

### Summary:

## Dexter Village, Michigan; General Obligation

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Credit Profile		
Dexter Vill ltd tax GO bnds ser 2006		
<i>Long Term Rating</i>	AA-/Stable	Upgraded
<b>Dexter Vill GO</b>		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Upgraded
Many issues are enhanced by bond insurance.		

## Rationale

Standard & Poor's Ratings Services raised its long-term and underlying rating (SPUR), with a stable outlook, to 'AA-' from 'A+' on Dexter Village, Mich.'s general obligation (GO) debt outstanding, based on its assessment of the village's sound financial operations, supported by good financial practices.

The upgrade also reflects our view of the village's:

- Proximity to, and participation in, the Ann Arbor, Mich. metropolitan statistical area (MSA);
- Very strong income levels and extremely strong wealth levels; and
- Very strong available general fund balance.

The village's moderately-high-to-high overall net debt burden partially mitigates these strengths, in our opinion.

The village's full-faith-and-credit pledge secures the outstanding bonds.

The 1.9-square-mile village is in Washtenaw County ('AA+' GO rating), 11 miles northwest of Ann Arbor ('AA+'). The village's population continues to increase at a rapid pace; the 2010 population of 3,649 marks a 56% increase from the 2000 census. Village employment opportunities vary but are primarily focused on manufacturing, retail trade, and health care. Residents benefit from the village's proximity and access to Ann Arbor for employment. Unemployment figures for the village are unavailable, but Washtenaw County's 2010 unemployment rate was 8.1%, well below the state rate of 12.5% (not seasonally adjusted). Income levels in the village are, in our opinion, very strong, with median household income at 132% of the national level.

Dexter's tax base has declined through the economic downturn. The 2010 taxable value (TV) total of \$198.7 million represents a 7.8% decrease since 2008. Market value has undergone similar reductions, at a 2010 total of \$425.2 million, but we consider it extremely strong on a per capita basis at \$116,524. The 10 principal taxpayers in the village account for, in our opinion, a diverse 20% of TV. Dexter Fastener Technologies Inc., a manufacturer of bolts and rivets, is the village's largest taxpayer, constituting approximately 10.1% of TV.

The village maintains, in our opinion, very strong available reserves. Although the village has used \$458,000 in general fund reserves over the last two audited fiscal years for an ongoing capital-related expense, the fiscal 2010 unreserved fund balance of \$1.5 million equals 51.5% of general fund expenditures. Management indicates fiscal 2011 general fund results were largely breakeven, even considering costs for the ongoing capital project. The village

anticipates maintaining, in our view, a very strong 42% available fund balance at fiscal year-end 2012.

Standard & Poor's considers the village's management practices "good" under its Financial Management Assessment methodology, indicating that practices exist in most areas, although not all might be formalized or regularly monitored by governance officials.

Including overlapping entities, Dexter's overall debt burden is high at \$9,855 per capita and moderately high at 8.5% of market value. Dexter's direct debt amortization is slow, with about 37% of principal repaid over 10 years. The village plans to issue approximately \$1.3 million in bonds through the Michigan State Revolving Fund program for water improvements in the near future. The village is also considering refunding its series 2001 bond outstanding for interest cost savings.

The village participates in the Michigan Municipal Employees Retirement System (MERS), to which it contributed \$121,000, or 100% of its annual required contribution and 1.9% of governmental expenditures, in 2010. The village also has an other postemployment benefits unfunded accrued liability of \$1.6 million, as of its most recent valuation date of Jan. 1 2008.

## Outlook

The stable outlook reflects Standard & Poor's expectation that the village will likely maintain its sound financial position. Therefore, we do not expect the rating to change within the two-year outlook parameter. The township's proximity to, and participation in, the diverse Ann Arbor MSA further stabilizes the rating.

## Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

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