CPIM

CENTER FOR PUBLIC INVESTMENT MANAGEMENT

THE SEAL OF THE TREASURER OF THE STATE OF OHIO

WITH GOD ALL THINGS ARE POSSIBLE

A PROGRAM BROUGHT TO YOU BY:

JOSH MANDEL

TREASURER OF OHIO

Preparing for Responding to Ratings Agencies

FIN 250

Presenter

- Katie Kleinfelder, Director
- RBC Capital Markets, LLC
- (513) 826-0547
- katie.kleinfelder@rbccm.com

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Section 1

CREDIT RATINGS – AN INTRODUCTION

Credit Ratings

- Typically, it makes sense for an issuer to obtain one credit rating from one of the three major rating agencies that rate Ohio local governments:

1. **Moody's Investors Service**
   - Moody's has a historic presence in Ohio and currently rates the most Ohio local governments.
2. **Standard & Poor's Ratings Services**
   - S&P may be a choice for issuers that might contemplate the use of bond insurance in today's market since S&P rates the major bond insurers "AA", while the other agencies give lower ratings.
3. **Fitch Ratings**
   - Fitch is the least well-known of the three major agencies, but has been gaining market share.

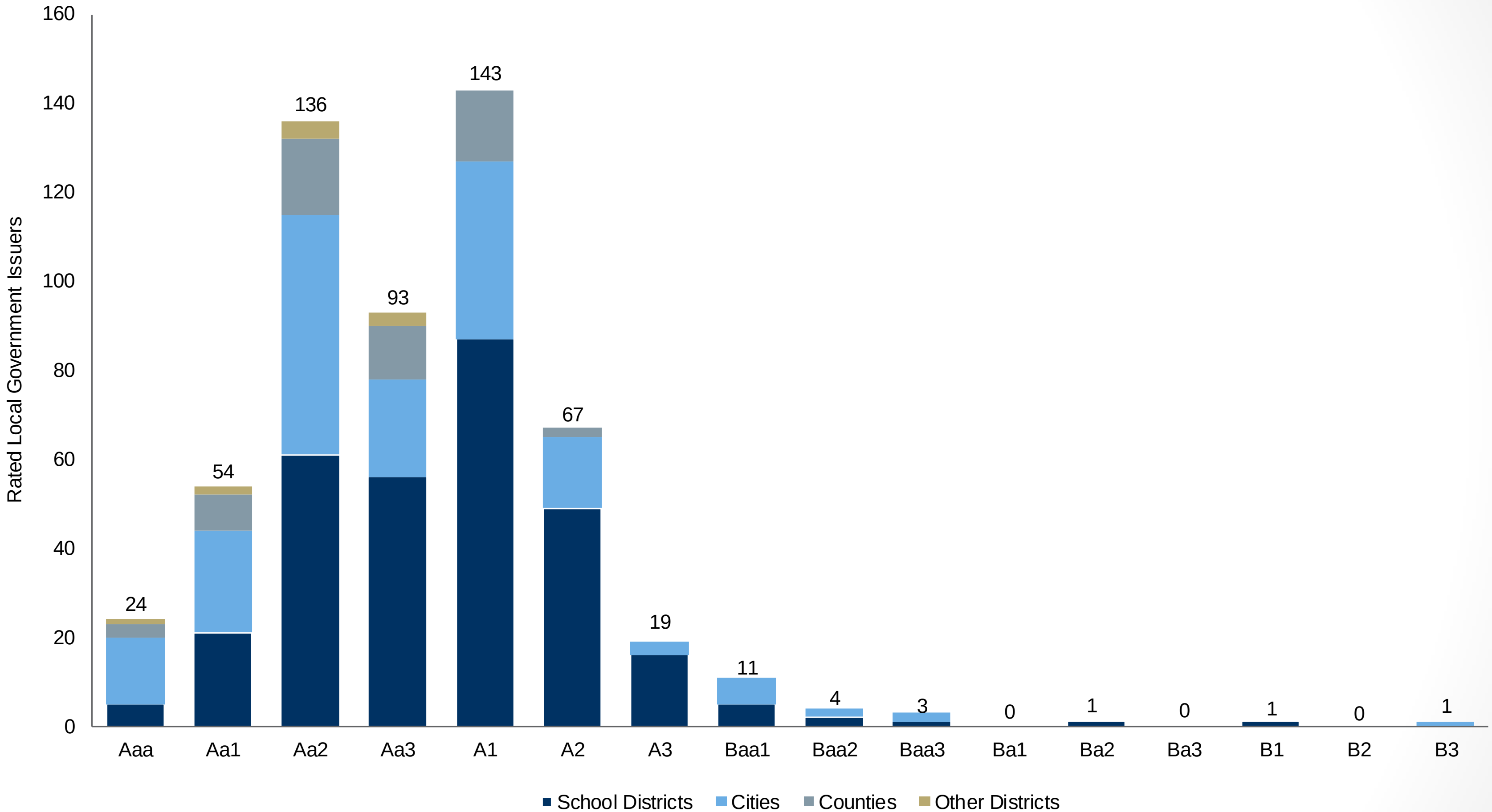
- Kroll Bond Rating Agency, Inc. (KBRA) is an emerging agency that mostly rates airports and other revenue transactions.

- Under certain circumstances, an issuer may consider obtaining more than one credit rating.
  - While credit ratings are an expensive and time consuming part of the bond issuance process, if an issuer has a bond issuance above $50 million, two credit ratings may be beneficial for the marketing and distribution of the bonds. For a large bond issue, two credit ratings may be a factor in pricing the bonds and may attract more potential investors to the bond issue.
  - If the issuer does not have an underlying credit rating, and a relatively low rating is expected, the issuer may choose to sell the bonds without an underlying credit rating if they qualify for the Ohio School District Credit Enhancement Program or choose to insure the bonds.

Long-Term Municipal Credit Rating Levels

Rating Agency:	Moody's	Standard & Poor's	Fitch
	Aaa	AAA	AAA
	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
	A1	A+	A+
	A2	A	A
	A3	A-	A-
	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
Investment Grade	Baa3	BBB-	BBB-
Speculative Grade	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-
	B1	B+	B+
	B2	B	B
	B3	B-	B-
	Caa1	CCC+	CCC+
	Caa2	CCC	CCC
	Caa3	CCC-	CCC-
	Ca1	CC+	CC+
	Ca2	CC	CC
	Ca3	CC-	CC-
	C1	C+	C+
	C2	C	C
	C3	C-	C-
Default	D	D	D

Moody's Ohio Local Government Credit Rating Distribution



- Moody's currently rates 557 local governments in the state of Ohio, with the majority of local government issuers (26%) receiving an A1 rating

Source: Moody's Investors Service, March 2017

Credit Rating Process

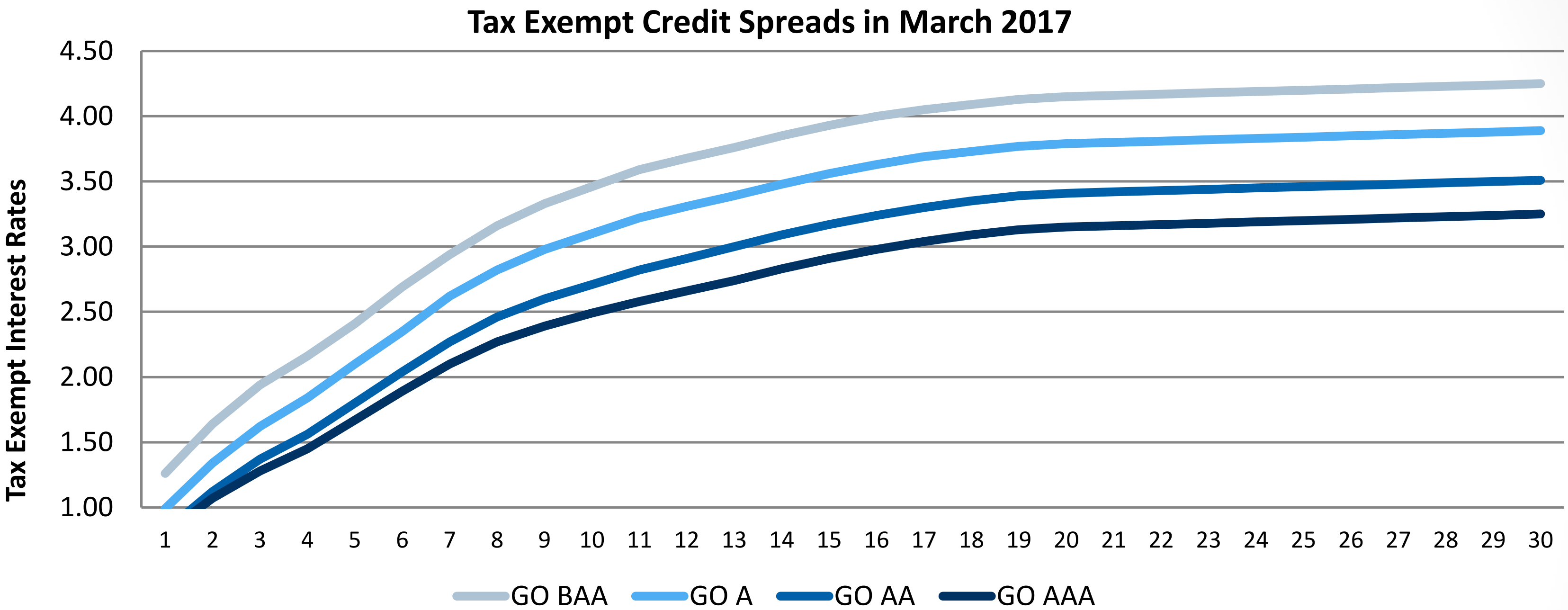
- Official Statement Preparation and Review

- Prepare a presentation of material for a General Obligation credit rating containing:
  - Issuer's tax base and regional economy
  - Financial metrics of the General Fund and Operating Funds
  - Debt burden and repayment
  - Overall administrative financial management and institutional framework

- The credit rating presentation could be a useful tool for the issuer to illustrate positive traits that cannot be properly conveyed in the Preliminary Official Statement or found in the issuer's audited financial statements. Qualitative factors, such as management expertise, the budgeting process, quality of the schools, economic development in the region, and community engagement are just some of the factors that can be fully fleshed out in a presentation.

- Government officials, bond counsel, financial advisor (if utilized) and underwriter typically meet to review credit rating presentation materials before presenting to the credit rating agencies
  - This allows everyone to know their specific role and review talking points
  - Edits are made after the first credit rating prep meeting and a follow up meeting or call can be scheduled for a final review before the actual presentation to the credit rating agency

How Credit Ratings Impact Borrowing Costs



- On average borrowing rates for a "AA" rated borrower are 38 basis points (0.38%) lower than those for a "A" rated borrower
- For a typical issuer borrowing $25 million over 37 years the total interest cost paid by the "AA" rated borrower will be $2,510,000 lower than that of the "A" rated borrower
- This illustrates the importance of achieving the highest possible credit rating

Source: Thomson Reuters – Municipal Market Data

Credit Enhancement

- The issuer's credit rating may be enhanced through a state intercept program or bond insurance
- The State of Ohio has a program to enhance Ohio school district bond issues called the Ohio State Credit Enhancement Program (OSCEP)
  - This program is rated Aa2/AA and is free of charge
  - District may opt to use the State Credit Enhancement Program
  - State Credit Enhancement may allow the district to get a lower interest rate
  - State foundation payments are pledged through a trustee agreement
  - Prepare application packet for the issuer to participate in the Ohio State Credit Enhancement Program
  - Participation in this program can save substantial amounts over the life of the bond issue
- Most districts rated below Aa2/AA qualify to participate in this program but if it is determined that your district does not qualify the use of bond insurance may be considered
- An issuer may carefully consider the potentially costs and benefits of bond insurance.
  - There are two dominant bond insurers currently rated "AA" by S&P: Assured Guaranty (AGM) and Build America Mutual (BAM)
  - It may be prudent to request bids from both insurance providers
  - Once bids are received, the estimated benefit in the bond sale can be compared with the cost of the bond insurance premium
- The State of Ohio also offers a relatively new Ohio Market Access Program (OMAP) wrap, which provides an SP-1+ (the highest short-term credit rating) to local government issuers for note sales

Section 2

THE CREDIT RATING PRESENTATION: PARTICIPANTS AND TIMELINE

Credit Rating Presentation Participants

- The typical credit rating presentation participants include the issuer's financing professionals, local government officials and credit rating analysts

- Financing Professionals:
  - Underwriter – Responsible for the bond sale and commitment of capital to ensure a successful financing
  - Financial Advisor (if utilized) – The issuer's fiduciary municipal advisor
  - Bond Counsel – The issuer's legal representation. Responsible for preparation of the Preliminary and Final Official Statement, all legal documentation and the delivery of a tax exempt opinion (if bonds are tax exempt)

- Local Government Officials:
  - Treasurer, Finance Manager, Auditor – Typically responsible for presenting economic and demographic information, finances and election history
  - Superintendent, City Manager, Commissioner – Typically responsible for an overview, enrollment history and forecasts, academic results
  - Other Individuals: Typically the officials above represent the issuer in credit rating meetings but occasionally other officials such as a Business Manager, a Council member, or a Board member are present.

Credit Rating Presentation: In Person or Over the Phone?

- Many times we are asked, should we travel to meet face to face with rating analysts?
- There is no one definitive answer to this question
- Factors to consider before deciding whether to travel to meet face to face with rating analysts:
  - Does the issuer currently have an outstanding credit rating?
  - When was this rating last reviewed?
  - Have there been any major (positive or negative) changes to the issuer's finances (cash balances, state aid, levy passages or failures), tax base or demographics since the last review?
  - Is the proposed borrowing to finance school facility improvements or to refinance existing debt?
  - Are local government officials new to the issuer or veterans?
- The majority of credit rating presentations done today are conducted via teleconference
- Ultimately the financing team will have to follow their "gut" to determine if the face to face meeting is worth the time and cost associated with traveling

Sample Timeline for Credit Rating Preparation Process

2nd Draft of POS Distributed

3 Weeks Before Presentation(s)
Incorporating substantially all issuer edits

Draft Rating Presentation Distributed

2 Weeks Before Presentation(s)
Incorporating all publicly available and POS information distributed by Underwriter or FA to financing team

Rating Preparation Meeting

2 Weeks Before Presentation(s)
Financing team meeting to review draft rating presentation make edits and delegate “to do” items

All Presentation Edits Due

1 Week Before Presentation(s)
All edits due to Underwriter or FA to compile final presentation(s)

Final Review Meeting

3 Days Before Presentation(s)
Review of final presentation, further discussion of topics of rating agency focus/concern.

Final Documents Shared with Rating Agency

24 hours Before Presentation(s)
Final rating presentation, substantially final draft of POS and most recent audited financials distributed to rating analyst(s)

Credit Rating Presentation Held

Source: RBC Capital Markets

Sample Timeline after Credit Rating Presentation

Credit Rating Presentation(s)

The presentation typically takes less than 90 minutes

Respond to Follow Up Questions (If Any)

Within 2 Days of Presentation

Typically requested follow up information is debt service schedules, discussed issuer policies & procedures, and any back up documentation for items discussed on call

Credit Rating Agency Committee Meeting

Within 5 Days of Presentation

Credit rating analyst will convene a committee of his/her peers to review the credit and obtain consensus for a credit rating

Release of Scorecard Analytics

Before Rating is Released

If credit rating is with Moody's the financing team may request the analyst completed scorecard analysis before the rating is released to give the financing team time to review the scorecard for accuracy.

Rating Report Confidential Draft Released

1 Week After Presentation(s)

The rating analyst will release a confidential draft report for the financing team to review (2 hour window) for factual errors and disclosure of non public information

Final Rating Report Released and Published

Final rating report is published on the rating agency website and now considered public information. It may be disseminated to investors and other interested stakeholders.

Annual or Periodic Rating Surveillance

- Any issuer with an outstanding credit rating is subject to periodic/annual rating surveillance
- It is our opinion that every interaction with credit rating analysts seriously, even it is a part of routine rating surveillance
- If contacted by a credit rating analyst at any time, discuss with the best way to proceed with your financing professionals
- One potential strategy includes preparing a credit rating presentation and preparing for the surveillance just as if it is for a bond issue
- If the rating surveillance is with Moody's, request a copy of the analyst completed scorecard analysis before the confidential rating draft is distributed

Section 3

CREDIT RATINGS: THE CREDIT RATING CRITERIA

Presentation Materials and Contents

- While not required, preparing a comprehensive credit rating presentation may be helpful in guiding the discussion with credit rating analyst(s)
  - An initial draft of these materials will be prepared by your underwriter or financial advisor (if utilized)

- This presentation focuses primarily on the four broad rating factors that the rating agencies focus on when assigning a credit rating:
  - Economy/Tax Base
  - Finances
  - Management
  - Debt/Pensions

- Each of these factors will be an area of focus in the credit rating materials

- Over the next few slides we will discuss these factors and sub-factors in more detail

Moody's Rating Methodology

	Factor			
	Economy / Tax Base	**Finances**	**Management**	**Debt / Pensions**
Current Weighting	**30%**	**30%**	**20%**	**20%**
Previous Methodology Weighting	40%	30%	20%	10%
Change	**10%** ↓	-	-	**10%** ↑

Changes in Weightings:

- Economy/Tax Base weighting lowered to reduce the influence of the demographics and tax base size
  - Some local governments may be unable to convert the strength of local economies into revenues
- Debt/Pensions weighting increased to include a specific quantitative measure for pensions
  - Pension liabilities represent enforceable claims on the resources of local governments

Source: Moody's Investors Service, January 2014

Key Rating Factors for US Local Governments (GO Bonds)

Moody's analytical framework includes an assessment of 4 broad rating factors and 13 sub-factors:

Economy / Tax Base	Finances	Management	Debt / Pensions
(30%)	(30%)	(20%)	(20%)

Economy / Tax Base (30%)

a. **Tax Base Size (full value) (10%)**
   i. The market value of taxable property accessible to the entity
b. **Full Value Per Capita (10%)**
   i. Full value divided by population
c. **Wealth (median family income) (10%)**
   i. As a percentage of the US median (source: American Community Survey)

- **Below-the-line Adjustments**
  - Institutional presence (+)
  - Regional economic center (+)
  - Economic concentration (-)
  - Outsized unemployment or poverty levels (-)
  - Per capita income
  - Composition of workforce/ employment opportunities
  - Proportion of tax base that is vacant or exempt from taxes
  - Other considerations

Finances (30%)

a. **Fund Balance (% of revenues) (10%)**
   i. Available fund balance (Operating funds assets – operating funds liabilities, adjusted for other resources or obligations that are available for operating purposes) as % of operating revenues
b. **Fund Balance Trend (5-year change) (5%)**
   i. Available fund balance in most recent year – balance 5 years earlier, as % of operating revenues in most recent year
c. **Cash Balance (% of revenues) (10%)**
   i. Operating funds net cash (cash – cash-flow notes) as % of operating revenues
d. **Cash Balance Trend (5-year change) (5%)**
   i. Operating funds net cash most recent year - operating funds net cash 5 years earlier, as % of operating revenues in most recent year

Management (20%)

a. **Institutional Framework (10%)**
   i. Determined for each sector/state annually
   ii. Same score for all Ohio local governments
   iii. Factors that drive framework
      - Tax caps
      - Organized labor
      - Difficulty of increasing revenue
      - Predictability of costs
      - State-imposed limitations on fund balance or reserves
b. **Operating History (10%)**
   i. Average operating revenues ÷ Operating expenditures in each of the past 5 years

- **Below-the-line Adjustments**
  - State oversight or support
  - Unusually strong/weak budget management and planning

Debt / Pensions (20%)

a. **Debt to Full Value**
   i. Gross debt – self-supporting debt, as % of full value
b. **Debt to Revenue**
   i. As % of operating revenues
c. **Moody's-adjusted Net Pension Liability (3-year average) to Full Value**
d. **Moody's-adjusted Net Pension Liability (3-year average) to Revenue**

- **Below-the-Line Adjustments**
  - Unusually weak/strong security features
  - Unusual risk posed by debt structure (-)
  - History of missed debt service payments (-)

Source: Moody's Methodology: General Obligation Bonds Issued by US Local Governments (January 2014)

Key Rating Factors for US Local Governments (GO Bonds)

Standard & Poor's analytical framework includes an assessment of 5 broad rating factors:

Institutional Framework	Economy	Management	Financial Measures	Debt & Contingent Liabilities
(10%)	(30%)	(20%)	(30%)	(10%)

Institutional Framework (10%)

a. **Institutional Framework (10%)**
   i. Determined for each sector/state annually
   ii. Same score for all Ohio local governments
   iii. Factors that drive framework
      - Predictability
      - Revenue and expenditure balance
      - Transparency and accountability
      - System support

Economy (30%)

a. **Total Market Value Per Capita (15%)**
   i. Full value divided by population

b. **Projected Per Capita Effective Buying Income as a % of U.S. Projected Per Capital EBI (15%)**
   i. EBI: personal income – federal, state, and local taxes and nontax payments

▪ **Below-the-line Adjustments**
- Participation in larger broad & diversified economy
- Stabilizing institutional influence with longstanding role as major employer
- Population decrease or high share of dependent population
- High county unemployment rate
- Employment concentration

Management (20%)

a. **Financial Management Assessment (20%)**
   i. Assesses the impact of management conditions on the likelihood of repayment

▪ **Below-the-line Adjustments**
- Consistent ability to maintain balanced operations
- Government service levels are limited
- Infrequent management turnover
- Ability to execute approved structural reforms for two consecutive years
- Debt burden

Financial Measures (30%)

a. **Budgetary Flexibility (10%)**
   i. Available Fund Balance as a % of Expenditures

b. **Budgetary Performance (10%)**
   i. Total Governmental Funds Net Result (%) (5%)
   ii. General Fund Net Result (%) (5%)

c. **Liquidity (10%)**
   i. Total Government Available Cash as % of Total Governmental Funds Debt Service (5%)
   ii. Total Government Available Cash as % of Total Governmental Funds Expenditures (5%)

▪ **Below-the-Line Adjustments**
- Following year projections
- Capacity and willingness to cut operational spending
- Ability and willingness to raise taxes

Debt & Contingent Liabilities (10%)

a. **Net Direct Debt as % of Total Governmental Funds Revenue (5%)**
   i. Measures the total debt burden on the government's revenue position, which can not be manipulated by amortization structures

b. **Total Governmental Funds Debt Service as a % of Total Governmental Funds Expenditures (5%)**
   i. Measures annual fixed-cost burden that debt places on the government

▪ **Below-the-Line Adjustments**
- Overall net debt as a % of market value
- Overall rapid annual debt amortization
- Significant medium-term debt plans

Source: Standard & Poor's Ratings Services U.S. Local Governments General Obligation Ratings: Methodology and Assumptions (September 2013)

First Main Factor: Economy/Tax Base

- The tax base is the source of most government revenues
  - The size of the tax base (full value) is a crucial component to a General Obligation credit rating
    - The average rated issuer in Ohio has a tax base size of approximately $750 million
- Full value per capita helps link the size of the tax base with the demographics of the population
  - The average full value per capita is approximately $60,000
- Wealth statistics compared to national medians, such as Median Family Income, Household Income, Per Capita Income, or Effective Buying Income
  - The average Median Family Income of Ohio rated local governments is approximately $60,000 (93% of the national median)

- Also crucial is the type of tax base and economy (residential bedroom community or an industrial, retail, or services center). Based on the type of local economy, important factors include:
  - Institutional presence with longstanding role as major employer (universities, hospitals, military, large/stable corporate employers)
  - Part of a regional economic center with participation in a larger broad and diversified economy
  - Economic concentration (large concentrations of property taxpayers, income taxpayers, employers, cyclical economic sectors)
  - Unemployment and poverty levels of the county
  - Commuting patterns / developable land
  - Office or retail vacancy rates
  - Residential building permit activity
  - Income levels
  - Housing
  - Population trends

Source: Moody's Investors Service, March 2017

Additional Economic Development in the City

The City, with its prime location on I-75 between Cincinnati and Dayton, has been experiencing great business growth

- **In 2015, the City issued 355 building permit applications valued at almost $48,000,000.** This is up 14% YOY and 33% since 2013; activity was valued at $39MM in 2013 and $29MM in 2014, for a 3 year average total of over $116MM of new commercial and residential investment.
- **Since 2013, approximately 60 new businesses have zoned as new or relocated businesses into the City.** Park North and Serta are the largest new developments adding over 1.4MM square feet.
- **Finding use for former Americana Amusement Park**
    - City officials have been talking with the owner of the property and consultants from the University on some type of re-use.
    - Possible new uses of the 35-acre site include public recreation and redevelopment of adjacent commercial properties to enhance the gateway function of the area.
- **Further Development of Parks–** A new park master plan that looks at staffing, facilities, trails, and programming was recently submitted to the City's Parks Committee. There are also opportunities for the City to connect to various local and regional bike trails.
- **Road projects** include the widening of Cincinnati Dayton Road from Ohio 63 south to the city limits to include two travel lanes and one turn lane; a relocation and improvements to portions of North Union Road that include a roundabout that will be driven by development; improvements to Mason and Butler Warren Roads to tie into a proposed future expansion of Cox Road; and the widening of Ohio 63 between American Way and Cincinnati Dayton Road.

New Power Plant - $600 Million Investment by NTE Energy

NTE Energy is currently constructing the local Energy Center, a nominal 475 MW natural gas electric generating facility in the City. The project will be one of the most efficient and clean sources of capacity and energy in PJM, the regional transmission organization. The project will employ Mitsubishi Hitachi Power Systems Americas, Inc. (MHPSA) advanced turbine technology in a combined cycle configuration, utilizing the exhaust heat of the gas turbine to produce steam to generate additional energy in a steam turbine generator.

Project Highlights:

- Technology: Combined Cycle utilizing MHPSA advanced Combustion Turbine
- Fuel: Natural Gas
- Net Output: Nominal 475 MW
- Location: the City
- Investment: Over $600 million
- Jobs: 300-400 during Construction
  25-30 during Operation

Timeline of Project Milestones:

- Site Secured: 2013
- Interconnection Application: 2013
- Major Permit Applications: 1Q 2014
- Major Permits Received: 4Q 2014
- Start Construction: October 2015
- Commercial Operation Date: 2018

The project is within a City-designated Enterprise Zone Agreement, which provides a 10 year, 75% abatement of real property and is scheduled to begin in 2018 when the power plant comes on line and expires in 2028.

Economic Developments in the City and the Village

- **$20 Million Townhouse Project Set to Rise in the City**
  - Comprised of 42 townhouses costing about $500,000 apiece, the project is the largest residential development in the tony East Side suburb since Forest City Enterprises Inc., now Forest City Realty Trust, launched Sterling Lakes a staggering 11 years ago. The gap in time is due to the long housing bust. But the new-home market is back and so are new developments.
- **Pinecrest Mixed-Use Project in the Village**
  - $230 Million development will include 40,000 square feet of retail, 87 high-end apartments, and 150,000 square feet of office space. Pinecrest is set to open in Spring 2018.
  - **AC Hotel by Marriott** – 145-room hotel above the development. The company prizes the hotel's modern clean and simple design with a European style. The first AC Hotel in Northeast Ohio. The hotel will occupy four floors above retail space near the center of the 400,000-square-foot project.
  - **Kona Grill**, a Scottsdale, Arizona-based restaurant group specializing in Asian food and sushi, will open its first Northeast Ohio eatery. The 7,300-square-foot restaurant will accommodate 300 diners and will include a patio facing the center's one-acre programmable village green.
  - Furniture store **West Elm** – part of the Williams-Sonoma Inc. group of companies - plans to enter the Northeast Ohio market with an 11,000-square-foot store at the development. This will be their second store in Ohio.
  - Other tenants include Whole Foods grocery store, REI, Pinstripes, 10-screen Silverspot Cinemas, Orangetheory Fitness, Vernacular, City Works Eatery & Pour House, Firebird's Woodfired Grill, Fusian, Restore Cold Pressed, Flipside, Vineyard Vines, and Bibibop
  - Total projected TIF revenue to the District is **$2,585,555**. After the 30 year agreement, the development will be added to the District's base.

Economic Development

- **Marathon Petroleum**
  - Headquartered in nearby Findlay, the company announced an expansion to its campus in February 2014 and construction began just three months later.
  - Marathon is adding an administrative building, a headquarters for MPLX, and two attractive garages, consolidating parking and freeing up an area to be turned into green space to create more of a campus atmosphere.
  - The company is also breaking ground on a 100-room hotel that will serve not only Marathon employees and guests, but the Northwest Ohio community.
- **Toledo – 3rd largest rail hub in the U.S.**
  - It was recently announced that a $12.3 million expansion is planned for the Norfolk Southern Railway in south Toledo. The expansion projected is expected to further boost the region’s capacity for handling intermodal freight and also generate hundreds of jobs in the transportation sector.
  - Another recent addition to the region is the Northwest Ohio Terminal Facility, a 185-acre world-class freight distribution hub, which serves as the nerve center for CSX Railroad’s nationwide intermodal network. With these two new facilities, shippers will be able to bypass congested points like Chicago thereby transforming the area into an absolutely vital transportation center.
- **ProMedica Health Systems – The area’s top employer with 15,000 workers**
  - ProMedica plans to relocate and expand its headquarters in downtown Toledo in a waterfront campus that includes a vacant Toledo Edison Steam Plant. The first phase of the relocation will begin in the fall of 2015 and is **expected to create 100 new jobs**.
- **Other Significant Developments in Northwest Ohio**
  - FedEx constructed a $22 million distribution center in Wood County in 2013 and is already planning an expansion of that facility
  - Mercy Health System is constructing a new $21 million Behavioral Health Institute at St. Charles Hospital. The facility is scheduled to open in 2015 and will require an **additional 60 employees**.
  - Automotive parts supplier Autoneum Holding added **120 new jobs** in 2013.
  - Home Depot constructed a distribution center in Wood County, which added approximately **150 jobs** and $130 million in capital investment.
  - In December 2013, Whirlpool Corporation announced relocation of the production of its commercial front-load washing machines from Mexico to the region, and its $65 million investment is expected to create **100 new jobs** over the next three years.

Economic Development

In terms of development, 2016 was a very exciting year for the City of Loveland, with several noteworthy projects.

Loveland has been blessed with the best of both worlds. It retains the charm of the old world with boutiques, antique shops, and restaurants in the downtown Loveland Historic District. All the while, modern convenience centers can be found right around the corner, offering a greater selection of goods and support services of Loveland residential and commercial communities.

- Loveland Station is a mixed use development consisting of 15,000 square feet of commercial space and 92 resident units in the downtown historic area.
  - In 2016, the private portion of the Loveland Station development reached completion with all phases except for the bicycle storage building.
  - During the year, all of the commercial space was leased and operational including new residents within the 92 apartments.
  - The relocation of overhead utility lines and sidewalk renovations were fully completed in 2016.
- Loveland Station has spurred additional development in the downtown district both residentially and commercially.
  - Two (2) residential developments have been approved in the downtown area which will be completed in 2017.
  - Additionally, a new brewery on Karl Brown Way and a coffee shop on Railroad Avenue have been approved and are preparing for operations.

Recent Significant Economic Development for Major Employers

In terms of development, in 2016 and continuing into 2017, the City of Springdale has been seeing exciting activity, with several noteworthy projects, the first two within the Progress Park location.

- **Macy's Expansion**
  - Cincinnati-based **Macy's Inc.** is now currently home to 430 corporate workers into about 158,000 square feet of the building, which was renovated for the department store chain and online retailer.
  - **In December 2016, an additional 170 employees were announced bringing the expected total to 600 employees and expanding into 167,000 square feet overall.**
  - Additionally, the retail store location with 369 employees in the Tri-County Mall, had a major renovation: facade improvements were completed bringing a fresh appearance to the exterior of the Mall.
  - After the various expansions, Macy's will have 969 employees located in the City
- **Procter & Gamble Co.**
  - In September 2016, P&G leased approximately 285,000 square feet of space within a massive Springdale office and industrial complex called Progress Park. Progress Park, which encompasses a total of 1.1 million square feet, was once owned and operated by Avon Products Inc. P&G is expected to occupy the facility in early 2017. The space is intended to be used to help support other P&G local technical centers who perform research, development, and manufacturing for several of their brands.
  - The Progress Park facility is located in Springdale along Interstate 275 between the SR 747 and SR 4 interchanges. In 2013, First Highland bought the property for $6.5 million and have repurposed it for a variety of uses.
  - Avon continues to house its customer service call center and returned goods processing operations in about 350,000 square feet of space of the facility employing approximately 300 associates with plans to add 70 more.
- **Vora Group Company Eyes 120-Job Expansion**
  - In December 2016, the Ohio Tax Credit Authority approved a tax credit, worth $1.15 million, to **Ascendum** Solutions LLC to create 120 new jobs by the end of 2019 as well as retain 75 current jobs. This is expected to generate about $6.4 million in new annual payroll which breaks down to an average annual salary of more than $53,000.
  - Ascendum is a wholly owned subsidiary of the Vora Group, a Cincinnati-based privately held equity group that specializes in building IT companies. Ascendum, currently located in Blue Ash, is an information technology solutions company that works with small to midsize businesses and enterprise level organizations, including many Fortune 1,000 companies.
  - Ascendum plans to spend nearly $2.5 million in capital investments at its new location in Springdale.
  - As part of the incentive, the authority requires Ascendum to maintain its operations at the project location for at least 11 years.

Top Employers in the District – Stable Presence of Top Employers

While many residents work outside the District, commuting to employment in the greater Cincinnati area, the District still has a significant and diverse workforce for its size. The following employers (private and public) have the largest work forces within the District.

Employer	Nature of Activity or Business	Stable Presence	Approximate Number of Employees
Patheon Pharmaceuticals Inc.	Pharmaceuticals	**100 years**	619
Standard Textile Co., Inc.	Manufacturing	**75 years**	353
Emcor Facilities Services, Inc.	Facilities Support	**65 years**	321
General Tool Company	Manufacturing	**69 years**	233
University of Cincinnati	Medical Research		166
The District	Education	**153 years**	147
Sealtron, Inc.	Manufacturing		125
Mallinckrodt Enterprises, LLC	Pharmaceuticals	**99 years**	100
Aluchem, Inc.	Mineral Processor		90
Nitto Denko Avecia Inc.	Biotechnology		87

- Of the District's Top Employers, **Standard Textile** is one of the largest textile companies in the world, **Emcor Facilities Services** headquarters is located in the District and they will soon be doubling the size of their building, **General Tool Company** is a significant supplier for General Electric, and **Mallinckrodt Enterprises** continues to grow at incredible rates.

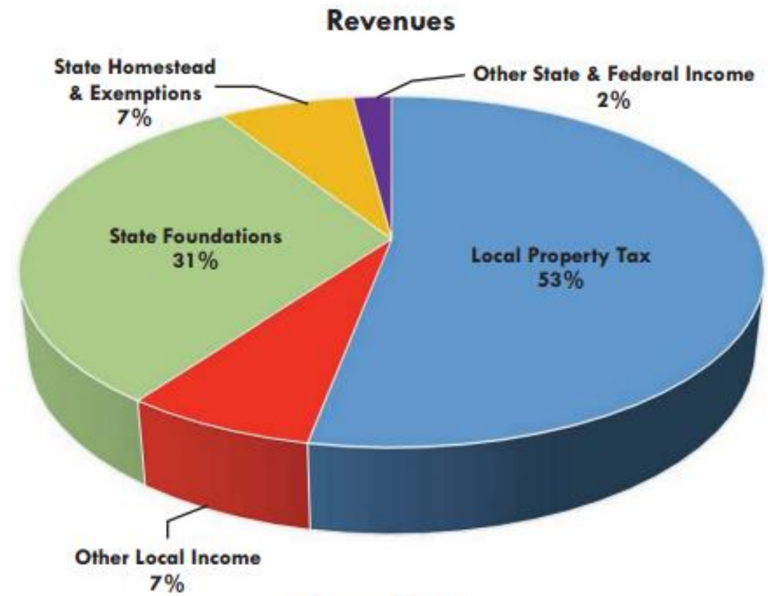
Residential Property – Existing Homes

Residential Property – Recent Developments

Second Main Factor: Finances

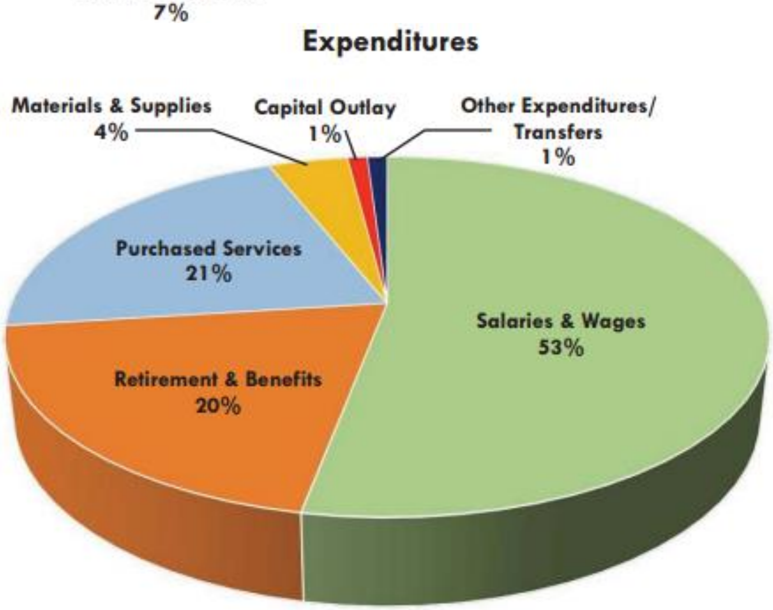
- Available Operating Fund Balances (may include General Fund, Bond Retirement Fund, and potentially other funds), as a percentage of fund revenues or expenditures
  - Indicates the ability to weather budgetary pressures stemming from economic downturns, includes all reserves available for operating purposes, not simply the General Fund
  - The average rated Ohio issuer has a balance of approximately 25%
- Cash Balance as a percentage of revenues or expenditures
  - Cash Balance is the total of cash and cash equivalents, investments (when grouped with cash in the audit) and any other highly liquid securities. Proceeds of borrowings that are otherwise dedicated and other encumbered cash is subtracted.
  - School districts tend to have more predictable (less flexible but more stable) revenue composition (property taxes and state aid) and cost structures than most other types of local governments
  - Cash balances provide a measure of liquidity and availability of funds to pay debt service
  - The average rated Ohio issuer has a balance of approximately 30%
- 5-Year $ Changes in Fund Balance and Cash Balance as % of Revenues or Expenditures
  - Incorporated to capture trend information (5 years typically encompasses a full market cycle); avoids overweighting point-in-time data
  - The focus here is on whether financial reserves and liquidity are increasing in step with budgetary growth
  - The average rated Ohio issuer has a Fund Balance Trend of approximately 15% and a Cash Balance Trend of approximately 10%

Expenditure and Revenue Sources for FY 2016



REVENUES 2015-16

Local Property Tax	$35,850,785
Other Local Income	$5,185,431
Total Local Receipts	**$41,036,216**
State Foundations	$21,095,151
State Homestead & Exemptions	$4,562,888
Other State & Federal Income	$1,607,793
Total State Receipts	**$27,265,832**
Total District Receipts	**$68,302,048**



EXPENDITURES 2015-16

Salaries & Wages	$32,884,073
Retirement & Benefits	$12,144,388
Purchased Services	$12,767,016
Materials & Supplies	$2,411,630
Capital Outlay	$505,703
Other Expenditures	$886,667
Transfers OFCC Project	$195,323
Total	**$61,794,800**

General Fund Revenues (Non-GAAP Budgetary Basis)

Wyoming continues to apply conservative budgeting for revenues to avoid budgeting deficits

	2011	2012	2013	2014	2015	2016
Taxes	$6,717,867	$6,568,022				
Property Taxes			$2,405,878	$2,406,985	$2,641,150	$2,654,510
Income Taxes			4,997,338	4,482,647	5,571,586	6,218,375
Charges for Services	286,532	263,362	348,496	313,950	321,550	270,115
Investment Earnings	28,757	23,972	20,887	21,504	9,430	61,300
Intergovernmental	1,160,950	1,794,616	1,229,588	554,341	512,707	498,042
Fines, Licenses & Permits	104,744	85,814	101,891	102,177	92,470	81,090
Other Revenues	12,791	1,189	108,242	113,330		184,343
Total Revenues	**$8,311,641**	**$8,736,975**	**$9,212,320**	**$7,994,934**	**$9,148,893**	**$9,967,774**
Budgeted Revenues	**8,453,848**	**8,219,281**	**7,815,921**	**7,955,729**	**8,712,592**	**9,168,022**
% of Budget	98%	106%	118%	100%	105%	108%

- Income Taxes are mostly received from resident tax returns.
- Property tax rates are 10 mills for the General Fund, with 3.06 mills from inside millage.
- Since as early as 2008, State-supported revenues have decreased significantly or been eliminated. As a result, the City ceased budgeting for Tangible Personal Property in 2008 and for Estate Tax in 2013.
    - The City included a deminimus portion of estate tax prior to elimination, which would fund capital improvements, and was never a part of the operating budget.
- The City continues the policy to not rely on uncertain revenue sources for operations.

Election History

The issuer has passed ALL of its operating levies over the past 30 years

Levy Elections

Election Date	Millage	Purpose	New/Renewal	Term	Result	For	Against	% For (% Against)
11/03/15	0.95	Recreation	Renewal	5	Approved	3,493	1,334	72.36 % (27.64 %)
11/08/11	5.00	Current Expense	New	CT	Approved	3,592	2,412	59.83 % (40.17 %)
11/02/10	0.95	Recreation	Renewal	5	Approved	4,333	2,062	67.76 % (32.24 %)
11/08/05	0.95	Recreation	Replacement	5	Approved	3,169	1,532	67.41 % (32.59 %)
11/02/04	5.00	Current Expense	New	CT	Approved	5,017	3,585	58.32 % (41.68 %)
11/04/03	1.00	Permanent Improvement	New	CT	Approved	2,121	1,103	65.79 % (34.21 %)
11/07/00	0.95	Recreation	Replacement	5	Approved	5,135	2,749	65.13 % (34.87 %)
11/07/00	9.50	Current Expense	New	CT	Approved	4,646	3,283	58.60 % (41.40 %)
05/02/95	0.95	Recreation	Renewal & Increase	5	Approved	2,757	1,066	72.12 % (27.88 %)
05/02/95	5.55	Current Expense	New	CT	Approved	2,753	1,093	71.58 % (28.42 %)
05/08/90	0.85	Recreation	Renewal & Increase	5	Approved	3,485	2,056	62.90% (37.10%)
05/08/90	8.50	Current Expense	New	CT	Approved	3,226	2,323	58.14 % (41.86 %)
05/05/87	7.00	Current Expense	New	CT	Approved	1,431	1,045	57.79 % (42.21 %)
05/07/85	0.90	Recreation	Renewal & Increase	5	Approved	915	567	61.74 % (38.26 %)

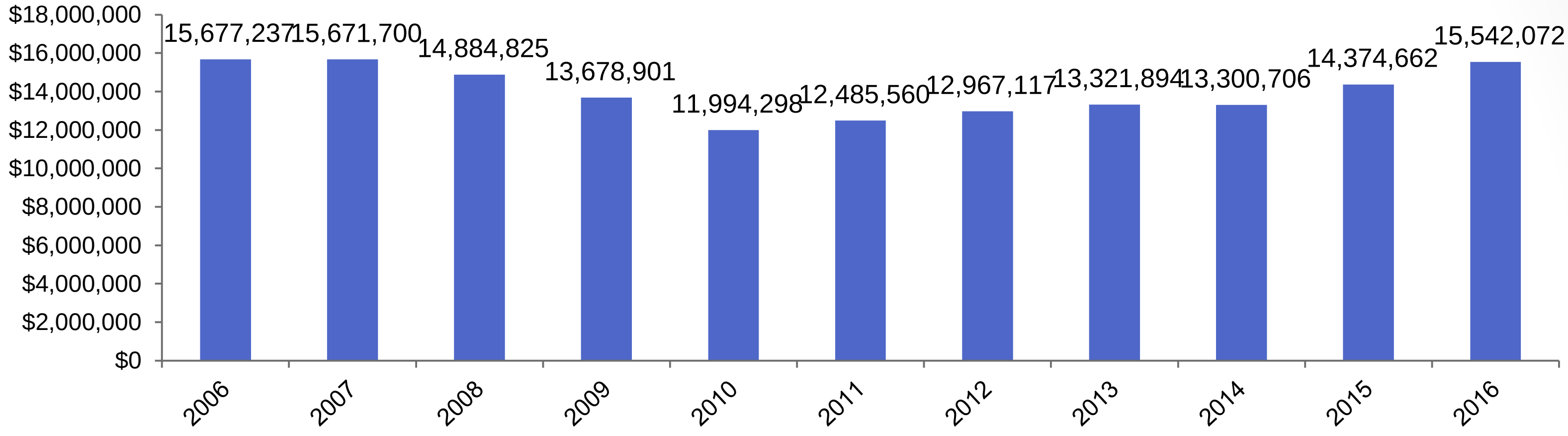
Bond Issue Elections

Election Date	Millage	Bond Issue Amount	Purpose	Result	For	Against	% For
11/03/98	3.32	$36,500,000	Site Imprvmnts	Approved	4,363	2,089	67.62 % (32.38 %)
06/02/92	1.42	$8,500,000	Rmdlng/Frnshng/Eqpng/Cnstrctng	Defeated	2,248	2,742	45.05 % (54.95 %)

- In order to gain input from the community, the issuer conducted a survey, developed focus groups, and held a community presentation regarding its FutureVision facilities master plan especially involving the future of the Middle School.

Historic Income Tax Collections

Income Tax Collections:



- There are three main components to the income tax:
  - Withholdings remitted by employers (78%)
  - Net Profits of businesses located in or doing business in the City (17%)
  - Filings by individual residents of the City (5%)
- Overall, income tax collections for 2015 are up 8.07%.
  - Withholdings remitted by employers increased 7.51%
  - Filings by individual residents of the City decreased 3.32%
  - Business (Net Profit) increased 13.97%
- The City's ten largest employers provided work for 4,119 employees and generated $3,790,792 in income tax revenue for 2015.

Source: City of Springdale 2015 Audited Financial Statement – Statistical Section from the City Income Tax Department

Historic Year-End Operating Fund Balances (GAAP basis)

Audited Operating Fund Ending Fund Balance as a % of Operating Fund Expenditures (Modified Accrual Basis of Accounting)

	General Fund Balance	Capital Improvement Fund Balance	Equipment Replacement Fund Balance	Total Operating Fund Balance	Operating Fund Expenditures	Balance as a % of Expenditures
2011	2,415,749	620,076	2,187,414	5,223,239	11,106,973	47.03
2012	1,958,436	(90,320)	2,586,931	4,455,047	12,124,958	36.74
2013	3,122,970	20,240	2,565,822	5,709,032	8,624,465	66.20
2014	2,335,430	(68,914)	2,534,834	4,801,350	9,961,523	48.20
2015	2,406,112	326,331	2,279,541	5,011,984	10,632,386	47.14
2016*	2,793,880					

* *The 2016 figures are preliminary. The GAAP conversion won't be completed until sometime in May. In addition, the 2016 audit started the week of March 13th. As such, these numbers are unaudited.*

- The City of Wyoming has sustained healthy reserve levels that allow for financial flexibility in times of stress and state of Ohio law changes.
- The City has sustained consistent positive fund balances for over a decade.

Third Main Factor: Management

- Institutional Framework
  - New factor for US Local Governments
  - Focuses on issuers' legal and practical ability to match revenues with expenditures based on their legal apparatus
  - The score reflects the State of Ohio constitution and state law
  - All local governments in Ohio have the same institutional framework score
- Operating History
  - Ratio of the average of the past five years of operating revenues divided by the past five years of operating expenditures
  - Measures the degree that an issuer has demonstrated the practical ability and willingness to match revenues with expenditures
  - The ability to budget and forecast revenues and expenditures is considered very important for an issuer with outstanding debt
  - The average rated Ohio issuer has, on average, a balanced budget, with a ratio of 1.0x
- Other factors:
  - Policy Listings:
    - Debt Policy
    - Investment Policy
    - Post-Issuance Compliance
  - Budgets: Projections for the current year and following year
    - Five Year Budget (Five year Forecast) and Five Year Capital Budget
  - Flexible costs, widespread political support (levy history, community engagement, voter support), capacity to cut expenditures
  - Levels of receivables
  - Cash accounting vs. GAAP
  - Volatility in revenues

Key Financial Highlights

A conservative approach to budgeting and purchasing is a hallmark of the City

- **Budget Procedure**

- The City's annual budget process commences around May of each year with the development of the City's Tax Budget. The Tax Budget is prepared jointly between the City's Finance and Administration Departments. It is ultimately approved by City Council for submission to Hamilton County in accordance with the Ohio Revised Code. The focus of this process is to forecast the City's fund balances for the end of the next fiscal year based on information available at that time.

- In September, the process of formalizing the City's Five-Year Revenue and Expenditure Document (Five-Year Budget) begins. During this process, each department is charged with projecting their year-end expenses as well as identifying and assessing their needs for the next five-year period. Departments are tasked with outlining their future service delivery and determining what level of resources will be needed to properly provide those services. The final document is delivered to the elected officials for their review and feedback.

- Once the Five-Year Budget document is completed, the City uses information derived from that process to perform an even more critical analysis of the current year-ending revenues and expenditures. Based upon the resources available to the organization, as well as identifying what services and programs the City wishes to deliver in the upcoming year, the Annual Budget document is developed. Following a review by the elected officials, the Annual Budget document is publicly presented to Council and the general public. From this process, the next year's appropriations are determined and subsequently adopted by Council during the first meeting of January.

- City administration and City Council remain focused on improving the financial stability of Springdale and developing goals to address economic vitality and infrastructure objectives for the future.

  - Through a strategic assessment process of the City's infrastructure and major capital items, an annual Five-Year Capital Improvement Program is developed and updated to plan for future Community Capital Investments.

  - The City has an informal policy of striving to maintain an unreserved fund balance at a minimum which is equivalent to one month of the City's operating expenses (approx. $1.4 million).

  - The City uses conservative revenue projections for budgeting purposes and extensively evaluates operating budgets.

- The General Fund is the chief operating fund of the City. The unassigned fund balance at 12/31/2015 was $5,448,358 (32.5% of General Fund Revenue). The total fund balance at year-end 2015 was $6,777,208 (40.5% of General Fund Revenue of $16,738,582).

- The Government Finance Officers Association (GFOA) awarded a "Certificate of Excellence in Financial Reporting" to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2015. This was the sixteenth consecutive year the City received this prestigious distinction.

Fiscal Stewardship

Financial responsibility ensures that the majority of funding is spent on classroom instruction – 68% of the issuer's budget is spent on classroom instruction

- Shared Services with Other Local Governments and Organizations
  - The issuer provides lunch services to four other public school districts and four private schools through shared service agreements. The program has been featured statewide as a model of shared services.
  - Participation in the Southwest Ohio Organization of School Health (SWOOSH) helps the issuer achieve lower health insurance rates. The issuer's Treasurer also serves as the Treasurer for the SWOOSH Board of Directors.
  - The issuer oversees the payroll of another issuer saving 20% of the payroll manager's salary and benefits.
  - Other shared services include: office and custodial supplies, natural gas and electric services.

- Received the Drug Free Coalition grant annual award of $125,000 for five years from 2016 to 2020. The issuer serves as the fiscal agent for the grant and administration works closely with the issuer and Township representatives, police officers, and community members.

- Applied the increase in state funding to technology. The issuer implemented a technology refresh cycle to include devices and infrastructure. The Board approved for the 2016-2017 school year, 1:1 devices for 7th grade students at $90 per year plus $10 per year for tech fees for a three year period. At the end of the three-year period, the device will remain with the student.

- Received a perfect audit for the Nutrition Services Department and a clean audit opinion from the State Auditor's Office for fiscal year 2015.

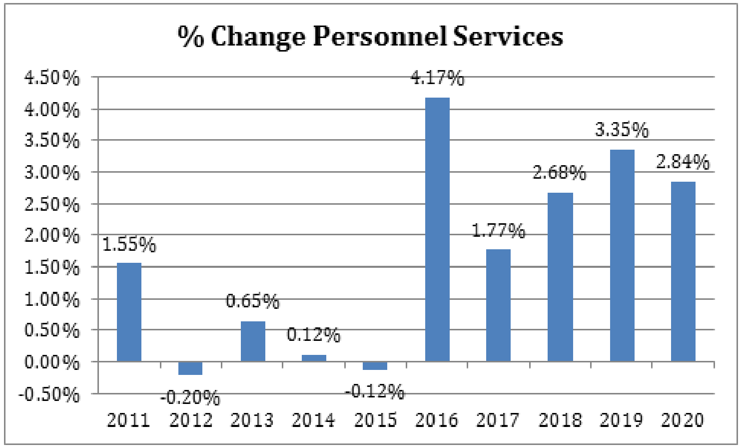
- The issuer accepted a Community Reinvestment Act (CRA) with the Township and the County for an expansion on State Route 28. The businesses at this location asked for a 60% tax abatement for 10 years (50% and 15 years is standard). This will increase the property value after the abatement for the new addition on State Route 28 which will increase issuer revenues.

Key Financial Highlights

- Stable Tax Base
- Fiscal Year 2015 balances increased nearly $1.0 million from prior year. Cash balances have grown from $1,364,624 at 6/30/10 to $3,339,042 by 6/30/15.
- The current State of Ohio budget provides for a 7.5% increase each year, plus capacity aid. The issuer is projecting to remain on the gain cap and projects to be on the cap by $990,000 by 2020.
- The issuer has a competitive cost per pupil at $9,400.
- The issuer has utilized open enrollment to grow revenue to offset Tangible Personal Property losses and carefully manage expenditures.
- Pension reform has brought a younger, less expensive staff, resulting in salary stability.
- The issuer Treasurer's excellent record keeping has earned it the Auditor of State Award, awarded to local governments with a "clean" audit report.

	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018
Beginning Balance	2,640,961	2,678,048	2,675,442	3,608,895	3,876,211	3,936,570
+ Revenue	14,907,409	15,271,643	16,126,688	16,360,987	16,411,619	16,566,363
+ Proposed Renew/Replacement Levies	-	-	-	-	-	-
+ Proposed New Levies	-	-	-	-	-	-
- Expenditures	(14,870,322)	(15,274,249)	(15,193,235)	(16,093,671)	(16,351,260)	(16,827,675)
= Revenue Surplus or Deficit	37,087	(2,606)	933,453	267,316	60,359	(261,312)
Ending Balance	2,678,048	2,675,442	3,608,895	3,876,211	3,936,570	3,675,258

Year-Over-Year Expenditure Line Change -- by Percent



Fourth Main Factor: Debt/Pensions

- The total net and overlapping debt figures are very important, as well as annual debt service payments
- Debt to full value – measures the debt burden on citizens and the willingness to pay debt obligations
  - The average rated Ohio issuer has a debt burden of 1.5% of its full property tax valuation
  - Typically, overall net debt below 3% of market value is considered a credit positive, while net debt exceeding 10% is considered negative
- Debt to operating revenue – measures the ability for a issuer to pay debt obligations
  - The average rated Ohio issuer has a debt to revenue ratio of 0.50x (this is equivalent to saying debt is 50% of revenues)
- Subtract debt for essential service utilities that is self-supporting from user fees (water & sewer systems)
  - Do not deduct debt for non-essential enterprises such as golf courses, even if it is self-supporting
- Specific metrics regarding pensions:
  - Three-year average is used to smooth the volatility inherent in the metric
  - Debt breakpoints are more restrictive than pensions reflecting the fixed nature of debt obligations; pension measures are estimates, may be volatile across years and can be renegotiated or reduced
  - The rating agencies each have their own methodology regarding the calculation of pension obligations
  - The average Ohio rated issuer has a pension liability to full value of 9% and a pension liability to revenue of 3.3x (330%)
    - On average, these are high figures and typically some of the worst factors for a issuer
- Other factors:
  - Usually, rapid amortization of debt, with more than 65% coming due within 10 years, is a credit positive
  - Future debt plans are considered

Source: Moody's Investors Service and Standard & Poor's Ratings Services, March 2017

Project

- In the early 2000's, the issuer worked with the community to create a vision of what the issuer's facilities should look like. The first portion of this vision was completed from 2006 to 2008 with the addition of 6 new elementary schools and the renovation of two others. This portion of the plan was completed on time and on budget.
- The second portion of the project is being completed as a partner project with the Ohio School Facilities Corporation. This partnership will bring approximately $51 million in state tax money that will be match with $45 million of local funds that will complete the following:
  - Renovations at the Academy
  - Build a new Middle School to house the District's 6th through 8th graders
  - Renovate and expand the current High School
  - Demolish and remove the old Middle Schools
  - Demolish the old elementary school

Old Middle School

Current High School

Current Designs

Current Outstanding Debt – Prior to Refunding

General Obligation Bonds

Date of Original Issue	Purpose	Interest Rate	Final Maturity	Original Amount Issued	Amount Outstanding
10/16/2006	Various Purpose	4.00-5.00%	12/01/2026	$5,000,000	$3,030,000*
08/26/2009	Various Purpose	2.00-4.50	12/01/2029	6,150,000	4,485,000*
04/17/2012	Various Purpose Ref	2.00-4.00	12/01/2024	3,740,000	2,850,000
		2.00-5.00%	**12/01/2029**	**$14,890,000**	**$10,365,000**

Ohio Public Works Commission Loans

Date of Original Issue	Purpose	Interest Rate	Final Maturity	Amount Outstanding
01/01/2000	Water Improvements	3.00%	01/01/2020	$19,532
07/01/2001	Water Improvements	3.00	07/01/2021	1,459,551
07/01/2009	Street Improvements	0.00	07/01/2020	177,768
12/01/2012	OPWC Hilltop/Circlewood Improvements	0.02	07/01/2033	378,291
07/01/2015	OPWC Wilmuth Ave Rehabilitation	0.00	01/01/2046	120,982
07/01/2015	OPWC Worthington Ave Rehabilitation	0.00	01/01/2046	151,239
07/01/2015	OPWC Springfield Pike	0.00	01/01/2046	266,695
		0.00 – 3.00%	**01/01/2046**	**$2,574,058**

Collection Year 2017 Full Value = $876,596,057; Debt as a Percent of Full Value = 1.48%

Total Debt Per Capita = $12,939,058 / 8,407 = $1,539.08

* *To be partially refinanced with a portion of the proceeds of the Bonds.*

Adjustments or Mitigating Factors

- The prior factors simply provides a grounds for discussion on certain quantifiable metrics used in the rating process, but the rating process still involves a significant degree of judgment
  - It is not a calculator. There are many qualitative factors that cannot be measured and overriding factors that are very important when making the final rating decision.
  - Below are some examples of adjustments that may be made to the rating:

Economy/Tax Base
- Institutional presence
- Regional economic center

Management
- Unusually strong budgetary management and planning

Debt/Pensions
- Unusually strong security features

Economy / Tax Base
- Economic concentration
- Outsized unemployment or poverty levels

Finances
- Outsized contingent liability risk
- Unusually volatile revenue structure

Management
- Unusually weak budgetary management and planning

Debt / Pensions
- Unusually weak security features
- Unusual risk poised by debt/pension structure
- History of missed debt service payments

The analyst takes many factors into considerations, for both upward and downward adjustments
- State oversight or support
- Credit event/trend not yet reflected in existing data sets