

RatingsDirect®

Summary:

Ohio Department of Transportation State Infrastructure Bank; State Revolving Funds/ Pools

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Credit Profile

US\$5.04 mil transp proj rev bnds (GRF bnd fd) (Toledo Pkg Facs Proj) ser 2021-1 due 11/15/2031

Long Term Rating

AA+/Stable

New

Rating Action

S&P Global Ratings assigned its 'AA+' long-term rating to the Ohio Department of Transportation State Infrastructure Bank's (SIB) series 2021-1 transportation project revenue bonds state transportation infrastructure general revenue fund (GRF) bond fund. We also affirmed our 'AA+' long-term rating on the SIB's outstanding state transportation infrastructure GRF bond fund program bonds. The outlook is stable.

Each series of bonds issued under the GRF bond fund program is secured by financing payments from the related loan financed with the bond proceeds (parking revenue for the series 2021-1 bonds), the scheduled SIB direct loan repayments totaling nearly \$36 million (principal and interest), a program debt service reserve (PDSR) that totals \$5 million, and accumulated cash held in the SIB general reserve cash fund that totals about \$13.3 million. The accumulated cash balance has been funded over time with direct loan repayments through the SIB revolving loan program. Both the PDSR and the GRF bond fund cash account are pledged on a parity basis for repayment on all outstanding bonds, and the flow of funds is a "closed loop" that precludes transferring money out except to make new loans whose repayments are also pledged to bonds.

The Toledo-Lucas County Port Authority will use proceeds of the series 2021-1 bonds to refund prior bonds issued through the GRF.

Credit overview

The rating reflects our assessment of the following characteristics:

- Very strong enterprise risk profile, given that the program is authorized by statute and supported by the state;
- Extremely strong financial risk profile, reflecting the authority's loss coverage score and financial policies; and
- Strong operating performance with extremely low default or delinquency rates.

The stable outlook reflects our expectation of healthy debt service coverage (DSC) and active program management at the state level.

Stable Outlook

Downside scenario

If the proportion of bond-funded loans increases substantially, leading to a corrosion of overcollateralization, we could lower the rating.

Upside scenario

Absent significant deleveraging of the program, we don't foresee raising the rating given the statutory framework for the bond fund that is in place.

Credit Opinion

Very strong enterprise risk profile

The enterprise risk score reflects the low industry risk associated with all long-term municipal pool programs and the strong market position of the Ohio Department of Transportation (ODOT) SIB. The SIB is a revolving loan program that allows for low-interest cost financing for various transportation projects. The federal government selected Ohio in 1996 as one of only 10 states to establish a SIB. This federal SIB is capitalized with federal funds matched with state funding. The Ohio legislature established the state-funded SIB in 1996. The state program allows for a broader range of projects to be eligible for funding, including airport, seaport, and railway facilities. The state program has the flexibility to establish priorities and guidelines for various authorized projects. ODOT manages the SIB program, and the state legislature authorized the SIB to leverage the loan portfolio through the issuance of revenue bonds. The state has a moral obligation, subject to appropriation, to pay any missed bond payments and replenish the program reserve in the next biennium.

Management continues to expand the SIB lending program for projects.

Extremely strong financial risk profile

The financial risk profile reflects:

- An extremely strong loss coverage score, which indicates the program's ability to withstand a very high level of loan delinquencies or defaults;
- The number, diversity, and credit quality of the portfolio of borrowers;
- The extremely low default and delinquency history; and
- Generally strong financial management practices and policies.

Loan amortization on bond-funded loans matches the bond amortization, while the amortization on direct loans varies with each loan agreement. Scheduled loan repayments in both the GRF bond fund program (including the repayments used to pay series 2021-1 bond debt service) and the SIB direct loan program total more than \$9 million over the next several years and decline steadily thereafter. The current cash flow projections show DSC arising solely from SIB direct loan and bond repayments at more than 1.6x initially and then steadily decreasing. Management plans to continue lending within the program, and as loan repayments are recycled out as additional loans we would expect

DSC to remain consistent with the rating.

After this issuance, the GRF bond fund program will have 11 outstanding loans securing repayment on roughly \$63.5 million of bonds, while the SIB direct loan program will have 30 authorized and drawn loans for various projects with outstanding principal of about \$31.1 million (with five more loans authorized but as yet undrawn). A mix of general fund and other fund pledges, gas and other special tax revenue, and appropriation and nontax revenue pledges secure the loan repayment. SIB management, by policy, lends only to political subdivisions. The largest borrowers following the 2021-1 issuance will be the Port of Greater Cincinnati Development Authority and the Akron-Canton Regional Airport Authority, each representing nearly 15% of outstanding loan principal under both the GRF bond fund and SIB direct loan programs.

The state-funded SIB has the flexibility to establish criteria and provide loans to support its own transportation priorities. For all projects being considered for funding, ODOT emphasizes the funding of essential projects and an identifiable repayment stream as two important criteria. Each loan applicant must submit an initial project application. ODOT may require the pledge of additional security if the borrower's credit profile is weak. In addition, a mechanism allows state appropriation as a moral obligation to maintain the program reserve requirement (5% of outstanding par) if the reserve needs to be drawn to pay debt service on SIB GRF bonds.

Ratings Detail (As Of September 22, 2021)		
Ohio Dept of Transp State Infrastructure Bnk		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Ohio Dept of Transp State Infrastructure Bnk (City of Ashtabula Street Paving Proj)		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Ohio Dept of Transp State Infrastructure Bnk (City of Cincinnati - Keystone Parke Proj)		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Ohio Dept of Transp State Infrastructure Bnk (City of Columbus - Hamilton Road Proj)		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Ohio Dept of Transp State Infrastructure Bnk (City of Dayton - Water Street Pkg Fac Proj)		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Ohio Dept of Transp State Infrastructure Bnk (City of Lorain - Street Imp Proj)		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Ohio Dept of Transp State Infrastructure Bnk (Toledo Pkg Facilities Proj)		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Ohio State Treasurer, Ohio		
Ohio Dept of Transp State Infrastructure Bnk, Ohio		
Ohio State Treasurer (Ohio Dept of Transp State Infrastructure Bnk) transp proj rev bnds (State Transp infrastructure GRF bnd fund) (Toledo-Lucas cnty)		
<i>Long Term Rating</i>	AA+/Stable	Affirmed

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Summary: Ohio Department of Transportation State Infrastructure Bank; State Revolving Funds/Pools

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