

Summary:

Lower Merion (Township Of), Pennsylvania; General Obligation

Primary Credit Analyst:

Nicole T Ridberg, New York (1) 212-438-4704; nicole_ridberg@standardandpoors.com

Secondary Credit Analyst:

Linda Yip, New York (1) 212-438-2036; linda_yip@standardandpoors.com

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Credit Profile		
US\$26.54 mil GO bnds ser 2011 A due 01/15/2030		
<i>Long Term Rating</i>	AAA/Stable	New
Lower Merion Twp GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' rating, and stable outlook, to Lower Merion, Pa.'s series 2011A general obligation (GO) bonds and affirmed its 'AAA' rating, with a stable outlook, on the township's existing GO debt.

The rating reflects our view of the township's:

- Highly affluent residential community with easy rail and highway access to Philadelphia's central business district and the northeast corridor;
- Deep and diverse property tax base, reflected in extremely strong per capita market values;
- Strong financial management, which has led to the maintenance of a strong financial position and very strong reserves; and
- Moderate debt levels as a percent of market value.

The township's full faith and credit GO pledge secures the bonds. Officials plan to use series 2011A bond proceeds to refund various series of GO bonds outstanding.

Lower Merion Township, with a population estimate of 58,740, is an affluent residential community that spans 23.64 square miles in Montgomery County. The township benefits from convenient access to Philadelphia, 10 miles east, via a regional rail line with seven different stops in the township and national rail service connecting to major northeast corridor business hubs. The township has a diverse employment base that includes interests in health care, education, financial services, and retail. Township unemployment, at 5.8% as of August 2010, remained well below commonwealth and national rates. Income levels are, in our opinion, strong with household and per capita effective buying income indicators at 189% and 263%, respectively, of national levels.

The township's financial position remains, in our opinion, very strong. The township closed fiscal 2009 with an unreserved, undesignated general fund balance of \$11.2 million, or about 22.7% of expenditures, which we consider very strong and well above the township's policy level of 15.0%-18.0% of expenditures. The fiscal 2010 budget included a \$1.7 million fund balance appropriation; this is keeping with historical practice as the township works to bring the general fund balance more in-line with its formal reserve policy. Management, however, is projecting to end fiscal 2010 with a smaller draw on reserves. Projections have revenues coming in over budgeted levels due to better-than-expected permit fees. The township will also be under its expenditure budget despite

unexpected cost overruns from a series of snowstorms early in the fiscal year; management expects to receive Federal Emergency Management Agency reimbursements for snow-removal costs. Officials are projecting to close fiscal 2010 with an unreserved, undesignated general fund balance above the stated 18% policy level.

Standard & Poor's considers Lower Merion Township's management practices "strong" under its Financial Management Assessment (FMA) methodology, indicating practices are strong, well embedded, and likely sustainable.

Due to overlapping debt from the township's school district, the overall net debt burden is \$8,310 per capita, which we consider high, or 3.6% of market value, which we consider moderate. Direct debt is, in our opinion, a more-moderate \$2,355 per capita, or about 1% of market value. Carrying charges are 14% of expenditures, and amortization is above average with officials planning to retire 63% of debt over 10 years and 98% over 20 years. We understand the township plans to issue additional debt in fiscal 2012.

(For additional information on the township, please see the report, published April 14, 2010, on RatingsDirect on the Global Credit Portal.)

Outlook

The stable outlook reflects Standard & Poor's expectation that the township will likely continue to maintain its very strong financial position in accordance with stated financial policies. We also expect the direct debt burden will likely remain at levels we consider moderate as the township finances additional capital needs. Finally, the township's diverse economic base and very strong wealth and income levels further support the outlook.

Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008

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