

OMAC MuniNews

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News & Views About the Ohio Municipal Finance Industry

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from the Director



KEN
GURNEY

Sale of municipal long-term debt by Ohio issuers for the first four months of 2000 is the lowest for that period since 1990. According to OMAC records, just over \$1,125,000,000 was issued through April of this year, well short of the \$3,000,000,000 issued in the first four months of 1998 (the highest total over the past 10 years) and well below the \$2,035,000,000 issued in 1999. The average sales volume over the past 10 years, for the first four months, is about \$1,825,000,000.

While there are many factors contributing to this year's low sales volume, the major factor is the increase in the long-term interest rates. These rates have increased by about 90 to 100 basis points since the same time one year ago.

It is speculated that if long-term interest rates remain at the current level, or increase further, that the volume for 2000 will be about 75% of that issued in Ohio in 1999. Even if the market rebounds, it is highly unlikely that the volume will approach that of last year.

OMAC continually strives to present topics that are both informative and timely to our readers. One such topic involves the credit ratings process. This month's newsletter features an

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Benchmark General Obligation Ratios

Original Publication Date: 05-Feb-1999

Hyman C Grossman, Managing Director - Ratings Governance

David G Hitchcock, Director - Western Region

Standard & Poor's representative ranges for key ratios of GO debt issuers provide an indication of what constitutes a high or low ratio for some key factors Standard & Poor's uses in the credit rating process.

The ratios represent benchmarks that Standard & Poor's analysts usually consider high, low, or moderate, regardless of rating category or point in the national economic cycle. These ratios differ from typical median analysis. Median analysis usually examines a pool of bond issuers by rating category. However, medians will drift over the economic cycle and do not indicate the normal range of dispersion for individual ratios. For example, highly rated credits may have widely varying debt ratios, while overall medians by rating category may show only small variations.

In contrast, the key ratios help separate the significance of ratio variations for each independent ratio.

A related criteria element is the weighting of one ratio against another in the rating process. The relative weight of individual criteria elements is discussed in detail in Standard & Poor's Public Finance Criteria. Standard & Poor's examines four main factors when evaluating GO credits in the following order:

- ◆ Economic factors,
- ◆ Administrative factors,
- ◆ Financial factors, and
- ◆ Debt factors.

Variation in any of these factors can influence a bond rating. However, the heavier weighting on economic factors reflects that a wealthy and diverse economic base can afford higher debt burdens, or recover from financial problems more easily through a modest tax hike, than a poor economic base that might have more limited and less forgiving governmental options.

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General Obligation Ratios

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A note of caution. Ratios do not tell the whole story; they are only a portion of what Standard & Poor's uses in its analysis. Economic, administrative, structural, or subjective factors may outweigh any of these ratios when a rating is assigned. Numbers alone can not determine an entity's willingness to meet its financial obligations; numbers alone can not reveal a history of late budgets or the operating restraints presented by the state/local framework. Not all of the key ratios are weighted equally, nor do they represent a complete set of the ratios Standard & Poor's uses in its analysis, which incorporates information from many internal and external databases. In addition, a municipal entity's trends in any of these ratios may be more important than the historical ratios. A rating, after all, is prospective in nature.

Publication Date: 05-Feb-1999
 Typical Ranges for Tax-Backed GO Ratings

The ratios below represent benchmarks that Standard & Poor's analysts usually consider high, low, or moderate, regardless of rating category or point in the national economic cycle.

ECONOMIC

Income levels as a percent of the national average. These include both per capita and median household figures. Analysts may also compare income levels against local cost of living indexes.

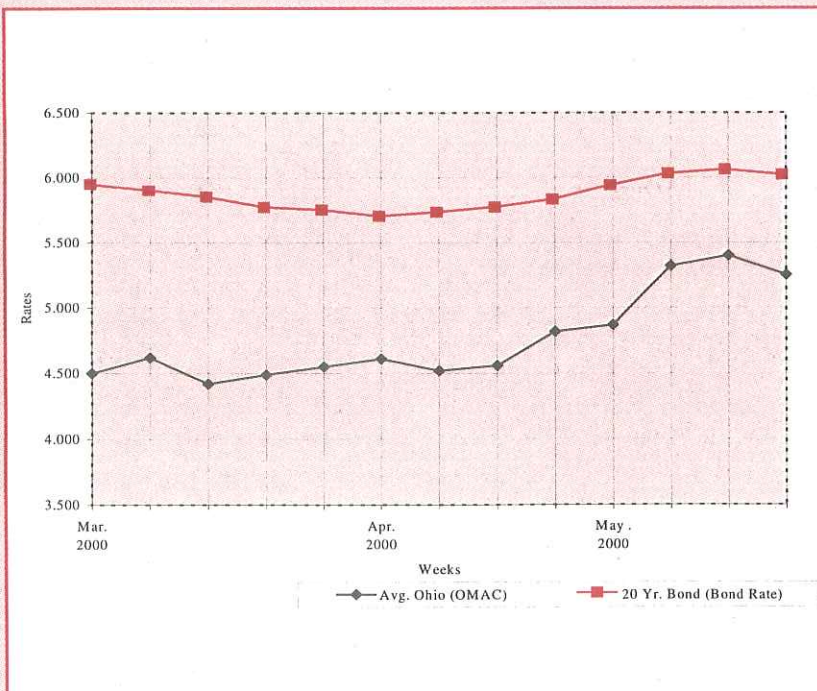
- Very low <75%
- Low 85%
- Average 100%
- High 120%
- Very High >140%

MARKET UPDATE

General Obligation

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.

NOTE: Actual rates paid may vary due to the inclusion of various issuing expenses.



General Obligation Ratios

Market value per capita. These may vary greatly by state depending on assessment practices, homeowners' exemptions, cost of living, etc.

Low	\$20,000
Moderate	\$40,000
High	\$60,000

Taxpayer concentration. Percent of assessed value in the top 10 taxpayers.

Diverse	<15%
Moderately Concentrated	25%
Concentrated.....	>40%

FINANCIAL

Ending general fund balances as a percent of operating revenues. These are only guidelines. What is considered high and low depends on peak cash-flow needs during the year, as well as whether the fiscal year ends in a historically cash poor or cash rich month.

Total general fund balances.

Strong	>15%, plus no cash flow borrowing over the fiscal year
Adequate	5%-15%
Low	0%-5%

Unreserved general fund balances.

Strong	>8%
Adequate	2%-8%
Low.....	<2%

Property tax burdens. Expressed as a percent of overlapping tax as a percent of market value.

Low	1.0% of market value
Moderate	1.5%-2.0% of market value
Moderately high.....	2.0%-2.5% of market value
Very high.....	>2.5% of market value

DEBT

Debt to market value. Not including pension funding debt.

Low debt burden	<3%
Moderate debt burden	3%-6%
High debt burden.....	>6%

Combined general fund/debt service fund debt service to operating expenditures "Carrying Charge."* Not including pension funding debt.

Low.....	<5%
Moderate carrying charge.....	10%
High carrying charge.....	>15%

*Carrying charges for special service districts may not be a relevant statistic; collecting a debt service levy may be their only operation.

Overall debt per capita.

Low	\$1,000
Moderate.....	\$1,000-\$2,500
High	>\$2,500

Debt to income. S&P index.

Low	0%-3%
Moderate	3%-6%
High.....	>6%

Appropriate debt amortization over 10 years.

25% over 5 years
50% over 10 years

The above article was provided by Sarah Eubanks, Managing Director of Standard & Poor's Midwest Regional Office (312-669-9164).

For over three-quarters of a century, Standard & Poor's Public Finance has been rating securities issued throughout the world by a wide range of local governments, municipalities and not-for profit organizations.

From the Director

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article provided by Standard & Poor's entitled "Benchmark General Obligation Ratios". The article provides valuable insight into the credit ratings process that will be useful to issuers in the municipal marketplace.



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CALENDAR

Calendar of Issuer Conferences & Outings for 2000

NAME	EVENT	DATE	LOCATION
GFOA	Ohio Golf Outing	July 10	Sawmill Creek Resort - Huron, Ohio
	Annual Fall Conference	September 20 - 22	Radisson Hotel - Cincinnati, Ohio
MFOA	Annual Conference	September 12-14	Hyatt Regency Hotel - Columbus, Ohio
(OML)	Northeast Golf Outing	August 2	Ridgewood Golf Course - Parma, Ohio
	North-Central Golf Outing	To Be Determined	
CCAO	Winter Conference	December 10 - 13	Hyatt Regency - Columbus, Ohio
	Midwest Conference	September 5 - 7	Maumee Bay State Park - Oregon, Ohio
	Annual Golf Outing	August 9	Wooldridge Golf & Swim Club - Mansfield, Ohio
OASBO	Golf Outing	August 7	Bent Tree Golf Course - Sunbury, Ohio
OSBA	Conference	November 12 - 15	Hyatt Regency - Columbus Convention Center
NACO	National Conference	July 14 - 18	Charlotte, North Carolina
	Winter Conference	December 10 - 14	Hyatt Regency - Columbus, Ohio
OMTA	Annual Conference	October 4 - 6	Salt Fork State Lodge - Cambridge, Ohio
CAAO	Winter Conference	December 5 - 7	Hilton Easton - Columbus, Ohio
OPEC	Annual Meeting	November 8- tentatively	Columbus, Ohio

CCAO - County Commissioners Association of Ohio - (614) 221-5627
 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
 OASBO - Ohio Association of School Business Officials - (614) 431-9116
 OMCA - Ohio Municipal Clerks Association - (614) 221-4349

OSBA - Ohio School Boards Association - (614) 540-4000
 OMTA - Ohio Municipal Treasurers Association - (440) 885-8812
 CAAO - County Auditor's Association of Ohio - (614) 228-2226
 OPFOTP - Ohio Public Finance Officers Training Program - (330) 672-7148
 BMA - Bond Market Association - (212) 440-9429
 OPEC - Ohio Public Expenditure Council - (614) 221-7738

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