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Bank Loans And Bond Ratings: What To Disclose?

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As bank holdings of municipal debt have increased over the past several years, Standard & Poor's Ratings Services is taking this opportunity to alert issuers with outstanding ratings regarding what documentation we expect to review in instances in which a rating on bank loans and non-publically issued debt, as well as any other additional debt, has not been requested.

Here we answer some frequently asked questions regarding documentation that Standard & Poor's expects to review when an issuer incurs additional debt.

Frequently Asked Questions

What is Standard & Poor's position on an issuer disclosing its non-publically issued debt?

Debt-like obligations, whether in the form of a bank loan, securities sold publicly, or in any other form, are, in our view, material and, thus, relevant to outstanding ratings. Therefore, additional debt in any form is something we want disclosed directly to us along with the related legal documentation.

Isn't posting information on non-publically issued debt to EMMA sufficient?

In our view, no. Even though the Municipal Securities Rulemaking Board (MSRB) has encouraged issuers to voluntarily post information about bank loans to the Electronic Municipal Market Access (EMMA) Web site, and a number of industry groups, through the white paper "Considerations Regarding Voluntary Secondary Market Disclosure About Bank Loans" have weighed in on this issue, Standard & Poor's doesn't believe that posting to EMMA is sufficient since it remains within an issuer's discretion whether or not to post, and posting could occur after the transaction has closed. As noted above, we expect that all debt, in any form, be disclosed directly to us.

Moreover, even if issuers are not requesting a Standard & Poor's rating on the additional debt, we expect issuers to provide appropriate documentation and information to us well in advance of the issuance or placement, so that we can determine what impact, if any, the additional debt will likely have on the outstanding rating(s). If we subsequently find out about an unrated issuance, we will evaluate it at that time for its potential impact on our outstanding ratings. If information about the debt is not provided to us, we may take action in accordance with our rating suspension procedures.

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In addition to related documentation, we believe that maintaining an open dialogue with issuers' management about key credit factors, such as additional debt plans and the specifics of additional debt issues, is critical to maintain accurate ratings.

Is this a new Standard & Poor's requirement?

No. We have been encouraging disclosure on this topic in the years since directly placed debt increased in popularity. When assigning ratings, Standard & Poor's notifies issuers that "to maintain the rating, Standard & Poor's must receive all relevant financial and other information, including notice of material changes to financial and other information provided to us and in relevant documents, as soon as such information is available.

What are Standard & Poor's primary areas of interest when analyzing additional debt?

In order to accurately assess an entity's credit quality, Standard & Poor's is particularly interested in:

- The purpose and strategy of additional debt issuance;
- The amount of additional debt and its impact on the overall debt profile;
- The terms (long term, short term, fixed, variable) of additional debt;
- Potential calls on liquidity as a result of termination, default, and acceleration events; and
- The security terms and covenants of additional debt.

Again, identifying any potential risks of a transaction and communicating with management about these risks through an open dialogue and exchange of information with Standard & Poor's is critical to maintaining accurate ratings. It is better that this exchange occur before a transaction is finalized, in our view, so that management can consider any rating implications of the transaction.

Related Criteria And Research

- Contingent Liquidity Risks in U.S. Public Finance Instruments: Methodology And Assumptions, March 5, 2012
- Appeal Of Alternative Financing Is Not Without Risk For Municipal Issuers, May 17, 2011
- Procedures For Suspending Ratings In U.S. Public Finance Due To Insufficient Information, Aug. 25, 2011
- Credit FAQ: Changes And Challenges In The Variable-Rate Debt Market, March 10, 2010

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2013 August Election Results

Voters approved 31% of Ohio’s school district levies in the August 6, 2013 primary election. Of the sixteen (16) school district tax levies on the ballot, five (5) were approved, while eleven (11) were defeated.

All four (4) bond issues were school districts. Of these, three (3) were considered large - \$10,000,000 or greater, one (1) was considered intermediate - \$5,000,000 to \$9,999,999 and zero (0) were considered small – less than \$5,000,000. Voters approved three (3) or \$69,702,577, while rejecting one (1) or \$13,499,000.

The following tables show the results of the bond issues and school tax levies submitted at the August 6, 2013 primary election. The results were compiled with the assistance of the County Boards of Election, and the office of the Secretary of State.

Bond Issues

The following table compares this years results with those of the past four years.

YEAR	VOLUME SUBMITTED	VOLUME APPROVED	PCT. APP.	NUMBER SUBMITTED	NUMBER APPROVED	PCT. APP.
2013	\$83,201,577	\$69,702,577	83.8%	4	3	75.0%
2012	80,328,135	0	0.0	4	0	0.0
2011	40,000,000	0	0.0	1	0	0.0
2010	227,221,906	49,750,161	20.6	9	3	33.3
2009	81,135,722	1,940,722	2.4	3	1	33.3

The second table shows by issue size, the volume and number of each submitted, and the volume and number of each approved (including ratio approved).

Issue Size*	SUBMITTED		APPROVED			
	Volume	No.	Volume	%Vol.	No.	%No.
Large	\$75,651,577	3	\$62,152,577	82.2%	2	66.7%
Intermediate	7,550,000	1	7,550,000	100.4	1	100.0
Small	0	0	0	0.0	0	0.0
TOTAL	\$83,201,577	4	\$69,702,577	83.8%	3	75.0%

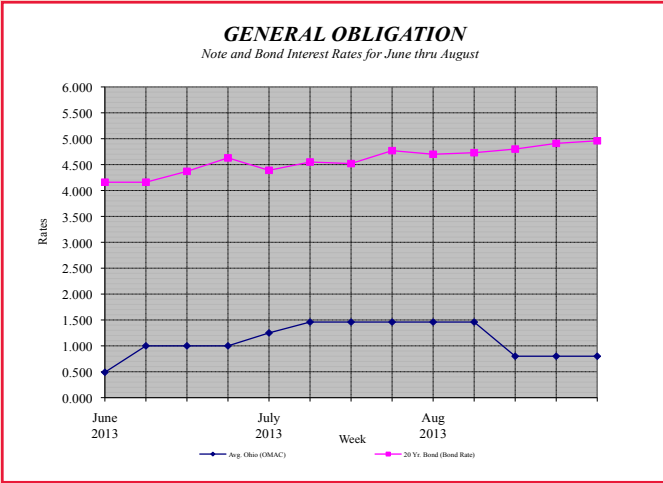
*Large - \$10,000,000 or greater; Intermediate - \$5,000,000 to \$9,999,999; Small - less \$5,000,000

MARKET UPDATE

GENERAL OBLIGATION

Note and Bond Interest Rates for June thru August

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.



The third table shows by subdivision classification, the volume and number of issues approved.

	-----VOLUME-----			-----NUMBER-----		
	Submitted	Approved	% App.	Submitted	Approved	% App.
County	\$0	\$0	0.0 %	0	0	0.0 %
Municipality	0	0	0.0	0	0	0.0
Township	0	0	0.0	0	0	0.0
School District	83,201,577	69,702,577	83.8	4	3	75.0
TOTAL	\$83,201,577	\$69,702,577	83.8 %	4	3	75.0 %

The fourth table shows further breakdown of the volume and number of issues approved for school districts.

	-----VOLUME-----			-----NUMBER-----		
	Submitted	Approved	% App.	Submitted	Approved	% App.
City	\$45,000,000	\$45,000,000	100.0 %	1	1	100.0 %
Local S/D	38,201,577	24,702,577	64.7	3	2	66.7
Jt. Voc. S/D	0	0	0.0	0	0	0.0
TOTAL	\$83,201,577	\$69,702,577	83.8 %	4	3	75.0 %

School District Tax Levies

The first table shows the total new millage levies submitted (number and volume), and also the results thereof.

Type	-----Submitted-----		-----Approved-----				-----Defeated-----			
	No.	Millage	No.	Pct.	Millage	Pct.	No.	Pct.	Millage	Pct.
Curr Exp \$ Perm Impr. *	2	14.90	0	0.0	0.00	0.0	2	100.0	14.90	100.0
Current Expense	2	13.87	0	0.0	0.00	0.0	2	100.0	13.87	100.0
Emergency	5	44.88	0	0.0	0.00	0.0	5	100.0	44.88	100.0
Permanent Improvement	3	1.50	2	66.7	1.00	66.7	1	33.3	0.50	33.3
TOTAL	12	75.15	2	16.7	1.00	1.3	10	83.3	75.15	98.7

*Millage and percent for these issues are calculated with the individual Current Expense and Permanent Improvement categories.

The second table shows the total renewal millage levies submitted (number and volume), and also the results thereof.

Type	-----Submitted-----		-----Approved-----				-----Defeated-----			
	No.	Millage	No.	Pct.	Millage	Pct.	No.	Pct.	Millage	Pct.
Emergency	3	21.65	2	66.7	13.85	64.0	1	33.3	7.80	36.0
Permanent Improvement	1	2.00	1	100.0	2.00	100.0	0	0.0	0.00	0.0
TOTAL	4	23.65	3	75.0	15.85	67.0	1	25.0	7.80	33.0

* Includes Current Operating
** Millage and percent for these issues are calculated with the individual Current Expense and Permanent Improvement categories.

The third table gives a three year comparison (Primary Elections) by levy type, the total new millage submitted and approved, with the ratio approved.

	----- 2013 -----			----- 2012 -----			----- 2011 -----		
	Subm.	App.	% App.	Subm.	App.	% App.	Subm.	App.	% App.
Current Expense	13.87	0.00	0.00	24.35	6.75	27.7	43.70	5.70	13.0
Permanent Improvement	1.50	1.00	66.7	15.56	11.96	76.9	0.50	0.00	0.00
Curr Exp \$ Perm Impr. *	14.90	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Emergency	44.88	0.00	0.00	87.80	26.61	9.0	61.22	5.96	9.7
TOTAL	75.15	1.00	1.3	127.71	130.92	30.7	507.68	11.66	11.1

*Millage and percent for these issues are calculated with the individual Current Expense and Permanent Improvement categories.

CALENDAR

Calendar of Issuer Conferences & Outings for 2013

NAME	EVENT	DATE	LOCATION
CAAO	Winter Conference	November 20-22	Embassy Suites - Dublin, Ohio
CTAO	Fall Meeting	November 19-21	Columbus Marriott NW at Tuttle Crossing - Dublin, Ohio
MFOA (OML)	Annual Conference	September 26-27	Sheraton Capital Square - Columbus, Ohio
OAPT	Annual Conference	September 25-27	Niagara Conference Center - Put-In-Bay, Ohio
OSBA	Capital Conference	November 10-13	Columbus Convention Center - Columbus, Ohio

(T) - means date or place is tentative.

Red lettering means revised or updated events.

CAAO - County Auditor's Association of Ohio ----- (614) 228-2226 ----- www.caaao.org
 CTAO - County Treasurers Association of Ohio ----- (614) 517-5072 ----- www.ohiocountytreasurers.org
 GFOA - Government Finance Officers Association ----- (614) 221-1900 ----- www.ohgfoa.com
 MFOA - Municipal Finance Officers Association of Ohio ----- (614) 221-4349 ----- www.omloho.org
 NACO - National Association of Counties ----- (614) 221-5627 ----- www.naco.org
 OAPT - Ohio Association of Public Treasurers ----- (440) 576-3944 ----- www.ohioapt.org
 OASBO - Ohio Association of School Business Officials ----- (614) 431-9116 ----- www.oasbo-ohio.org
 OMCA - Ohio Municipal Clerks Association ----- (614) 221-4349 ----- www.omca.us
 OSBA - Ohio School Boards Association ----- (614) 540-4000 ----- www.ohioschoolboards.org

If your organization has other events scheduled that you would like to see listed here, please contact OMAC at 800-969-6622 or email us at chris@Ohiomac.com.