Preparing and Responding to Rating Agencies

Presented by:
Andrew Laskey, Director, RBC Capital Markets
Jacob McDonald, Associate, RBC Capital Markets
Heather Arling, Director, Bradley Payne Advisors
Katie O'Brien, Finance Professional, Ohio Treasurer of State

February 16, 2023

Disclaimer

RBC Capital Markets, LLC (RBCCM) is providing the information contained in this presentation for discussion purposes only and not in connection with RBCCM serving as underwriter, investment banker, municipal advisor, financial advisor or fiduciary to a financial transaction participant or any other person or entity. RBCCM will not have any duties or liability to any person or entity in connection with the information being provided herein. The information provided is not intended to be and should not be construed as "advice" within the meaning of Section 15B of the Securities Exchange Act of 1934. The recipient should consult with its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it deems appropriate.

The information contained in this presentation has been compiled from sources believed to be reliable, but no representation or warranty, express or implied, is made by the RBCCM, its affiliates or any other person as to its accuracy, completeness or correctness. The information and any analyses in these materials reflect prevailing conditions and RBCCM's views as of this date, all of which are subject to change. The printed presentation is incomplete without reference to the oral presentation or other written materials that supplement it.

The material contained herein is not a product of any research department of the RBCCM or any of its affiliates. Nothing herein constitutes a recommendation of any security regarding any issuer, nor is it intended to provide information sufficient to make an investment decision.

IRS Circular 230 Disclosure: RBCCM and its affiliates do not provide tax advice and nothing contained herein should be construed as tax advice. Any discussion of U.S. tax matters contained herein (including any attachments) (i) was not intended or written to be used, and cannot be used, by you for the purpose of avoiding tax penalties; and (ii) was written in connection with the promotion or marketing of the matters addressed herein. Accordingly, you should seek advice based upon your particular circumstances from an independent tax advisor.

This presentation is proprietary to RBCCM and may not be disclosed, reproduced, distributed or used for any other purpose without RBCCM's express written consent. To the fullest extent permitted by law, RBCCM, any of its affiliates, or any other person, accepts no liability whatsoever for any direct or consequential loss arising from any use of this communication or the information contained herein.

Disclosure

Bradley Payne Advisors, LLC ("Bradley Payne") has registered as a municipal advisor with the Municipal Securities Rule Making Board ("MSRB") and the Securities and Exchange Commission ("SEC"). As a registered municipal advisor, Bradley Payne may provide advice to a municipal entity or obligated person. An obligated person is an entity other than a municipal entity, such as a not for profit corporation, that has commenced an application or negotiation with an entity to issue municipal securities on its behalf and for which it will provide support. If and when an issuer engages Bradley Payne to provide financial advisory or consultant services with respect to the issuance of municipal securities, Bradley Payne is obligated to evidence such a financial advisory relationship with a written agreement. When acting as a registered municipal advisor, Bradley Payne is a fiduciary required by federal law to act in the best interest of a municipal entity without regard to its own financial or other interests.

The information in this presentation is provided for education and informational purposes only by Bradley Payne without any express or implied warranty of any kind, including warranties of accuracy, completeness, or fitness for any particular purpose. The Information contained in or provided from or through this presentation is not intended to be and does not constitute financial advice, investment advice, trading advice, or any other advice. You understand that you are using any and all information available within this presentation at your own risk.

The views expressed constitute the perspective of Bradley Payne's municipal advisory business at the time of distribution and are subject to change. The content is based on sources generally believed to be reliable and available to the public, however, Bradley Payne's municipal advisory business cannot guarantee the accuracy, completeness, or suitability. This material is not intended to provide specific advice or a specific recommendation. Past performance is not necessarily a guide to future performance and estimates of future performance are based on assumptions that may not be realized.

Table of Contents

1) Credit Ratings – An Introduction

Credit Ratings

- Typically, when a public entity issues debt through a capital markets bond issue a credit rating is obtained from one of the following three major rating agencies:
  1. **Moody's Investors Service**
     – Moody's currently rates the most Ohio local governments of the three main credit rating agencies
  2. **Standard & Poor's Ratings Services**
     – S&P provides credit ratings for a significant number of Ohio local governments. S&P currently rates the major bond insurers "AA", while the other agencies give lower ratings.
  3. **Fitch Ratings**
     – Fitch is the least utilized by local governments in Ohio of the three major agencies, but has been gaining market share
- Under certain circumstances, an issuer may consider obtaining more than one credit rating
- With a bond issue over $100 million, two ratings may improve marketability and attract more investors to the bond issue
- Many times bonds rated in the single A category carry bond insurance. The two most common insurers, BAM and AGM, are rated "Aa2" and "AA" by Moody's and S&P respectively

Source: RBC Capital Markets

Long Term Municipal Credit Ratings

Rating Agency:	Moody's	Standard & Poor's	Fitch
	Aaa	AAA	AAA
	Aa1	AA+	AA+
Avg. Ohio Local Govt GO Credit Rating	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

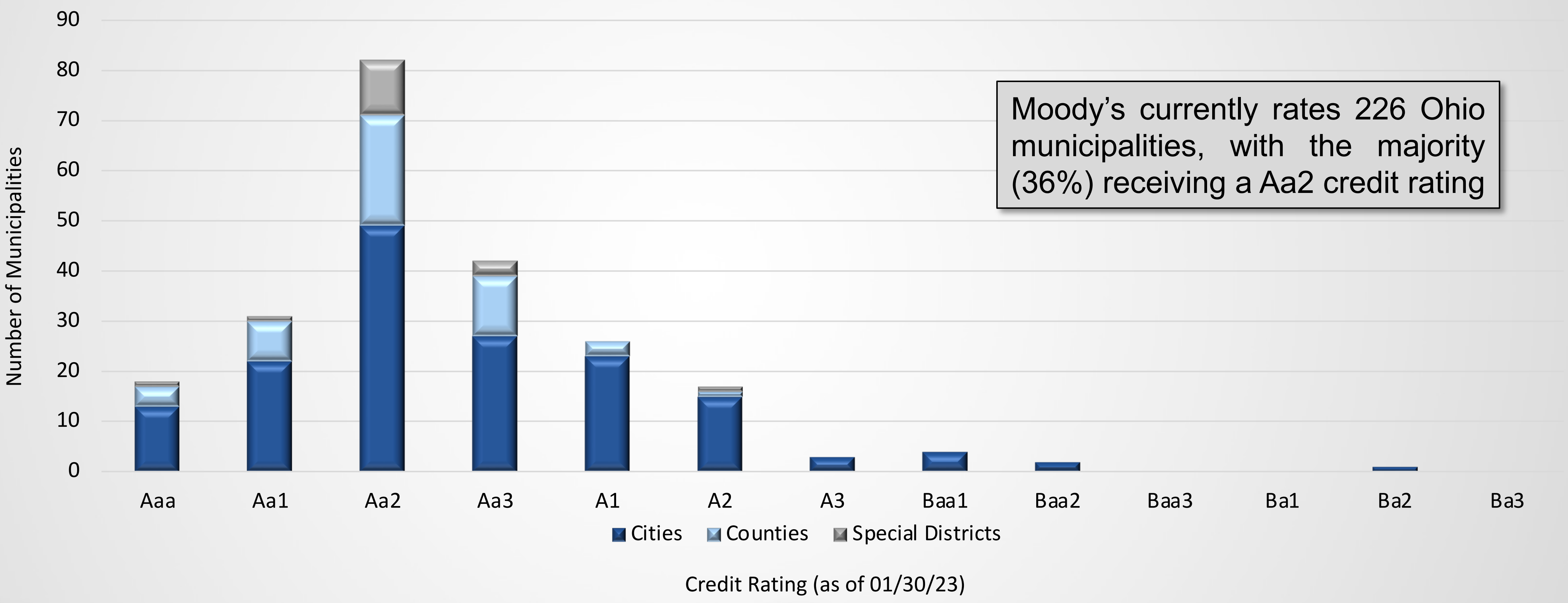
Source: Moody's Investors Service, S&P Global Ratings, Fitch Ratings

Credit Rating Process

- Official Statement Preparation and Review
- Prepare a presentation containing the information on the following areas:
  - Issuer’s tax base and local economy
  - Financial metrics of the local government
  - Debt burden and long-term liabilities
  - Overall financial management and institutional framework
- The credit rating presentation can 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 district’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 explored in a presentation
- Government officials (typically Finance Director, Auditor, City Manager, County Administrator, possibly some elected 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

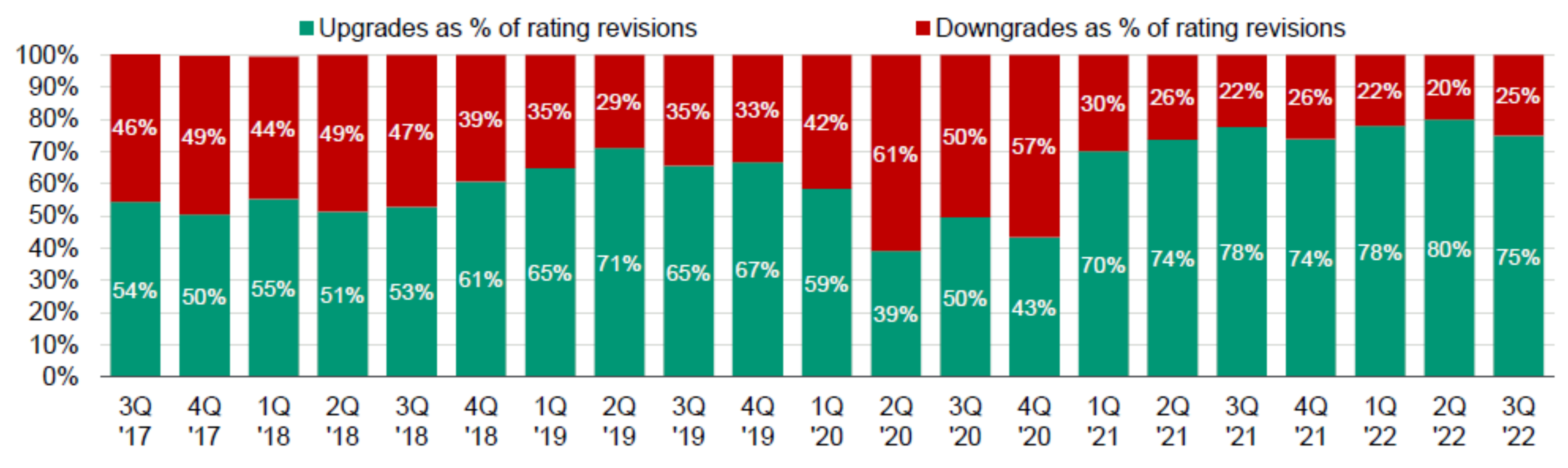
Source: RBC Capital Markets

Ohio Credit Rating Distribution



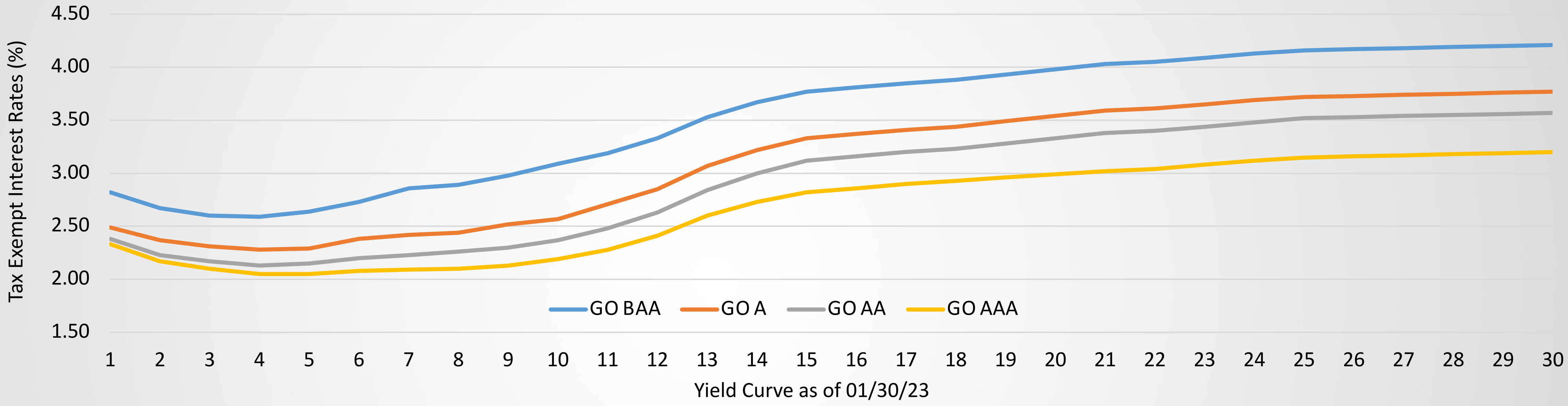
Source: Moody's Investors Service MFRA Data. Data as of 01/30/23.

Public Finance Credit Rating Revisions Over Time



Source: Moody's Investors Service Data Report. "Rating revisions: Upgrades substantially topped downgrades in Q3 2022." Published November 10, 2022.

The Importance of a Good Rating



- On average, borrowing rates for an AA rated borrower are 20 basis points (0.20%) lower than those of an A rated borrower
- For a typical municipality borrowing $25 million over 37 years, the total interest cost paid by the “AA” rated borrower will be approximately $1,495,000 lower than that of the “A” rated borrower

Source: Thompson Reuters Municipal Market Data scale published 01/30/23 and RBCCM analysis of pricing and credit spreads

Credit Enhancement

- An issuer's credit rating may be enhanced through bond insurance or the Ohio State Credit Enhancement Program (OSCEP)

- An issuer should carefully consider the 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 has a program to enhance Ohio school district bond issues called the Ohio State Credit Enhancement Program (OSCEP)
  - This program is currently rated Aa2/AA and is free of charge
  - State foundation payments are pledged to bondholders in the event of District default through a trustee agreement
  - The financing team may assist the District in analyzing the benefit as well as completing the application process

- The Ohio Treasurer's office administers the Ohio Market Access Program (OMAP), which currently provides an SP-1+ rating (the highest short-term credit rating) to participating notes issued by school districts and local governments

Source: RBC Capital Markets, Ohio Treasurer of State

Ohio Market Access Program (OMAP)

LOWER BORROWING COSTS

Helps municipal issuers lower borrowing costs

STRENGTHENED CREDIT QUALITY

Credit enhancement program for Ohio local governments

IMPROVED MARKETABILITY

Leverages the state's high short-term credit rating to help improve market access

Source: Ohio Treasurer of State

How it Works

Submit Application

Submit an application, financial statements and other pertinent credit information

Application Review

The Treasurer’s office reviews application and approves the proposed issuance

State Signs SNPA

Municipal issuer enters into a Standby Note Purchase Agreement (SNPA) with Treasurer's office and paying agent

S&P Rates the Issuance

S&P performs application analysis to confirm that all essential program elements are met

Source: Ohio Treasurer of State

The Application

- ✓ Legal Pledge
- ✓ New Money or Refunding
- ✓ Financing Team
- ✓ Taxes or assessments scheduled to expire in next 3 years
- ✓ Other plans to issue debt in next 12 months
- ✓ Pending investigations for fraudulent activity
- ✓ Compliance with ongoing disclosure agreements
- ✓ Authorizing legislation
- ✓ Certificates of Estimated Resources and Tax Levies
- ✓ Copies of audits & unpublished financial reports
- ✓ Credit agency reports from past 2 years
- ✓ Statements of cash position and amortization schedules

Source: Ohio Treasurer of State

Eligibility

ANY PERMISSIBLE NOTE

- ✓ Cities & Villages
- ✓ School Districts
- ✓ Counties

TAXABLE OR TAX-EXEMPT

G.O. or REVENUE

OMAP by the Numbers

OVER 255
Transactions

255+

30%

30%
Average interest savings

$4.7 MILLION
Interest cost savings

$4.7M

$1.32B

OVER $1.32 BILLION
In par

Source: Ohio Treasurer of State

2) The Credit Rating Presentation: Participants and Timeline

Credit Rating Participants

- Financing Professionals:
  - Underwriter – Responsible for the bond sale and commitment of capital to ensure a successful financing
  - Financial Advisor – 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 Director, 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.

Source: RBC Capital Markets

Sample Timeline for Credit Rating Preparation

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 for 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 5-10 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

1-2 Weeks 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.

Source: RBC Capital Markets

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 should be taken seriously, even if it is a part of routine rating surveillance
- If contacted by a credit rating analyst at any time, discuss the best way to proceed with your financing professionals
- One potential strategy is to prepare a full credit rating presentation if formal rating surveillance is scheduled
- If the rating surveillance is with Moody's, the financing team may request a copy of the analyst completed scorecard analysis before the rating is released to allow the financing team to review and ensure accuracy

Source: RBC Capital Markets

3) Credit Ratings – The Credit Rating Criteria

Presentation Materials and Content

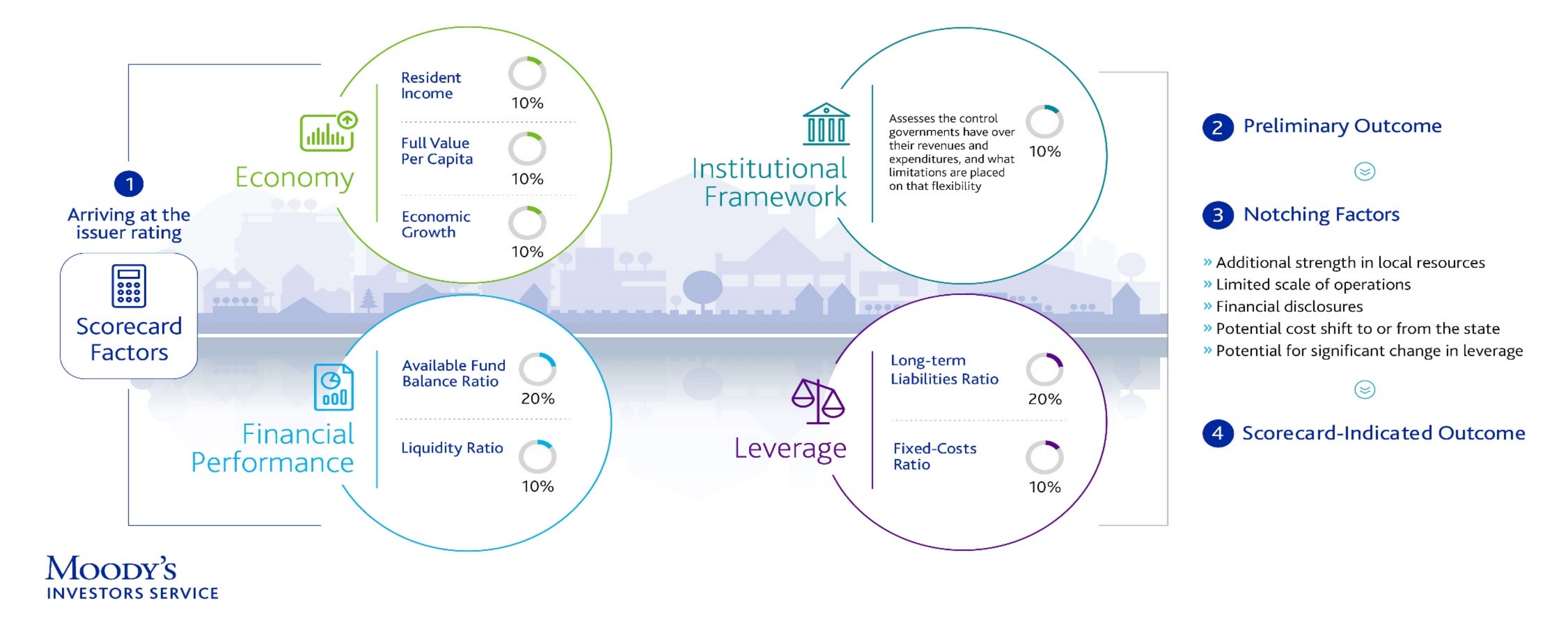
- While not required, preparing a comprehensive credit rating presentation may be helpful in guiding the discussion with credit rating analyst(s)
  - Your underwriter or financial advisor (if utilized) are well positioned to assist in this process using the preliminary official statement and other publicly available information

- 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

Source: RBC Capital Markets

Moody's Methodology – Scorecard Overview



Source: Moody's Investors Service. https://www.moodys.com/creditfoundations/US-Cities-and-Counties-Proposed-Methodology-05E006?mkt_tok=OTIwLVdVRC02OTgAAAGED6i_aXxjpt-U543GpTTeLz-QUw9qRebU_QNEZq OjxVSSUOd3i16Bgf2AaHtN3dic3cwZNGOuwxByInmBRJCMUWzrImWVsDm8RW0CwbMx

Moody's Methodology – Scorecard Factors

Economy — 30%

Resident income — 10%
Provides an indication of the relative strength of a local government's capacity to generate revenue at the local level.

Full value capita — 10%
Provides an indication of a local government's economic strength and capacity to generate revenue, even beyond levying taxes on real estate values.

Economic growth — 10%
Provides an indication of a local government's ability to continue generating the revenue necessary for the programs and services it provides.

Financial performance — 30%

Available fund balance ratio — 20%
Provides insight into whether a local government's resources would be sufficient to bridge temporary budget imbalances.

Liquidity ratio — 10%
Provides an indicator of a local government's most readily available liquid resources.

Institutional framework — 10%

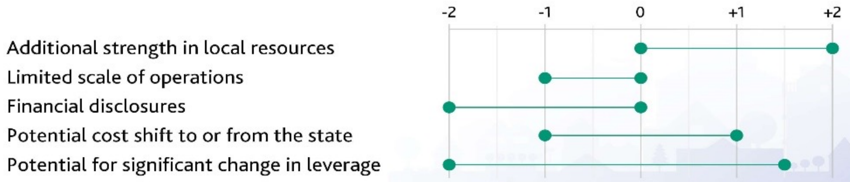
Institutional framework — 10%
Represents the statutory and legal framework under which a city or county operates, which determines how much flexibility it has to increase revenue or reduce spending.

Leverage — 30%

Long-term liabilities ratio — 20%
Provides a comprehensive view of a local government's leverage compared to the revenue that will support those obligations.

Fixed-cost ratio — 10%
Provides an indication of the annual financial burden associated with long-term liabilities relative to its revenue and provides, by proxy, the percentage of revenue that remains available to provide core services after fixed costs are paid.

Notching factors



Source: Moody's Investors Service. https://www.moodys.com/creditfoundations/US-Cities-and-Counties-Proposed-Methodology-05E006?mkt_tok=OTIwLVdVRC02OTgAAAGED6i_aXxjpt-U543GpTTeLz-QUw9qRebU_QNEZq OjxVSSUOd3i16Bgf2AaHtN3dic3cwZNGOuwxByInmBRJCMUWzrImWVsDm8RW0CwbMx

Moody's Current Methodology

Economy / Tax Base	Finances	Institutional Framework	Leverage
(30%)	(30%)	(10%)	(30%)

Economy / Tax Base (30%)

a. **Resident Income (10%)**
   i. Median Household Income adjusted for Regional price Parity divided by US Median Household Income

b. **Full Value Per Capita (10%)**
   i. Full value divided by population

c. **Economic Growth (10%)**
   i. Difference between municipality and US five-year annual compound growth rate in GDP

Finances (30%)

a. **Available Fund Balance Ratio (Available Fund Balance + Net Current Assets / Revenue) (20%)**
   i. Available fund balance (the sum of a city or county's available fund balance across all governmental funds minus restricted or non-spendable funds) plus net current assets as % of total governmental funds revenue, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services fund

b. **Liquidity Ratio (Unrestricted Cash / Revenue) (10%)**
   i. unrestricted cash in total governmental activities, total business type activities and the internal services fund, net of short-term debt divided by above definition of revenue

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
      - Tax caps
      - Organized labor
      - Difficulty of increasing revenue or decreasing costs
      - Predictability of costs
      - State-imposed limitations on fund balance or reserves
      - Mandated public service commitments

Leverage (30%)

a. **Long Term Liabilities Ratio (Debt + Adjusted Net Pension Liabilities + Adjusted Net OPEB Liabilities + Other Long-Term Liabilities / Revenue) (20%)**
   i. sum of a city or county's debt outstanding, ANPL, adjusted net OPEB liabilities and other long-term liabilities – including those in business type activities – divided by revenue

b. **Fixed Costs Ratio (Adjusted Fixed Costs / Revenue) (10%)**
   i. The sum of a city or county's implied debt service, its pension tread water indicator, its OPEB contributions and its implied carrying costs for other long-term liabilities divided by revenue

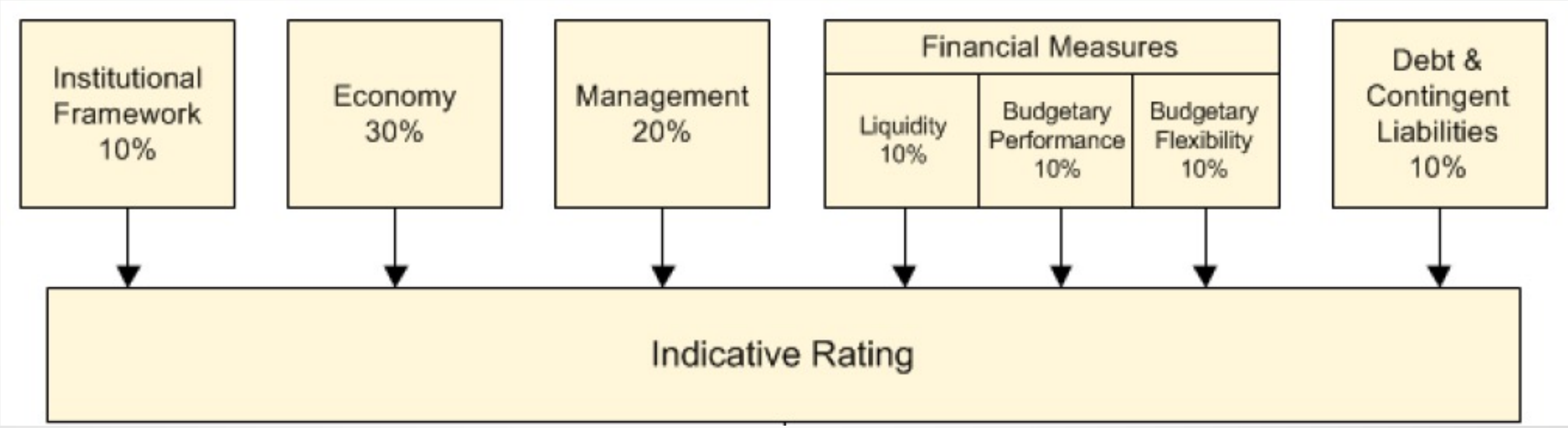
Overall Notching Factors

Adjustments up or down to the preliminary scorecard outcome

1) Additional Strength in Local Resources – very high property values or resident income levels
2) Limited Scale of Operations - small budgets are at greater risk of a budgetary disruption
3) Financial Disclosures – Do you follow GASB rules and do you have the proper pension and OPEB disclosures
4) Potential Cost Shift to or From State
5) Potential for Significant Change in Leverage – can incorporate forward looking risks not captured in scorecard

Source: Moody's Investors Service. https://ratings.moodys.com/api/rmc-documents/386953

S&P Current Methodology



Source: S&P Global Ratings. https://www.capitaliq.com/CIQDotNet/CreditResearch/SPResearch.aspx?articleId=&ArtObjectId=8188093&ArtRevId=11&sid=&sind=A&

S&P Current Methodology

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: S&P Global Ratings. https://www.capitaliq.com/CIQDotNet/CreditResearch/SPResearch.aspx?articleId=&ArtObjectId=8188093&ArtRevId=11&sid=&sind=A&

Recent Areas of Credit Rating Agency Focus

1) Cybersecurity

CYBERSECURITY

- With the increased recent targeting of municipal entities and critical infrastructure by hackers, this is a common area of focus by all credit rating agencies
- Credit rating agencies will now almost certainly ask about an issuer’s cyber security policies and procedures
- It is important t articulate how you train employees against this threat, any proactive policies or training employed, and any remedial measures, such as insurance policies

2) Coronavirus State and Local Fiscal Recovery Funds (SLFRF)

- To combat the Coronavirus pandemic, the federal government set aside a cumulative total of approximately $350 billion to state, local, and Tribal governments across the country to support their response to and recovery from the COVID-19 public health emergency
- Rating agencies wish to know how much was awarded and how much is still available to spend
- Agencies might also inquire as to the uses of the funds to determine if these one time funds are being used to pay for ongoing expenditures possibly creating a “fiscal cliff”

3) Formal Policies

official policy

- Rating agencies will often ask about (and request copies of) formal policies relating to debt, fund balances, spending, investments, etc.
- Rating agencies take the view that any codified, formal policy is preferable to informal policies, and that informal policies are better than no policy at all
- There is a tradeoff to be had between the credit benefits of a formal policy and the flexibility of an informal policy

4) Tax Abatements

TAX

- Issuers should be prepared to answer questions relating to the impact and length of any existing abatements, securities that have been issued backed by payments in lieu of taxes (PILOT), as well as compensation agreements with school districts and/or other political subdivisions

Source: *RBC Capital Markets, https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds*

Credit Rating Factor 1 – Economy / Tax Base

- The ultimate basis for repaying debt is the strength and resilience of the local economy. This factor is 30% of the scorecard outcome for both Moody's and S&P. Both rating agencies have a tax base component as well as a socioeconomic component. Also, while not explicitly reflected in the scorecard, current and future economic development is a key area of emphasis and a frequent topic for analysts

Moody's

- Moody's currently evaluates the economy and tax base with 3 sub factors: resident income, full value per capita, and economic growth (measured by compound annual growth of GDP)
- Some qualitative "below-the-line" adjustments include the presence of an institution like a university or military base, participation in a regional economic center, economic concentration, and extremely high or low unemployment or poverty levels

S&P

- S&P evaluates a municipality's economy using the per capita income statistic effective buying income as well as total market value per capita
- S&P's criteria is currently very similar to Moody's; however, Moody's methodology places less weight on property values and more on GDP growth
- Some qualitative "below-the-line" adjustments include participation in a large, diverse economy, institutional presence, negative budget impacts from demographic challenges, high or low unemployment, and economic concentration

Source: RBC Capital Markets analysis of Moody's Investors Service credit rating methodology. https://ratings.moodys.com/api/rmc-documents/386953. S&P Global Ratings. https://www.capitaliq.com/CIQDotNet/CreditResearch/SPResearch.aspx?articleId=&ArtObjectId=8188093&ArtRevId=11&sid=&sind=A&

Example Slide – Economic Development

- **Over-The-Rhine Redevelopment**
  - Over-The-Rhine, one of the largest, most significant historic districts in the United States, was one of Cincinnati's most dangerous neighborhoods in the early 2000s
  - To remedy this, local government formed a public-private partnership with some of Cincinnati's largest corporations and invested over $1.4 billion in the neighborhood since 2004
  - The result has been an unparalleled success, with the neighborhood now known as an entrepreneurial hub, the site of the City's trendiest locales, and home to a growing community of young, affluent professionals
  - Recent notable business developments include names such as the Brewdog Brewery, Warby Parker, and Google

- **The Banks**
  - The Banks is the cornerstone of a riverfront strategic development plan approved by the City and County in 2007
  - The Banks is a multi-phased, mixed use project designed to transform the way the world sees Cincinnati
  - The Master Plan includes approximately 200,000 -1,000,000 square feet of office, 200,000– 400,000 square feet of retail, 200,000-400,000 square feet of hotel and 1,000,000– 1,800,000 square feet of residential space
  - The project is in Phase 3 and is expected to drive more than $600 million in private investment to the City's riverfront when fully complete

Example Slide – Economic Development

Residential

- Aberdeen – 133 new homes between $325,000 and $500,000
- Chamberlin Crossing – 117 single family homes and 142-unit single-story multi-family development $350,000+
- Deer Valley – 197 new homes (Spring) $275,000 - $350,000

Retail/Commercial

- Great mix of traditional suburban and quaint historic downtown shopping options with low vacancies in both
- Downtown development is a priority for city residents and leaders
- City has invested $4.5 Million in infrastructure and the creation of a signature park space which has spurred over $7M in private investment
- Three successful Public/Private Partnerships to redevelop key buildings
  - Suttman Building– renovation of flagship/historic building - $2.2 million project will create retail/commercial space on the first floor and eight market rate apartments on floors two and three.

Source: City Economic Development Director and Official Statement of Municipal Entity

Example Slide – Economic Development

Office/Light Industrial

- City has invested heavily in infrastructure to spur economic activities.
- Austin Center is now home to some of the City's largest taxpayers
  - Yaskawa America – 300,000 SF new facility with 373 employees
  - United Grinding – 100,000 SF new facility with 140 employees
- Austin Business Park
  - 4 Buildings totaling 250,000 SF house 12 business, most new to the City
  - 5 Building under construction in 2022
- Other Notable Recent Projects
  - C&E Advanced Technologies – 41,00 SF new facility with 50 employees
  - CareSpring (Kettering Health Network) – 70,000 SF nursing facility
  - Think Patented – 42,000 SF building addition to create state or the art fulfillment center
  - Staco Energy Products – 40,000 SF building addition with 10 new jobs

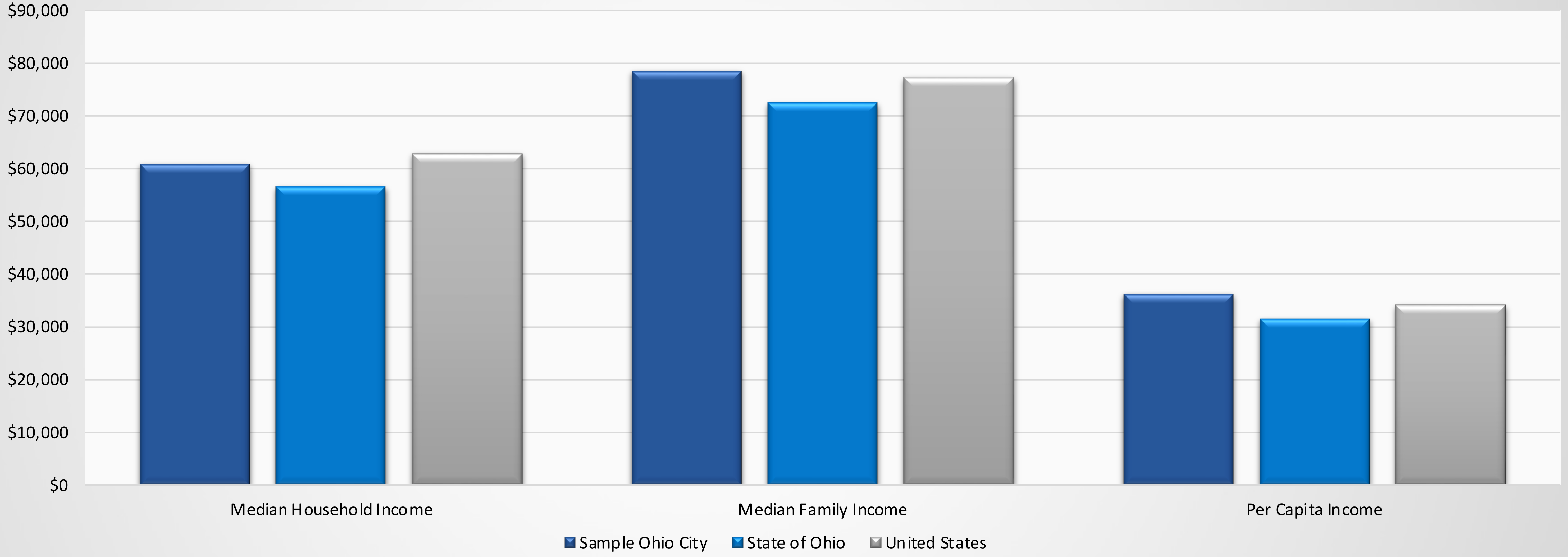
Source: City Economic Development Director and Official Statement of Municipal Entity

Example Slide – Top Employers

Employer	Type of Business	Number of Employees
Kroger Co.	HQ – Retail	18,000
Cincinnati Children’s Hospital	Healthcare	16,478
TriHealth Inc.	Healthcare	12,000
St. Elizabeth Healthcare	Healthcare	10,282
University of Cincinnati	Education	10,196
UC Health	Healthcare	10,112
Procter & Gamble Co.	HQ – Consumer Products	10,000
GE Aviation	HQ - Aerospace	9,000
Bon Secours Mercy Health	Healthcare	7,700
Fifth Third Bancorp	Financial	7,521

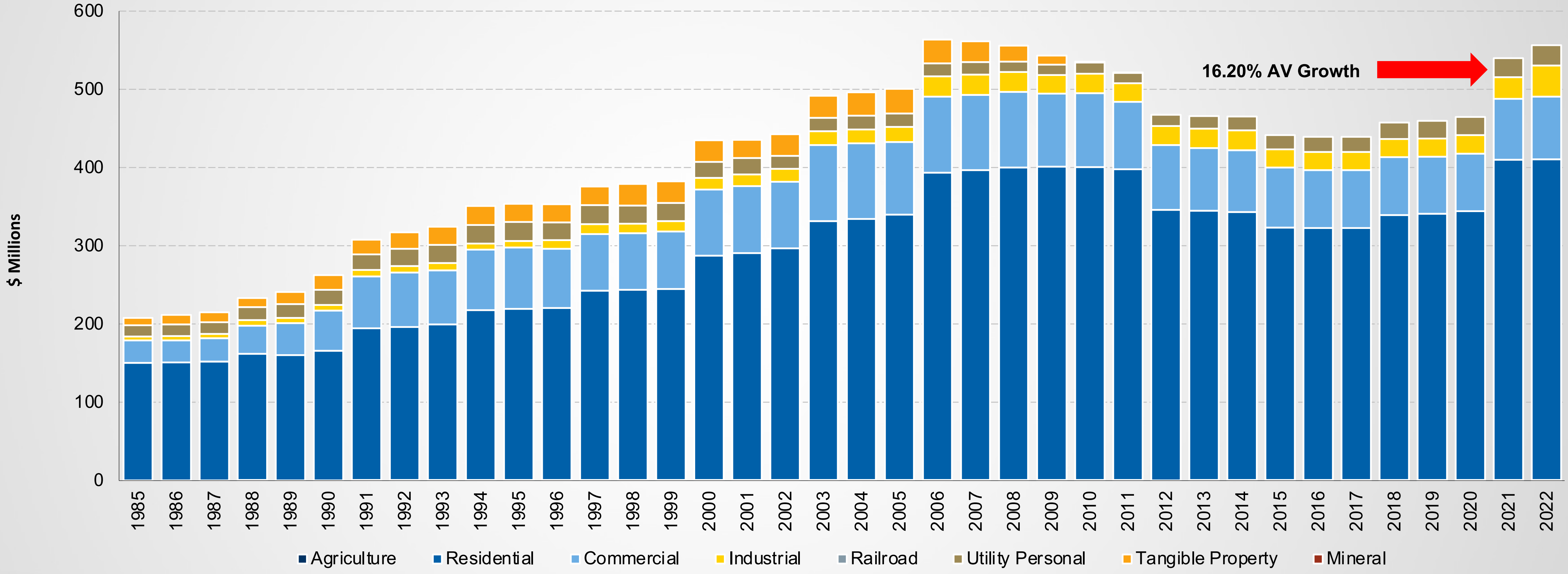
Source: Official Statement of Municipal Entity

Example Slide – Economic Indicators



Source: Official Statement of Municipal Entity

Example Slide – Assessed Valuation History



Source: Official Statement of Municipal Entity

Credit Rating Factor 2 – Finances

- A local government's financial position enables it to respond to new and existing obligations. This factor is 30% of the scorecard outcome for both Moody's and S&P

Moody's

- Moody's methodology uses available operating fund and cash balance ratios. However, it expands the definition of "available" operating funds and incorporates revenue from total governmental funds and business type activities, rather than operating revenue in the denominator
- Likewise, the cash balance statistic includes cash in total governmental activities, total business type activities and the internal services fund, rather than "operating" cash
- Some qualitative "below-the-line" adjustments include enterprise or contingent liability risk, volatile revenue structure, questionable balance sheet items, labor relations, large portions of fund balances unavailable, heavy fixed costs, and limited ability to raise or lower expenditures

S&P

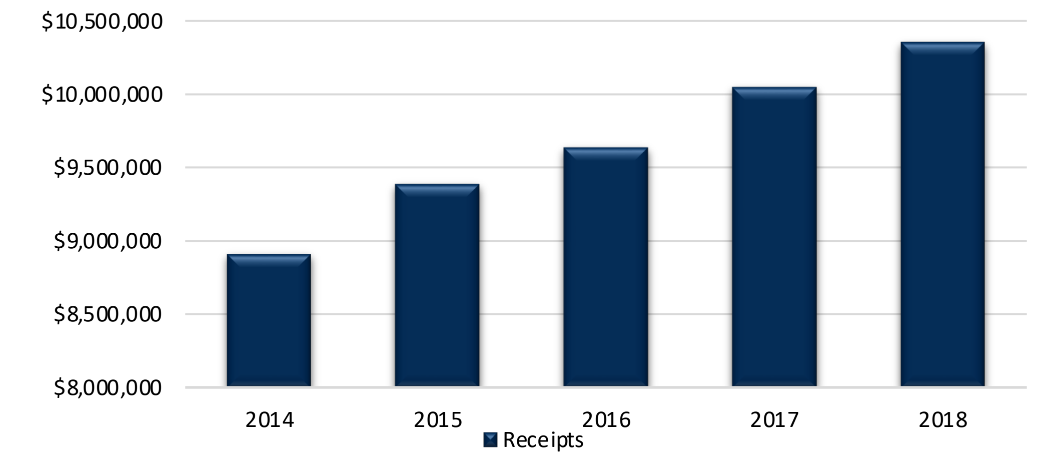
- S&P evaluates finances using liquidity, budgetary performance, and budgetary flexibility criteria
- Liquidity is measured by total governmental available cash as a % of debt service and expenditures. Budgetary performance is measured by increase or decrease in the general fund and total governmental funds. Budgetary flexibility is measured by available fund balance as a % of expenditures
- Some qualitative "below-the-line" adjustments include following year projections, capacity and willingness to cut operational spending, ability and willingness to raise taxes, access to external liquidity, high refinancing risk, and historical volatility of revenues

Source: RBC Capital Markets analysis of Moody's Investors Service credit rating methodology. https://ratings.moodys.com/api/rmc-documents/386953. S&P Global Ratings. https://www.capitaliq.com/CIQDotNet/CreditResearch/SPResearch.aspx?articleId=&ArtObjectId=8188093&ArtRevId=11&sid=&sind=A&

Example Slide – Income Tax

Year	IncomeTax Rate	Receipts	Change from Prior Year
2014	2.00%	$8,910,995	
2015	2.00%	$9,388,862	5.36%
2016	2.00%	$9,634,846	2.62%
2017	2.00%	$10,045,319	4.26%
2018	2.00%	$10,354,164	3.07%

Source: City Finance Director

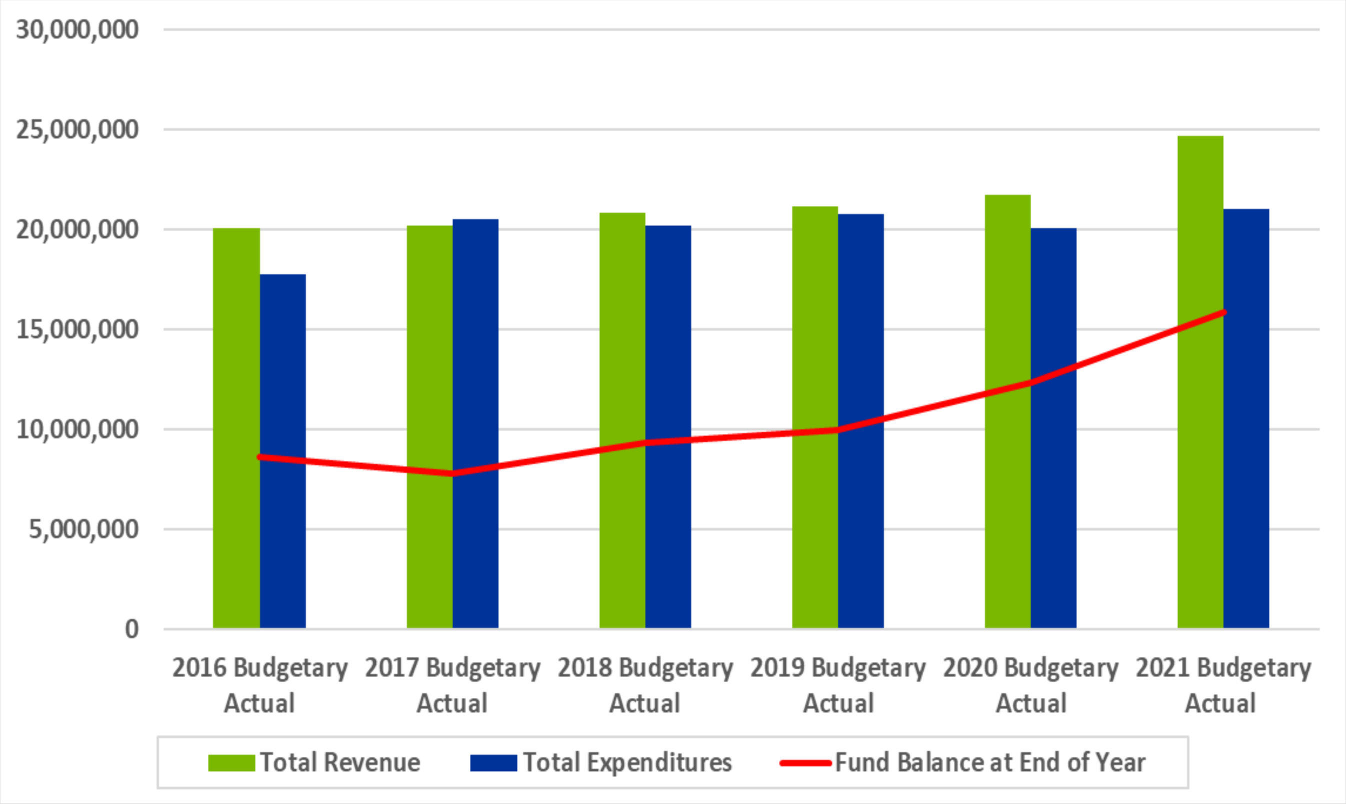


Source: City Finance Director

Income Tax is the City's largest source of revenue

- The City currently levies a 2.00% income tax
- **Approximately 84.7% of income tax receipts are from payroll withholdings**
- In 2018, the City's income tax accounted for approximately 66.5% of all general fund revenue
- From the proceeds of the City's income tax, 1.75% is allocated to the General Fund and 0.25% to a Fire/EMS Fund
- Council may reallocate budgeted receipts as needed to General Fund Expenditures and Debt Service and transfers to other operating funds

Example Slide – General Fund



- The General Fund ended 2021 with cash reserves of approximately $15.9 million, which is a balance capable of supporting 275 days of normal operations.
- The City and Township Joint Fire District has been working on placing a levy on the ballot this fall that would self-fund the District. The City's General Fund contributes $2.6M annually to the Fire District. Once the District is self-funded, these funds would be available for future needs.
- City received $1,161,115 of CARES Act Funds and $1,055,000 of ARPA Funds
- The City's Golf Course debt was paid off in 2021. The General Fund no longer budgets a $50,000 transfer to the Golf Course Fund.

Source: Official Statement of Municipal Entity

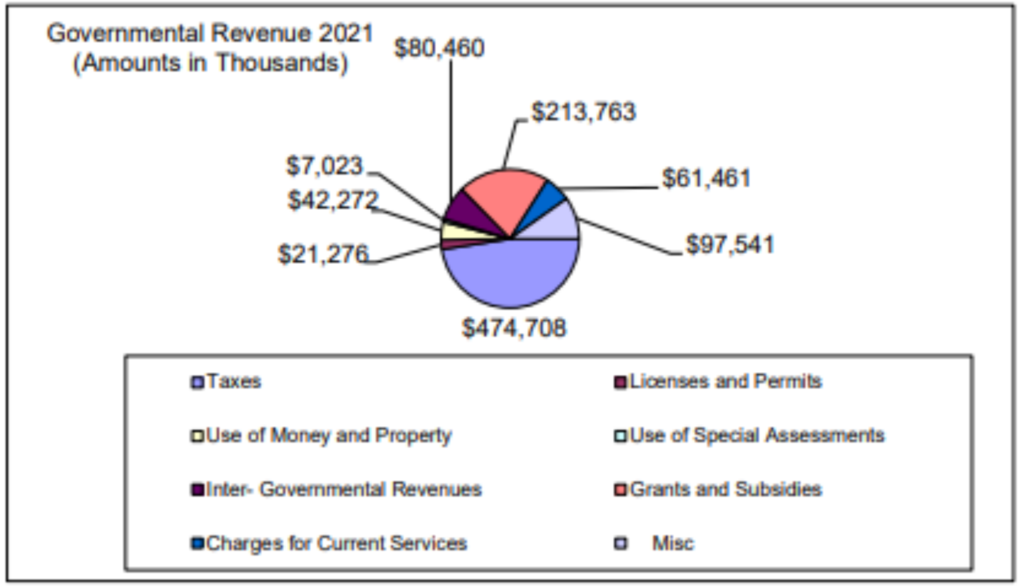
Example Slide – General Fund

	2012	2013	2014	2015	2016	2017
General Government						
Legislative and Executive	$21,662,012	$20,823,433	$21,438,506	$22,178,501	$24,711,023	$24,868,196
Judicial	12,079,500	11,802,124	11,995,794	12,271,852	12,700,550	13,035,289
Public Safety	33,797,273	34,420,883	35,614,648	37,365,934	39,424,527	40,866,792
Public Works	168,829	172,746	170,874	188,826	201,258	213,986
Health	784,488	808,849	745,525	747,217	770,711	643,471
Human Services	1,317,975	1,358,931	1,753,787	1,783,839	1,915,689	2,184,895
Conservation and Recreation	426,186	426,861	436,578	440,422	441,811	452,181
Debt Service						
Principal Retirement	624,735	132,878	607	801	831	-
Interest and Fiscal Charges	21,962	6,266	224	182	77	-
Total Expenditures	**$70,882,960**	**$69,952,971**	**$72,156,543**	**$74,977,574**	**$80,166,477**	**$82,264,810**
Budgeted Expenditures	**72,313,684**	**72,180,453**	**74,849,370**	**78,646,500**	**83,561,757**	**85,917,185**
% of Budget	98%	97%	96%	95%	96%	96%

- Public Safety, the largest expenditure category, is comprised of the Sheriff, Coroner, Adult Probation, and Juvenile Detention Departments.
- Legislative and Executive, the second largest expenditure category, includes the Commissioners, Information Services, Maintenance, Development, Auditor, Treasurer, Recorder, Prosecutor and Board of Elections
- The County has conservative budgeting practices and has substantially grown General Fund Cash balances over the past 5 years.

Source: Official Statement of Municipal Entity

Example Slide – Revenues and Trends



Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Periods
(Amounts in Thousands)

Fiscal Year	Income and Other Taxes	Property Tax	Admissions Tax	Occupancy Tax	Tax Revenue
2012	$ 322,526	$ 49,995	$ 4,616	$ 2,330	$ 379,467
2013	166,137	21,314	1,719	1,092	190,262
2014	344,688	56,953	5,278	2,705	409,624
2015	355,276	57,604	5,444	2,854	421,178
2016	371,435	59,379	6,585	3,369	440,768
2017	370,134	59,641	5,811	3,626	439,212
2018	374,663	62,831	5,797	3,690	446,981
2019	391,191	61,172	6,002	4,106	462,471
2020	418,908	65,716	4,845	3,824	493,293
2021	401,407	71,061	1,247	993	474,708

Source: Official Statement of Municipal Entity

Credit Rating Factor 3 – Management

- The legal and practical framework surrounding a local government shapes its ability and flexibility to meet its responsibilities. This factor is 10% of the scorecard outcome for Moody's and 30 % for S&P. Analysts will likely ask for copies of formal policies and the existence of any informal policies

Moody's

- Moody's currently evaluates institutional framework qualitatively on a state-by-state basis
- Institutional framework is the legal ability to match revenues and expenditures based on the political operating environment of the state
- All Ohio local governments all have an institutional framework score of "A"

S&P

- S&Ps methodology includes a 10% institutional framework score and a 20% management score
- The institutional framework criterion is very similar to Moody's and all political entities of the same type within a state receive the same score
- The management component of the methodology is extensive and includes factors such as strategic positioning, risk management, financial management, organizational effectiveness, and governance
- Formal, long-term policies are preferable to informal, short-term policies

Source: RBC Capital Markets analysis of Moody's Investors Service credit rating methodology. https://ratings.moodys.com/api/rmc-documents/386953. S&P Global Ratings. https://www.capitaliq.com/CIQDotNet/CreditResearch/SPResearch.aspx?articleId=&ArtObjectId=8188093&ArtRevId=11&sid=&sind=A&

Example Slide – Key Financial Highlights

Budget Procedure

- In general, the budgetary process begins seven months or more before the start of the fiscal year for which the budget is to be adopted, and involves review by County officials at several stages. Significant steps in the budgetary process are summarized as follows:
  - 1. On or before July 15 of each year, the City administration prepares, and, after a public hearing, the City Council adopts, a tax budget for the succeeding fiscal year. The tax budget must show estimated receipts and expenditures and indicate the amount of ad valorem property taxes, both inside and outside the ten mill limitation, as hereinafter described, that must be levied in such fiscal year
  - 2. The proposed tax budget is filed with the County Auditor on or before July 20 of each year, who presents it to the County Budget Commission, which is comprised of the County Auditor, County Treasurer and County Prosecuting Attorney. On or before September 1 of each year, the County Budget Commission reviews the tax budget, makes any necessary changes in the amount of ad valorem property taxes to be levied, and in particular, ascertains that sufficient ad valorem property taxes are to be levied, both inside and outside the ten mill limitation, to pay all debt charges
  - 3. The County Budget Commission then certifies the results of its review to the City. Before October 1 of each year, the City Council approves the tax levies as determined by the County Budget Commission and certifies them to the appropriate County officials, who bill and collect the ad valorem property taxes as approved. Real property taxes are payable in two installments, the first usually in January and the second in June
  - 4. No later than April 1 of each year, the City Council adopts an annual appropriation ordinance for the current fiscal year, which may not contain amounts in excess of those approved by the County Budget Commission. The annual appropriation ordinance is certified to the County Auditor, who must certify that the amounts appropriated do not exceed current estimated receipts. Temporary appropriation measures may be enacted pending adoption of the annual appropriation ordinance
- The City uses conservative revenue projections for budgeting purposes and extensively evaluates the operating budget
- City administration and City Council remain focused on improving the financial stability of the City and developing goals to address economic vitality and infrastructure objectives for the future
- The Government Finance Officers Association of the United States and Canada (GFOA) have awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for the last 34 consecutive years
- Since 2013, $9.6 million in surplus general funds have been transferred to the Municipal Facilities Fund to finance capital improvements on a pay as you go basis without the need to borrow

Source: Official Statement of Municipal Entity

Example Slide – Contracts and Pension Funds

Year	OPERS Employer's Contribution	OPERS Employee's Contribution	OP&F Employer's Contribution	OP&F Employee's Contribution
2017	$675,404	$675,404	$565,858	$355,475
2018	999,168	713,693	593,890	373,496
2019	1,032,163	737,261	623,198	391,496
2020	1,023,048	730,738	657,975	413,343
2021	1,065,503	761,076	678,692	426,358

Ohio Patrolmen's Benevolent Association (OPBA) – Officers

- 27 members – contract expires on December 31, 2024

Ohio Patrolmen's Benevolent Association (OPBA) - Sergeants

- 5 members – contract expires on December 31, 2024

Teamsters Local Union 957

- 33 members – interim agreement expired December 31, 2021. A tentative one-year agreement was reached by both parties that includes a 3% wage increase and is pending a vote by the members. Only 8 members are paid by the General Fund.

Source: Ohio Public Employee Retirement System Audited Financial Statements. Ohio Police and Fire Pension Fund Audited Financial Statements. Official Statement of Municipal Entity

Example Slide – Election History

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 %)

Source: Official Statement of Municipal Entity

Credit Rating Factor 4 – Debt and Liabilities

- Debt and liabilities represent important components of the long term-term financial obligation. This factor is 30% of the scorecard outcome for Moody's and 10 % for S&P. Agencies will often consider future capital plans and the amortization schedule of current debt

Moody's

- Moody's currently evaluates debt and liabilities with 2 sub factors: (Debt + Adjusted Net Pension Liabilities + Adjusted Net OPEB Liabilities + Other Long-Term Liabilities) / Revenue and Adjusted Fixed Costs / Revenue
- In addition to traditional debt outstanding, the methodology places a greater weight on liabilities and current fixed costs, especially adjusted pension and OPEB liabilities
- This will impact all Ohio municipalities, as most state retirement plans have large unfunded liabilities

S&P

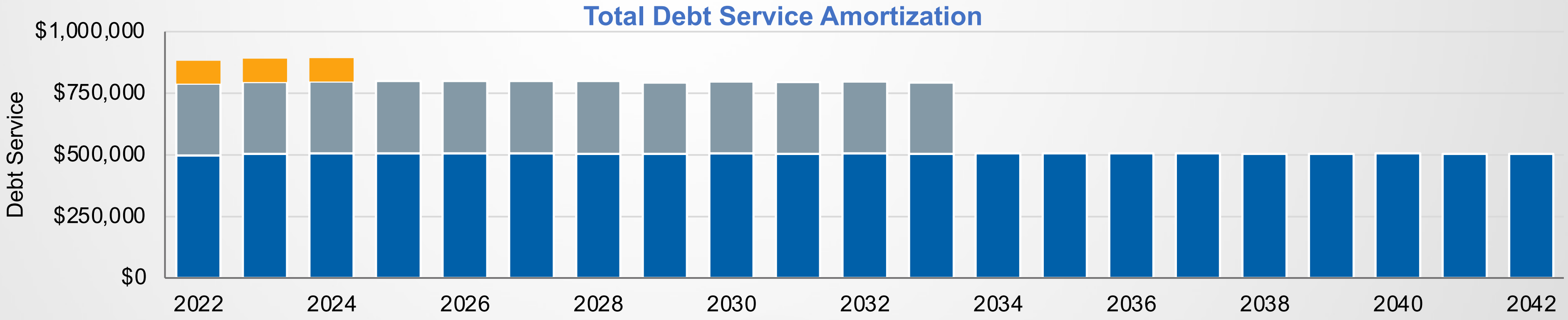
- S&P analyzes debt as a function of net direct debt as a % of total governmental funds revenue and total governmental funds debt service as a % of total governmental funds expenditures
- The impact of pension and OPEB obligations depends on the degree to which such costs will likely escalate and whether the government has plans to address them
- Below-the-line factors that can influence the score include exposure to interest rate risk, unaddressed exposure to large unfunded pension or OPEB liabilities, the existence of contingent liabilities, and significant future debt plans

Source: RBC Capital Markets analysis of Moody's Investors Service credit rating methodology. https://ratings.moodys.com/api/rmc-documents/386953. S&P Global Ratings. https://www.capitaliq.com/CIQDotNet/CreditResearch/SPResearch.aspx?articleId=&ArtObjectId=8188093&ArtRevId=11&sid=&sind=A&

Example Slide – LTGO Debt Summary

General Obligation Bonds

Date of Original Issue	Purpose	Interest Rate	Final Maturity	Original Amount Issued	Amount Outstanding
03/30/2022	Various Purpose LTGO Bonds, Series2022	4.00%	12/01/2042	$7,175,000	$7,175,000
05/19/2021	Equipment Acquisition Bonds, Series 2021	0.85%	12/01/2024	$278,850	$278,850
04/27/2021	Austin Road Refunding Bonds, Series 2021	1.79%	12/01/2033	$3,345,000	$3,125,000
Total		**1.79% - 4.00%**	**12/01/2042**	**$10,793,850**	**$10,578,850**



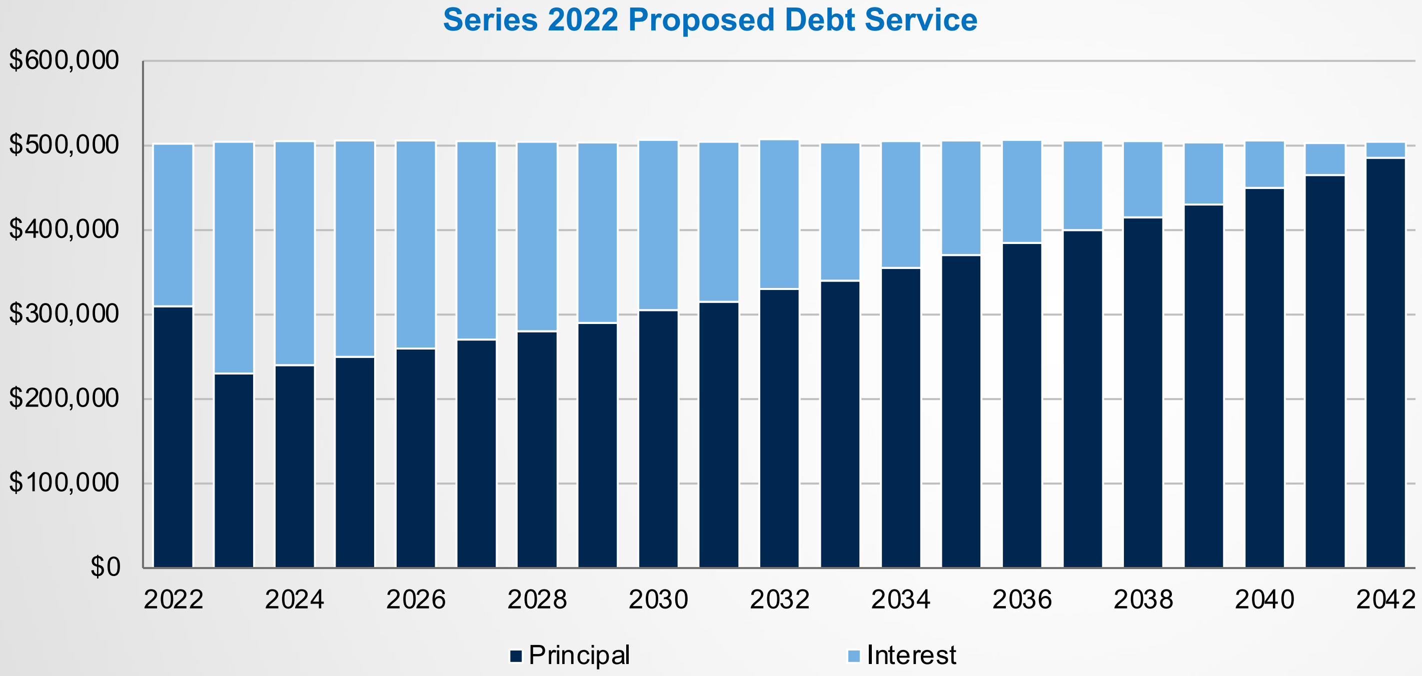
Source: Official Statement of Municipal Entity

Example Slide – LTGO Debt Service Schedule

Total LTGO Bond Debt Service			
Maturity	Principal	Interest	Debt Service
12/01/2022	637,164.38	250,517.29	887,681.67
12/01/2023	562,947.78	327,917.83	890,865.61
12/01/2024	578,737.84	313,631.77	892,369.61
12/01/2025	500,000.00	298,849.50	798,849.50
12/01/2026	515,000.00	284,374.50	799,374.50
12/01/2027	530,000.00	269,410.00	799,410.00
12/01/2028	545,000.00	253,956.00	798,956.00
12/01/2029	555,000.00	238,012.50	793,012.50
12/01/2030	575,000.00	221,669.00	796,669.00
12/01/2031	590,000.00	204,636.00	794,636.00
12/01/2032	610,000.00	187,113.50	797,113.50
12/01/2033	625,000.00	168,901.50	793,901.50
12/01/2034	355,000.00	150,200.00	505,200.00
12/01/2035	370,000.00	136,000.00	506,000.00
12/01/2036	385,000.00	121,200.00	506,200.00
12/01/2037	400,000.00	105,800.00	505,800.00
12/01/2038	415,000.00	89,800.00	504,800.00
12/01/2039	430,000.00	73,200.00	503,200.00
12/01/2040	450,000.00	56,000.00	506,000.00
12/01/2041	465,000.00	38,000.00	503,000.00
12/01/2042	485,000.00	19,400.00	504,400.00
Total	**10,578,850.00**	**3,808,589.39**	**14,387,439.39**

Source: Official Statement of Municipal Entity

Example Slide – Plan of Finance



- The Bonds are being issued for the purpose of permanently financing outstanding bond anticipation notes originally issued for the purpose of making road improvements and storm water improvements in the City.
- The exact size of the financing will depend on market conditions on the pricing date (The City is currently generating approximately $900,000 in premium).
- The Bond Issue will be bank qualified in order to obtain a pricing benefit on the issue and to expand the pool of investors for the City.
- This bonds will be unvoted general obligations of the City. However, the City expects to finance all debt service payments from TIF revenue.

Source: Municipal Entity Finance Team