

Rating Action: Moody's upgrades to Aa3 Hamilton County, OH's sales tax revenue bonds; affirms Aa2 issuer and GOLT; outlook stable

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New York, September 24, 2021 -- Moody's Investors Service has upgraded to Aa3 from A1 the sales tax revenue rating of Hamilton County, OH. Concurrently, Moody's assigns a Aa3 rating to the county's \$46.4 million Sales Tax Refunding Bonds, Series 2021A. The county's issuer and general obligation limited tax (GOLT) ratings have been affirmed at Aa2. Following the sale of the current refunding bonds the county will have a total of \$329.5 million in outstanding parity issued sales tax revenue debt, along with \$172.3 million in GOLT debt. The outlook is stable.

The county's Aa2 issuer rating represents Moody's assessment of debt supported by a general obligation unlimited tax (GOULT) pledge. The county does not currently have any outstanding debt supported by a GOULT pledge. The pledge supporting the outstanding GOLT debt, is considered limited tax based on the statutorily imposed limit of ten-mills on the ad valorem property taxes pledged.

RATINGS RATIONALE

The Aa2 issuer rating reflects the county's very large tax base and role as the economic center of southwest Ohio (Aa1 stable). Additionally factored are the county's robust fiscal health, including its strong operating fund balance and liquidity, along with its moderate long term leverage of outstanding debt and post-retirement benefit liabilities.

The GOLT bonds are rated Aa2, the same as the issuer rating, based on the county's full faith and credit pledge towards the payment of the GOLT bonds, along with its ability to levy ad valorem property taxes subject to the statutory ten-mill limitation defined in Ohio law.

The upgrade of the sales tax rating to Aa3 reflects the strength of the county's underlying credit, as well as the satisfactory debt service coverage provided by the county's pledge of its additional 0.5% sales tax. Key considerations include adequate legal provisions, including a debt service reserve fund (DSRF) funded at the lesser of maximum annual debt service (MADS) or 125% of average annual debt service by a non-Moody's rated surety provider, and direct deposit of pledged revenue from the State of Ohio Tax Commissioner to the trustee.

RATING OUTLOOK

The stable outlook reflects the county's steady economic recovery from the height of the coronavirus pandemic, along with the county's receipt of significant COVID-related federal stimulus, which along with its strong reserves, provide the resources to absorb future budgetary challenges, should they occur.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Material strengthening to full value per capita property wealth and resident incomes (issuer rating)
- Sustained bolstering of operating fund balance and liquidity (issuer rating)
- Significant reductions to long term leverage (issuer rating)
- Material strengthening of annual debt service coverage on outstanding parity issued sales tax debt (sales tax rating)

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Pronounced economic and tax base contraction (issuer rating)
- Sustained narrowing of operating fund balance or liquidity (issuer rating)
- Significant growth to long term leverage (issuer rating)

- Material narrowing of annual debt service coverage on outstanding parity issued sales tax debt (sales tax rating)

LEGAL SECURITY

The county's outstanding GOLT bonds are backed by its full faith and credit and pledge, along with its ability to levy ad valorem property taxes subject to the statutory ten-mill limitation defined in Ohio law. Debt service on the bonds also carries a first budget obligation.

The county's Series 2021A and outstanding parity issued sales tax revenue bonds secured by a pledge and assignment of the receipts of the county's additional 0.5% sales tax. The bonds are further secured by a debt service reserve fund requirement sized at the lesser of maximum annual debt service (MADS) or 125% of average annual debt service which the county intends to meet via an additional and/or amended surety facilitated by BAM Assurance Company.

USE OF PROCEEDS

Proceeds from the Series 2021A bonds will be used to currently refund certain outstanding maturities of the county's Sales Tax Refunding Bonds, Series 2011A for anticipated debt service savings and no extension of final maturity.

PROFILE

Hamilton County encompasses roughly 414 square miles of southwest Ohio, bordering the State of Indiana (Aaa stable) and the Commonwealth of Kentucky (Aa3 stable). The county is the third largest county in the state by population and is home to the City of Cincinnati, the designated county seat. Hamilton County is governed by an elected three-member board of commissioners and provides a variety of services including health and human services, public safety and courts. The county also has various enterprises including two stadiums, parking, communication, and the Metropolitan Sewer District of Greater Cincinnati (MSD, Aa2 stable). It also has a Convention Facilities Authority of Hamilton County (A2 negative) component unit.

METHODOLOGY

The principal methodology used in the special tax ratings was US Public Finance Special Tax Methodology published in January 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1260087. The principal methodology used in the issuer and general obligation ratings was US Local Government General Obligation Debt published in January 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1260094. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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