

RatingsDirect®

Summary:

Cascade Charter Township Building Authority, Michigan Cascade Charter Township; General Obligation

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Cascade Charter Twp, Michigan

Cascade Charter Twp Bldg Auth (Cascade Charter Twp) bldg auth bnds (ltd tax GO) ser 2009

Long Term Rating

AAA/Stable

Upgraded

Rationale

Standard & Poor's Ratings Services raised its long-term rating on Cascade Charter Township, Mich.'s general obligation (GO) bonds and its long-term rating and underlying rating (SPUR) on Cascade Charter Township Building Authority, Mich.'s GO building authority bonds to 'AAA' from 'AA+', based on its local GO criteria released Sept. 12, 2013. The outlook is stable.

A pledge of the township's full faith credit and resources and an agreement to levy ad valorem property taxes, subject to statutory and constitutional limits, secure these bonds.

The rating reflects our assessment of the following factors for the township:

- We consider Cascade Charter Township's economy very strong, with its projected per capita effective buying income at 135% of the U.S. and per capita market value of \$166,367. The township also has access to the broad and diverse economy of Grand Rapids, and the county unemployment rate for calendar year 2012 was well below 10%.
- In our opinion, the township's budgetary flexibility remains very strong, with reserves well above 75% of expenditures for the past several years, which we view as a positive rating factor, and no plans to significantly spend them down. Audited fiscal 2013 reserves in the general, police, and fire funds were \$9.8 million or 193% of expenditures.
- Cascade Charter Township's budgetary performance has been very strong overall, in our view, with a 23% surplus in the operating funds in fiscal 2013 and a 16% surplus in the total governmental funds. Performance is expected to remain very strong in fiscal 2014, with an expected 6% operating funds surplus and a 5% total governmental funds surplus.
- Supporting the township's finances is liquidity we consider very strong, with total government available cash as a percent of total governmental fund expenditures and as a percent of debt service both above 100%. We believe the township has strong access to external liquidity.
- We view Cascade Charter Township's management conditions as strong with good financial practices.
- In our opinion, the township's debt and contingent liabilities profile is weak, with total governmental fund debt service at 19% of total governmental fund expenditures and net direct debt at 77% of total governmental fund revenue. However, overlapping debt accounts for 94% of the debt burden, and amortization is rapid, in our opinion, with 82% of direct principal schedule to retire over the next 10 years. We understand Cascade Charter Township

currently has no plans to issue additional debt.

- Township employees participate in the Municipal Employees' Retirement System (MERS) defined-benefit pension plan. The required pension contribution amounted to only 2.7% of total governmental funds expenditures in fiscal 2013 and is not expected to substantially increase over the medium term. Given this carrying charge is manageable for the township, in our opinion, and the township does not provide any postemployment benefits to its employees, we do not view the township's retirement obligations as large or unaddressed.
- We consider the Institutional Framework score for Michigan municipalities with populations greater than 4,000 as strong.

Outlook

The stable outlook reflects our view of Cascade Charter Township's very strong economy, budgetary flexibility and performance, and liquidity, which are supported by strong management. We do not expect to revise the rating in the next two years because we believe the township will maintain large fund balances and continue to participate in the broad and diverse Grand Rapids economy.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Financial Management Assessment, June 27, 2006
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Michigan Local Governments

Ratings Detail (As Of July 2, 2014)		
Cascade Charter Twp GO		
<i>Long Term Rating</i>	AAA/Stable	Upgraded
Cascade Charter Twp Bldg Auth, Michigan		
Cascade Charter Twp, Michigan		
Cascade Charter Twp Bldg Auth GO		
<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Upgraded

Many issues are enhanced by bond insurance.

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