

CREDIT OPINION

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New Issue

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West Vincent Township, PA

New Issue: Moody's Assigns Aa3 to West Vincent Township, PA's GO Bonds

Summary Rating Rationale

Moody's Investors Service has assigned a Aa3 rating to West Vincent Township, PA's \$6 million General Obligation Bonds, Series of 2016. Concurrently, Moody's has affirmed the Aa3 rating on the township's outstanding General Obligation bonds.

The Aa3 rating reflects the township's stable suburban tax base with good future growth prospects given a large amounts of available land and a favorable location in close commuting distance of major employment centers. The rating also incorporates the township's above average wealth levels, healthy financial position, and modest debt burden.

Credit Strengths

- » Favorable location in suburban Philadelphia region
- » Above average wealth levels
- » Modest debt burden

Credit Challenges

- » Relatively small tax base
- » Recent draws on reserve levels

Rating Outlook

Outlooks are not usually assigned to local government credits with this amount of debt outstanding.

Factors that Could Lead to an Upgrade

- » Significant growth in tax base
- » Increase in reserve levels

Factors that Could Lead to a Downgrade

- » Significant tax base contraction
- » Additional declines in reserve levels limiting financial flexibility
- » Significant growth in debt burden

Key Indicators

Exhibit 1

West Vincent (Township of) PA	2011	2012	2013	2014	2015
Economy/Tax Base					
Total Full Value (\$000)	\$ 851,888	\$ 803,768	\$ 795,193	\$ 848,124	\$ 907,862
Full Value Per Capita	\$ 191,221	\$ 175,649	\$ 170,058	\$ 177,172	\$ 189,652
Median Family Income (% of US Median)	210.4%	246.9%	220.2%	221.2%	221.2%
Finances					
Operating Revenue (\$000)	\$ 3,688	\$ 3,966	\$ 4,685	\$ 4,262	\$ 4,309
Fund Balance as a % of Revenues	41.6%	35.8%	38.5%	30.0%	22.1%
Cash Balance as a % of Revenues	38.9%	33.2%	37.7%	30.0%	22.1%
Debt/Pensions					
Net Direct Debt (\$000)	\$ 7,790	\$ 8,910	\$ 8,644	\$ 8,103	\$ 7,536
Net Direct Debt / Operating Revenues (x)	2.1x	2.2x	1.8x	1.9x	1.7x
Net Direct Debt / Full Value (%)	0.9%	1.1%	1.1%	1.0%	0.8%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	N/A	N/A	N/A	N/A	0.1x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	N/A	N/A	N/A	N/A	0.0%

Source: Moody's Investors Service

Detailed Rating Considerations

Economy and Tax Base: Stable, Suburban Tax Base Expected to Experience Moderate Growth in Near Term

Future growth in West Vincent Township's relatively small \$908 million tax base is likely to be moderate in the near term, given ample private land available for development and a trend of strong population growth and residential construction. The township is located 30 miles west of Philadelphia (A2 negative) in suburban Chester County (Aaa stable) within easy driving distance to Route 422 and US Route 76. The township's favorable location in close commuting distance to major employment centers in Philadelphia and the surrounding region has spurred strong population growth and development since the 1980s, transforming the township's character from that of a rural farming town into a wealthy suburban bedroom community.

Population rose by 44% between 2000 and 2010 to 4,567 after increasing 41% during the prior decade. While population growth has slowed in recent years (4.8% between 2010 and 2014), moderate growth is expected to continue in the near term with the upcoming completion of multiple residential developments. Assessed values have likewise risen markedly, to \$503 million in 2015 from \$307 million in 2001, including experiencing a much more modest average annual growth rate of 1.4% over the last five years (2010-2015). Local officials estimate growth was primarily driven by new development, with market value appreciation playing a secondary role. The tax base is 87% residential, and has low taxpayer concentration (the top ten taxpayers equal 7.9% of assessed value), contributing to stable tax revenues. Wealth and income indices are approximately double the state and national medians, with per capita income at 206.5% and median family income at 221.2% of the respective national medians; full value per capita is also an above average \$189,652.

Financial Operations and Reserves: Healthy Reserves Despite Recent Declines; Expects Small Surplus in Fiscal 2016

The township's financial position will remain healthy in the near term despite recent draws on reserves. Over the last two years, the township's reserves have declined to a low of \$952,000 (22.1% of operating revenues) in fiscal 2015 from a high of \$1.8 million (38.5% of operating revenues) in fiscal 2013. The \$527,000 draw in fiscal 2014 was a planned used of reserves due to the loss of impact fees, increased debt service costs and various road repairs. The \$325,000 decline in fiscal 2015 was driven by one-time costs for the purchase of machinery and police vehicles. The township's primary revenue source was earned income taxes (34% of revenues), followed by property taxes (23% of revenues) in fiscal 2015.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

The fiscal 2016 budget represents a 5% increase from the previous year and includes \$592,400 in appropriated fund balance. The budget also reflects a level tax rate. The budget-to-budget increase is primarily reflective of growth in costs related to the acquisition of open space. Based on preliminary projections, the township expects to end fiscal 2016 with a small operating surplus, as revenues and expenditures are tracking favorably year-to-date.

While the fiscal 2017 budget has not yet been finalized, management reports that it will be relatively similar to the previous year. The township also expects to maintain a level tax rate. Going forward, we will continue to monitor the township's reserve levels. Any additional declines or deviation from fiscal 2016 projections could result in negative credit pressure.

LIQUIDITY

The township's liquidity will remain healthy over the near-term. At the end of fiscal 2015, the township held \$851,000 (22.1% of operating revenues) of unrestricted cash.

Debt and Pensions: Modest Debt Burden and Low Pension Liability

The township's debt burden will remain manageable in the near-term due to an absence of additional debt plans. The township's direct debt burden is a modest 0.9% of full valuation, growing to a higher 4.3% after accounting for the overlapping debt obligations of the school district and county. Overall, debt service represented an elevated 16.7% of operating expenditures in fiscal 2015.

DEBT STRUCTURE

All of the township's debt is fixed rate. Amortization is average with 72% of principal retired within 10 years.

DEBT-RELATED DERIVATIVES

The township is not party to any derivative agreements.

PENSIONS AND OPEB

The township participates in a single employer defined contribution pension plan for non-uniformed employees. Each year, the Board of Supervisors determines a level for funding for this plan. The township contributed \$42,538, or 0.9% of operating expenditures, in fiscal 2015.

The township also participates in a single employer defined benefit pension plan for police officers. In fiscal 2015, the township's contribution to the plan was \$35,020 (0.8% of operating expenditures), slightly above the minimum municipal obligation of \$35,000. The adjusted net pension liability of the township's plan, under Moody's methodology for adjusting reported pension data was a very low 0.06 times operating revenues over the past three years. Moody's uses the adjusted net pension liability to improve comparability of reported pension liabilities. The adjustments are not intended to replace the borough's reported liability information, but to improve comparability with other rated entities.

The township does not provide other post-employment benefits to its employees. Overall, total fixed costs (debt service and pensions), represented a moderate 18.4% of operating expenditures in fiscal 2015.

Management and Governance

Positively, the township is focused on establishing a formal fund balance policy, targeting between 10%-15% of the operating budget, during the fiscal 2017 budget process. Despite this target, management does not have any plans to draw reserves down to these levels in the near term.

Pennsylvania townships have an institutional framework score of "Aa," or strong. Revenues are moderately predictable; although property taxes are typically the largest revenue source, many townships also rely on economically sensitive revenues such as income taxes. Townships have a very high, unlimited authority to increase property tax rates. Expenditures, which primarily consist of personnel, are moderately predictable as townships have been challenged to forecast labor costs accurately. Organized labor has a strong presence in the state, and labor laws give bargaining groups significant leeway to seek arbitration, resulting in a moderate expenditure-reduction ability.

Legal Security

The bonds are secured by the township's unlimited ad valorem tax pledge.

Use of Proceeds

Proceeds from the current issue will refund a portion of the Series 2012 bonds for an estimated net present value savings of \$217,318, or 3.8% of refunded principal, with no extension of maturity.

Obligor Profile

The township is located in Chester County in eastern Pennsylvania (Aa3 stable) and has a population of 4,787 as of 2015.

Methodology

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Ratings Methodologies page on www.moody.com for a copy of this methodology.

Ratings

Exhibit 2

West Vincent (Township of) PA

Issue	Rating
General Obligation Bonds, Series of 2016	Aa3
Rating Type	Underlying LT
Sale Amount	\$6,000,000
Expected Sale Date	09/27/2016
Rating Description	General Obligation

Source: Moody's Investors Service

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