

# RatingsDirect®

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## Summary:

# Chesterfield Charter Township, Michigan; General Obligation

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### Credit Profile

US\$14.15 mil cap imp bnds (ltd tax GO) ser 2023 due 04/01/2043		
<i>Long Term Rating</i>	AA/Stable	New
US\$4.11 mil 2023 spl assess bnds (ltd tax GO) ser 2023 due 04/01/2033		
<i>Long Term Rating</i>	AA/Stable	New

### Credit Highlights

- S&P Global Ratings assigned its 'AA' rating to Chesterfield Charter Township, Mich.'s roughly \$4.11 million series 2023 limited-tax GO special-assessment bonds and roughly \$14.15 million series 2023 limited-tax GO capital-improvement bonds.
- The outlook is stable.

### Security

Officials intend to use series 2023 special-assessment bond proceeds to fund road improvements and series 2023 capital-improvement bond proceeds to fund water-and-sewer upgrades. The bonds are secured by, and payable from, special assessments for special-assessment-district improvements. The township's full-faith-credit-and-resources pledge and agreement to levy ad valorem property taxes, within Michigan limitations as to rate and amount, also secure the bonds. Due to the current GO rating on the township, we rate the bonds to the GO pledge. We rate the limited-tax GO debt at the same level as our view of the township's general creditworthiness because the township collects ad valorem taxes from the entire property tax base, coupled with a lack of limitations on the fungibility of resources available for debt service.

### Credit overview

The rating reflects our opinion of the township's property tax base expansion, growing population, and continued maintenance of extremely strong reserves. In addition, management's expectation of maintaining balanced operations, with no significant plans to draw down reserves, supports the rating. However, it still expects to generate operating surpluses that will somewhat offset capital-project costs. The township closed fiscal 2022 with a \$638,000 general fund surplus, or 8.1% of operating expenditures, that increased reserves to 125% of operating expenditures. The growing population has resulted in larger portions of state-shared revenue.

Just beyond the halfway point of fiscal 2023, management expects a \$300,000 general fund surplus, aided by continued property value increases and expenditures tracking the budget, coupled with \$4.9 million of American Rescue Plan Act of 2021 funds remaining to offset capital projects. General fund revenue mostly includes state-shared revenue (constitutional shares only, 63%), property taxes (18%), and cable franchise fees (9%).

The approximately 26-square-mile township serves a growing community in southeastern Macomb County, about 20 miles north of downtown Detroit, allowing commuters to access employment throughout the Detroit metropolitan area. The township, about 50% developed, continues to experience residential expansion. Management has been proactively extending sewer lines to support new development construction, which will generate additional property tax, sewer fee, and state-shared revenue.

The rating reflects our view of the township's:

- Strong economy with a large residential presence and diverse tax base, aided by access to the broad, diverse Detroit-Warren-Dearborn metropolitan statistical area;
- Very strong budgetary flexibility and strong budgetary performance--Available reserves should remain very strong at \$9.87 million, or 125%, because management accounts for major capital projects in future budgets and because it will continue to conservatively budget increasing revenue;
- Strong management with good financial-management practices, policies under our Financial Management Assessment (FMA) methodology--highlighted by its monthly budget-to-actual reports to the township board; extensive rolling, five-year capital plan; and formal investment- and debt-management and reserve policies, maintaining reserves at a minimum 20% of expenditures--and strong Institutional Framework score; and
- Very weak debt profile but no significant additional debt plans currently for, at least, the next two years and well-funded pension and other postemployment benefit plans with elevated costs at more than 13% of expenditures.

### **Environmental, social, and governance**

We have analyzed the township's environmental, social, and governance (ESG) risks; we view them as neutral within our analysis.

## **Outlook**

In addition to, what S&P Global Ratings considers very strong reserves, the stable outlook reflects its view that the strong management team will likely adjust accordingly to ensure the maintenance of finances during the next two fiscal years.

### **Downside scenario**

We could lower the rating if the township were to experience prolonged structural imbalance that causes significant financial deterioration.

### **Upside scenario**

Assuming all else remains equal, we could raise the rating further if the tax base were to continue to diversify over time, leading to stronger wealth and income more in-line with higher-rated peers.

**Chesterfield Charter Township, Michigan key credit metrics**

	Most recent	--Historical information--		
		2022	2021	2020
<b>Strong economy</b>				
Projected per capita effective buying income (EBI) (%) of U.S.	93.9			
Market value per capita (\$)	115,102			
Population		47,939	47,400	47,303
County unemployment rate(%)		3.7		
Market value (\$000)	5,517,890	5,009,410	4,705,810	
10 largest taxpayers as a % of taxable value	4.6			
<b>Adequate budgetary performance</b>				
Operating fund result as a % of expenditures		8.1	(8.8)	(9.0)
Total governmental fund result as a % of expenditures		(0.4)	(5.3)	(8.5)
<b>Very strong budgetary flexibility</b>				
Available reserves as a % of operating expenditures		125.5	89.9	112.8
Total available reserves (\$000)		9,869	9,244	9,996
<b>Very strong liquidity</b>				
Total government cash % of governmental fund expenditures		154.8	154.1	158.5
Total government cash % of governmental fund debt service		9,126.8	9,628.4	9,571.9
<b>Strong management</b>				
Financial Management Assessment	Good			
<b>Very weak debt and long-term liabilities</b>				
Debt service as a % of governmental fund expenditures		1.7	1.6	1.7
Net direct debt as a % of governmental fund revenue	73.8			
Overall net debt as a % of market value	4.0			
Direct debt 10-year amortization (%)	61.7			
Required pension contribution as a % of governmental fund expenditures		8.5		
Other postemployment benefits actual contribution as a % of governmental fund expenditures		4.8		
<b>Strong Institutional Framework</b>				

Data points and ratios may reflect analytical adjustments.

**Related Research**

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015
- Criteria Guidance: Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings, Oct. 7, 2019
- 2022 Update Of Institutional Framework For U.S. Local Governments

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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