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**Summary:**

# Sylvania Township, Ohio; General Obligation; Note

**Primary Credit Analyst:**

Steffanie Dyer, Chicago (1) 312-233-7007; [steffanie\\_dyer@standardandpoors.com](mailto:steffanie_dyer@standardandpoors.com)

**Secondary Credit Analyst:**

Daniel Zuccarello, New York 1-212-438-7414; [daniel\\_zuccarello@standardandpoors.com](mailto:daniel_zuccarello@standardandpoors.com)

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Credit Profile		
US\$7.9 mil various purp imp (gen ltd tax) BANs ser 2009 dtd 03/26/2009 due 03/26/2010		
Short Term Rating	SP-1+	New
ICR		
Long Term Rating	AA+/Stable	New

## Rationale

The 'SP-1+' short-term rating on Sylvania Township, Ohio's series 2009 general limited-tax various purpose improvement bond anticipation notes (BANs) and the 'AA+' issuer credit rating (ICR) on the township reflect, in Standard & Poor's Ratings Services' opinion, the following fundamental credit strengths of the township:

- Strong income and very strong wealth levels as measured by market value per capita;
- Very strong reserve levels, coupled with strong management practices; and
- Low to moderate overall debt burden.

These strengths are offset by the township's ties to Toledo's slowly diversifying economic base, which remains anchored in part by manufacturing while exhibiting high unemployment rates.

The township's limited-tax GO pledge secures the BANs, but the intended source of payment is from a voted 1.25-mill continuing levy passed by the electorate in March 2008. Proceeds of the BANs will fund capital expenditures related to the township fire department, including the construction of fire stations and equipment purchases. The BANs mature in March 2010 and the township is contemplating refunding the notes with bonds before maturity. The township also has the ability to roll over the notes.

Sylvania Township is located in northwest Ohio in Lucas County (AA-/Stable) and is home to an estimated 45,370 residents (2006). The township fully envelops the city of Sylvania and is larger in both geographic size and population. The township's duties include providing fire service to the entire township and police and road services to only the unincorporated portion. The primarily residential township is situated about 10 miles northwest of downtown Toledo (A+/Stable) on the Michigan state line. Given its location, residents have access to employment throughout the metropolitan area. Larger private sector employers in the area include ProMedica Health Systems, Mercy Health Partners, Chrysler LLC, and The Kroger Co.

Resident income is considered strong, in our opinion, with the township's 2008 median household effective buying income at 138.3% and 128.7% of state and national levels, respectively. The township's estimated 2009 market value of \$4.2 billion translates to \$93,657 per capita, a figure we consider very strong. The township's total assessed value (AV) decreased this year (2.7%) to \$1.5 billion due to the phasing out of taxation on tangible personal property. However, the real portion (98.9% of total AV) continues to grow, increasing an average of 4.3% annually between 2006 and 2009 (includes a revaluation year) to \$1.5 billion.

We believe the township's financial position to be solid as represented by very strong reserve levels. On a cash basis of accounting, the total general fund cash balance has been built up to \$5.6 million (only \$35,056 reserved) or, in our view, a very strong 383.1% of expenditures in fiscal 2007 (Dec. 31) from \$675,659 in fiscal 2004. The general fund cash balance was boosted by a \$3.3 million operating surplus in fiscal 2007 due mostly to much-larger-than-average estate tax revenues (\$2.9 million) and also some efficiency measures. The largest source of revenue in the general fund in fiscal 2007 was intergovernmental sources (includes estate tax revenue) at 66%, followed by property and other local taxes (12%) and interest income (11%). Management estimates the fiscal 2008 general fund cash balance to be approximately \$4 million, representing a decline from the previous year due to a \$1.9 million advance for fire equipment; however, the general fund will be reimbursed for the advance in fiscal 2009 from the BAN proceeds. Projections for fiscal 2009 indicate that general fund operations will be close to break-even after taking into account the advance reimbursement.

The township's financial management practices are considered "strong" under Standard & Poor's Financial Management Assessment (FMA). An FMA of strong indicates that practices are strong, well embedded, and likely sustainable. Management reports on budget performance and investments monthly to the township trustees. The township performs multiyear financial and capital forecasting. The township has a formal debt management policy and a formal fund balance policy to keep a general fund balance of 30% of expenditures.

The township's overall net debt burden is moderate, in our opinion, at \$2,289 per capita and low at 2.4% of estimated market value. The debt ratios include the township's GO bonds issued for the senior center that are variable rate. When including \$2.1 million of additional debt anticipated in 2010 to complete the fire projects, debt ratios remain moderate at \$2,336 per capita and low at 2.5% of estimated market value. Carrying charges are considered low, in our view, at 2.1% of total governmental expenditures less capital outlay in fiscal 2007. The township does not have any immediate additional debt plans outside of completing the remainder of the fire project.

## Outlook

The stable outlook reflects our expectation that the township will maintain at least strong reserve levels and balanced operations.

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