



New Issue: Medina (County of) OH

MOODY'S ASSIGNS Aa2 RATING TO MEDINA COUNTY'S (OH) \$4.8 MILLION GO BONDS, SERIES 2009

Aa2 RATING APPLIES TO \$7.2 MILLION OF OUTSTANDING GO DEBT, INCLUDING CURRENT OFFERING

County
OH

**Moody's Rating
ISSUE**

RATING

General Obligation (Limited Tax) Various Purpose Improvement and Refunding Bonds, Series 2009

Aa2

Sale Amount	\$4,855,000
Expected Sale Date	06/08/09
Rating Description	General Obligation Limited Tax

Opinion

NEW YORK, Jun 3, 2009 – Moody's Investors Service has assigned a Aa2 rating to Medina County's (OH) \$4,855,000 General Obligation (Limited Tax) Various Purpose Improvement and Refunding Bonds, Series 2009. The current issue is secured by the county's general obligation limited tax pledge, subject to the statutory 10 mill limitation, and will finance a portion (\$1 million) of the costs of a new parking facility attached to the county courthouse in the City of Medina (GO rated Aa3) and also refund outstanding debt for estimated interest savings. Concurrently, Moody's has affirmed the Aa2 on the county's outstanding general obligation debt, affecting \$7.2 million including the current offering. The Aa2 rating reflects the county's affluent tax base located in suburban Cleveland (GO rated A2/stable), currently satisfactory financial operations with declining reserves due to imbalanced operations in FY08 and expected further draws in FY09, and solid debt profile with no additional borrowing expected.

**AFFLUENT TAX BASE LOCATED BETWEEN CLEVELAND AND AKRON METRO AREAS;
UNEMPLOYMENT TRENDS BELOW STATE AND NATION**

Moody's believes the county's tax base will remain stable in the near term. Located near Cleveland and Akron (GO rated A1), the county has historically benefited from spillover growth from these two metropolitan economies. Medina County covers over 400 square miles with population centered in the cities of Brunswick (GO rated Aa3), Medina (GO rated Aa3), the county seat, and Wadsworth (GO rated A2). The county's relatively large \$13.5 billion tax base is primarily residential in nature (80% of assessed valuation is classified as residential property), buffering the county from direct, concentrated exposure to any large employer or taxpayer; the top ten taxpayers account for a modest 2.7% of valuation. The county reports moderate layoffs at Shiloh Industries, a metal fabrication company tied to the auto industry - 130 employees were laid off in recent months leaving a current employment level of approximately 800. County officials report no knowledge of additional layoffs at other major local companies/employers. Residents benefit from easy access to employment opportunities throughout the Cleveland and Akron metropolitan areas. Though northeast Ohio continues to struggle with a reliance on the contracting durable goods manufacturing sector, Medina County's March 2009 unemployment rate of 8.4% was lower than both state and national averages. Moody's believes that the county's linkage to the pressured regional economies could lead to increases in future unemployment levels.

The county's population has increased markedly since 1970 more than doubling by 2007 and growing by 23.5% between 1990 and 2000, and estimated to have increased by another 12.4% since the 2000 Census to nearly 170,000. Resident income levels have also increased decade over decade since 1970 with per capita and median family income at 116% and 125% of the state, respectively. Growth is expected to slow considerably as housing starts have diminished from historical norms. The county does maintain a sizable amount of available land, especially in townships which surround incorporated areas and in the city of Brunswick, allowing for growth in the future as regional housing trends recover. The county has seen foreclosures increase (nearly 400 have been filed year to date), though trends in 2009 are approximating 2008 levels suggesting peak levels may have already occurred.

CURRENTLY ADEQUATE FINANCIAL OPERATIONS EXPECTED TO NARROW DUE TO DRAWS ON

RESERVES IN FY08 AND FY09; SALES TAX REVENUES UNDERPERFORMING BUDGETED LEVELS

Moody's expects the county's financial operations to remain adequate in the near term but notes that declining reserve levels and deteriorating sales tax receipts present medium term challenges. In FY07, the county posted a \$1.1 million shortfall after two consecutive operating surpluses reducing reserves to \$12.8 million, or a suitable 29.9% of General Fund revenues. While audited results are not yet available for FY08, the county reports a \$2.5 million cash basis shortfall - reducing cash basis reserves from \$6.9 million in FY07 to \$4.4 million in FY08 (an adequate 12% of General Fund receipts). The FY08 shortfall was due to a number of factors including a decline in sales tax receipts (\$158,000 or a 1.6% drop from FY07) after original budget projections called for increasing sales tax revenues, planned capital outlay and the county's decision to forgo significant mid-year budget adjustments. In FY09, the county is currently budgeting for a \$200,000 use of General Fund reserves, bringing cash basis balances to an estimated \$4.2 million or an adequate but narrowing 11.7% of estimated receipts. Current reserve levels are below the county's formal policy of maintaining a minimum cash carryover balance equivalent to 20% of General Fund revenues. The FY09 budget estimates sales tax receipts declining by 0.6% from FY08 collections - year to date receipts are down by approximately 6% though total General Fund revenues are only tracking 2% below budget. The county has instituted several expenditure controls effective in FY09 to reduce the structural imbalance including a 10% department-wide cut and a reduction in 30 FTEs leading to an 8.2% decrease in total General Fund expenditures; these reductions are accounted for in the county's adopted budget which anticipates a \$200,000 draw on reserves.

The county has several areas of potential revenue raising flexibility for FY09 and FY10. Medina County's 1% sales tax rate includes a 0.5% voter approved portion that goes to school districts in the county, leaving 0.5% for county operations. The 1% rate is below most peer counties in the state and can be raised by an additional 0.5% by vote of the county commissioners, though it would be subject to repeal by voters. The county can also raise its real estate transfer tax to the maximum allowable rate by vote of the commissioners which would generate an estimated \$500,000 annually. Additionally, the county expects a portion of its inside millage (unvoted property tax levy) which is currently used for its Bond Retirement Fund to be free for use in the General Fund in FY10 generating an additional \$530,000. The county's revenue stream is relatively diverse with property tax (31% of FY08 revenues) and sales tax (28%) revenues accounting for the two largest sources. Moody's notes that future credit reviews will focus on the county's ability to achieve forecasted results without worse than anticipated draws on already narrowing cash reserves and management's ability to develop and implement a plan to replenish General Fund equity to levels commensurate with its formal policy and current rating level.

STRONG DEBT PROFILE; NO FUTURE BORROWING EXPECTED

Moody's expects the county's favorable debt position to be maintained, given current modest levels, the county's frequent use of pay-go financing, and the lack of immediate future borrowing plans. Both overall and direct debt levels are affordable at 1.7% and 0.1% of estimated full value, respectively, and principal retirement is rapid with 82% repaid in 10 years. All of the county's debt is fixed rate and Medina County is not party to any interest rate swap agreements.

KEY STATISTICS

2007 estimated population: 169,832 (12.4% increase from 2000)

2009 estimated full value: \$13.5 billion

2009 estimated full value per capita: \$79,511

Debt burden: 1.7% (0.1% direct)

Principal retirement (10 years): 82%

FY2007 General Fund balance (GAAP basis): \$12.8 million (29.9% of General Fund revenues)

FY 2007 General Fund cash balance: \$6.9 million (18% of General Fund receipts)

Unaudited FY08 General Fund cash balance: \$4.4 million (12% of General Fund receipts)

Five year sales tax trend: 2.9% average annual increase

Median Family Income as a % of U.S.: 125%

Per Capita Income as a % of U.S.: 112%

March 2009 unemployment: 8.4% (10.1% - Ohio; 9% - U.S.)

Post-sale GO debt outstanding: \$7.3 million

The last rating action with respect to Medina County was on August 17, 2006 when its Aa2 rating was affirmed. The principal methodology used in rating this issue was Local Government General Obligation and Related Ratings, which can be found at www.moodys.com in the Credit Policy & Methodologies directory, in the Ratings Methodology subdirectory. Other methodologies and factors that may have been considered in the process of rating this issue can also be found in the Credit Policy & Methodologies directory.

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June 8, 2009

Summary:

Medina County, Ohio; General Obligation

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Summary:

Medina County, Ohio; General Obligation

Credit Profile

US\$4.855 mil various purp imp & rfdg bnds (GO - ltd tax) ser 2009 due 12/01/2025

<i>Long Term Rating</i>	AA/Stable	New
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Medina Cnty

<i>Long Term Rating</i>	AA/Stable	Affirmed
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Rationale

The 'AA' long-term rating on Medina County, Ohio's limited-tax GO bonds reflects the following credit characteristics:

- Access to employment throughout the Cleveland and Akron, Ohio region;
- Economic indicators Standard & Poor's Ratings Services considers to be favorable;
- Solid financial performance despite recent reductions in the general fund balance; and
- A debt burden we consider to be low.

Medina County is located directly south of Cuyahoga County (AA+/Stable GO debt rating) and west of Summit County (AA/Stable GO debt rating). Medina County has been one of Ohio's fastest-growing counties; its total estimated population of 173,038 reflects a 41% increase since 1990. Because of its location, residents within the county have easy access to employment all across the Cleveland and Akron area. Locally, the county's employment base is primarily divided among services (38% of employment), trade (17%), and manufacturing (12%); leading employers include the following:

- Westfield Cos. (2,000 employees, insurance provider),
- Medina County (1,365),
- Medina General Hospital (1,000), and
- Shiloh Industries (800, a collection of machine shops specializing in specialty steel and automotive stampings).

All of the county's economic indicators remain favorable. Median household effective buying income is what we consider strong at 124% of the national average, while per capita effective buying income is considered good at 110% of the national average. The tax base is large and totals \$4.7 billion of assessed value and \$13.8 billion of estimated market value (a strong \$79,725 per capita, in our opinion). Historically, the county's unemployment rate has remained below both state and national averages and was equal to 5.8% in 2008.

Medina County's revenue stream is diverse, and its financial operations have remained stable. Sales taxes (0.5% of the total 6.5% county rate) and property taxes each account for about 25% of total general fund revenues. On an audited GAAP basis, the unreserved general fund balance has remained at a level representing at least 25% of expenditures for all audited years since 2002 and was equal to \$12.2 million (or, what we consider to be a very strong 29.1% of expenditures) at fiscal year-end Dec. 31, 2007.

Due to reductions in interest income and sales tax revenues, the county's general fund had a \$2.5 million drawdown

(on a cash basis) for 2008, and another \$186,000 reduction is planned for 2009. The county reports that sales tax revenues are tracking about 6% behind the budget, and management has indicated that if this trend continues, further budgetary adjustments could be made to limit the reduction in the general fund balance. The county has already made personnel reductions and also implemented a 10% expenditure reduction for all departments.

Management practices for Medina County are considered "good" under Standard & Poor's Financial Management Assessment (FMA). An FMA of good indicates that the county's management maintains policies in many of the areas deemed most critical in the support of credit quality, although those practices are not comprehensive. Highlights of the county's policies include an informal policy of maintaining cash in the general fund at least equal to 20% of expenditures, the existence of long-term capital and two-year operating fund planning, and frequent review of budgetary performance with the elected county board.

Overall net debt levels (which include overlapping debt and exclude self-supporting enterprise debt) remain low and equal to \$1,262 per capita and 1.6% of estimated market value. All of the county's existing debt is retired by 2027.

Outlook

The stable outlook reflects our expectation that the county will continue its efforts to produce balanced operations and be able to maintain a general fund balance that is consistent with the rating category. In addition, we expect the county to continue to benefit from its location near the large and diverse Cleveland and Akron area.

Related Research

USPF Criteria: "GO Debt," Oct. 12, 2006

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