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RATINGS

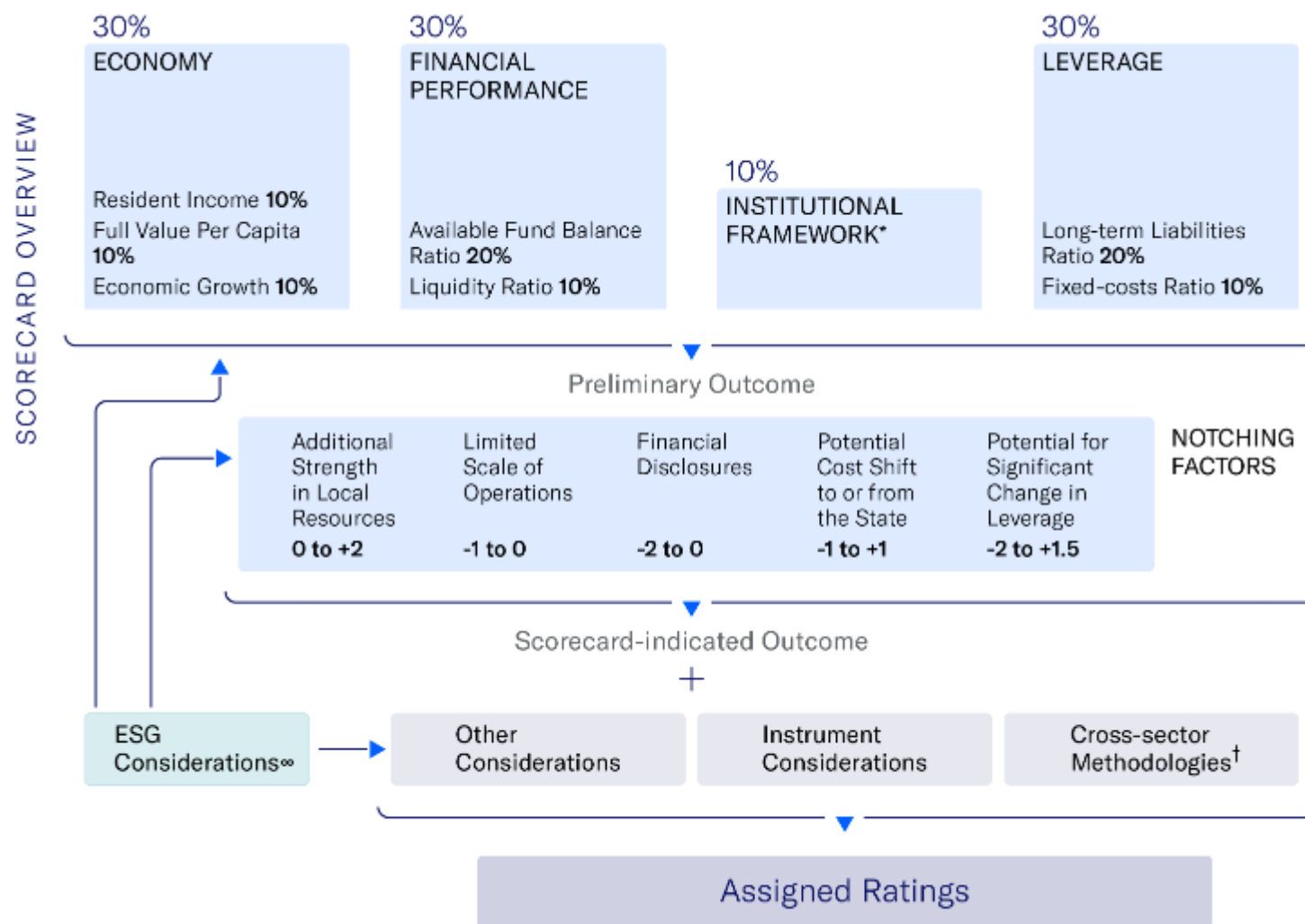
Ohio credit landscape: Cities and Counties

By: Coley Anderson

**Ohio Credit Landscape:
Cities and Counties**

Moody's Cities and Counties Methodology

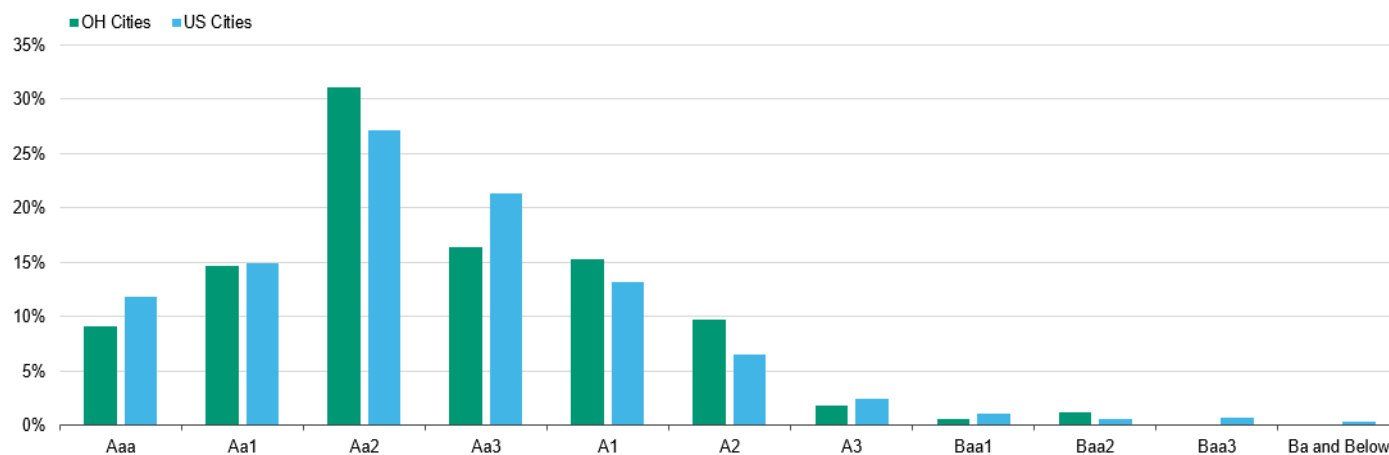
- Moody's released its sector-based methodology for cities and counties in 2022
- It included several material changes when compared to previous security-based methodologies:
 - Utilization of issuer and instrument ratings
 - Formal incorporation of business type activities in financial and leverage metrics
 - New resident income metric
 - Incorporation of economic growth



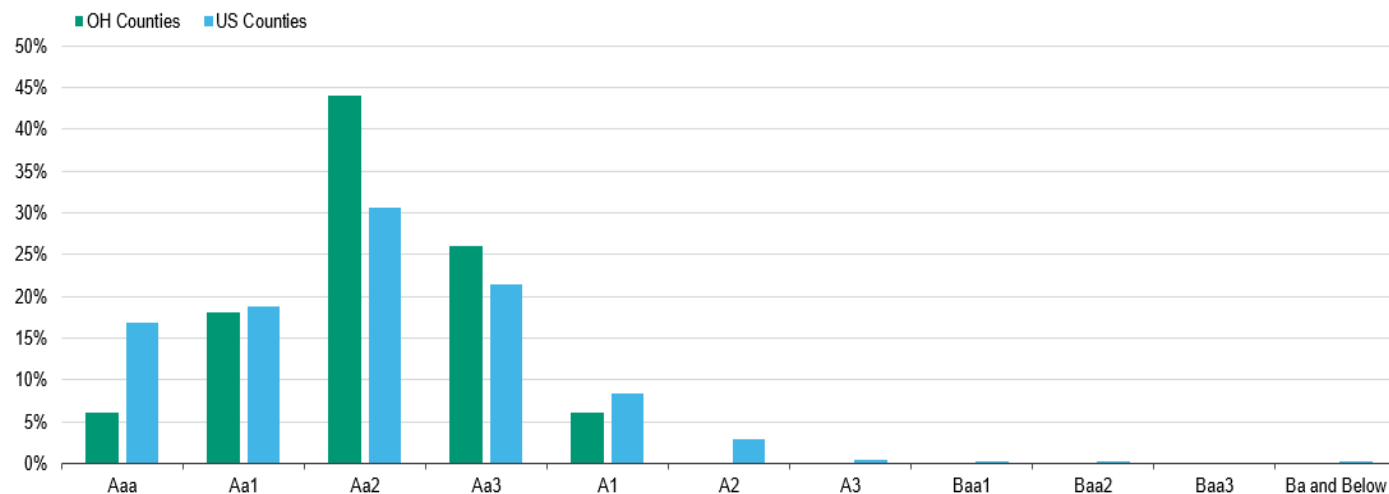
Moody's rated universe in Ohio

- Moody's rates 167 cities in Ohio and 50 counties
- The median rating for Ohio cities and counties is Aa2
- Nationally, the median rating for cities and counties is Aa3 and Aa2, respectively

Ohio cities rating distribution relative to US cities:



Ohio counties rating distribution relative to US counties:



Moody's rated universe in Ohio

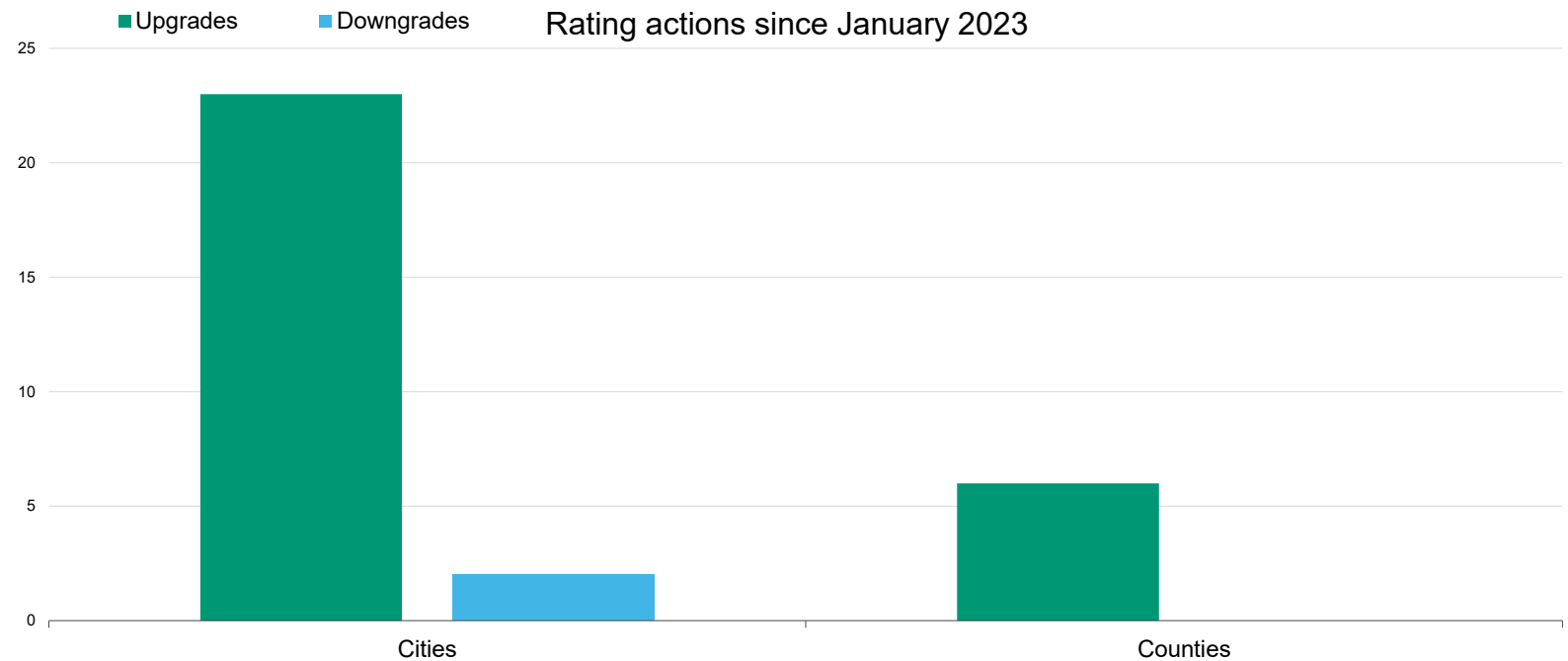
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Global Long-Term Rating Scale

Aaa	Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.
Aa	Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.
A	Obligations rated A are judged to be upper-medium grade and are subject to low credit risk.
Baa	Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.
Ba	Obligations rated Ba are judged to be speculative and are subject to substantial credit risk.
B	Obligations rated B are considered speculative and are subject to high credit risk.
Caa	Obligations rated Caa are judged to be speculative of poor standing and are subject to very high credit risk.
Ca	Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
C	Obligations rated C are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.

Recent rating actions have been largely positive

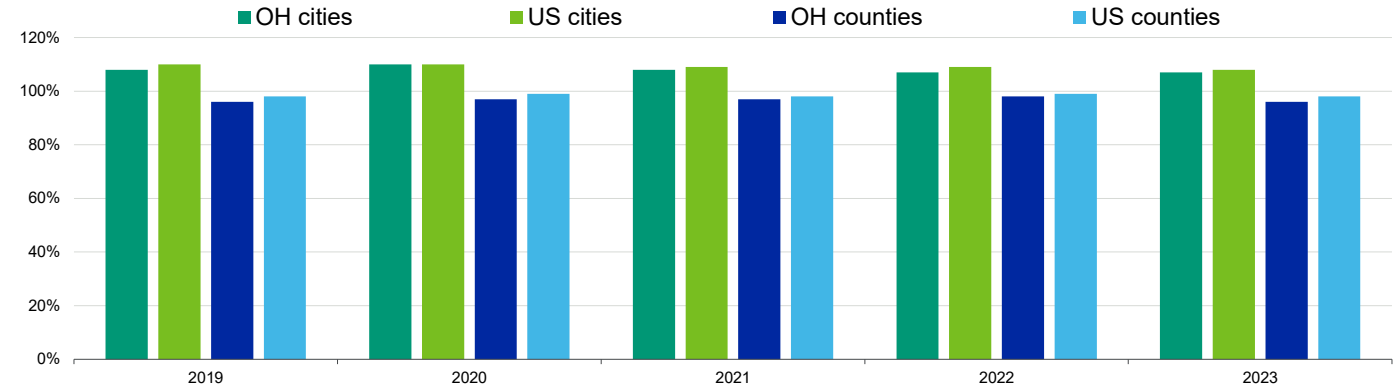
- Two downgrades over the last three years were associated with the C&C methodology rollout
- Entities had a high long-term liabilities ratio and weak financial reporting



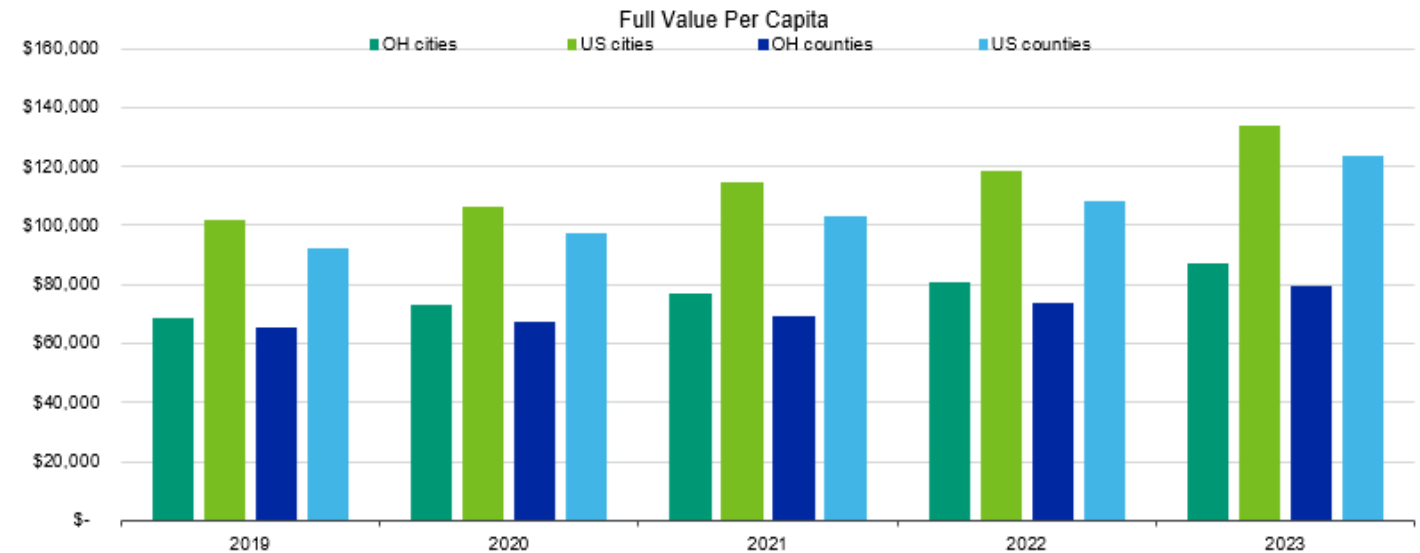
How do economic factors compare to national medians?

- An entity's economy provides important indications of its capacity to generate revenue at the local level.

Resident income as % of the US



Resident Income: Median Household Income (MHI) Adjusted for Regional Price Parity (RPP) / US MHI

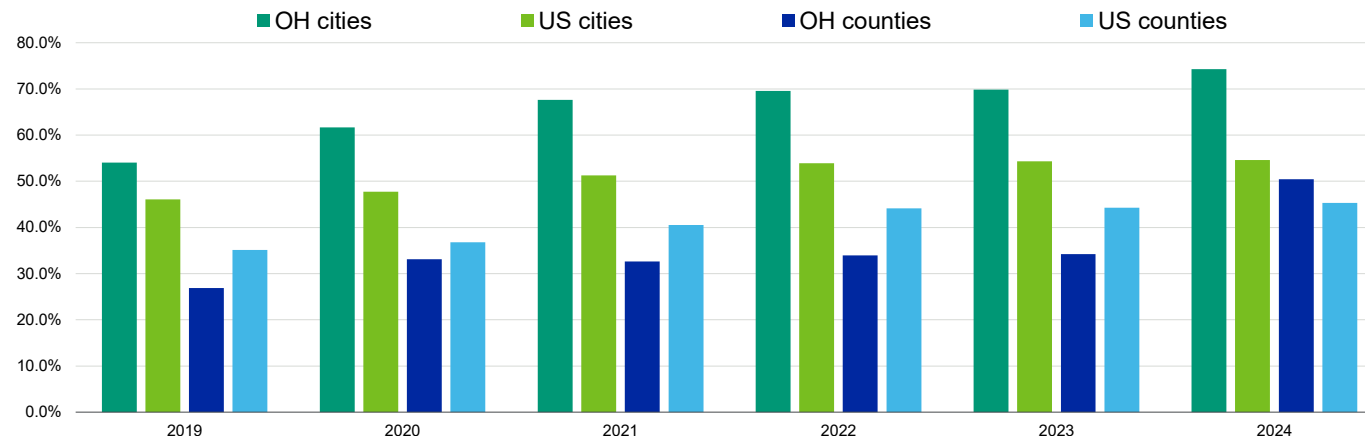


Full Value per Capita: Full Valuation of the Tax Base / Population

Discussion of how financial metrics compare to national peers

- The financial performance of a city or county, inclusive of its governmental funds and business type activities greatly influences its ability to meet financial obligations

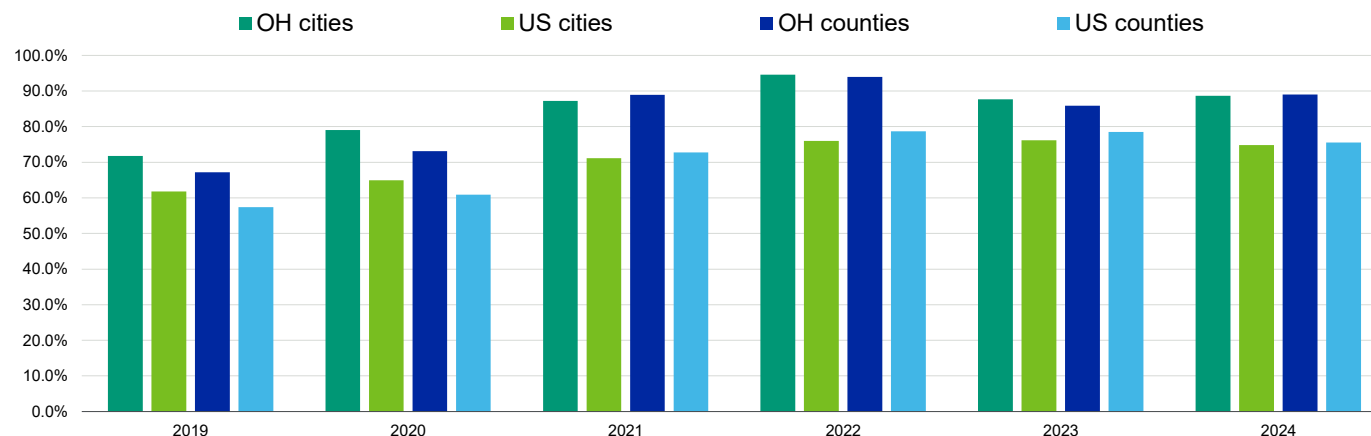
Available fund balance as % of revenues



Available Fund Balance Ratio: $(\text{Available Fund Balance} + \text{Net Current Assets}) / \text{Revenue}$

*Fiscal 2024 data is preliminary and includes less than 50% of rated entity audits

Cash as % of revenues



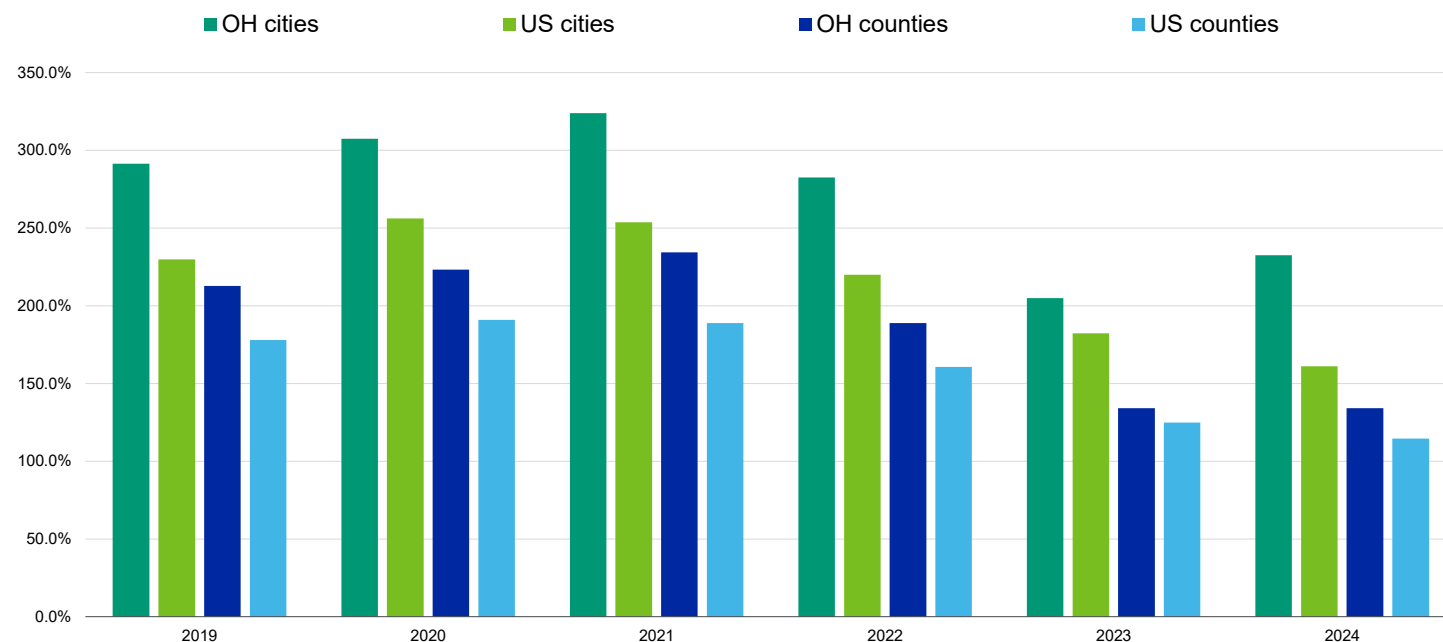
Liquidity Ratio: $\text{Unrestricted Cash} / \text{Revenue}$

*Fiscal 2024 data is preliminary and includes less than 50% of rated entity audits

Discussion of how leverage metrics compare to peers

- Leverage measures provide important indications of a city's or county's capacity to invest in capital assets and pay annual fixed costs, including debt service, while meeting its core responsibility to provide municipal services.
- Despite some improvement in recent years, Ohio cities and counties remain more leveraged than their national peers

Long-term liabilities as % of revenues



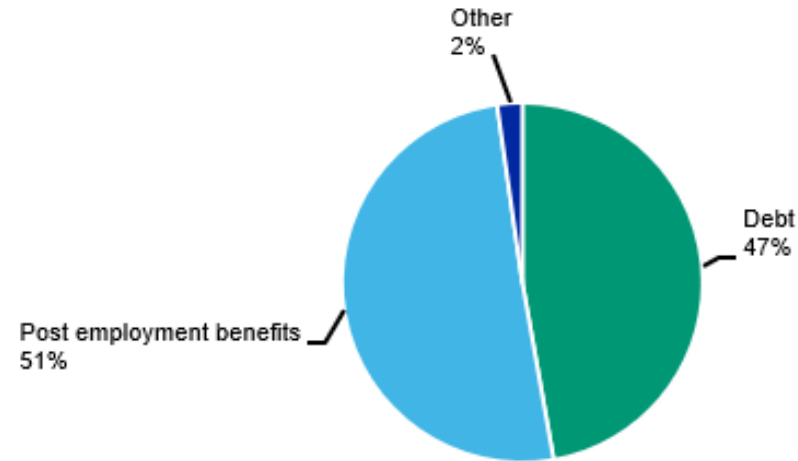
Long-term Liabilities Ratio: (Debt + Adjusted Net Pension Liabilities + Adjusted Net OPEB Liabilities + Other Long-Term Liabilities) / Revenue

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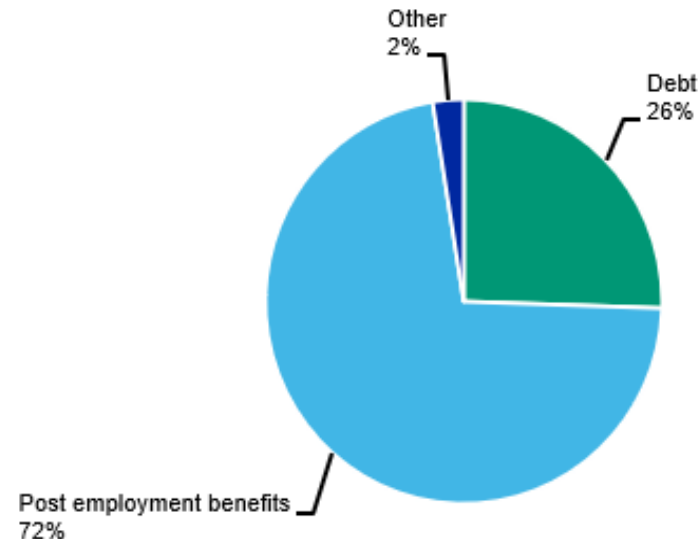
Long-term liability composition in Ohio differs from nation

- Ohio ANPLs are higher than national peers because of participation in underfunded cost-sharing plans
- This can lead to more volatility in long-term liabilities as the applied discount rate changes

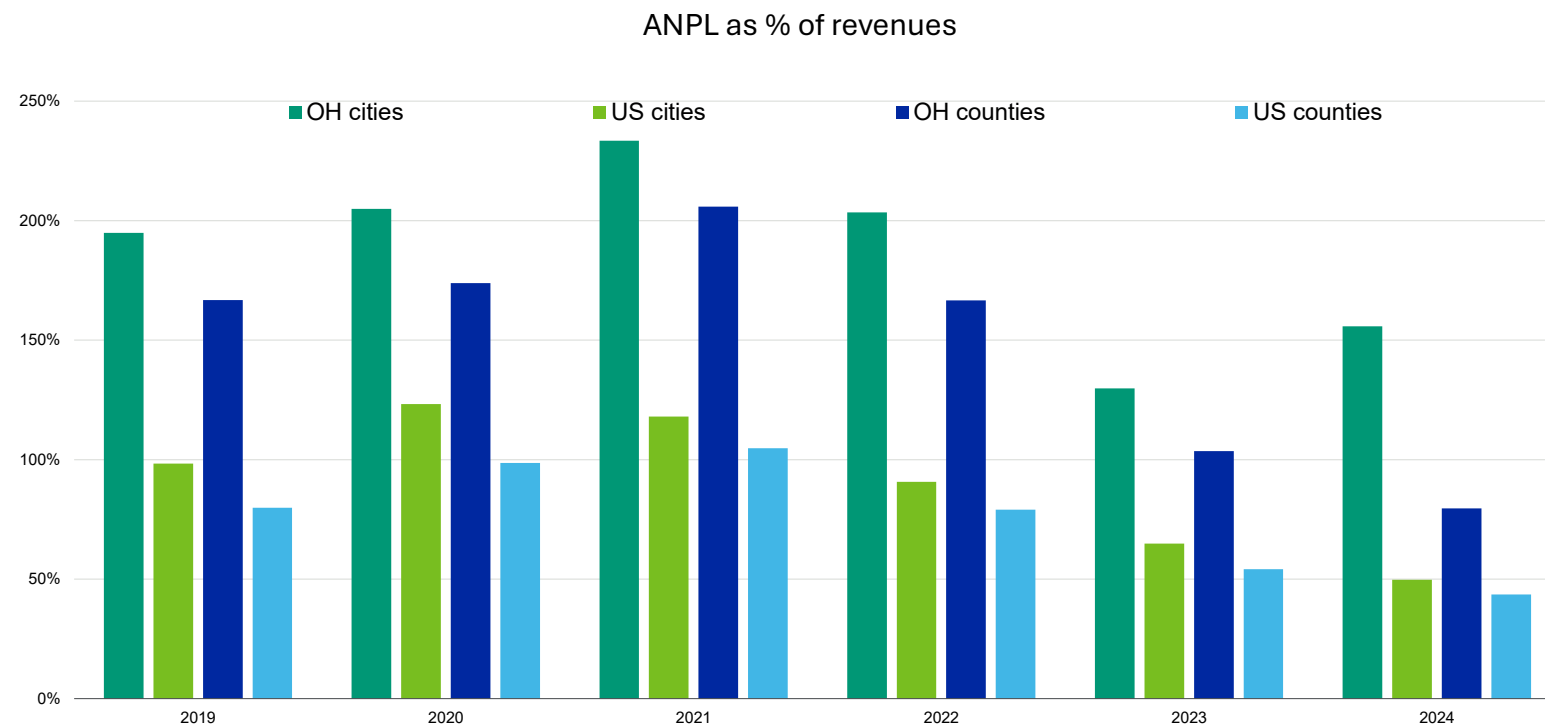
2023 Long-term liabilities composition (US cities)



2023 Long-term liabilities composition (OH cities)



Adjusted net pension liabilities have moderated in recent years, driving reductions in long-term liabilities



- All else being equal, higher discount rates produce lower pension liabilities, and vice versa. We apply the FTSE PLI as a discount rate to value state and local government pension plans.
- Pension plans in Ohio benefit from having the ability to adjust benefits, which is not common
- **Fiscal 2024 data is preliminary and includes less than 50% of rated entity audits*

Meaningful growth in property values – with some headwinds

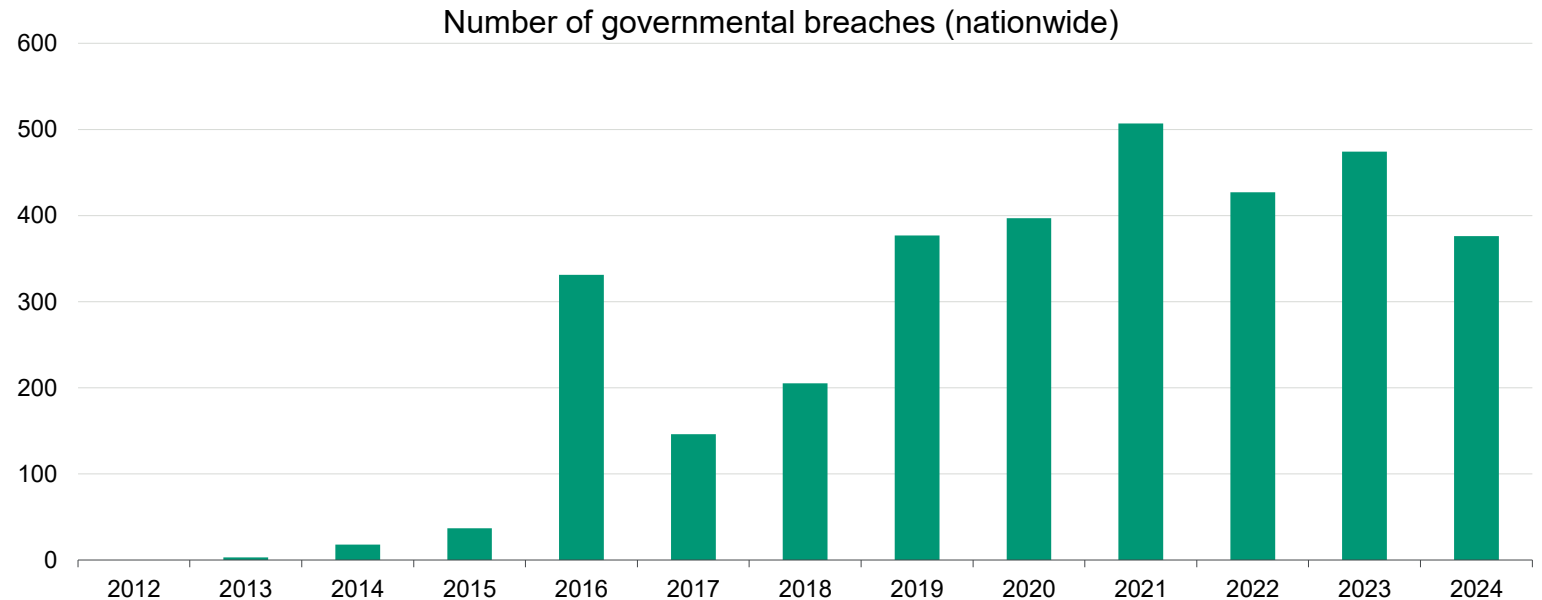
- Economic growth and appreciation of existing property has been a credit strength for many Ohio cities and counties
- From 2019 to 2024 across the median full valuation for all rated Ohio cities grew by 40% to nearly \$2 billion
- Triennial updates (conducted in the third year after a sexennial reappraisal), adjust property values based on recent market trends and resulted in large single year increases of between 25-50%
- A very low approval rate in November for operating levies and bonded debt was followed by a flurry of legislative actions aimed at reducing property taxes in the 2026-2027 budget. Many of these initiatives were ultimately vetoed by the governor but may be considered again soon.

Largest revenue sources for cities and counties are performing well

- Ohio city's primary revenue stream is income taxes which are performing well:
 - As of the end of the state's fiscal year on June 30, 2025 income tax receipts across the state totaled \$10.4 billion and a 10% increase over the prior year.
 - Collections in June alone were \$1.1 billion and 21% above estimates
- Total non-auto sales tax revenue was \$661 million, which was up nearly 6% over prior year figures.

Ohio cyber security updates

- Cyber security threats and incidents are increasing across the country
- These incidents have included multiple local governments across the State of Ohio
- The state provided \$7 million for cities and counties to pay for software and service improvements
- In 2025, the state mandated cybersecurity requirements for school districts and other local governments without additional funding

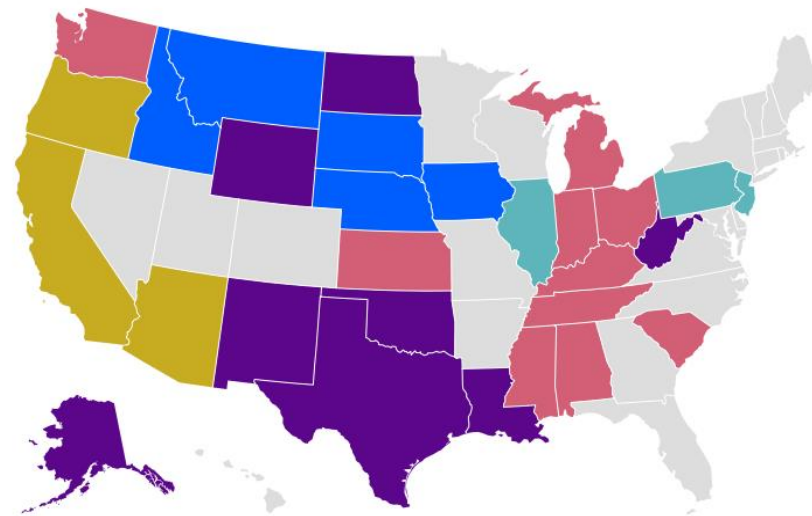


What will our analysts be focused on in the coming year?

- Contingency plans for a downside economic scenario given income and sales tax reliance
- Exposure to changes in federal funding and trade policy
- Debt and financial policies
- Risk mitigation efforts related to cyber
- Mitigation for evolving environmental and social risks

Exhibit 1

States with elevated economic exposure to trade-heavy industries will face increasing risk if new tariffs stay in effect

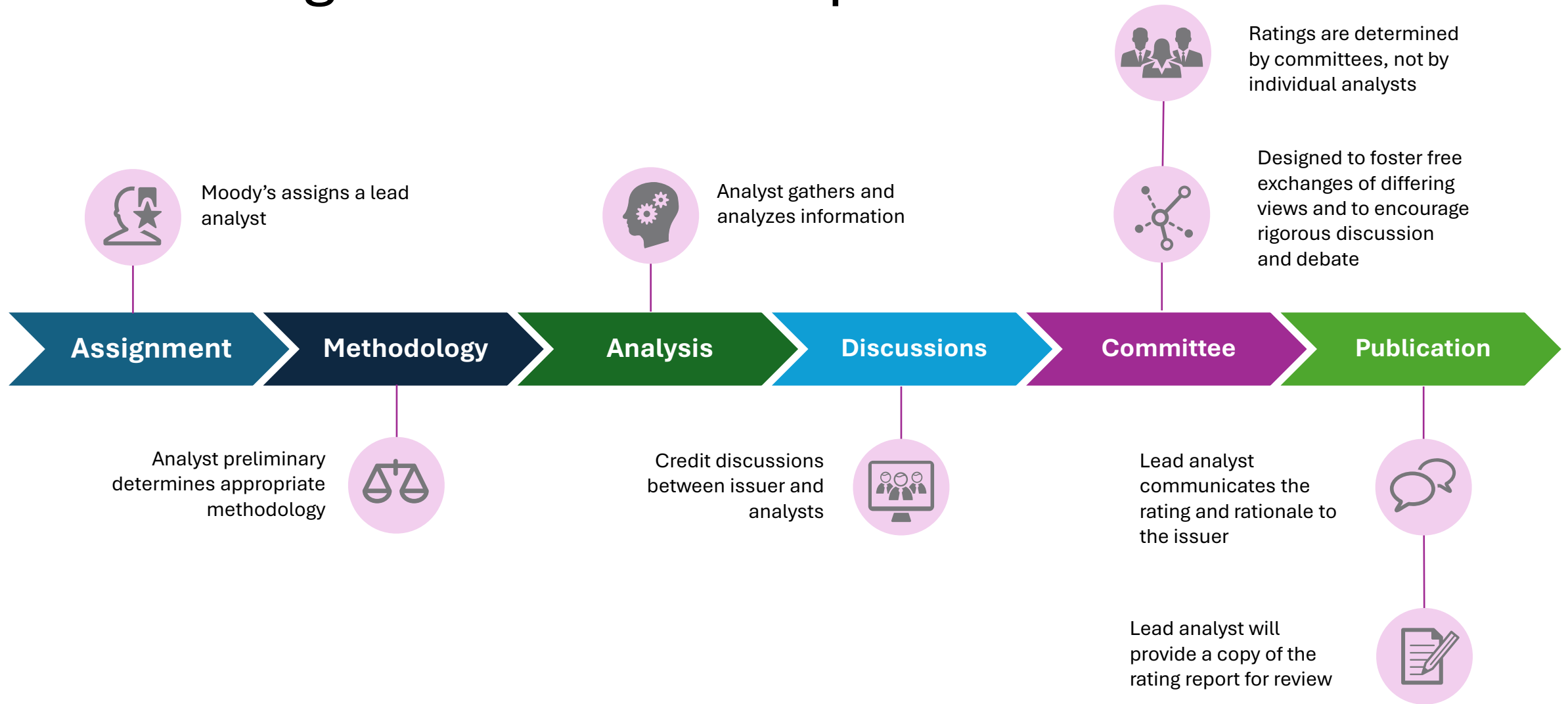


■ Agriculture ■ Chemicals ■ Computers and electronics ■ Petroleum, other extractive ■ Transportation
equipment

Industry exposure by state reflects economic factors such as share of employment, share of GDP or ranking of an industry in hierarchy of a state's exports; some states have elevated exposure to more than one industry.

Sources: US Bureau of Economic Analysis; US Bureau of Labor Statistics; Office of the United States Trade Representative; and Moody's Ratings

The Rating Process – Six Steps



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