

New Issue: North Royalton (City of) OH

MOODY'S ASSIGNS Aa3 RATING TO CITY OF NORTH ROYALTON'S (OH) \$4.04 MILLION G.O.L.T. VARIOUS PURPOSE BONDS, SERIES 2005

Aa3 RATING AFFIRMATION ON \$6.8 MILLION PARITY DEBT OUTSTANDING, INCLUDING CURRENT ISSUE

Municipality
OH

Moody's Rating

ISSUE	RATING
Various Purpose Bonds, Series 2005	Aa3
Sale Amount \$4,035,000	
Expected Sale Date 07/27/05	
Rating Description General Obligation Limited Tax	

Opinion

NEW YORK, Jul 25, 2005 -- Moody's Investors Service has assigned a Aa3 rating to the City of North Royalton's (OH) \$4.04 million General Obligation (Limited Tax) Various Purpose Bonds, Series 2005. Secured by the city's General Obligation limited tax pledge, subject to the 10-mill limitation, bond proceeds will be used for general city-wide improvements including public safety equipment and facility upgrades as well as various road improvements. Concurrently, Moody's affirms the Aa3 rating on the city's \$6.8 million of outstanding parity debt. The Aa3 rating reflects the city's solid financial position with healthy reserves despite recent reductions, expanding tax base with continued development, and a favorable debt profile.

SOLID FINANCIAL OPERATIONS WITH HEALTHY RESERVES

Given the city's stable operating performance and reserve levels, Moody's expects the financial position to remain solid. In fiscal 2000, fiscal 2001, and fiscal 2002 the city recorded healthy operating surpluses increasing its General Fund balance to \$4.5 million, or a significant 47% of General Fund revenues. The city began to see some reductions in reserves in fiscal 2003 due to various one-time road projects and increased staffing needs which decreased their General Fund balance level to \$4.1 million, or a still solid 41% of General Fund revenues. Fiscal 2004 saw further reductions due largely to a 27th pay period and additional road and stormwater improvements associated with a flood. City officials expect balanced operations in fiscal 2005, and plan on being on the ballot for an income tax increase which, if approved, would generate approximately \$3 million annually for capital projects making available some monies currently spent on capital for other General Fund expenses.

EXPANDING TAX BASE WITH CONTINUED DEVELOPMENT

Moody's anticipates the city's tax base will continue to expand given an advantageous location near the City of Cleveland's (G.O. rated A2) employment center and available land for development. The assessed valuation has grown approximately 32% from 1998 through 2004, averaging a healthy 5.3% of growth annually. While commercial and industrial development contributed to the assessed valuation growth, residential development with an average of 250 new housing starts annually has been the main driver. City officials expect continued residential development but at a reduced rate. Commercial and industrial development, however, has increased recently including Phase I and Phase II of the city's industrial parks with a Phase III being considered. Additionally, City officials expect approximately 110 acres of downtown property to be developed into mixed uses over the next decade as part of their Town Center development. Overall, the high quality of residential development augmented by commercial and industrial development is reflected in the healthy estimated full value per capita of \$72,291, with residential wealth levels exceeding state norms.

FAVORABLE DEBT POSITION

Given an already low debt burden and limited future borrowing plans, Moody's expects the city's debt position to remain favorable. The debt burden is low at 1.4% of estimated full value, but reflects significant school

district and county overlapping obligations. The direct debt is a low 0.4% of estimated full value. City officials are considering bonding for minor projects, but no large debt issuance is expected over the near term.

KEY STATISTICS:

2002 estimated population: 30,596

2004 full valuation: \$2.2 billion

2004 full valuation per capita: \$72,291

2000 per capita income as % of state: 126.7%

2000 median family income as % of state: 139.9%

Debt burden: 1.4%

Direct debt burden: 0.4%

Fiscal 2004 General Fund balance: \$3.3 million (30% of General Fund revenues)

Fiscal 2003 General Fund balance: \$4.1 million (41.1% of General Fund revenues)

Post-sale parity debt outstanding: \$6.8 million

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