

# RatingsDirect®

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**Summary:**

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

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## Summary:

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### Credit Profile

US\$5.5 mil transp proj rev bnds (Licking County Transportation Improvement District 310 Rd Imp Proj) ser 2017-1		
<i>Long Term Rating</i>	AA+/Stable	New
Ohio Dept of Transp State Infrastructure Bnk		
<i>Long Term Rating</i>	AA+/Stable	Affirmed

## Rationale

S&P Global Ratings has assigned its 'AA+' rating to Ohio's series 2017-1 transportation project revenue bonds state transportation infrastructure general revenue fund (GRF) bond fund. We have also affirmed our 'AA+' rating to the outstanding state transportation infrastructure GRF bond fund program bonds. The outlook is stable.

Each bond issued under the GRF bond fund program is secured by financing payments from the related loan financed with the bond proceeds, the scheduled state investment bank (SIB) direct loan repayments totaling \$39.0 million, a program debt service reserve (PDSR) that currently totals \$5 million, and accumulated cash held in the SIB general reserve cash fund that currently totals about \$11.5 million. The accumulated cash balance has been funded over time with direct loan repayments through the SIB direct 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 rating reflects the combination of a very strong enterprise risk score and an extremely strong financial risk score.

### 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) State Infrastructure Bank. The SIB is a revolving loan program that allows for low interest cost financing for various transportation projects. Ohio was selected by the federal government 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 its priorities and guidelines for various authorized projects. The SIB program is managed by ODOT and the state legislature authorized the SIB to leverage the existing loan portfolio through the issuance of revenue bonds.

Management continues to expand the SIB lending program for projects.

### Financial risk profile

The financial risk profile reflects:

- An extremely strong loss coverage score (LCS), which is indicative of the program's ability to withstand a very high level of loan delinquencies or defaults;
- The number, diversity, and credit quality of current 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. Combined annual scheduled loan repayments in both the GRF bond fund program (including the repayments used to pay series 2017-1 bond debt service) and the SIB direct loan program are just over \$7 million over the next several years with a steady decline thereafter. The current cash flow projections show debt service coverage (DSC) arising solely from existing SIB direct loan and bond repayments of at least 2x initially and steadily declining after that. Management has indicated that it intends to continue lending within the program, and as loan repayments are recycled out as additional loans, we would expect DSC to remain around 2x unless management would significantly leverage up the SIB state program.

The GRF bond fund program has eight loans securing repayment on \$39.9 million of bonds, while the SIB direct loan program has 29 loans for various projects with outstanding principal of about \$29.1 million. Loan repayments are secured from a mix of general fund and other fund pledges, gas and other special tax revenues, and appropriation and nontax revenue pledges. SIB management by policy only lends to political subdivisions. The largest borrower is the city of Columbus, with its \$7.9 million outstanding loan funded with the proceeds of the series 2016-1 bonds representing 11% of outstanding loan principal as a percentage of outstanding 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 exists for state appropriation as a moral obligation to maintain the program reserve requirement (currently 5% of outstanding par) if the reserve needs to be drawn to pay debt service on SIB GRF bonds.

## Outlook

The stable outlook is based on the expectation of healthy DSC and active program management at the state level.

### Downside scenario

The rating our outlook could be subject to downward pressure if the SIB GRF bond fund becomes overleveraged and there is not enough over-collateralization consistent with the current rating level.

### Upside scenario

We don't foresee the rating improving given the statutory framework for the bond fund that is currently in place.

**Ratings Detail (As Of May 12, 2017)**

**Ratings Detail (As Of May 12, 2017) (cont.)**

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

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 [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.globalcreditportal.com](http://www.globalcreditportal.com). All ratings affected by this rating action can be found on the S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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