

ISSUER COMMENT

8 November 2019

RATING

General Obligation (or GO Related) ¹

A1 No Outlook

Contacts

Rachel Cortez +1.312.706.9956
Senior Vice President/Manager
rachel.cortez@moody.com

Sam Krouse +1.214.979.6842
Associate Lead Analyst
sam.krouse@moody.com

CLIENT SERVICES

Americas 1-212-553-1653
Asia Pacific 852-3551-3077
Japan 81-3-5408-4100
EMEA 44-20-7772-5454

City of Louisville, OH

Annual Comment on Louisville

Issuer Profile

The City of Louisville is located in Stark County in northeastern Ohio, approximately 20 miles southeast of Akron. The county has a population of 374,273 and a moderate population density of 650 people per square mile. The county's median family income is \$63,267 (2nd quartile) and the September 2019 unemployment rate was 4.4% (3rd quartile) ². The largest industry sectors that drive the local economy are health services, manufacturing, and retail trade.

Credit Overview

Louisville's credit position is favorable, though its A1 rating is slightly lower than the median rating of Aa3 for US cities. Notable credit factors include a very strong financial position, a light debt burden and an inflated pension liability. It also reflects a healthy wealth and income profile and a narrow tax base.

Finances: Louisville has a robust financial position, which is a notable strength in relation to the assigned rating of A1. The city's fund balance as a percent of operating revenues (60.8%) is far above the US median, and remained flat between 2014 and 2018. Also, the cash balance as a percent of operating revenues (52.9%) exceeds the US median.

Debt and Pensions: The debt burden of Louisville is light and is a credit strength in comparison to its A1 rating position. The net direct debt to full value (0.2%) is materially lower than other Moody's-rated cities nationwide, and remained flat from 2014 to 2018. On the contrary, the pension liability of Louisville is elevated and is weak with respect to the assigned rating of A1. The Moody's-adjusted net pension liability to operating revenues (3.0x) unfavorably is materially above the US median.

Economy and Tax Base: The city has a satisfactory economy and tax base overall relative to its A1 rating. The median family income equates to 97.9% of the US level. Yet, Louisville's full value per capita (\$52,272) is significantly below the US median, but increased markedly from 2014 to 2018. In addition, the total full value (\$480 million) is smaller than other Moody's-rated cities nationwide.

Management and Governance: Ohio cities have an institutional framework score ³ of "A", which is moderate. The sector's major revenue source, income tax, is subject to a 1.0% cap that can be overridden with voter approval only. Increases in property taxes also generally require voter approval. Revenues and expenditures tend to be predictable.

Sector Trends - Ohio Cities

Ohio cities will benefit from a stable state economy, though areas with a high reliance on manufacturing or stagnant and aging population growth may continue to experience slower growth. Economically sensitive income taxes are the primary revenue source for most Ohio cities, presenting challenges for areas with weak labor markets, but statewide growth in employment support generally positive trends. While city exposure to unfunded retirement liabilities remains above average, annual pension expenses are a modest share of operating budgets and the state benefits from considerable flexibility to adjust future pension benefits. Debt burdens tend to be moderate for Ohio cities, though some rapidly growing areas have heightened debt due to expanded infrastructure needs.

EXHIBIT 1

Key Indicators [4](#) [5](#) Louisville

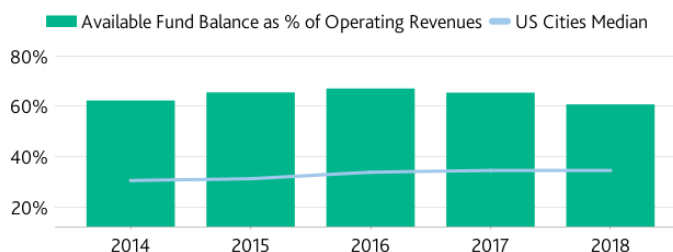
	2014	2015	2016	2017	2018	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$407M	\$411M	\$459M	\$472M	\$480M	\$1,904M	Improved
Full Value Per Capita	\$44,565	\$45,078	\$49,261	\$50,668	\$52,272	\$94,106	Improved
Median Family Income (% of US Median)	87%	90%	95%	98%	98%	111%	Improved
Finances							
Available Fund Balance as % of Operating Revenues	62.3%	65.5%	67.1%	65.4%	60.8%	34.6%	Stable
Net Cash Balance as % of Operating Revenues	52.2%	57.1%	61.5%	60.6%	52.9%	39.6%	Stable
Debt / Pensions							
Net Direct Debt / Full Value	0.1%	0.1%	0.2%	0.2%	0.2%	1.1%	Stable
Net Direct Debt / Operating Revenues	0.13x	0.09x	0.25x	0.19x	0.17x	0.84x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	3.1%	3.1%	2.8%	2.9%	3.1%	1.9%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	3.05x	2.98x	3.01x	2.95x	2.97x	1.56x	Stable
	2014	2015	2016	2017	2018	US Median	
Debt and Financial Data							
Population	9,151	9,132	9,318	9,332	9,186	N/A	
Available Fund Balance (\$000s)	\$2,559	\$2,780	\$2,857	\$3,054	\$3,043	\$8,028	
Net Cash Balance (\$000s)	\$2,144	\$2,424	\$2,620	\$2,828	\$2,649	\$9,530	
Operating Revenues (\$000s)	\$4,108	\$4,243	\$4,261	\$4,669	\$5,008	\$23,172	
Net Direct Debt (\$000s)	\$538	\$388	\$1,048	\$895	\$866	\$19,139	
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$12,532	\$12,652	\$12,822	\$13,758	\$14,873	\$35,448	

Source: Moody's Investors Service

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

EXHIBIT 2

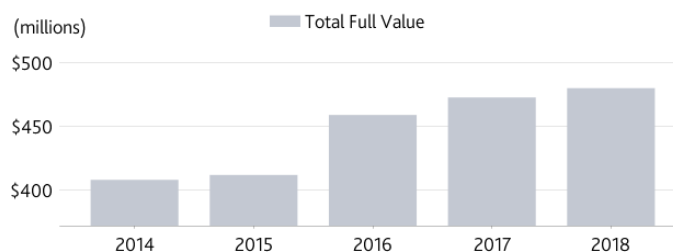
Available fund balance as a percent of operating revenues decreased from 2014 to 2018



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

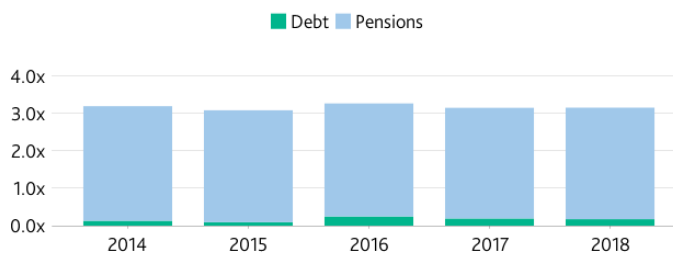
Full value of the property tax base increased from 2014 to 2018



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

EXHIBIT 4

Moody's-adjusted net pension liability to operating revenues decreased from 2014 to 2018



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

Endnotes

- The rating referenced in this report is the issuer's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally backed by the full faith and credit pledge and total taxing power of the issuer. GO-related securities include general obligation limited tax, annual appropriation, lease revenue, non-ad valorem, and moral obligation debt. The referenced ratings reflect the government's underlying credit quality without regard to state guarantees, enhancement programs or bond insurance.
 - The demographic data presented, including population, population density, per capita personal income and unemployment rate are derived from the most recently available US government databases. Population, population density and per capita personal income come from the American Community Survey while the unemployment rate comes from the Bureau of Labor Statistics.
- The largest industry sectors are derived from the Bureau of Economic Analysis. Moody's allocated the per capita personal income data and unemployment data for all counties in the US census into quartiles. The quartiles are ordered from strongest-to-weakest from a credit perspective: the highest per capita personal income quartile is first quartile, and the lowest unemployment rate is first quartile.
- The institutional framework score assesses a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. See [US Local Government General Obligation Debt \(December 2016\)](#) methodology report for more details.
 - For definitions of the metrics in the Key Indicators Table, [US Local Government General Obligation Methodology and Scorecard User Guide \(July 2014\)](#). Metrics represented as N/A indicate the data were not available at the time of publication.
 - The medians come from our most recently published local government medians report, [Medians - Tax base growth underpins sector strength, while pension challenges remain \(May 2019\)](#) which is available on Moody's.com. The medians presented here are based on the key metrics outlined in Moody's GO methodology and the associated scorecard.

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