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From: "Darrell A. Fecho" <DFecho@twp.scio.mi.us>

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Subject: Standard & Poor's Scio Township rating summary

Part(s): 2 s & p report..pdf 476 KB

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← S & P upgrades Scio bond credit rating - while other Mich. entities

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As former Trustees of Township operations, I thought that you may be interested in this positive bond rating summary from Standard & Poor's and the very favorable comments made about the recent operations of the Township. It is extremely unusual for any unit to get such a jump in ratings at any time, especially in this economic climate.

bonds are having trouble selling.

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Summary:

# Scio Township, Michigan; General Obligation

US\$3.25 mil 2008 downtown dev bnds (ltd tax GO) dtd 12/01/2008 due 11/01/2012-2028

<i>Long Term Rating</i>	AA+/Stable	New
<b>Scio Twp GO</b>		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Upgraded
<b>Scio Twp GO (CIFG)</b>		
<i>Unenhanced Rating</i>	AA+(SPUR)/Stable	Upgraded

Many issues are enhanced by bond insurance.

## Rationale

Standard & Poor's Ratings Services raised its underlying rating (SPUR) on Scio Township, Mich.'s general obligation (GO) debt three notches to 'AA+' from 'A+' based on very strong wealth and income levels and the continuation of a very strong financial performance. The outlook is stable.

At the same time, Standard & Poor's assigned its 'AA+' standard long-term rating, and stable outlook, to the township's series 2008 limited-tax GO downtown development bonds.

In our opinion, the ratings reflect the township's:

- Participation in the diverse Ann Arbor metropolitan statistical area (MSA) economy,
- Very strong wealth and income indicators,
- Very strong financial performance with maintenance of very strong reserves, and
- Moderate debt burden in terms of percent of market value.

Scio Township is completing Phase III of the Jackson Road Corridor improvements, and it has additionally pledged its full faith and credit for the payment of principal and interest.

Scio Township participates in the Ann Arbor MSA and is adjacent to its western border. The township is along the Interstate 94 corridor in central Washtenaw County, 65 miles west of downtown Detroit. Scio's population has been increasing as residents move out of Ann Arbor, Mich. in search of more-affordable home prices. The most current 2008 population estimate is 16,477. The township has an employment base of its own, including the manufacturing of medical equipment, retail, and computer services. Many residents, however, commute into the Ann Arbor and Detroit labor markets. The township's leading employers include:

- Pall Life Sciences (500 employees), filtration;
- Meijer (500), retail;
- Creative Solutions (400), computer services;
- Terumo (400), medical equipment; and
- Comcast (400).

*Summary: Scio Township, Michigan; General Obligation*

Scio Township's household effective buying income is, in our opinion, a very strong 164% of the nation's level while per capita effective buying income is also a very strong 183%. County unemployment is, in our opinion, low and remains below the state's rate. The township's assessed value grew to \$1.4 billion in fiscal 2008, and annual growth has averaged 8% since fiscal 2003. Market value totaled \$3.3 billion in fiscal 2008, or, in our opinion, an extremely strong \$173,920 per capita.

The downtown development authority has focused on improving the Jackson Boulevard corridor, which parallels I-94, running the township's length. The majority of retail and commercial development in the township is occurring in this area with plenty of land available for additional development.

Scio Township's financial performance has been very strong since fiscal 2003. At fiscal year-end March 31, 2008, the unreserved general fund balance equaled \$4.825 million, or, in our opinion, a very strong 162% of general fund expenditures. Budget projections for fiscal year-end 2009 indicate a planned very small \$18,000 fund balance drawdown.

Standard & Poor's considers Scio Township's financial management practices "good" under its Financial Management Assessment (FMA) methodology, indicating financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them. The township prepares a five-year capital plan for its water and sewer utility. Although the township does not have a formal investment policy, management adheres to state statutes and reports earnings and holdings quarterly to the township board. The township also maintains a formal fund balance reserve policy at 15% of expenditures.

We consider debt a high \$5,989 per capita, or a moderate 3.4% of market value. We also consider debt amortization better than average with officials retiring 64% over the first 10 years. Debt service carrying charges are, in our opinion, a low 3.3% of expenditures. Any unfunded other postretirement employment benefits liability, which is expected to be minimal, will not, in our opinion, burden the township's budget.

## Outlook

The stable outlook reflects Standard & Poor's expectation that the township will maintain its strong financial performance and at least adequate general fund balances as it continues to grow. The township's participation in the diverse Ann Arbor area economy supports the stable outlook.

Complete ratings information is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at [www.ratingsdirect.com](http://www.ratingsdirect.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com); under Credit Ratings in the left navigation bar, select Find a Rating, then Credit Ratings Search.