

## CREDIT OPINION

21 August 2017

New Issue

Rate this Research >>

### Contacts

Nicole Serrano 212-553-4143  
 VP-Senior Analyst  
 nicole.serrano@moodys.com

Orlie Prince 212-553-7738  
 VP-Sr Credit Officer/  
 Manager  
 orlie.prince@moodys.com

### CLIENT SERVICES

Americas 1-212-553-1653

Asia Pacific 852-3551-3077

Japan 81-3-5408-4100

EMEA 44-20-7772-5454

## Cranberry Township, PA

New Issue - Moody's Assigns a Aaa Rating to Cranberry Township's (PA) \$10 Million GO Series A&B of 2017

### Summary Rating Rationale

Moody's Investors Service has assigned a Aaa rating to Cranberry Township, PA's \$8 million General Obligation Bonds, Series A of 2017 and \$2 million General Obligation Bonds, Series B of 2017. Concurrently, Moody's has upgraded its rating to Aaa from Aa1 on approximately \$73 million of bond debt outstanding. The outlook is stable.

The Aaa rating reflects the township's growing, diverse tax base, well managed and robust financial position with healthy reserves, and modest debt burden.

### Credit Strengths

- » Considerable tax base growth over the last decade with continued residential and commercial additions expected
- » Healthy, consistent general fund and capital reserve levels
- » Modest fixed costs allow for ample budget flexibility

### Credit Challenges

- » Debt burden somewhat elevated versus peers with inclusion of sewer-backed debt

### Rating Outlook

The outlook is stable, reflecting our expectation of sustained strong financial performance, further growth in assessed value, and continued stability of wealth levels in the tax base.

### Factors that Could Lead to an Upgrade

- » Not Applicable

### Factors that Could Lead to a Downgrade

- » Significant fund balance draws
- » Inability to maintain structurally balanced operations
- » Substantial tax base declines or deterioration of wealth levels
- » Material increase in indebtedness

## Key Indicators

Exhibit 1

<b>Cranberry (Township of) PA</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Economy/Tax Base</b>					
Total Full Value (\$000)	\$ 2,446,041	\$ 2,554,628	\$ 2,640,877	\$ 2,915,102	\$ 2,992,494
Full Value Per Capita	\$ 86,939	\$ 89,423	\$ 90,993	\$ 98,961	\$ 97,352
Median Family Income (% of US Median)	168.0%	175.8%	178.9%	182.1%	182.1%
<b>Finances</b>					
Operating Revenue (\$000)	\$ 18,125	\$ 19,288	\$ 19,798	\$ 19,849	\$ 21,073
Fund Balance as a % of Revenues	43.9%	53.7%	63.6%	62.2%	53.3%
Cash Balance as a % of Revenues	42.6%	49.6%	59.6%	60.3%	51.2%
<b>Debt/Pensions</b>					
Net Direct Debt (\$000)	\$ 54,959	\$ 50,494	\$ 28,730	\$ 27,218	\$ 73,711
Net Direct Debt / Operating Revenues (x)	3.0x	2.6x	1.5x	1.4x	3.5x
Net Direct Debt / Full Value (%)	2.2%	2.0%	1.1%	0.9%	2.5%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	N/A	0.3x	0.3x	0.4x	0.4x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	N/A	0.2%	0.2%	0.3%	0.3%

Source: Moody's Investors Service and Cranberry Township audited financial statements

## Detailed Rating Considerations

### Economy and Tax Base: Growing Tax Base with Healthy Wealth Levels

Cranberry is a commutable suburb of Pittsburgh (A1 stable), about 25 miles north of the city. Assessed value has seen steady increases over the past decade, and is up 10% since 2010; this is considerable growth for a Pennsylvania city, as many, particularly in the western part of the state, have seen quite stagnant tax bases over the same period. Assessed value was resilient through the recession, actually reflecting growth of nearly 5% between 2007 and 2009.

The township has seen increases both in commercial and residential development recently. There are a good number of office and industrial parks, and the township hosts more than 2,300 acres of non-residential development. Per management, there are twelve active non-residential projects currently in the pipeline including two hotels, an indoor recreation facility, restaurants, and a senior living facility. Residential new development is also flourishing here, with close to 2,200 new residential units on-line in the past decade. There are seven residential developments currently under construction, expected to bring roughly 1,000 new units to the tax rolls.

Top ten taxpayers are about 8% of the tax base, which is slightly elevated, and somewhat concentrated to retail. Top ten employers are a healthy mix of manufacturing and healthcare-based firms. Of note, a top employer for the township, Westinghouse Electric, has recently filed for bankruptcy. While a moderate concern for employment in the area, anticipated layoffs are not expected to have a material impact on the township at this time.

Along with growth in assessed value, population has grown for the township as well, up 5% since 2010. Wealth levels are very healthy here with median family income at 176% of the state and 182% of the national median. Poverty is very low at just 2.45%.

### Financial Operations and Reserves: Ample Reserve Levels, Consistent Operating Surpluses

The township has produced consistent, healthy general fund surpluses before transfers for the past six years. At fiscal 2016 year end, the surplus before transfers and a one-time sale of assets is \$3.8 million, or a considerable 18% of revenue. This speaks to conservative management and a strong adherence to structurally balanced operations.

Revenue is largely derived from taxes (roughly 74% of total), and tax sources are varied. The primary revenue source is earned income tax (35% of total revenue), while property tax is just 15% of revenue. The township has not raised property taxes in seven years, aside

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](http://www.moody's.com) for the most updated credit rating action information and rating history.

from a modest .25 mills to purchase two fire trucks last year. We believe that there is capacity to comfortably raise property taxes here should income tax decline, though EIT has shown steady increases each year for the past six fiscal years.

In addition to a healthy general fund balance of \$12 million, or a substantial 57% of revenues, the township maintains a capital fund for pay-go capital spending. Its water and sewer utility funds are self-supporting.

#### **LIQUIDITY**

At the end of fiscal 2016, cash and investments totaled \$10.8 million, or 59% of revenues. This is a very strong liquidity position, in line with Aaa-peers in the commonwealth and nation.

#### **Debt and Pensions: Manageable Debt Burden and Pension Cost**

The current direct debt burden of 2.5% of full value is somewhat elevated versus the US median of 1.2%. While manageable, this includes debt of the township's sewer system, which we believe is self-supporting once non-operating revenues are considered. With this adjustment, the GO direct debt burden is reduced to \$27 million, or a very reasonable 0.8% of full value.

#### **DEBT STRUCTURE**

All debt is fixed rate. Amortization of principal is average, with 68% repaid within ten years. Debt service excluding sewer debt was roughly \$2.3 million in fiscal 2016, or 10% of general fund expenditures.

#### **DEBT-RELATED DERIVATIVES**

There are no debt-related derivatives.

#### **PENSIONS AND OPEB**

The township contributes to one single-employer defined benefit plan, the Police Pension Plan. For fiscal year 2016, the township's minimum municipal obligation was \$505,824, or 2.9% of general fund expenditures. The fiscal 2016 three-year average adjusted net pension liability, under Moody's methodology for adjusting reported pension data, is \$8.4 million or a well-below average 0.43 times operating revenues. Moody's uses the adjusted net pension liability to improve comparability of reported pension liabilities. The adjustments are not intended to replace the township's reported liability information, but to improve comparability with other rated entities.

Employees do not receive any other post-employment benefits.

Total fixed costs for fiscal 2016, including debt service and required pension contributions, were \$2.8 million, or a very manageable 13% of general fund expenditures.

#### **Management and Governance**

Township management is experienced, with a history of conservative budgeting. The township maintains capital funds outside of the general fund to provide for a healthy cushion against unexpected capital costs and routine pay-go expenditures. The township is guided by a five year capital improvement plan.

Pennsylvania cities (including townships) have an institutional framework score of "Aa," or strong. Revenues are moderately predictable; although property taxes are typically the largest revenue source, many cities also rely on economically sensitive revenues such as income taxes. Cities have a very high, unlimited authority to increase property tax rates. Expenditures, which primarily consist of personnel, are moderately predictable as cities 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 general obligation unlimited tax pledge.

#### **Use of Proceeds**

Proceeds from the \$8 million 2017 A Series will be applied towards capital improvements at the township's Brush Creek Water Pollution Control Facility. Proceeds from the \$2 million 2017 B bonds will be used to finance other capital projects in the township.

## Obligor Profile

Cranberry Township has a population of approximately 29,450 and is located in Butler County, approximately 25 miles northwest of Pittsburgh (A1 stable).

## Methodology

The principal methodology used in this rating was US Local Government General Obligation Debt published in December 2016. Please see the Rating Methodologies page on [www.moody.com](http://www.moody.com) for a copy of this methodology.

## Ratings

Exhibit 2

### Cranberry (Township of) PA

Issue	Rating
General Obligation Bonds, Series A of 2017	Aaa
Rating Type	Underlying LT
Sale Amount	\$8,000,000
Expected Sale Date	09/28/2017
Rating Description	General Obligation
General Obligation Bonds, Series B of 2017	Aaa
Rating Type	Underlying LT
Sale Amount	\$2,000,000
Expected Sale Date	09/28/2017
Rating Description	General Obligation

Source: Moody's Investors Service

© 2017 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY'S PUBLICATIONS MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody's.com](http://www.moody's.com) under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be reckless and inappropriate for retail investors to use MOODY'S credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

## CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454