

Borough of Lansdowne, PA

Issuer: Borough of Lansdowne, PA

Affirmed	Rating	Outlook
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General Obligation Debt	A+	Stable
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Methodology:

U.S. Local Government GO Methodology

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Rating Summary: KBRA has affirmed the long-term rating of A+ with a Stable Outlook on the Borough of Lansdowne’s (the Borough) outstanding general obligation debt. The Borough’s outstanding General Obligation Notes (the Notes) are general obligations of the Borough and are secured by its full faith and credit pledge. Under Pennsylvania statutes, the Borough has the power to levy ad valorem property taxes on all taxable property, without limitation as to rate or amount, to pay debt service on the Notes. The Notes were issued in connection with borrowings from the Delaware Valley Regional Financing Authority (DelVal), a loan program which provides financing for Pennsylvania municipalities and school districts.

KBRA continues to assess the Borough’s management structure as moderately strong for the size and scale of its operations. Both the management team and operating policies are

substantially unchanged year over year. This assessment reflects the Borough’s less formal but effective financial disclosure practices and budget process, a history of conservative revenue/expenditure projections, and established practice of monthly monitoring of budget-to-actual results. The assessment also reflects the lack of formal, written policies regarding financial management procedures and general fund reserve levels.

KBRA continues to view the Borough’s overall debt burden as moderate. The Borough has \$2.5 million in direct debt outstanding. In FY 2018, overall debt to full market value remains moderate 4.4%, as does direct debt service at 4.4% of governmental expenditures. The Borough has historically utilized cashflow borrowings (TANs) but did not issue in FY 2018, reflecting improved liquidity positions. The Borough has a history of pension contributions at the actuarially determined level. Fixed costs, including debt service, pension contribution, and pay-go OPEB reflect a manageable 13.8% of governmental expenditures.

KBRA views the financial position and liquidity of the Borough as moderately strong. General fund operations have generally been balanced but have yielded small deficits in three of the last five fiscal years. Unassigned fund balance was 10.9% of expenditures in FY 2018. Liquidity remained strong at 81 days cash on hand. Approximately 65% of revenues are derived from real estate taxes; unchanged from past years. To alleviate the dependence on real estate taxes, a Local Services Tax was implemented in 2018 and an earned income tax is in the proposed 2020 budget. The Borough’s FY 2019 general fund budget was \$7.6 million; a budgetary surplus is projected.

KBRA continues to view the Borough’s municipal resource base as moderately strong. Per capita income and poverty levels remain favorable when compared to State averages. However, KBRA also notes the lack of growth in the Borough’s property tax base and population. While the top ten taxpayers remain diverse, reflecting a low 5.9% of AV, the Borough’s full market value per capita remains low. In light of the flat AV growth, the Borough has historically increased its property tax millage.

The stable outlook reflects KBRA’s expectation that the Borough will continue to manage its financial operations in order to maintain balanced operations and satisfactory reserve levels. It also reflects the availability of additional capacity under the Borough’s tax levy limit which could be tapped to support future operating needs.

Key Rating Strengths

- Capacity to increase property tax millage within existing statutory limits; demonstrated willingness to raise property taxes.

Key Rating Concerns

- Lack of formal written policies for maintenance of general fund reserve levels and other financial management practices.
- Stagnant growth in property tax base and population.

Drivers for Rating Change

• Significant increase in the level of unrestricted reserves in the general fund.	+
• Trend of structural imbalance in operations.	
• Significant decline in assessed valuation of property.	-

Rating Determinants (RD)

1. Management Structure and Policies	A
2. Debt and Additional Continuing Obligations	AA-
3. Financial Performance and Liquidity Position	A+
4. Municipal Resource Base	A+

Debt Metrics
FY 2018

Overall Direct and Indirect Debt Per Capita	\$	2,082
Overall Debt as a % of Full Market Value		4.4%
Debt Amortization Within 10 Years		91.7%
Fixed Costs as a % of Governmental Expenditures		13.7%

Borough of Lansdowne

 General Fund Summary Statement of Income, Unassigned Fund Balance, and Liquidity
(Modified Accrual Basis)(FYE Dec. 31)

	2014	2015	2016	2017	2018
<u>Summary Statement of Income</u>					
Revenues	\$ 6,753	\$ 7,092	\$ 7,218	\$ 7,338	\$ 7,362
Expenditures	7,193	7,614	7,742	7,933	7,586
Excess (Deficiency) of Operating Revenues Over Expenditures	(440)	(522)	(524)	(595)	(224)
Other Financing Sources (Uses)	400	602	323	698	180
Net Change in Fund Balance	(40)	80	(201)	103	(44)
Beginning Fund Balance	927	887	967	766	869
Ending Fund Balance	\$ 887	\$ 967	\$ 766	\$ 869	\$ 825
<u>Unassigned Fund Balance and Liquidity</u>					
Unassigned Fund Balance	887	967	766	869	825
as a % of Expenditures	12.3%	12.7%	9.9%	11.0%	10.9%
Cash and Cash Equivalents - GF	1,697	1,079	766	1,163	964
as a % of Expenditures	23.6%	14.2%	9.9%	14.7%	12.7%
Cash and Cash Equivalents - Govt Funds	2,325	1,859	1,802	2,026	1,843
Govt Expenditures	7,473	8,267	9,134	8,629	8,339
as a % of Expenditures	31.1%	22.5%	19.7%	23.5%	22.1%
DCOH	114	82	72	86	81

Source: Audited Financial Statements

 For additional information, please see KBRA's [surveillance report](#) dated December 7, 2018.

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