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ISSUER COMMENT
14 June 2019

RATING

General Obligation (or GO Related) [1]	
Aa3	No Outlook

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Borough of Jefferson Hills, PA

Annual Comment on Jefferson Hills

Issuer Profile

The Borough of Jefferson Hills is located in Allegheny County in far western Pennsylvania, approximately 10 miles south of Pittsburgh. The county has a population of 1,229,605 and a high population density of 1,684 people per square mile. The county's median family income is $78,431 (1st quartile) and the April 2019 unemployment rate was 3% (2nd quartile) [2] . The largest industry sectors that drive the local economy are health services, retail trade, and professional/scientific/technical services.

Credit Overview

The credit position for Jefferson Hills is strong, and its Aa3 rating is equal to the US cities median of Aa3. The notable credit factors include a robust financial position, an extremely small debt burden and a low pension liability. The rating also reflects a strong wealth and income profile and a modestly sized tax base.

Finances: The borough has a very healthy financial position, which is a strength in relation to the assigned rating of Aa3. Jefferson Hills' fund balance as a percent of operating revenues (68.8%) far surpasses the US median, and saw an impressive increase between 2013 and 2017. Also, the cash balance as a percent of operating revenues (43.7%) is a little stronger than other Moody's-rated cities nationwide.

Debt and Pensions: The debt and pension liabilities of the borough are low overall and are a credit strength with respect to its Aa3 rating. The net direct debt to full value (0.7%) is slightly under the US median, and fell modestly from 2013 to 2017. Additionally, Jefferson Hills' Moody's-adjusted net pension liability to operating revenues (0.62x) favorably is materially below the US median.

Economy and Tax Base: Overall, the borough has a quite healthy economy and tax base, which are consistent with the Aa3 rating assigned. The median family income equals a significant 148.4% of the US level. In addition, the full value per capita ($68,262) is roughly equivalent to other Moody's-rated cities nationwide, and increased dramatically from 2013 to 2017. However, Jefferson Hills' total full value ($768 million) is weaker than the US median.

Management and Governance: Pennsylvania cities have an Institutional Framework score [3] of Aa, which is high compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. cities major revenue sources, property taxes, are moderately predictable but most cities are also exposed to economically sensitive income taxes. Unpredictable revenue fluctuations tend to be moderate, or between 5-10% annually. Across the sector, fixed and mandated costs are

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generally less than 25% of expenditures. However, Pennsylvania has public sector unions, which can limit the ability to cut expenditures. Unpredictable expenditure fluctuations tend to be moderate, between 5-10% annually.

Sector Trends - Pennsylvania Cities

Pennsylvania cities will generally benefit from an improving economic landscape post-recession. Job growth, largely focused in the education and healthcare sectors, has led to low unemployment rates for most areas of the Commonwealth. Expanding employment opportunities and a largely improved housing market will support growth in property and other local taxes, which will help to offset expenditure pressures related to high pension and benefit costs. Organized labor has a strong presence in the Commonwealth, and cities will remain challenged to control and predict labor costs.

EXHIBIT 1

Key Indicators [4] [5] Jefferson Hills

	2013	2014	2015	2016	2017	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	$568M	$568M	$697M	$721M	$767M	$1,867M	Improved
Full Value Per Capita	$52,466	$51,798	$62,738	$64,379	$68,262	$89,200	Improved
Median Family Income (% of US Median)	135%	136%	135%	141%	148%	113%	Improved
Finances							
Available Fund Balance as % of Operating Revenues	46.9%	36.9%	46.1%	62.5%	68.8%	33.9%	Improved
Net Cash Balance as % of Operating Revenues	36.5%	34.9%	34.7%	50.2%	43.7%	36.9%	Improved
Debt / Pensions							
Net Direct Debt / Full Value	1.1%	1.1%	0.8%	0.8%	0.7%	1.1%	Stable
Net Direct Debt / Operating Revenues	0.84x	0.69x	0.61x	0.64x	0.61x	0.88x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	0.6%	0.7%	N/A	N/A	0.7%	1.8%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	0.42x	0.47x	N/A	N/A	0.62x	1.51x	Stable

	2013	2014	2015	2016	2017	US Median
Debt and Financial Data						
Population	10,844	10,984	11,115	11,214	11,244	N/A
Available Fund Balance ($000s)	$3,564	$3,229	$4,285	$5,664	$6,287	$7,419
Net Cash Balance ($000s)	$2,773	$3,054	$3,227	$4,546	$3,987	$8,404
Operating Revenues ($000s)	$7,594	$8,743	$9,303	$9,062	$9,132	$21,930
Net Direct Debt ($000s)	$6,411	$6,050	$5,681	$5,784	$5,609	$18,580
Moody's Adjusted Net Pension Liability (3-yr average) ($000s)	$3,199	$4,088	N/A	N/A	$5,628	$32,507

Source: Moody's Investors Service

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

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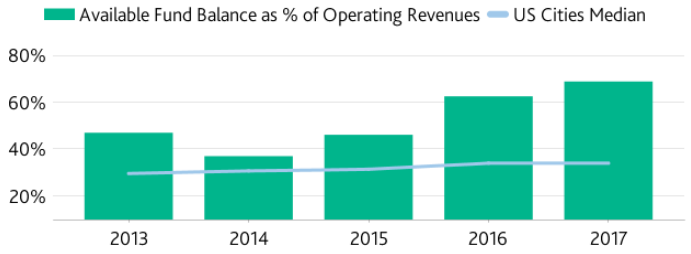
EXHIBIT 2

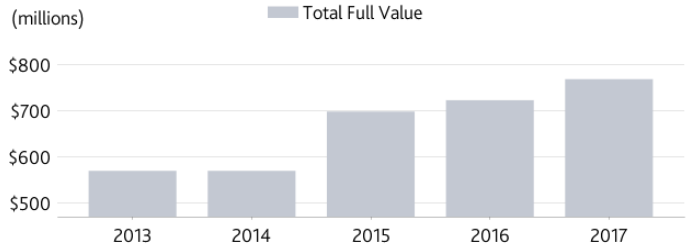
Available fund balance as a percent of operating revenues increased from 2013 to 2017



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

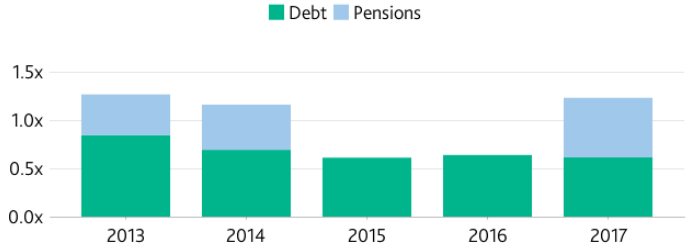
Full value of the property tax base increased from 2013 to 2017



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

EXHIBIT 4

Moody's-adjusted net pension liability to operating revenues was stable from 2013 to 2017



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

Endnotes

1 The rating referenced in this report is the issuer's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally backed by the full faith and credit pledge and total taxing power of the issuer. GO-related securities include general obligation limited tax, annual appropriation, lease revenue, non-ad valorem, and moral obligation debt. The referenced ratings reflect the government's underlying credit quality without regard to state guarantees, enhancement programs or bond insurance.

2 The demographic data presented, including population, population density, per capita personal income and unemployment rate are derived from the most recently available US government databases. Population, population density and per capita personal income come from the American Community Survey while the unemployment rate comes from the Bureau of Labor Statistics.

The largest industry sectors are derived from the Bureau of Economic Analysis. Moody's allocated the per capita personal income data and unemployment data for all counties in the US census into quartiles. The quartiles are ordered from strongest-to-weakest from a credit perspective: the highest per capita personal income quartile is first quartile, and the lowest unemployment rate is first quartile.

3 The institutional framework score assesses a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. See US Local Government General Obligation Debt (December 2016) methodology report for more details.

4 For definitions of the metrics in the Key Indicators Table, US Local Government General Obligation Methodology and Scorecard User Guide (July 2014) . Metrics represented as N/A indicate the data were not available at the time of publication.

5 The medians come from our most recently published local government medians report, Medians - Property values key to stability, but pension burdens remain a challenge (March 2018) which is available on Moodys.com. The medians presented here are based on the key metrics outlined in Moody's GO methodology and the associated scorecard.

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