

# OMAC MuniNews

Volume 9, Issue 1

News & Views About the Ohio Municipal Finance Industry

April 2007

This newsletter is available on our website: [www.ohiomac.com](http://www.ohiomac.com)

## Ohio City And County 2006 Ratings Comparison

*Primary Credit Analysts: Susan Knutson, Chicago, (312) 312-233-7017 [susan\\_knutson@standardandpoors.com](mailto:susan_knutson@standardandpoors.com)*

*Secondary Credit Analysts: Justin Formas, Chicago, (312) 233-7032 [justin\\_formas@standardandpoors.com](mailto:justin_formas@standardandpoors.com)*

Ohio's ratings, for the most part, have remained stable during 2006 with just one upgrade and one downgrade. In addition, the state's highly rated municipalities are not concentrated in any one area thanks to the statewide dispersion of economic centers. Therefore, most of these entities exhibit strong or very strong credit characteristics.

Standard & Poor's Ratings Services currently rates the GO debt of about 55 counties, cities, villages, and townships in Ohio with ratings ranging from 'AAA' to 'BBB-'; there are three 'AAA'-rated municipalities and 28 communities in the 'AA' rating category (see Ohio Municipalities Comparison table). Standard & Poor's, in general, assesses credit ratings according to established criteria using several factors that we outline below.

### Ratings Criteria

#### *Economy: the building block of sound fiscal health*

The local economy's strength is typically the most critical element in determining an issuer's rating. The rating analysis starts with an assessment of the issuer's economic characteristics, incorporating both local and national economic factors and trends. We view the economy as the foundation of a community's fiscal health.

Important economic factors include the municipality's:

- Population trends,
- Employment depth and diversity,
- Current and historical unemployment rates,
- Median household and per capita income indicators as a percent of the national average,
- Assessed valuation growth, and
- Property tax base's size in terms of estimated market value and market value per capita.

An issuer's geography and access to transportation networks and major employment markets play key roles in the rating analysis. Smaller municipalities that are near a larger city are given credit for being part of a broader and more diverse economy

because their residents can take advantage of employment opportunities in the larger cities.

#### *Financial operations must support the rating*

Financial performance and flexibility are also important considerations in evaluating a municipality's creditworthiness. In general, finances must support the rating. Troubled financial operations, such as a string of fiscal imbalances or thinning reserves, can lead to lowered ratings.

Key financial factors that Standard & Poor's examines include the municipality's:

- Accounting and reporting methods;
- Revenue structure and flexibility;
- Expenditure flexibility;
- General fund balance and unrestricted cash levels as a percent of general fund expenditures and revenues;
- History of operating surpluses or deficits;
- General fund revenue and expenditure growth trends;
- Budgeting and financial planning;
- Contingent financial obligations, such as off-balance-sheet debt or pension liabilities; and
- Additional expected increases in health care, labor, and other costs relative to capacity for revenue growth.

### Final Newsletter!

Unless . . .

#### **"Muninews" on the Web.**

This will be the final hardcopy mailing of OMAC "Muninews" newsletter. Don't worry, future newsletters can be viewed at OMAC's website ([www.ohiomac.com](http://www.ohiomac.com)). If you would prefer, OMAC can e-mail you future newsletters. Please e-mail Lorrie Peters at [lorrie@ohiomac.com](mailto:lorrie@ohiomac.com) with your contact information.

Continued on Page 2

***Management: sound practices and policies can help overcome negatives***

Financial management is another major factor in our evaluation of state and local government creditworthiness. Communities can surmount economic weaknesses or financial challenges through the use of solid management practices. Important management issues that we look at are the municipality's:

- General fund balance policies or targets,
- Expenditure controls and flexibility,
- Frequency of budget reconciliations,
- Degree of multiyear financial forecasting, and
- Capital planning and debt management.

***Debt is examined through a nationwide telescope***

To determine the magnitude of an issuer's debt burden, Standard & Poor's examines both the municipality's direct debt and overlapping debt from other governmental entities. Key debt ratios are the municipality's:

- Overlapping per capita debt burden,
- Overall debt as a percent of the property tax base's market value,
- Debt service carrying charges, and
- Debt amortization.

Key debt ratios, as are all ratios used in analysis, are held up against national statistics for rated communities with

comparable populations. From a ratings perspective, it could potentially be troublesome if a community's debt ratios are significantly higher than national averages.

**'AAA'-Rated Municipalities**

There are more than 50 'AAA'-rated municipalities in the U.S., three of which are in Ohio. Columbus and Franklin County are both rated 'AAA', as is Westlake, a suburb of Cleveland. The 'AAA' communities exhibit exceptionally strong economic and financial characteristics and have excellent management practices. The financial positions of these municipalities are very strong and reflect diverse revenue sources with well-defined parameters for liquidity, investments, and interfund transfers despite economic softness over the past three years.

**'AA' Category Municipalities**

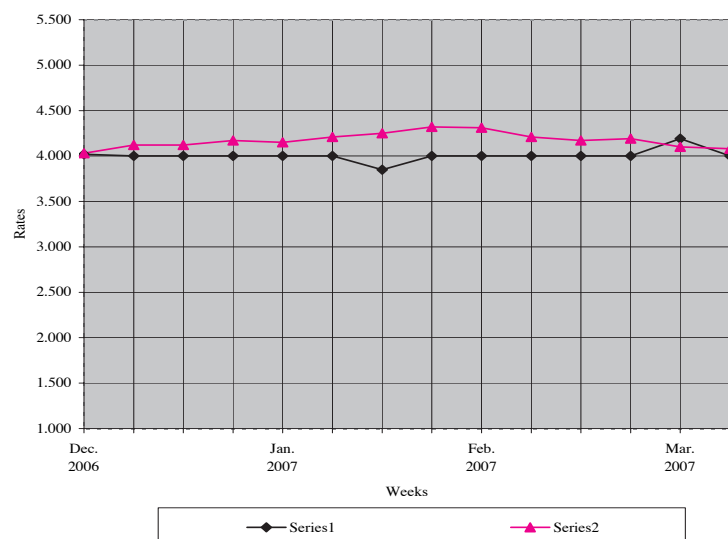
Standard & Poor's rates 27 Ohio communities in the 'AA' category. The income and per capita market value indicators associated with 'AA' category communities tend to be very high. Overall, the property tax bases of these communities are diverse, representing a sound mix of residential and commercial properties. Very strong finances are the norm in 'AA' communities, and the average unreserved fund balance for the category exceeds 25%. 'AA'-rated communities also tend to have excellent management practices that are not reflected in the quantitative data. New Albany Village's GO debt rating was raised one notch to 'AA' from 'AA-' based on its rising income levels and continued strong financial operations. Worthington's GO debt rating was lowered one notch to 'AA' from 'AA+' due to its deteriorating financial operations.

## MARKET UPDATE

### GENERAL OBLIGATION

#### Note and Bond Interest Rates for December thru March

The following graph compares Ohio short-term note rates with the Bond Buyer's 20 year bond index. The short-term rates represent actual rates reported to OMAC by Ohio purchasers and reported on OMAC's weekly calendar.



### 'A' Category Municipalities

The 22 communities in the 'A' category are also dispersed statewide. The 'A' category consists of issuers with sound economic and financial characteristics that tend to have income and wealth indicators on par with national averages.

### 'BBB' Category Municipalities

There are only three Ohio communities in the 'BBB' category. These credits usually are blighted areas, have very concentrated property tax bases (Carroll Water and Sewer District), or simply have a limited local economy. Financial pressures are usually evident; declining revenue streams further exacerbate these pressures.

### Comparisons Serve Their Purpose

Although we don't solely use comparative data to determine a municipality's rating, economic and financial comparisons can serve to develop a profile for each rating category.

A rating change, whether an upgrade or downgrade, is based on a material change in an issuer's credit characteristics; most often, such material changes are economic or financial but can also be triggered by alterations to debt burden or management initiatives. Examples of material economic changes are substantial employment or property tax base growth, perhaps through redevelopment efforts, or increasing income levels. Material financial changes can include a trend of decreasing or increasing reserves with projections that indicate management will sustain such levels.

*This Article reprinted with permission is an excerpt from commentary provided by Standard and Poor's*

## Remembrance

### Dean L. Berry 1935 - 2007

It is with heavy hearts that we announce the passing of Dean L. Berry. Dean served the municipal industry in Ohio as an attorney with Squire Sanders & Dempsey of Cleveland. He spent over 40 years with Squire Sanders & Dempsey, specializing in bond law. Dean was born in Chicago and was one of the original members of the 1940's "Quiz Kids" radio show, broadcast out of Chicago. He graduated from DePauw University and served in the Air Force with an intelligence unit. After his military service he obtained a law degree from the University of Michigan Law School. He worked with many universities, municipalities, state agencies and school districts in Ohio. He was a dear friend and a knowledgeable advisor to OMAC.

## Ohio Municipalities

### AAA

Columbus City  
Franklin County

Westlake City

### AA+

Cincinnati  
Cuyahoga County  
Delaware County

Shaker Heights  
Solon City  
Indian Hill Village

### AA

Cleveland Heights  
Medina County  
New Albany Village  
Portage County  
Summit County  
Worthington

Liberty Township  
Montgomery County  
Ottawa Hills Village  
Powell  
Willoughby  
Wyoming

### AA-

Akron  
Green City  
Hilliard

Findlay  
Hancock County  
Medina County  
District Library  
Sharonville

Munroe Falls  
Sylvania Area Joint Recreational District

### A+

Bedford  
Champaign County  
Heath  
Lucas County  
Wooster

Canton  
Dayton  
Logan County  
Parma

### A

Bath Township  
Clinton County  
Huron  
Putnam County

Cleveland  
Franklin  
Parma Heights  
Toledo

### A-

Ashtabula  
Crawford County  
Oakwood Village  
Urbana

Chardon

### BBB+

Washington

### BBB-

Carroll Wtr & Swr Dist

Youngstown



**Ohio Municipal Advisory Council**  
 9321 Ravenna Rd, Unit K  
 Twinsburg, OH 44087-2445

PRSRT STD  
 US POSTAGE  
**P A I D**  
 CLEVELAND OHIO  
 PERMIT 4584

## CALENDAR

### *Calendar of Issuer Conferences & Outings for 2007*

NAME	EVENT	DATE	LOCATION
CAAO	Summer Conference Winter Conference	June 11 - 14 November 14 - 16	Sheraton Suites Hotel - Cuyahoga Falls, Ohio Embassy Suites - Dublin, Ohio
CCAO	Summer Conference Winter Conference Annual Golf Outing	June 10 - 12 Dec. 2 - 7 August 1	Park Inn & SeaGate Center - Toledo, Ohio Hyatt Regency - Columbus, Ohio Oakhaven Golf Club - Delaware, Ohio
CTAO	Spring Meeting Fall Meeting	May 14 - 17 November 13 - 15	Marriott Northwest at Tuttle Crossings - Dublin, Ohio Marriott Northwest at Tuttle Crossings - Dublin, Ohio
GFOA	National Conference Annual Golf Outing Annual Fall Conference	June 10 - 13 July - 16 September 11 - 13	Anaheim Convention Center - Anaheim, California Riviera Golf Club - Dublin, Ohio Hilton Easton Town Center - Columbus, Ohio
MFOA (OML)	Spring Conference Annual Conference Northeast Ohio Golf Outing North-Central Ohio Golf Outing	May 16 - 18 October 3 - 5 August 1 August 22	Marriott Northwest - Dublin, Ohio Hyatt Regency Hotel - Cincinnati, Ohio Sleepy Hollow Golf Course - Brecksville, Ohio Woussicket Golf Course - Sandusky, Ohio
NACO	National Conference	July 13 - 17	Greater Richmond Convention Center - Richmond, Virginia
OAPT	Annual Conference National Conference Golf Outing	October 3 - 5 August 11 - 15 June 20	Salt Fork State Park - Cambridge, Ohio Town & Country Resort - San Diego, California Brookledge Golf Club - Cuyahoga Falls, Ohio
OASBO	Annual Workshop	May 1 - 4	Hyatt Regency Hotel - Columbus Convention Center
OMCA	Spring Conference	April 18 - 20	Maumee Bay Resort - Oregon, Ohio
OPFOTP	Ohio Public Finance Officers Training Program CMFA Maintenance Program Golf Outing	June 18 - 22 June 21 - 22 June 20	Sheraton Suites Hotel - Cuyahoga Falls, Ohio Sheraton Suites Hotel - Cuyahoga Falls, Ohio Brookledge Golf Club - Cuyahoga Falls, Ohio
OSBA	Capital Conference	November 11 - 14	Hyatt Regency - Columbus Convention Center
SIFMA (BMA)	Annual Meeting	November - TBD	TBD

CAAO - County Auditor's Association of Ohio - (614) 228-2226  
 CCAO - County Commissioners Association of Ohio - (614) 221-5627  
 CTAO - County Treasures Association of Ohio - (614) 233-6818  
 GFOA - Government Finance Officers Association - (614) 221-1900  
 MFOA - Municipal Finance Officers Association of Ohio - (614) 221-4349  
 NACO - National Association of Counties - (614) 221-5627  
 OAPT - Ohio Association of Public Treasurers - (216) 443-7814

OASBO - Ohio Association of School Business Officials - (614) 431-9116  
 OMCA - Ohio Municipal Clerks Association - (614) 221-4349  
 OPFOTP - Ohio Public Finance Officers Training Program - (330) 672-7148  
 OSBA - Ohio School Boards Association - (614) 540-4000  
 SIFMA (formerly BMA) - Securities Industry & Financial Market  
 Association - (212) 608- 1500

If you would like your event highlighted, contact Chris Scott at 1-800-969-6622, or by email at [Chris@ohiomac.com](mailto:Chris@ohiomac.com)