

MOODY'S RATINGS

Rating Action: Moody's upgrades the City of Lorain, OH's issuer & GOLT ratings to A2

25 Jan 2023

New York, January 25, 2023 -- Moody's Investors Service has upgraded the City of Lorain, OH's issuer rating and rating on outstanding general obligation limited tax (GOLT) bonds to A2 from A3. The issuer rating reflects the city's general credit quality and ability to repay debt and debt-like obligations without consideration of any pledge, security, or structural features. 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. The city had \$44 million outstanding in rated GOLT debt, at the close of fiscal 2021.

RATINGS RATIONALE

The A2 issuer rating reflects the city's improved reserves and liquidity supported by strong income tax collections and the receipt of federal aid. The rating also considers the city's well below median resident income and full value per capita, and degree of economic concentration in manufacturing. The city's leverage and fixed costs are elevated and the city's capital asset depreciation ratio is very high indicating that reinvestment in capital assets is lagging.

The absence of a distinction between the A2 rating on the city's GOLT debt and its A2 issuer rating is based on the city's full faith and credit pledge securing its limited tax debt and the state requirement that Ohio local governments use all available revenues, including available property tax millage currently assigned to operations of the city or overlapping entities under the ten-mill limitation statutory code, for the payment of debt service prior to any other uses.

RATING OUTLOOK

Moody's does not typically assign an outlook to governments with this amount of debt.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Strengthening of resident income and full value per capita

- Demonstrated ability to reinvest in capital assets while keeping leverage and fixed costs steady or declining

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Significant decline of reserves or liquidity
- Material increase to long term leverage

LEGAL SECURITY

Debt service on the city's GOLT bonds carries the city's full faith and credit pledge, along with its authority to levy ad valorem property taxes under its state imposed 10-mill limitation.

PROFILE

The City of Lorain is located in Lorain County (Aa2) in northeastern Ohio (Aa1 positive) on the shore of Lake Erie, approximately 25 miles west of Cleveland (Aa3 stable). The city is governed by the mayor-council form and has around 65,000 residents. The city's operations consist of general governmental functions such as public safety, public works, planning and recreational services. The city's only business type activities are water and sewer.

METHODOLOGY

The principal methodology used in these ratings was US Cities and Counties Methodology published in November 2022 and available at <https://ratings.moodys.com/api/rmc-documents/386953>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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 on <https://ratings.moodys.com/rating-definitions>.

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