NEWS

MONTGOMERY COUNTY OFFICE OF COMMUNICATIONS
COURT HOUSE, NORRISTOWN, PA., BOX 311, 19404-0311
Frank X. Custer, Communications Director
Jessica Willingham, Communications Assistant
PHONE (610) 278-3061 FAX (610) 278-5943
COMMISSIONERS: JOSH SHAPIRO, *Chair*
VALERIE A. ARKOOSH, MD, MPH, *Vice Chair*
BRUCE L. CASTOR, JR., *Commissioner*

FOR IMMEDIATE RELEASE: March 16, 2015

Moody's Upgrades Montco's Outlook

Norristown, PA (March 16, 2015) – With Montgomery County poised to refund $25.6 million in outstanding bonds next week, Moody's Investor Service affirmed a Aa1 bond rating to the county while upgrading the outlook from "negative" to "stable."

"With the upgrade, Moody's is recognizing the remarkable turnaround in the fiscal situation in Montgomery County," said Josh Shapiro, chair of the county commissioners.

When the current administration took office in 2012 it faced significant problems including a $10 million budget deficit, a depleted reserve fund and deteriorating infrastructure that required additional borrowing. Subsequently, with the administration addressing those problems, Moody's dropped the county's bond rating to Aa1 with a negative outlook.

"The hard work that we have done over the past three years is not lost on the professional analysts," Shapiro said. "While I don't believe the sum of our collective efforts can be measured in a bond rating, the upward trajectory is further proof that we are on the right track," Shapiro continued.

In upgrading the outlook from negative to stable, the Moody's report referenced Montgomery County's two consecutive year-end budget surpluses and said, "the stable outlook reflects the county's improved financial position, which we expect will be maintained over the medium term."

Moody's went on to say the rating is based upon Montgomery County's "sizeable tax base with above average wealth, satisfactory financial position, average debt burden, and below-average pension liability."

“Over the last two years, Montgomery County has improved its reserve levels with two consecutive operating surpluses and the sale of the county nursing home. The county’s debt profile has also stabilized with the expected termination of two swap agreements.”

The report went on to say that the county’s “financial position will remain satisfactory given conservative budgeting practices.” It also pointed to the fact that the county’s General Fund reserves have increased to $40.2 million, or 10.5 percent of revenues. “The 2015 budget projects a modest increase in reserve levels and does not include the use of one-time revenues or a property tax increase. A surplus is expected to be generated from operational savings from the sale of Parkhouse, increased fee revenues, and general conservative budgeting,” the report said.

The report also said the county’s “debt profile will remain manageable, given its modest debt burden and average principal amortization.”

MOODY'S INVESTORS SERVICE

New Issue: Moody's revises outlook on Montgomery County, PA's GO to stable; affirms Aa1

Global Credit Research - 16 Mar 2015

Assigns Aa1 to $26M 2015 GO bonds; county has $382M of outstanding GO debt, post sale

MONTGOMERY (COUNTY OF) PA
Counties
PA

Moody's Rating

ISSUE	RATING
General Obligation Bonds, Series 2015	Aa1
Sale Amount $25,600,000	
Expected Sale Date 03/23/15	
Rating Description General Obligation	

Moody's Outlook STA

NEW YORK, March 16, 2015 --Moody's Investors Service assigns a Aa1 rating to Montgomery County, PA's $25.6 million General Obligation Bonds, Series 2015. Concurrently, Moody's affirms the Aa1 rating on the county's outstanding GO debt. Post-sale, the county will have $382 million of GO debt outstanding. The outlook has been revised to stable from negative.

SUMMARY RATING RATIONALE

The Aa1 rating incorporates the county's sizeable tax base with above-average wealth indices located in the Philadelphia metro area, satisfactory financial position, average debt burden, and below-average pension liability.

OUTLOOK

The stable outlook reflects the county's improved financial position, which we expect will be maintained over the medium term.

WHAT COULD MAKE THE RATING GO UP

- Increased reserve levels

WHAT COULD MAKE THE RATING GO DOWN

- Failure to maintain positive operations

- Significantly increased debt and/or pension burdens

- Material declines to the tax base

STRENGTHS

- Sizeable tax base with above-average wealth levels

- Manageable debt and pension obligations

CHALLENGES

- Current reserve and liquidity levels are satisfactory relative to similarly rated peers

RECENT DEVELOPMENTS

Over the last two years, Montgomery County has improved its reserve levels with two consecutive operating surpluses and the sale of the county nursing home. The county's debt profile has also stabilized with the expected termination of two swap agreements.

Additional details regarding these developments are incorporated in the Detailed Rating Rationale.

DETAILED RATING RATIONALE

ECONOMY AND TAX BASE: SIZEABLE TAX BASE IN THE PHILADELPHIA METRO AREA

The county's sizeable tax base of $103 billion is likely to continue to experience modest growth over the near term due to new development and stable instructional presence. Located just north of Philadelphia (A2 stable), Montgomery County's assessed valuation has witnessed compound annual growth of 0.3% over the last five years. The growth is likely to continue as pending developments including over 3,000 residential units, King of Prussia mall expansions, and the redevelopment of the Willow Grove Naval Station are completed. The county also has modest institutional presence with 16 colleges and universities and the new Einstein Medical Center, which opened in 2012.

The median family income (MFI) of the county's residents is well-above-average, totaling 153% of the US median. The unemployment rate of 4.3% as of January remains below the state and nation.

FINANCIAL OPERATIONS AND RESERVES: SATISFACTORY RESERVE LEVELS

The county's financial position will remain satisfactory given conservative budgeting practices. The county ended fiscal 2013 with a surplus of $6.9 million, which was the first surplus since 2007. The positive operations increased reserves to a solid $24 million, or 5.8% of revenues, which is still significantly lower than the county's fund balance of $95 million, or 20.2% of revenues, at the close of 2007. Unaudited results for fiscal 2014 show another surplus, of $1.1 million. Additionally, the county received $13 million of proceeds from the sale of Parkhouse, the county nursing home, which combined with the operating surplus increased General Fund reserves to $40.2M, or 10.5% of revenues. The 2015 budget projects a modest increase in reserve levels and does not include the use of one-time revenues or a property tax rate increase. A surplus is expected to be generated from operational savings from the sale of Parkhouse, increased fee revenues, and general conservative budgeting.

Liquidity

The county's liquidity will remain stable. The county ended fiscal 2013 with $27.5 million in cash, or 6.7% of revenues.

DEBT AND PENSIONS: MANAGEABLE DEBT WITH SWAP EXPOSURE; PLANS FOR FUTURE BORROWING

The county's debt profile will remain manageable, given its modest direct debt burden (0.4% of full value) and average principal amortization (67.8% retired within 10 years). Based on the county's capital plan, there is a need to issue approximately $16.5 million in 2015 for outstanding capital needs throughout the county.

Debt Structure

As of 2014, all of the county's debt is fixed rate and amortizes over the long term.

Debt-Related Derivatives

Post-sale, the county will have two swaps and one swaption agreement outstanding as two existing swaps are expected to be terminated before this sale. In 2004, the county entered into a basis swap agreement with Wells Fargo, related to the $60 million Series of 2004 A General Obligation Note. As of March 11, 2015, the district's 2004 swap had a fair market value of negative $7.1 million. In 2006, the county entered into a basis swap agreement and swaption with PNC Bank, related to the $60 million Series of 2006 A General Obligation Note with fair market values of negative $492,000 and $4.1 million, respectively.

For all of the swaps, the regularly scheduled payments are parity to the general obligation debt of the county, early termination is optional for the county only, and termination is subordinate to general obligation debt. Termination by the counterparty depends upon specified termination events, including rating deterioration below certain target levels. Moody's views the potential termination payment scenarios as manageable, since the county has the option of issuing debt to finance such termination payments.

Pensions and OPEB

The county provides pension benefits to employees through one single-employer defined-benefit plan. The adjusted net pension liability for the plan, under Moody's methodology for adjusting reported pension data, has averaged roughly 0.7 times revenues over the past three years. Moody's uses the adjusted net pension liability to improve comparability of reported pension liabilities. The adjustments are not intended to replace the county's reported liability information, but to improve comparability with other rated entities

MANAGEMENT AND GOVERNANCE

Pennsylvania counties have an institutional framework score of Aa, or strong. While counties technically have a limitation on property tax millage, they rarely approach this limit. Counties also have somewhat limited responsibility given that many municipal services are provided by sub-county local governments. Most Pennsylvania counties have little unincorporated territory for which they are responsible for providing services.

KEY STATISTICS

- Tax base size Equalized Value: $103 billion

- Full value per capita: $113,657

- Median family income as % of US: 153.5%

- 2013 General Fund balance as a % of revenues: 5.8%

- 5-year dollar change in general fund balance as a % of revenues: -11.5%

- 2013 Cash balance as a % of revenue: 6.67%

- 5-year dollar change in cash as a % of revenues: -6.83%

- Institutional Framework: Aa

- Operating History: 5-year average of operating revenues/operating expenditures: 0.97x

- Net direct debt/full value: 0.42

- Net direct debt/operating revenues: 1.06x

- 3-year average Moody's ANPL/Full Value: 0.29%

- 3-year average Moody's ANPL/operating revenues: 0.72x

OBLIGOR PROFILE

Montgomery County is the third-largest county in Pennsylvania, located in the Philadelphia metro area.

LEGAL SECURITY

The 2015 bonds are secured by the county's general obligation unlimited tax pledge

USE OF PROCEEDS

Bond proceeds from this issue will be used to refund the county's Series C of 2006 bonds for an estimated savings of greater than 4%.

PRINCIPAL METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Analysts

Vanessa Youngs
Lead Analyst
Public Finance Group
Moody's Investors Service

Dan Seymour
Additional Contact
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
USA

NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS FOR RETAIL INVESTORS TO CONSIDER MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS IN MAKING ANY INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from $1,500 to approximately $2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at