MOODY'S RATINGS

Rating Action: Moody's Ratings upgrades Cuyahoga County, OH's special tax to Aa1

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New York, February 03, 2025 -- Moody's Ratings (Moody's) has upgraded Cuyahoga County, OH's sales tax bonds to Aa1 from Aa2. The county had roughly $1.2 billion in debt outstanding at the end of fiscal 2023. The outlook is stable.

The upgrade of the outstanding sales tax debt is because of the presence of effective physical and legal separation.

RATINGS RATIONALE

The county's Aa1 sales tax rating is one notch higher than its issuer rating because the bonds benefit from effective legal and physical separation. The pledged sales tax revenue is backed by a statutory lien. The state collects the revenue, and the county has directed the State Tax Commissioner to remit the funds directly to the trustee. The rating also incorporates the broad nature of the sales tax pledge and sound maximum annual debt service (MADS) coverage of over 8x which is likely to remain healthy given a lack of material borrowing plans. The bonds also benefit from an additional bonds test of 3x. While a portion (0.25%) of the county's sales tax was expected to sunset in 2028, it was recently extended for another 40 years.

RATING OUTLOOK

The outlook is stable because the county's local economy will remain strong and its financial position will remain healthy, net of ARPA-related drawdowns. Long-term leverage will increase over the next couple of years but is likely to be offset with growth in revenue.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Upgrade of the issuer rating

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Downgrade of the county's issuer rating

- Sustained weakening of maximum annual debt service coverage below 2x

LEGAL SECURITY

The county's sales tax revenue bonds are special obligations of the county secured by a senior lien of county sales tax collections. The bonds also benefit from a statutory lien and a lock box structure where pledged sales tax revenue is sent directly to the trustee.

USE OF PROCEEDS

Not applicable.

PROFILE

Located in northeast Ohio, Cuyahoga County is the second largest county in the state with a population of roughly 1.2 million. Cleveland is the county seat. The county is governed by an executive-council form of government, and county operations include economic development, health and human services, public safety, judicial and general governmental functions. The county also subsidizes a small part of the operations for MetroHealth, a safety-net health system with multiple facilities throughout the county.

METHODOLOGY

The principal methodology used in these ratings was US Cities and Counties published in July 2024 and available at https://ratings.moodys.com/rmc-documents/425429. 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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