

Vogt heads county road board

The Board of Oakland County Road Commissioners have selected Richard Vogt of Berkley as chairman for 1982.

John R. Gnuu Jr. of Bloomfield Township was elected vice chairman. Fred D. Houghton of Rochester, who was chairman from 1979-81, continues as the third road commissioner.

Vogt was vice chairman and liaison to the elected board of commissioners in 1981. He is currently serving in his fourth year of a six-year term.

Gnuu served as chairman in 1977 and 1978 and was vice chairman in 1979 and 1980. The commission's designated liaison with federal officers and agen-

cies, Gnuu is in the second year of his second consecutive six-year term.

Houghton is currently in the last year of a six-year term. In 1981 he was chairman of the policy committee of the County Road Association of Michigan.

Road commissioners choose their own leadership from among themselves. The elected Oakland County Board of Commissioners appoints road commissioners on a staggered basis, making one appointment every two years. The elected county board also sets the road commissioner's salaries, which have been \$7,500 annually each plus \$1,000 annually for the chairman since 1973.

Just like the rest of us

How a town gets its credit rating

By Suzie Rollins Singer
staff writer

Like all borrowers, cities and townships depend on their credit ratings to get the lowest possible interest rate.

Credit ratings are necessary when municipalities want to sell bonds to build libraries, parking structures, city halls and sewers. Financial institutions eye the ratings to determine the municipalities' ability to pay back bonds and what interest rate to charge.

Rating agencies, such as Standard & Poor's and Moody's Investment Service, determine credit ratings for most local governments.

"Municipal credit ratings are done at the time bonds are issued," said Bob C. Bendzinski Sr., of Bendzinski and Co. Municipal Finance Advisors.

"They (rating agencies) judge the municipality's accountability, how frequently it reviews reports, its labor problems, how quickly it settles contracts, if it has professional administrators and outstanding debts," Bendzinski said.

Growth potential is also considered.

BENDZINSKI's firm assists several cities, including Farmington Hills and Westland, by drafting their reports to be presented to underwriters.

"We don't sell bonds to the public, and we don't sell to underwriters. We're independent financial advisors who assist in marketing the city's bonds," he explained.

Most often municipalities seek general obligation bonds, which are voted for by the community residents. Once voters approve a bond sale for a library or other building, the bonds are placed on the competitive bid market. At that time, financial institutions, such as securities firms or banks, bid on the issue.

"The bid is awarded to the underwriter who produces the least amount of interest cost over the life of the bond," Bendzinski said.

STANDARD & Poor's rates viable candidates in three categories: AAA, which means the city's capacity to repay is strong and the possibility of default nil; AA, a very strong rating with the possibility of default extremely unlikely; A, strong credit rating, but subject to change due to economic changes, with slim possibility of default.

B ratings are considered a higher risk and more likely to default. Therefore, it's doubtful purchasing institutions would be interested in buying bonds from B-rated cities, Bendzinski explained.

Municipalities without outstanding debts are not rated.

HERE ARE credit ratings of cities and townships in the Observer & Eccentric area as listed in Standard & Poor's directory. Standard & Poor's ratings are usually used by bankers and investors whereas Moody's ratings are most often consulted by underwriters.

Although the ratings of the two Wall Street firms have different code letters (Moody's uses A-1 instead of A), their designations are comparable.

• Birmingham: AA. Last March, Birmingham sold \$2.2 million of bonds for a library addition at 9.7 percent interest rate.

• Canton Township: not rated for general obligation bonds.

• Farmington: A-1 rating by Moody's. Not rated by Standard & Poor's.

• Farmington Hills: A.

• Garden City: not rated; no outstanding debts.

• Livonia: A.

• Plymouth: A-1 from Moody's. Not rated by Standard & Poor's.

• Redford: not rated; no outstanding debts.

• Rochester: not rated; no outstanding debts.

• Southfield: AA.

• Troy: A.

• West Bloomfield Township: no rating; no outstanding debt.

• Westland: A.

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