

RatingsDirect®

Summary:

Summit County Development Finance Authority, Ohio; State Revolving Funds/Pools; Water/Sewer

Primary Credit Analyst:

Peter V Murphy, New York + 1 (212) 438 2065; peter.murphy@spglobal.com

Secondary Contact:

Lisa R Schroeer, Charlottesville + (434) 529-2862; lisa.schroeer@spglobal.com

Table Of Contents

Credit Highlights

Outlook

Credit Opinion

Related Research

Summary:

Summit County Development Finance Authority, Ohio; State Revolving Funds/ Pools; Water/Sewer

Credit Profile

US\$4.335 mil jobs & investment fd prog tax exempt dev rev bnds ser 2022E due 05/15/2052

<i>Long Term Rating</i>	A-/Positive	New
-------------------------	-------------	-----

Summit Cnty Dev Fin Auth

<i>Long Term Rating</i>	A-/Positive	Outlook Revised
-------------------------	-------------	-----------------

Summit Cnty Dev Fin Auth

<i>Long Term Rating</i>	A-/Positive	Outlook Revised
-------------------------	-------------	-----------------

Summit Cnty Dev Fin Auth jobs and invest fd prog taxable dev rev bnds ser 2021B due 07/31/2041

<i>Long Term Rating</i>	A-/Positive	Outlook Revised
-------------------------	-------------	-----------------

Credit Highlights

- S&P Global Ratings has revised the outlook to positive from stable and affirmed its 'A-' long-term rating to the Summit County Development Finance Authority (DFA), Ohio's development revenue bonds.
- S&P Global Ratings assigned its 'A-' long-term rating to DFA's \$4.335 million series 2022E tax-exempt development revenue bonds.
- The outlook revision reflects the recent strengthening and diversification of the program's overall reserves, which provide overcollateralization to the DFA's pooled bond program. If the level of reserves relative to bonds outstanding continues to improve, along with no significant decline in our assessment of the credit quality of borrowers in the pool, we could raise the rating.

Security

The series 2022E bonds are secured by loan repayments relative to the Sagamore Hills Township and a lien on certain tax increment revenues relative to the Parkview senior living tax increment project. As additional security, and as with parity bonds issued under the program, additional bondholder security is provided by various primary and program reserve funds, a program letter of credit, and various other funds pledged under the indenture.

Proceeds of the 2022E bonds will be used to fund public infrastructure improvements related to a senior living complex in Sagamore Hills Township, Ohio. As with other pool participants, proceeds will likewise fund a primary reserve at 10% of par, almost all in cash, as required, and costs of issuance. Upon issuance of the Series 2022E bonds, pro forma parity program debt outstanding is approximately \$102 million.

The bond program is structured to have total debt service equal to loan repayments, and various reserve funds are then drawn by the trustee, in a specified order, if loan revenue is not sufficient to pay debt service. All of the pool's loans are also structured to provide bondholders with tax lien first mortgage, a tax lien (which is senior to any

mortgage), or a corporate guarantee on the assets financed with the bond proceeds.

Credit overview

The 'A-' rating reflects our assessment of:

- A strong enterprise risk profile, given that the program is managed by a governmental entity, but is not specifically authorized by statute;
- A strong financial risk profile, reflecting the authority's loss coverage score, operating performance, and financial policies;
- The relatively small size of the pool in terms of number of participants;
- A sizeable concentration in reserves with letters of credit (LOC) held at Huntington National Bank; and
- An asset base that includes some with elevated risk characteristics beyond those of typical municipal borrowers.

Outlook

The positive outlook reflects our expectation that, in the event management continues to periodically add to and diversify pledged reserves in amounts that support a higher financial risk score, we could raise the rating by one notch.

Downside scenario

Because the program has just 30 loans, the pool's operating performance is sensitive to even a small number of delinquencies. We would revise the outlook to stable if the program experiences defaults or delinquencies. Additionally, a significant issuance of additional debt, or if our view of loan credit assessments weaken, without a commensurate increase in reserves could also revise the outlook to stable, depending on the repayment terms and characteristics of future loans and bonds.

Upside scenario

We could raise the rating if reserves grew to a level sufficient to withstand a higher loan default rate, even as new loans are added to the program, and reserve concentration continues to decline.

Credit Opinion

Primarily providing security for bonds issued under the program are the following sources in the following order:

- Loan payments received from loans under the program;
- Funds deposited into the primary reserve by a borrower causing the draw on this reserve fund to occur (typically 10% of the original loan amount);
- A program development fund, which includes interest earnings on reserve accounts and administrative fees collected by DFA;
- Program reserve fund revenue;
- Funds deposited into the collateral fund primarily as a result of proceeds from asset sales by a defaulting borrower; and

Summary: Summit County Development Finance Authority, Ohio; State Revolving Funds/Pool; Water/Sewer

- Remaining funds in the primary reserve, incorporating existing and pending reserve deposits, drawn on a pro rata basis from the remaining borrower account balances.

We view the program's enterprise risk profile as strong given a combination of the low industry risk profile for municipal pools and the program's adequate market position. DFA was formed and has the ability to issue bonds under authority of the Ohio Revised Code, but the bond fund itself is not a specifically authorized program. The authority has legislative authority to finance economic development and transportation projects throughout the state, but most of these are in northeast Ohio. Because the finance authority has loans in several metropolitan areas in northeast Ohio, we have not applied the adjustment for geographic concentration.

Program cash flows are structured to have loan repayments match debt service payments, with overcollateralization available from the various reserve funds. The total balance in the primary reserve, program reserve, program development fund, and additional cash reserve for the 2022E transaction will be about \$33 million after such bonds are closed. Reserves are funded from a combination of cash and LOCs. The LOC deposited in the program reserve fund totals \$7.5 million, provided by Huntington National Bank, and expires in October 2023. We view this amount as slightly concentrated in one bank and therefore stress the pool considering a potential weakness with the bank. The program additionally carries a board-restricted reserve fund of approximately \$1.4 million that officials report could be used to support debt service, but the fund is not formally pledged, and not included in our stress tests.

Other investments are deposited for the benefit of bondholders in the primary reserve fund. According to the authority, the trustee is required to draw the full amount the term of the LOC is not extended or renewed. If a draw occurs as a result of a default on loan repayments, the borrower—not the bond fund—is responsible for repaying the counterparty per the LOC terms outside of the bond fund.

The program has experienced loan delinquencies and defaults in the past, but none in the past 12 years, and all loans are reported as current on all payments. If the bond fund experienced delinquencies again, our view of the financial risk profile could weaken. We view the financial policies and practices as ranging from strong to adequate. This assessment is based on the following factors:

- Program staff review each new transaction, and underwriting guidelines stipulate the type of projects that will be financed. Generally, loans have a first-security interest or first mortgage on equipment or real estate, respectively. However, management retains latitude as to which projects are ultimately approved.
- Staff meets with all the program's borrowers at least once a year, and collects borrower financial statements quarterly (or annually for those that do not file quarterly reports).
- Loan payments are typically made monthly, and the flow of funds directs the trustee to draw or replenish various funds in a specific order. Any collateral that the trustee receives as a result of asset sales is pledged to bondholders.
- Management prioritizes projects as loan demand develops, and also has staff develop new loan prospects.
- The trust indenture allows for funds to be used for several investments that are in compliance with state statutes, but actual investment practices have been generally limited to cash, guaranteed investment contracts, and LOCs. The trustee provides a monthly investment and borrower repayment report.

Summary: Summit County Development Finance Authority, Ohio; State Revolving Funds/ Pools; Water/Sewer

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

Copyright © 2022 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.