5,615,075	2.9	3,985
Des Moines	IA	198,682	86	86	10,708,630	53,898	11.5	8.3	541,506	4.4	2,343
Des Peres	MO	8,533	202	189	1,660,798	194,632	61.1	59.4	40,485	1.4	2,677
Dover	MA	5,641	140	149	2,311,929	415,964	22.3	14.4	17,045	0.8	3,022
Durham	NC	210,230	91	95	17,131,530	81,489	26.2	12.7	351,215	2.7	2,211
Duxbury	MA	14,595	215	204	3,651,481	250,187	8.5	7.7	22,063	0.5	1,250
Easton	CT	7,406	270	277	2,369,351	319,923	13.2	13.2	41,886	2.3	7,246
Edina	MN	47,448	138	193	10,674,808	224,979	51.5	51.4	80,480	1.9	4,368
Fairfield	CT	58,100	181	192	17,057,835	293,594	5.5	4.4	241,192	1.3	3,682
Fountain Valley	CA	56,778	163	122	6,594,781	116,150	120.0	118.7	45,628	2.0	2,264
Germantown	TN	40,977	197	196	4,936,792	120,477	73.4	67.5	36,280	3.2	3,845
Glastonbury	CT	33,126	171	185	6,104,000	184,266	12.8	12.4	98,090	1.4	2,612
Glencoe Village	IL	8,584	317	382	3,327,822	387,677	25.3	14.1	14,740	2.3	8,779
Great Neck	NY	9,616	162	169	2,693,402	280,096	49.0	46.9	9,885	0.8	2,234
Green Oaks	IL	3,572	257	234	860,134	240,799	471.9	470.6	5,923	1.5	3,494
Greenburgh	NY	89,457	166	191	20,222,341	226,057	40.3	34.9	53,180	1.8	4,145
Greensboro	NC	258,671	85	96	22,594,700	87,349	27.7	14.6	491,434	2.4	2,062
Greenwich	CT	62,076	214	302	47,641,597	767,472	(6.9)	(8.7)	91,529	0.2	1,474
Hempstead	NY	735,833	146	121	117,374,501	159,512	59.4	57.8	334,691	1.9	3,076
High Point	NC	99,955	88	91	9,074,880	90,790	29.0	17.7	271,684	2.8	2,570
Hingham	MA	21,978	178	192	6,190,428	281,665	11.6	9.9	49,146	0.8	2,236

Table 3

'AAA' Municipalities--Key Data And Ratios (cont.)											
Hinsdale	IL	17,940	218	265	5,525,313	307,988	16.3	15.7	12,805	1.9	5,892
Huntington	NY	204,000	171	162	44,457,887	217,931	65.5	12.3	130,990	1.3	2,741
Huntsville	AL	173,189	97	117	18,551,563	107,117	39.5	33.5	662,359	2.0	2,116
Indian Hill Vill	OH	5,893	302	371	2,814,873	477,664	25.6	23.2	9,360	1.5	7,265
Indianapolis	IN	795,458	94	100	44,748,395	56,255	20.3	13.8	2,249,309	5.1	2,850
Inverness Village	IL	7,302	278	329	1,639,401	224,514	213.9	213.9	9,500	2.0	4,401
Irving	TX	210,150	99	104	20,882,115	99,368	19.9	18.4	355,850	5.8	5,759
Islip	NY	327,241	143	106	42,900,000	131,096	74.4	38.3	137,040	0.3	418
Kirkland	WA	47,890	140	178	9,865,240	205,998	21.4	21.4	26,383	2.3	4,655
Lafayette	CA	24,977	216	250	5,373,902	215,154	176.0	176.0	26,160	1.9	3,824
Laguna Beach	CA	23,773	173	261	9,752,455	383,764	54.2	40.9	6,130	0.1	258
Lake Forest	CA	59,650	155	130	10,894,704	182,644	275.9	269.8	8,760	2.0	3,591
Lake Oswego	OR	36,924	139	176	9,444,931	255,794	55.3	55.3	66,775	1.5	3,862
Lincoln	MA	7,902	174	230	1,919,015	242,852	23.6	21.0	10,516	0.5	1,272
Lincoln	NE	248,744	96	97	15,653,926	62,932	33.4	29.2	946,808	3.0	1,892
Lower Merion	PA	58,554	189	263	14,792,823	252,636	24.3	23.9	96,570	3.2	7,960
Madison Boro	NJ	17,500	184	174	3,669,029	209,659	42.7	39.7	27,196	1.0	2,100
Malibu	CA	13,632	219	296	9,295,365	681,878	106.2	105.0	18,271	1.9	12,881
Manhattan Beach	CA	37,917	225	290	10,861,351	286,451	34.0	30.6	45,120	0.7	1,960
Marblehead Twn	MA	20,177	162	207	5,350,151	265,161	13.0	11.7	44,170	0.7	1,958
Mendham Twp	NJ	5,596	279	293	2,132,489	381,074	36.3	27.5	15,318	1.8	2,720
Metro	OR	1,614,465	92	99	207,455,844	128,498	59.2	44.9	285,429	1.2	1,537
Mill Vy	CA	13,471	200	287	3,579,870	265,746	35.9	33.3	15,957	0.5	1,185
Minneapolis	MN	382,400	88	103	42,343,170	110,730	18.7	18.2	1,343,596	3.5	3,845
Minnetonka Beach Vill	MN	660	281	396	319,644	484,309	71.4	66.9	1,110	0.4	1,682
Mission Viejo	CA	95,984	179	153	13,246,125	138,003	58.6	48.4	56,112	1.4	1,859
Montville Twp	NJ	21,564	182	184	5,436,262	252,099	18.6	11.0	65,457	1.3	3,322
Mountain View	CA	73,932	151	173	14,216,170	192,287	123.2	95.4	80,255	2.5	4,836
Naperville	IL	149,304	189	157	19,854,705	132,982	23.0	22.5	164,657	2.5	3,380
Natick	MA	31,921	155	166	6,908,380	216,421	16.7	12.5	61,057	0.6	1,227
Needham	MA	28,702	184	201	7,637,636	266,101	16.2	6.2	98,811	0.8	2,139
New Albany Vill	OH	6,399	221	293	1,628,742	254,531	86.3	76.7	27,458	5.7	14,581
New Fairfield	CT	14,123	185	156	2,627,574	184,871	16.0	14.0	24,200	0.9	1,688
Northbrook Village	IL	33,350	188	206	7,223,553	216,598	51.7	48.6	70,218	2.7	5,744
Norwalk	CT	84,231	132	145	20,898,752	248,112	13.6	13.2	250,282	1.1	2,764
Norwell	MA	10,414	190	184	2,496,327	239,709	20.2	8.9	26,581	0.5	1,290
Oakland Charter Twp	MI	16,999	207	191	2,816,732	165,700	344.7	321.8	11,645	2.6	4,371
Oklahoma City	OK	554,000	84	89	32,655,138	58,944	27.6	26.9	539,927	2.4	1,389

Table 3

'AAA' Municipalities--Key Data And Ratios (cont.)											
Olympia Fields Vill	IL	4,631	180	179	548,074	118,349	33.1	30.9	6,110	4.8	5,676
Omaha	NE	440,691	89	94	26,509,936	60,155	11.1	10.4	879,211	4.9	2,915
Ottawa Hills Vill	OH	4,600	190	244	528,527	114,897	99.0	94.6	5,222	2.4	2,709
Overland Park	KS	168,673	137	145	17,987,917	106,644	85.4	81.4	308,706	3.7	3,957
Oyster Bay	NY	291,845	166	162	68,199,849	233,685	24.5	22.0	501,952	1.8	4,121
Palo Alto	CA	63,367	190	245	18,922,488	298,617	36.7	27.1	55,768	2.0	5,976
Pasadena	CA	148,534	112	132	18,812,937	126,657	36.9	32.9	649,776	4.6	5,857
Peachtree City	GA	36,643	163	138	4,952,193	135,147	44.2	42.7	20,671	1.6	2,218
Phoenix	AZ	1,513,850	97	91	140,052,671	92,514	26.3	18.7	5,982,759	5.3	4,937
Plano	TX	261,500	169	172	24,825,573	94,935	22.6	17.8	371,310	6.6	6,272
Princeton Township	NJ	16,609	201	257	4,832,799	290,975	6.7	5.7	116,212	4.8	13,954
Raleigh	NC	380,173	103	108	47,872,692	125,923	47.6	32.3	948,449	4.8	6,101
Redmond	WA	51,320	152	167	12,753,636	248,512	25.8	25.8	74,170	2.3	5,796
Richardson	TX	97,450	134	123	9,826,715	100,839	18.4	17.3	248,520	4.9	4,918
Ridgefield	CT	23,919	222	243	8,052,661	336,664	7.1	6.5	114,711	1.4	4,675
Ridgewood Village	NJ	25,508	215	237	6,503,504	254,959	11.8	8.9	67,504	1.8	4,581
Rochester	MN	100,845	112	115	8,721,459	86,484	43.4	42.4	245,070	3.2	2,798
Rockville	MD	63,170	163	151	10,543,205	166,902	31.7	28.7	112,197	2.4	4,076
Roswell	GA	88,687	160	165	11,535,720	130,072	81.0	79.4	36,805	0.6	727
Sammamish	WA	40,550	229	200	8,739,143	215,515	87.3	87.3	11,125	1.5	3,244
San Antonio	TX	1,487,626	93	87	72,891,817	48,999	27.9	25.9	1,228,355	5.6	2,744
San Clemente	CA	67,892	146	152	12,761,558	187,969	54.3	43.3	2,940	1.8	3,376
San Jose	CA	985,307	152	117	124,288,184	126,142	39.6	32.7	1,334,232	3.1	3,959
San Ramon	CA	59,002	209	201	14,992,249	244,821	103.0	101.2	103,262	2.5	6,052
Santa Monica	CA	90,589	123	212	21,122,724	233,171	62.0	28.2	198,233	2.2	5,028
Saratoga	CA	32,308	285	291	8,755,510	271,001	60.6	60.1	13,890	2.4	6,520
Scottsdale	AZ	233,163	132	181	57,030,549	244,595	24.5	24.2	1,176,829	3.0	7,260
Seattle	WA	586,200	106	139	121,621,131	207,474	51.6	31.2	670,303	1.6	3,287
Sherborn	MA	4,217	238	265	1,199,099	284,349	11.4	9.2	13,090	1.7	4,719
Solon	OH	22,421	174	165	3,704,016	165,203	104.6	95.0	10,150	1.0	1,650
Southampton Twn	NY	59,813	120	152	56,103,315	937,979	53.3	41.6	165,331	0.9	7,935
Southlake	TX	27,635	298	233	5,226,037	189,109	57.6	56.7	165,107	4.9	9,324
St Louis Pk	MN	43,168	108	128	5,916,736	137,063	47.6	47.5	34,275	1.6	2,240
St Paul	MN	286,620	89	91	25,196,588	87,909	19.8	17.9	661,654	2.4	2,094
Stamford	CT	119,009	130	153	34,402,454	289,074	3.9	2.9	435,693	1.0	2,955
Sudbury	MA	16,933	255	253	4,522,988	267,111	11.3	1.5	42,420	0.8	2,092
Summit	NJ	21,026	204	261	4,338,550	205,589	35.8	23.1	64,688	2.2	2,941
Sunnyvale	CA	137,538	164	161	24,725,257	179,770	100.7	75.1	44,745	2.6	4,580
Tempe	AZ	172,039	98	102	18,421,003	107,075	57.1	54.5	732,125	4.6	4,964

Table 3

'AAA' Municipalities--Key Data And Ratios (cont.)											
Town & Country	MO	10,913	275	311	2,872,917	265,152	135.0	134.1	6,740	0.3	618
Troy	MI	81,118	162	157	12,454,188	153,532	37.7	36.7	74,219	2.3	3,574
Upper Arlington	OH	31,746	161	188	4,430,799	139,570	100.7	97.6	31,675	1.7	2,343
Virginia Beach	VA	436,270	115	108	56,673,434	129,904	24.2	22.8	1,143,400	1.7	2,249
Wellesley	MA	26,555	226	232	10,029,555	377,690	14.5	12.4	84,145	0.8	2,825
West Des Moines	IA	55,517	115	135	5,693,348	102,551	30.4	30.4	132,367	3.0	3,027
West Hartford	CT	63,062	135	148	8,614,600	136,605	7.0	6.9	160,995	2.2	2,976
West Hollywood	CA	37,213	101	191	7,245,875	194,714	151.8	131.3	20,725	2.6	5,134
West University Place	TX	15,427	285	328	3,747,915	242,945	26.6	22.7	84,289	5.3	12,884
West Windsor	NJ	27,392	251	227	6,303,495	230,122	25.6	22.1	36,901	2.0	4,477
Westlake	OH	31,972	141	177	4,323,339	135,223	137.5	104.1	18,623	1.4	1,828
Weston	MA	11,606	315	338	4,855,540	419,268	10.9	5.6	109,613	1.1	9,445
Weston	FL	66,268	197	184	6,612,427	107,294	151.7	149.1	20,718	0.6	612
Westwood	MA	13,727	187	213	3,906,162	284,561	6.5	4.9	42,750	0.4	1,266
Winchester	MA	21,034	202	236	5,616,058	266,999	14.7	10.5	70,299	1.0	2,700
Windsor	CT	28,725	140	126	4,627,723	161,104	15.8	15.6	42,800	1.2	1,871
Winston-Salem	NC	224,889	83	96	19,626,501	87,272	23.4	21.7	575,250	4.2	3,671
Woodbury	MN	59,048	169	156	8,211,693	139,068	42.9	42.3	59,617	3.8	5,310
Woodcliff Lake	NJ	6,005	268	273	2,245,069	373,867	38.6	16.8	7,280	1.6	6,002
Wyoming	OH	8,372	189	180	886,345	105,870	41.2	38.1	19,856	3.7	3,874
Yorba Linda	CA	67,690	202	168	10,904,681	161,097	168.1	132.2	80,939	2.6	4,132
Average		134,472	170	185	17,830,549	219,845	57.8	50.5	296,371	2.3	4,249
Median		40,977	163	174	8,614,600	199,992	36.7	30.4	66,775	1.9	3,210

EBI--Effective buying income

## A Review Of The 2008 Group's Performance

Our review of the performance of the 83 'AAA' communities that were on our January 2008 list revealed some of the following information (see table 3). Both average and median household and effective buying income levels in August 2009 were stronger than in January 2008. The same was true for market value and market value per capita. Average fund balance levels increased but remained about the same on a median basis. However, debt ratios have risen, with average overall debt per capita in particular much higher than in 2008. The rise in debt levels has not affected our view of credit quality, given what we consider to be the strong wealth and market value characteristics of these municipalities. While we believe the recession's full effects have yet to be felt, these strong ratios indicate to us that the group is faring well despite a soft economy, thanks to their strong reserves and well-managed operations.

Table 4

Performance Of Key Measures For January 2008 Group Of 'AAA' Municipalities										
Municipality	Population	Household EBI as % U.S.	Per capita EBI as % U.S.	Total market value (Mil. \$)	Per capita market value (\$000)	General fund balance % expenditure	Unreserved fund balance %	Total direct debt (Mil. \$)	Overall debt % market value	Overall debt per capita (\$)
August 2009 Average	140,977	165	185	18,800	220	53	45	401	2.5	4,620
January 2008 Average	137,781	159	183	15,790	199	47	39	361	2.2	3,624
August 2009 Median	60,315	162	177	10,883	212	29	24	100	2.0	3,333
January 2008 Median	58,740	139	166	9,541	199	30	24	85	2	3,003

EBI--Effective buying income

## Solid Practices Keep Communities Resilient

'AAA' municipalities may exhibit what we consider to be very strong credit quality, but we recognize that they are not immune to economic problems. Standard & Poor's continues to pay particular attention to the recession's impact on 'AAA' rated communities, and how these municipalities are coping with a softer housing and real estate market, rising health care and energy costs, pension performance, and postemployment benefit obligations. We expect that their long-standing practices and demonstrated management skills will continue to promote strong performance. In our view, to date, the 'AAA' communities have shown an ability to manage through all economic cycles. As other communities master these issues, we believe there likely will be more additions to the 'AAA' list next year.

Table 5

Glossary	
General fund balance/expenditures	The annual dollar amount of reserves the municipality has in its general fund as a percentage of general fund expenditures at the end of the fiscal year. Source: Audits and Comprehensive Annual Financial Reports of the municipalities.
Household EBI % of U.S.	Effective buying income measures income after taxes. Household EBI measures income on a household basis, regardless of the number of family members and compares it on a ratio basis to a national average. Source: Claritas Inc.
Per capita market value	Total market value divided by population.
Overall net debt % of market value	Overall net debt to market value. A ratio of the dollar value of debt to the value of the underlying tax base. This number provides insight into how heavy or light the debt burden is on taxable property. Source: Official statements of municipalities and Comprehensive Annual Financial Reports.
Overall net debt per capita	This number generally includes underlying and overlapping debt, and indicates how heavy the debt burden is for residents. Source: Official statements of municipalities and Comprehensive Annual Financial Reports.
Per capita EBI % of U.S.	Per capita effective buying income measures aftertax income on a per person basis as a ratio of the nation's PC EBI. Source: Claritas Inc.
Population	The number of residents in the community. Source: Bureau of the Census.
Total direct debt	The total amount of debt the issuer is directly responsible for repaying. It excludes overlapping and underlying debt.
Total market value	The value of the municipality's taxable property. Source: Official statements of the municipalities.
Unreserved general fund balance/expenditures	Similar to total general fund balance, but more restrictive because only those funds not reserved for some specific purpose are included. Source: Audits and Comprehensive Annual Financial Reports of the municipalities.

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