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Research Update:

Cuyahoga County, OH Series 2026 Limited-Tax GO Capital Facilities Bonds Assigned 'AA' Rating

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Overview

- S&P Global Ratings assigned its 'AA' long-term rating to **Cuyahoga County**, Ohio's approximately $901.6 million series 2026 limited-tax general obligation (GO) capital facilities bonds.
- At the same time, S&P Global Ratings affirmed its 'AA' long-term rating on the county's previously issued GO and nontax revenue debt, and its 'AA-' long-term rating on the county's previously issued appropriation-secured debt.
- The outlook is stable.

Rationale

Security

The county's full faith, credit, and resources and an agreement to levy ad valorem property taxes within the state's 10-mill limitation secure the series 2026 bonds. Proceeds will be used to construct a new county jail and sheriff administration facilities (scheduled to be completed in 2029), fund capitalized interest, and refund $17.6 million of the county's series 2025 capital improvement notes, which were issued to fund preliminary project costs for the jail. The remaining $23.9 million of the 2025 notes will be refunded with an internal county note (a borrowing from the county's treasury), as these expenses are currently the subject of a compliance audit to determine whether the expenses were improperly authorized prior to approval from a justice oversight committee. We understand that if there is an unfavorable ruling against the county, these $23.9 million in expenses could have to be reimbursed by the county's general fund.

While not legally pledged, the county intends to use a 0.25% sales and use tax to repay the debt. The sales and use tax was authorized by county council and expires in 2067, three years after the final maturity.

Certain nontax revenue secures the nontax revenue debt, but the county is legally permitted to use all available revenue to pay debt service. Given this, we rate the debt at the same level as our view of the county's general creditworthiness, as reflected by a GO pledge. We believe that the county's ability to pay these obligations is closely tied to its operations, and we see no limits on the fungibility of resources available for debt service. The appropriation-secured debt is rated one notch below the GO rating to reflect appropriation risk.

Credit highlights

The 'AA' rating is supported by the county's participation in the broad and diverse Cleveland metropolitan area, proactive fiscal management, and healthy reserves and liquidity. A rising debt burden with relatively slow amortization, some budgetary pressures, and reliance on economically sensitive sales and use taxes are offsetting credit factors, particularly against a backdrop of macroeconomic and federal policy uncertainty. Although we believe there is heightened pressure due to the confluence of these factors, we expect the county will continue to make budgetary adjustments to maintain credit stability.

Cuyahoga County's budgetary performance has softened as the county continues to spend down American Rescue Plan (ARP) funds and inflation and labor pressures weigh on expenditures, leading to a small deficit in 2025. However, management took action to reduce expenditures to balance the 2026 and 2027 budgets, and we believe it has flexibility to make additional adjustments if necessary. The county's proactive fiscal management, with a history of frequent budget monitoring and updates, is a stabilizing credit factor.

While the county's debt burden is doubling with the issuance of the series 2026 bonds, we believe per capita metrics and current costs will remain manageable at the rating. In our view, the county has prudently planned for the new debt service, recently extending a 0.25% sales and use tax that is expected to serve as the repayment source for the debt, and wrapping it in with debt that is rolling off. The sales and use tax is currently being used for convention center debt that matures in 2027. The net effect is that the county's total debt service will be slightly lower going forward, absent future debt issuances. In 2025, the 0.25% sales and use tax generated about $67.8 million in revenue. Debt service on the 2026 bonds is structured to slowly ramp up, starting at about $50 million and reaching $72 million in 2056. Surplus revenue will be available for general fund purposes.

Given that sales and use taxes are more economically sensitive and account for about 50% of general fund revenue, we believe that a prolonged downturn could pressure operations. Although sales and use taxes are inherently more volatile than other revenue sources such as property taxes, we believe the breadth and diversity of the county's sales and use tax base provides some resiliency to the revenue stream, compared to peers. Over the past decade, sales and use taxes have increased at an annual average of 2.9%. Though it has no plans to do so, council has the ability to increase the sales and use tax rate by 0.25% without voter approval.

The 'AA' rating also reflects our view of the following factors:

- Per capita gross county product (GCP) is above average, based on finance, insurance, and professional services. Incomes are in line with the national average, but economic growth rates lag state and national averages, and there has been some population decline.
- Reserves have been very healthy but may deteriorate somewhat as the county spends down reserves closer to the county's policy-mandated minimum of 25% of expenditures.
- The financial management framework is robust, with proactive budgeting and monitoring, a well-embedded culture of long-term planning, and basic policies with regular reporting, all of which have supported structural balance. The county has taken steps to mitigate cyber risk.
- Debt and pension liabilities are manageable on a per capita basis, though slightly elevated in relation to the county's total governmental fund revenue. Current costs are about 15% of the

county's budget. The county also has debt with exposure to the sports, convention, and tourism industry, which presents budget risk to the general fund if repayment sources fall short.

- The operating environment for Ohio counties is generally predictable. For more information on our institutional framework assessment, see "Institutional Framework Assessment: Ohio Local Governments," Sept. 10, 2024.

Environmental, social, and governance

We consider environmental, social, and governance factors neutral under our analysis. The county's location on the shores of Lake Erie poses some coastal erosion risk, but it has a long-term lakefront plan that we believe will mitigate this. Overall, we view the county's access to the Great Lakes, the largest freshwater resource in the world, as a potential environmental natural capital opportunity, as it could attract business investment and stabilize the population.

In our view, governance factors related to the county jail have subsided somewhat as the county works to address overcrowding and safety issues, including planning for the construction of a jail, but uncertainty remains given pending lawsuits related to the jail that we believe could negatively affect operations.

Outlook

The stable outlook reflects our view of Cuyahoga County's broad and diverse economy as well as its healthy reserves and liquidity, and our expectation that the county will make the adjustments it deems necessary to maintain balanced operations.

Downside scenario

We could lower the rating if budgetary performance weakened and reserves fell below the county's policy-mandated minimum for a prolonged period, without an adequate plan to replenish them. We could also lower the rating if intended repayment sources to support certain debt fell short of projections, necessitating ongoing general fund support; the debt burden increases significantly beyond our expectations; or macroeconomic and federal funding risks materialize, affecting county operations.

Upside scenario

We could raise the rating if income and wealth metrics improved to levels commensurate with those of higher-rated peers, performance stabilized, reserves are sustained at current or higher levels, and the debt and liability profile improved.

Credit Opinion

Economy

Cuyahoga County, on Lake Erie in northeastern Ohio, is the second-most-populous county in the state. It contains two townships and 57 cities and villages, the largest of which is Cleveland. The population has been declining, although the decrease appears to be moderating, with the 2020 U.S. census showing only a 1.2% drop over the previous decade. We do not view the population decline as a significant credit weakness, given that the county anchors a larger and more stable metropolitan region.

The county's economy has diversified away from manufacturing, and its largest employers are predominantly medical, governmental, and service-oriented. The largest employer is the Cleveland Clinic Health System (with more than 51,000 employees). The county is home to a diverse array of employers, including 12 corporations that rank among Fortune magazine's 1,000 largest in the U.S. GCP per capita has held relatively steady at about 130% of the U.S. average, although GCP growth lags that of gross state product and GDP. Finance, insurance, and professional services contribute about 45% of total GCP, whereas manufacturing contributes only 9%.

Economic development has been codified as a priority, and management has supported adding and retaining jobs and housing in Cleveland and throughout the county. Public and private investment has increased, with a significant concentration in downtown Cleveland and surrounding neighborhoods. Assessed value grew 25% in 2025 because of a six-year reappraisal.

Management

The county's budgeting process is robust with comprehensive planning techniques, realistic assumptions, and adjustments made throughout the year. The county uses historical trend analysis and outside sources to form revenue and expenditure assumptions on a line-item basis and operates on a two-year budget cycle. The county council receives detailed quarterly budget-to-actual and investment reports, and the budget can be amended as needed. The county has a comprehensive two-year budget and five-year financial projections, which support long-term structural balance and strategic decision-making. Officials annually update a rolling five-year capital plan that identifies funding sources and cost estimates. The county adheres to a reserve policy that requires a minimum unencumbered general fund balance equal to 25% of prior-year cash-basis expenditures, which we believe protects against volatility in sales and use tax revenue. The policy does not contain a formal replenishment provision. There is some risk that the general fund could have to reimburse about $25 million in preliminary jail project costs (including interest) that are currently the subject of a compliance audit, which could cause reserves to fall below the county's policy minimum, though we would view this as a one-time draw and would expect the county to formulate a replenishment plan. If reserves remain below policy levels for an extended period, without a replenishment plan, there could be rating pressure. Investment and debt policies are basic and largely mirror state guidelines.

Financial performance, reserves, and liquidity

On a generally accepted accounting principles basis, the general fund balance increased in 2021 following the influx of ARP funding, then was drawn down in fiscal years 2022 to 2024, reflecting the spend-down of this funding. The county received $240 million in ARP funding and allocated all of it for revenue replacement but spent the majority on one-time capital projects. If we removed these one-time ARP expenditures, the general fund would have shown surpluses in 2022 to 2023.

For fiscal 2025, the county originally budgeted for an $84.6 million general fund deficit (13.3% of revenue), but this reflected conservative assumptions. The county also took action to reduce expenditures during the year, including holding departmental spending at 2024 levels, reducing travel and training costs, freezing hiring, and cutting overtime. In addition, the county had originally budgeted $10 million for renovations to the county-owned convention center hotel but was able to reduce this by $6.5 million due to funding available from the hotel. On an unaudited basis, 2025 ended with a $29.4 million general fund deficit; after backing out one-time ARP spending ($13.1 million), the true operating deficit was $16.3 million, representing 2.5% of general fund revenue. A key driver of the deficit was excess spending in the sheriff's department and juvenile courts for overtime, wage increases, and additional staff. The county has had difficulty hiring jail corrections officers, leading to the increased overtime costs. On the revenue side, sales and use taxes increased about 4.5% over 2024 levels, which outperformed expectations. Sales and use taxes are the general fund's largest revenue source at about 50% of total revenue. At the end of 2025, reserves remained slightly above the county's policy-mandated minimum (based on county calculations).

The county adopted a balanced general fund budget for the 2026-2027 biennium because of the hiring freeze, attrition, and other cost savings measures. Relative to 2025 actuals, sales and use taxes are budgeted to increase 1.3% in 2026 compared to 2025 actuals and 3% in 2027 compared to 2026 budget. The budget includes 2% cost-of-living increases for all employees, which is in line with recent increases, though actual results could deviate from this as contracts are finalized (employees are represented by 30 different collective bargaining units, and contract expiration dates differ). Hiring correctional officers remains a challenge, so we believe overtime costs could continue to be a budget pressure. However, we anticipate management will continue to proactively adjust the budget in order to maintain structural balance. Once completed, the new county jail is expected to result in operational savings as well.

Following several years of surpluses, the county's health and human services levy funds also reported a $19 million deficit in 2025 (6.6% of revenues) because costs have outpaced revenues, particularly related to increased costs for children in county custody and additional case workers for Job & Family Services. In response to the deficit, the county implemented expenditure cuts in the 2026-2027 biennium budget; the final adopted budget shows a $3 million deficit for 2026 (1.1%), and $760,000 deficit for 2027 (0.3%). The funds are supported by two voter-approved property taxes, the first of which expires in December 2028.

The county has significant exposure to federal funding, which we see as an additional risk in the current environment. Based on the 2024 audit, federal expenditures totaled $227.6 million, or about 12% of the county's total governmental fund budget. This includes a significant amount of pass-through funding from the state for social service-type expenses. We are monitoring how the county will adapt to changes in SNAP and Medicaid services, which are expected later this year.

Total liquidity across all funds is very strong, with about $1.1 billion in pooled cash and cash equivalents at the end of 2024, providing cushion in the event of unexpected costs or revenue losses. Management confirmed that the county has no contingent liquidity risks from financial instruments with payment provisions that change on certain events, and we do not view investment practices as risky. Most investments are in highly rated U.S. government securities.

The county is a defendant in various lawsuits, including several wrongful death lawsuits related to the jail and the county's department of children and family services. We will monitor the ongoing litigation for effects on the financial position.

In 2017, MetroHealth issued $945 million in debt to finance the reconstruction of the system's hospital campus. MetroHealth is the sole obligor on the bonds (and therefore the debt is not included as direct debt of the county), although the county is serving as the counterparty for a standby letter of credit (LOC) to fund a debt service reserve. The county can terminate the LOC if its entire notional value (approximately $63 million) is drawn. Furthermore, the county can fund the replenishment of the debt service reserve by offsetting its annual operating subsidy to the health care system (a discretionary subsidy usually in the range of $30 million-$40 million). The LOC has not been drawn on, so we do not consider it a contingent liability that is likely to come due in the next 12 months.

Debt and liabilities

Following this issuance, the county has about $2 billion in direct debt outstanding, with 42% of debt scheduled to be repaid in 10 years. Debt service costs were 9.4% of total governmental fund revenue in 2024, and we expect this to remain fairly level for the next few years. The pension liability is about $745 million, and pension costs contribute an additional 4.4% to current costs. Given the large population, per capita debt and pension liabilities are moderate. Total overall net debt (which includes overlapping debt) equates to 3.7% of market value, which we also consider manageable at the rating. However, the county's direct debt and pension liabilities are 160.9% of total governmental fund revenue, which is somewhat elevated compared to peers.

In addition to the jail, the county plans to renovate its justice center, which has a current estimated cost of $150 million, according to news reports. The county is in the preliminary planning stage for this project, so timing and funding sources are uncertain, though we believe the county has capacity to absorb additional debt, with debt service on existing bonds scheduled to decline starting in 2035.

The county has issued substantial sales and use tax, nontax revenue, and appropriation debt that is supported with alternative revenue sources and that was largely issued to support various economic development projects, including a county-owned convention center and hotel, renovations at the Rocket Arena and Progressive Field, various residential and commercial projects, and the Rock and Roll Hall of Fame. In January 2025, the county issued an additional $14.2 million in debt for improvements at the sports facilities (the debt was purchased internally by the county). Much of this debt is intended to be repaid with project or other alternative revenue, although the county is ultimately pledging its support if such revenue is insufficient to cover debt service. We estimate that this debt service equates to about 5% of the general fund budget. If shortfalls in intended repayment sources necessitate ongoing general fund support and lead to operating pressures, we could lower the rating.

Cuyahoga County participated in the following pension plans as of 2024:

- Ohio Public Employees' Retirement System, 79% funded using a 6.9% discount rate, with a proportionate share of the plan's net pension liability of $751.1 million
- State Teachers Retirement System of Ohio: 82.5% funded using a 7% discount rate, with a proportionate share of the plan's net pension liability of $2.2 million

We do not view other postemployment benefits (OPEB) liabilities under these plans as a significant source of credit pressure.

We expect that long-term pension and OPEB costs could face volatility as a result of aggressive assumptions and amortization methods designed to defer contributions. Pension reforms in the past, as well as recent OPEB reforms, help mitigate the risk of cost escalation. For more information on our view of these plans, see "Pension Spotlight: Ohio," Aug. 26, 2025.

Cuyahoga County, Ohio--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	1.91
Economy	1.5
Financial performance	3
Reserves and liquidity	1
Management	1.30
Debt and liabilities	2.75

Cuyahoga County, Ohio--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	127	127	127	129
County PCPI % of U.S.	100	100	100	98
Market value ($000s)	126,583,640	101,060,023	100,196,371	99,444,471
Market value per capita ($)	102,221	81,610	80,974	80,860
Top 10 taxpayers % of taxable value	5.1	6.4	6.4	--
County unemployment rate (%)	3.9	3.9	3.8	4.7
Local median household EBI % of U.S.	82	82	79	80
Local per capita EBI % of U.S.	96	96	93	94
Local population	1,238,328	1,238,328	1,237,388	1,229,828
Financial performance				
Operating fund revenues ($000s)	--	631,440	588,660	608,644
Operating fund expenditures ($000s)	--	591,888	572,020	542,275
Net transfers and other adjustments ($000s)	--	(71,326)	(49,504)	(76,690)
Operating result ($000s)	--	(31,774)	(32,864)	(10,321)
Operating result % of revenues	--	(5.0)	(5.6)	(1.7)
Operating result three-year average %	--	(4.1)	2.7	8.9
Reserves and liquidity				
Available reserves % of operating revenues	--	41.7	50.4	54.4
Available reserves ($000s)	--	263,516	296,950	330,968
Debt and liabilities				
Debt service cost % of revenues	--	9.4	10.8	9.9
Net direct debt per capita ($)	1,587	867	813	899
Net direct debt ($000s)	1,965,070	1,073,079	1,006,373	1,105,493
Direct debt 10-year amortization (%)	42	75	86	--
Pension and OPEB cost % of revenues	--	4.0	4.0	4.0
NPLs per capita ($)	--	601	602	696
Combined NPLs ($000s)	--	744,727	745,224	856,439

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings List	
New Issue Ratings	
US$901,555,000 Cuyahoga County, Ohio, Capital Facilities Bonds (General Obligation - Limited Tax), Series 2026, dated: Date of Delivery, due: December 1, 2064	
Long Term Rating	AA/Stable
Ratings Affirmed	
Local Government	
Cuyahoga Cnty, OH Appropriation Contract	AA-/Stable

Ratings List	
Cuyahoga Cnty, OH Lease Appropriation	AA-/Stable
Cuyahoga Cnty, OH Limited Tax General Operating Pledge	AA/Stable
Cuyahoga Cnty, OH Non-Tax Revenues	AA/Stable
Cuyahoga Cnty, OH Non-Tax Revenues 2nd Lien	AA/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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 https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.