



New Issue: Lower Merion (Township of) PA

MOODY'S ASSIGNS Aaa RATING TO THE TOWNSHIP OF LOWER MERION'S (PA) \$25 MILLION GENERAL OBLIGATION BONDS, SERIES OF 2009

TOTAL OF \$97.82 MILLION IN OUTSTANDING GENERAL OBLIGATION DEBT POST SALE

Municipality
PA

Moody's Rating

ISSUE	RATING
General Obligation Bonds, Series of 2009	Aaa
Sale Amount \$25,075,000	
Expected Sale Date 04/07/09	
Rating Description General Obligation	

Opinion

NEW YORK, Mar 30, 2009 -- Moody's Investors Service has assigned a Aaa rating to Lower Merion Township's (PA) \$25.075 million General Obligation Bonds, Series of 2009. Concurrently, Moody's has affirmed the Aaa rating on the township's \$93.625 million in pre-refunding general obligation debt. The bonds are secured by the township's unlimited tax pledge. A majority of proceeds (\$18.37 million) will refund portions of Series of 2001, Series A of 2002, Series A of 2003 and Series B of 2003 Bonds for an estimated net present value savings of 3.7% of refunded principal with no extension to current maturity structure and most of the savings will be taken during fiscal 2009 and 2010. The remaining \$6.7 million will provide new funds for various capital improvement projects. The Aaa rating reflects Moody's expectation of continued stability in the township's large and affluent tax base, sound financial position and manageable debt burden.

STABILITY EXPECTED IN LARGE, AFFLUENT TAX BASE

Moody's expects continued stability in the township's sizeable, mature and affluent \$14.8 billion tax base. The primarily residential township is located in Montgomery County (G.O. rated Aaa) and benefits from its proximity to Philadelphia (G.O. rated Baa1/stable outlook). Assessed valuation has increased at a modest average annual rate of 0.7% over the past five years reflecting the built-out nature of the township's tax base, while full valuation has increased an average of 4.2% annually over the same period, reflecting market appreciation in the region. Management expects continued modest assessed valuation growth due to redevelopment of existing homes as well as efforts in key commercial areas of the township although not at the pace seen in previous years. Notably, the pace of full value growth has slowed significantly since 2007 compared to prior years, in line with the housing market downturn. The township exhibits strong income and wealth indicators with per capita and median family incomes at 265.9% and 235.2% of state medians, respectively and full valuation per capita is more than 2.5 times the state median at a high \$257,021.

STRONG FINANCIAL POSITION MARKED BY AMPLE RESERVES

Moody's expects the township's financial position to remain strong, given a track record of conservative budgeting, ample reserve levels and strong financial management despite a planned \$2 million draw on fund balance in 2009. The township has recorded four consecutive years of operating surpluses and unaudited fiscal 2008 results show another operating surplus. General Fund balance has grown to \$11.4 million, or an ample 23.4% of revenues, in fiscal 2007. The township ended fiscal 2007 with a \$444,000 operating surplus despite a \$1.7 million appropriation of reserves as a revenue source. The positive variance between budget and actual performance was generated primarily through conservative budgeting of expenditures and receipt of revenues in excess of budget, including licenses and permit revenues (\$804,000) and interest earnings (\$123,000). The township derives additional financial flexibility from \$9.2 million in unreserved undesignated Equipment Fund reserves (as of fiscal year 2007), bringing total available reserves to \$20.4 million or a significant 42% of General Fund revenues. The township's unreserved undesignated General Fund balance of \$11.2 million currently exceeds the township's newly adjusted fund balance policy of maintaining year-end unreserved undesignated General Fund balance between 15%-18% of total General Fund operating expenditures. The unaudited fiscal 2008 results indicate a \$400,000 surplus primarily attributed to expenditure savings in employee salaries and benefits (approximately \$1.3 million) and smaller savings throughout the budget, more than replenishing the \$2.1 million appropriation from fund balance. Notably,

revenues under performed by \$300,000 driven by real estate deed transfer tax (down \$1 million) and street opening and building permit fees (down \$700,000), although business privilege and mercantile tax over performed by \$2 million due to an enhanced business tax collection program. Based on unaudited results, management expects fiscal 2008 to end with an undesignated general fund balance of \$11.6 million or 22.9% of General Fund revenues.

The fiscal 2009 budget decreased 0.4% over the prior year's budget and included a 1.9% increase in the overall tax levy (\$574,000 increase) and an appropriation of \$2.1 million of reserves. Revenues are budgeted to come in \$300,000 less than the 2008 budget. Notably, real estate transfer tax is budgeted 22% or \$1 million lower, budget to budget. Management anticipates fully utilizing the \$2 million of appropriated fund balance. The township is primarily funded by local taxes (79.1% of 2007 revenues) and current property tax collections average a strong 97% since 2002 on a current year basis.

MANAGEABLE DEBT POSITION

Moody's believes that the township's debt position will remain manageable given ongoing tax base growth, despite management's plans to issue additional debt in the near term, given a below average direct debt burden and an average rate of amortization of principal. The township's direct debt burden is modest at 0.5% of full valuation but overall debt burden climbs to an average 3.0% of full value when significant overlapping obligations of Montgomery County (G.O. rated Aaa) and Lower Merion Township School District (G.O. rated Aaa) are taken into account. Principal amortization is slightly below average, with 61% retired within 10 years. The township's comprehensive six-year Capital Improvement Plan includes additional borrowing of approximately \$17 million in 2010 and \$10 million in 2011, 2012 and/or 2013. The township does not have any variable rate debt or derivative agreements outstanding.

KEY STATISTICS

2000 Population: 58,740

2009 Full Valuation: \$14.8 billion

2009 Full Value Per Capita: \$257,021

1999 Per Capita Income (as a % of State and U.S.): \$55,526 (266% and 257%)

1999 Median Family Income (as a % of State and U.S.): \$115,694 (235%, 231%)

Direct Debt Burden: 0.5%

Overall Debt Burden: 3.0%

Payout of Principal (10 years): 61%

FY07 General Fund Balance: \$11.4 million (23.4% of General Fund revenues)

FY-07 Total Available Reserves (including General Fund and Equipment Fund): \$20.4 million (42% of General Fund revenues)

Post-Sale Parity Debt Outstanding: \$97.82 Million

RATING METHODOLOGY USED AND LAST RATING ACTION TAKEN

The principal methodology used in the rating review of Lower Merion (Township of) PA was "Local Government General Obligation and Related Ratings," which can be found at www.moodys.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Credit Policy & Methodologies directory.

The last rating action was on August 28, 2008 when the Aaa rating of Lower Merion (Township of) PA was affirmed.

Analysts

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