Moody's
INVESTORS SERVICE

# New Issue: Moody's assigns MIG 1 to Miami Township (Montgomery County), OH's $3.1M and $3.4M GOLT Bond Anticipation Notes Series 2014

Global Credit Research - 28 Jan 2014

**Aa2 affirmed on outstanding long-term GOLT debt**

MIAMI (TOWNSHIP OF) OH (MONTGOMERY COUNTY)
Cities (including Towns, Villages and Townships)
OH

**Moody's Rating**

| ISSUE | | RATING |
|---|---|---|
| Various Purpose Notes, Series 2014 (Tax-Exempt) (General Obligation - Limited Tax) | | MIG 1 |
| **Sale Amount** | $3,430,000 | |
| **Expected Sale Date** | 02/05/14 | |
| **Rating Description** | Note: Bond Anticipation | |
| Park Acquisition and Improvement Notes Series 2014 (Federally Taxable) (General Obligation - Limited Tax) | | MIG 1 |
| **Sale Amount** | $3,050,000 | |
| **Expected Sale Date** | 02/05/14 | |
| **Rating Description** | Note: Bond Anticipation | |

**Moody's Outlook** NOO

**Opinion**

NEW YORK, January 28, 2014 --Moody's Investors Service has assigned a MIG 1 rating to Miami Township (Montgomery County), OH's $3.1 million Park Acquisition and Improvement Notes, Series 2014 (Federally Taxable) and $3.4 million Various Purpose Notes, Series 2014 (Tax-Exempt). Both series of notes are secured by the township's general obligation limited tax (GOLT) pledge. Proceeds of the notes will be used to retire Series 2013 notes that mature on February 13, 2014. The township is utilizing approximately $2.8 million of prior note proceeds to pay down a portion of principal on the Park Acquisition and Improvement Notes.

Concurrent with the rating assignments, Moody's has affirmed the Aa2 rating on the township's outstanding long-term GOLT debt. The township has $7.7 million of its own GOLT debt outstanding. An additional $23.7 million in outstanding debt has been issued by the Montgomery County Transportation Improvement District, but carries a GOLT pledge of the township. This includes the district's Series 2008A and Series 2010A bonds that are completely backed by the township. The district's Series 2010B bonds are only partially backed by the township. Affirmation of the Aa2 rating applies to the township's own GOLT debt as well as the Series 2008A and 2010A transportation improvement district bonds. Moody's has also affirmed the Aa3 rating on the township's outstanding Series 2005 certificates of participation. The rating on the COPs is notch below that of the GOLT rating to reflect the risk of non-appropriation.

SUMMARY RATING RATIONALE

The MIG 1 rating incorporates the credit characteristics supporting the township's long-term Aa2 GOLT rating, as well as expected market access for the take out refinancing, and a recent history of issuing multiple series of notes annually. The Aa2 long-term GOLT rating reflects the township's sizeable full valuation and sound demographic profile, healthy financial position, reliance on voter support for continued operating levies, exposure to two underfunded cost-sharing retirement plans, and an above average but manageable debt burden.

STRENGTHS

- Sound demographic profile

- Very healthy level of financial reserves despite estimated decline in fiscal 2013

CHALLENGES

- Multi-year trend of tax base depreciation

- Reliance on voter support of operating levies to maintain long-term fiscal health

- Exposure to two underfunded cost-sharing retirement systems that raises long-term risks related to potential future increases in required contributions

- Above average ratio of direct debt to operating revenue

DETAILED CREDIT DISCUSSION

EXPECTED MARKET ACCESS FOR REFINANCING

The township's demonstrated ability to access the market include sales of multiple series of notes over the past couple years, as well as bond and certificate sales in earlier years. The current notes will retire notes that mature on February 13, 2014 and the township expects to price the current notes on or before February 5, 2014. The township is paying down approximately $2.8 million of the current note principal with prior note proceeds as costs related to the financed development have been reduced. The current notes will mature on February 10, 2015. Prior to next year's maturity, management expects to explore its options regarding refinancing of the notes with a partial pay down of principal or converting a portion of the notes into long-term bonds.

Many Ohio municipalities keep a portion of their debt in short-term notes in order to access more favorable short-term rates and to allow for the flexibility to pay down principal upon annual refinancing of the notes. Township management is expected to make adequate provisions to address potential market disruptions at the time of the takeout financing, by planning to take out debt sufficiently in advance of final maturity and considering alternate back up plans.

SIZEABLE TOWNSHIP LOCATED SOUTH OF DAYTON

The township will likely enjoy long-term tax base stability given its position ten miles south of Dayton in the midst of a growing suburban region. Despite the expectation of stability, the township has realized a multi-year trend of moderate tax depreciation stemming from general downward pressure on property values that has persisted since the recent recession. In the five years through 2013, the township's full valuation declined at an average annual rate of 1.7% to its current $3 billion. Officials report that the trend may reverse in the current year as preliminary estimates from the county auditor indicate growth in the tax base of up to 1%.

The township borders the cities of Centerville (Aa2), Miamisburg (Aa2), and Springboro (Aa1), all of which are moderately wealthy and growing suburbs of Dayton. Future commercial development will likely be tied to the recently completely Austin Road interchange along I-75, an area that recently saw the construction of a Kroger grocery store and Kohl's department store. Median family income in the township is estimated at 130% of the national figure and the unemployment rate in Montgomery County (Aa1) was 7.7% in November 2013. Top employers in the township include Lexis-Nexis and PNC Bank.

HEALTHY RESERVES POSITION TOWNSHIP FOR CONTINUED FINANCIAL STABILITY, BUT OPERATIONS ARE EXPOSED TO VOTER APPROVAL OF PROPERTY TAXES

The township's healthy financial reserves are expected to contribute to ongoing financial stability, but maintenance of fiscal health over the long term remains dependent on voter approval of property tax renewals. Since fiscal 2007, the township has maintained and operating fund balance equal to or in excess of 60% of annual revenues. Operations of the township are accounted for in three separate funds: General Fund, Police Fund, and Fire/EMS Fund. Though the township's fire and EMS operations were merged with those of the City of Miamisburg, the township remains responsible for collecting the levies that support its prior share of those services. At the close of fiscal 2012, cash-basis operating reserves across the three funds totaled $11.9 million, or 92% of revenues. A portion of the year-end reserves in the Fire/EMS Fund were restricted for capital purposes and the available operating fund balance was estimated at $9.8 million, or a strong 76% of revenues.

Though audited financial information is not yet available for fiscal 2013, management reports that total available operating reserves declined to approximately $7.8 million. Driving the decline was voter defeat of a renewal levy for the Police Fund in November 2012. While the levy was ultimately renewed by voters in May 2013, the township lost collections for the entire fiscal 2013 and reserves in the Police Fund are estimated to have declined by up to $2.5 million. Operations of the General Fund were reportedly near balanced and the Fire/EMS Fund recorded a moderate operating surplus. Despite the decline, estimated reserves at the close of fiscal 2013 are equivalent to a solid 60% of fiscal 2012 operating revenue. Officials expect a surplus of up to $200,000 in the Police Fund in fiscal 2014. The elimination of four positions in the General Fund is expected to help offset the loss of estate tax revenue following the state's repeal of the tax effective January 1, 2013. Overall, operations of the township are anticipated to be balanced or modestly positive in the current fiscal year.

Property taxes comprise approximately 65% of annual operating fund revenue. Continued collection of a second police levy will require voter approval in November 2014. The Fire/EMS Fund is also supported by two voter-approved property taxes that require renewal in two years and four years, respectively. Exposure to periodic voter approval of these levies raises a certain degree of financial risk, the consequences of which were evident in fiscal 2013. The current status of financial reserves should help to offset some of that risk, enabling the township to bridge the gap between any future levy defeats and subsequent approval. However, further declines in available operating reserves could pressure the township's long-term credit rating.

EXPOSURE TO TWO UNDERFUNDED COST-SHARING PENSION PLANS POSES LONG TERM RISKS

The township participates in the cost-sharing Ohio Public Employees Retirement System (OPERS) and the Ohio Police & Fire (OP&F) pension fund, and its total pension contribution to both plans in fiscal 2012 was $1 million, or 6.5% of operating expenditures. The township has routinely made its full statutorily required contribution to both plans. However, statutory contributions, set as a share of annual payroll, have been established well below actuarially sound requirements for a number of years. The underfunded status of the plan raises potential operating risks as the state could increase required local government contributions in the future.

Moody's has allocated the unfunded liabilities of the two plans to the township in proportion to its contributions to the plans. The township's total allocated unfunded liability was $11.9 million as of the December 31, 2011 actuarial valuation dates. The township's fiscal 2012 adjusted net pension liability (ANPL), under Moody's methodology for adjusting reported pension information was $37.4 million. In the three years through fiscal 2012, the township's ANPL has averaged 2.4 times annual operating revenue and 1% of full valuation. The current ANPL does not incorporate reforms that were enacted by the state in 2012 for all cost-sharing plans to control annual cost-of-living adjustments for retirees and to increase employee plan contributions.

MANAGEABLE DIRECT DEBT BURDEN; LARGE SHARE OF DEBT HELD AS SHORT-TERM NOTES

The township's direct debt burden is equivalent to 1.7% of full valuation and 4.0 times operating revenue. This debt burden includes short-term and long-term debt issued by the Montgomery County Transportation Improvement District, but ultimately secured by township's GOLT pledge. There are no plans to issue new debt in the near term, though the township continuously explores the possibility of refinancing some its existing short-term notes with long-term bonds prior to annual maturity. Short-term bond anticipation notes comprise 35% of the district's net direct debt, raising moderate risks associated with market access. We expect the township will continue to manage its potential market access risks as it has done so in the past. The township has no variable rate debt or swaps outstanding.

WHAT COULD MOVE THE RATING UP

- Considerable expansion of the tax base and strengthening of the township's socioeconomic profile

- Material growth in financial reserves

WHAT COULD MOVE THE RATING DOWN

- Deterioration of the township's tax base and/or weakening of the socioeconomic profile

- Further narrowing of financial reserves

- Growth in the township's debt burden

KEY STATISTICS

Estimated full valuation: $3 billion

Estimated full valuation per capita: $97,400

Estimated median family income as % of the US: 130%

Available fund balance / operating revenue (fiscal 2012): 76%

5-year change in available fund balance / operating revenue: -12%

Net cash balance / operating revenue (fiscal 2012): 76%

5-year change in net cash balance / operating revenue: -12%

Institutional framework score: A

5-year average of operating revenue / operating expenditures: 0.99x

Net direct debt burden: 1.7% of full valuation; 4x operating revenue

3-year average Moody's ANPL: 1% of full valuation; 2.4x operating revenue

RATING METHODOLOGIES

The principal methodology used in the short term rating was Bond Anticipation Notes and Other Short-Term Capital Financings published in May 2007. The principal methodology used in the general obligation rating was US Local Government General Obligation Debt published in January 2014. The principal methodology used in the lease backed rating was The Fundamentals of Credit Analysis for Lease-Backed Municipal Obligations published in December 2011. Please see the Credit Policy page on www.moodys.com for a copy of these methodologies.

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**Analysts**

Matthew Butler
Lead Analyst
Public Finance Group
Moody's Investors Service

Mark G. Lazarus
Additional Contact
Public Finance Group
Moody's Investors Service

**Contacts**

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
USA

Moody's
INVESTORS SERVICE

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