

PLN

## Troy, Michigan

**Credit Profile**

Troy GO unlt'd tax bnds

<i>Long Term Rating</i>	AAA/Stable	Affirmed
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**Troy Mun Bldg Auth, Michigan**

Troy, Michigan

Troy Mun Bldg Auth golf course bnds

<i>Long Term Rating</i>	AAA/Stable	Affirmed
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**Rationale**

The 'AAA' rating on Troy, Mich.'s GO bonds reflects the city's:

- Deep and diverse local employment and tax bases, which contribute to low unemployment rates and a relatively low tax rate;
- Very high wealth and income levels;
- Strong financial operations guided by sound policies; and
- Moderate debt burden.

The city's GO pledge secures the bonds.

Troy is an affluent suburb of Detroit, Mich., in Oakland County. Excellent highway access has resulted in the development of a substantial employment base with a variety of employment sectors available within the city's limits. The city's 87,000 residents also benefit from employment throughout southeastern Michigan. The city's 2006 unemployment rate edged up to 5.0%, above the 4.6% national average, but still below the state average of 6.9%. Income levels are very high. Median household effective buying income levels in 2006 were high at 163% and 168% of state and national averages, respectively. The city is nearly fully built out, so any new construction is through redevelopment or infill development. Reflecting the mostly mature nature of the base, assessed valuation has increased a steady 3% annually over the past five years and reached a current \$5.3 billion. The fair market value of the city's tax base is a sizeable \$13.1 billion (or a very wealthy \$149,782 per capita).

**Primary Credit Analysts:**

Helen Samuelson  
Chicago  
(1) 312-233-7011  
helen\_samuelson@  
standardandpoors.com

**Secondary Credit Analysts:**

James Wiemken  
Chicago  
(1) 312-233-7005  
james\_wiemken@  
standardandpoors.com

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Troy's financial performance remained strong through fiscal 2006. The city recorded a \$3 million general fund surplus after transfers, resulting in a \$26 million ending unreserved general fund balance (or a high 48% of expenditures). When the unreserved and undesignated portion of the fund balance exceeds 17% of the budget, the city transfers the excess to other funds, such as its capital projects fund. The 2007 budget is balanced. The city's financial management practices are considered good under Standard & Poor's Financial Management Assessment (FMA). An FMA of good indicates that practices exist in most areas, although not all may be formalized or regularly monitored by governance officials. Management reviews revenues and expenditures on a monthly basis. The city's formal capital improvement budget covers five fiscal years. The city treasurer enacted an investment policy, with regular reports on holdings and performance. The city has a formal fund balance policy to maintain reserves at a level of at least 10%-17%.

Overall net debt, including tax increment debt but excluding the self-supporting golf course enterprise, have trended upward in recent years to an above-average \$3,261 per capita (though at 2.2% of market value, the debt level is considered average). Debt service carrying charges are moderate at 5% of total governmental funds expenditures. Debt amortization is appropriate, with 66% repaid within 10 years. At this time, the city does not have any additional debt plans.

## Outlook

The stable outlook reflects the expectation that management's exertion of strong fiscal controls will remain unabated, thereby allowing for the continuation of stable financial operations. Stability is also enhanced by the strength of the diverse local economy.