NEWS RELEASE

City of Mansfield, Ohio

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May 12, 2015 – Mansfield Credit Rating Continues to Improve

Mansfield, Ohio – Moody's Investors Service has upgraded Mansfield's Credit Rating to "A3" from the previous rating of "Baa1". The upgrade to A3 reflects the City's relatively rapid financial turnaround following their fiscal emergency declaration in August 2010.

According to Mansfield Finance Director Linn Steward, CPA, continued upgrades to the City's credit rating will result in lower interest rates when refunding previously issued various purpose bonds, or issuing new debt for future capital needs.

Director Steward stated, "When I was elected nearly four years ago, my primary goal as Finance Director was to improve Mansfield's financial sustainability. This was accomplished by developing and following sound financial policies." Moody's noted that the adoption of financial policies aimed at strengthening the long-term fiscal health of the City as a recognized strength during the rating review process. "We have established, with adequate revenue streams, special reserve funds to strengthen our sustainability. Our challenge continues to be maintaining a balanced budget by keeping expenses within revenues while providing our residents the best service possible." Steward also credited resident's approval of the Pride Tax as a major step in the city's financial recovery.

Additional recognized strengths noted by Moody's were the City's four consecutive operating surpluses and healthy operating fund reserve levels.

The City's modest debt burden was also a significant factor in the rating upgrade. The A3 rating applies to less than $5 million of outstanding General Obligation Limited Tax (GOLT) debt. In previous years, General Obligation Bonds were issued to construct and equip a new fire station on South Main Street, infrastructure improvements at the Airport Industrial Parks, Waste Water Treatment Plant improvements, and Municipal Court security improvements.

According to Director Steward, "Progress such as this is truly a team effort. Policy development began with input from community leaders and elected officials, followed by hours of roundtables and collaborative input. Much of the credit must also go to City Council who worked with my office to complete the necessary legislation to promote and ensure financial sustainability."

Attachment: Moody's Report

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MOODY'S
INVESTORS SERVICE

Rating Update: Moody's upgrades Mansfield's (OH) GOLT rating to A3 from Baa1

Global Credit Research - 06 May 2015

A3 applies to $5.0 M of rated GOLT debt

MANSFIELD (CITY OF) OH
Cities (including Towns, Villages and Townships)
OH

NEW YORK, May 06, 2015 --Moody's Investors Service upgrades Mansfield, OH's General Obligation Limited Tax (GOLT) rating to A3 from Baa1. The A3 rating applies to $5.0 million of GOLT debt outstanding.

SUMMARY RATING RATIONALE

The upgrade to A3 reflects the city's relatively rapid financial turnaround following their fiscal emergency declaration in August 2010. The rating also reflects the city's moderately-sized tax base and challenged broader economy; below average wealth levels; structurally balanced financial operations bolstered by healthy reserve levels; and a modest debt burden.

OUTLOOK

Outlooks are usually not assigned to local government credits with this amount of debt outstanding.

WHAT COULD MAKE THE RATING GO UP

-Stabilization of the employment base and improvement of other economic indicators

-Continued financial stability leading to the maintenance of healthy reserve levels

WHAT COULD MAKE THE RATING GO DOWN

-Continued tax base depreciation coupled with sustained struggles of overall local economy

-Material declines in Operating Fund reserve levels

-Substantial increase in the city's debt burden

STRENGTHS

-Successfully emerged from fiscal emergency status after posting four consecutive operating surpluses

-Healthy Operating Fund reserve levels

-Adopted financial policies aimed at strengthening the long-term fiscal health of the city

CHALLENGES

-Multi-year trend of tax base depreciation

-Challenged broader economy

-Below average wealth levels

RECENT DEVELOPMENTS

The city was removed from fiscal emergency status effective July 7, 2014, after roughly four years of oversight from the state of Ohio (Aa1 stable).

DETAILED RATING RATIONALE

ECONOMY AND TAX BASE: MODERATELY SIZED TAX BASE WITH BELOW AVERAGE SOCIOECONIMIC INDICES

The city is located in Richland County and is the largest city in the county, serving as the county seat. The primarily manufacturing based local economy has been particularly challenged through the broader economic downturn. The city's moderately-sized $1.6 billion tax base has seen assessed value declines for ten consecutive years, with an average annual decline of 2.3% over the last five years. A portion of the decline can be attributed to the state of Ohio's phasing out of tangible personal property tax, which was completely phased out as of 2009, as well as limited new construction. In 2006, tangible personal property had an assessed value of $110.4 million, which equaled a substantial 14.9% of the city's assessed value. Despite the sluggish overall local economy, officials indicate that Med Health Systems (2,500 employees) is building a new facility that will likely bring additional medical specialists into the area.

Unemployment numbers for the city have historically been higher than state and national medians. As of January 2015, the city's unemployment rate of 7.5% remains elevated compared to the state (6.1%) and nation (6.1%). This reflects the ongoing struggles facing the large manufacturing sector in the region which will likely continue to experience challenges over the near term. Resident income levels are well below average, with median family income at 66.9% and 70.7% of national and state medians, respectively, according to the 2008-2012 American Community Survey estimates.

FINANCIAL OPERATIONS AND RESERVES: STRUCTURALLY BALANCED FINANCIAL OPERATIONS CHARACTERIZED BY HEALTHY RESERVES; DEPENDENCE ON ECONOMICALLY SENSITIVE INCOME TAX REVENUES

The city's financial operations are expected to remain stable over the near term due to fiscally conservative management practices and policies that have led to the recent establishment of healthy reserve levels and removal from fiscal emergency status. The city's Operating Fund (General, Safety Services, and Debt Service Funds) concluded the past four fiscal years with surpluses, increasing GAAP-basis available reserves from negative $3.4 million, or a very narrow negative 12.1% of revenues, in fiscal 2009 to $8.1 million, or a healthy 24.5% of revenues, in fiscal 2013. The drastic financial turnaround is attributed to substantial expenditure reductions, including large scale staffing reductions and collective bargaining concessions, as well as rebounding income tax revenues. Although audited results are not yet available for fiscal 2014, preliminary cash-basis figures indicate an increase of roughly $2.7 million in the city's Operating Fund. In fiscal 2013, the city created a Budget Stabilization Fund which concluded fiscal 2014 with a cash basis balance of $2.2 million, consisting of excess dollars transferred from the General Fund. Combined, the Operating Fund and Budget Stabilization Fund concluded fiscal 2014 with a cash basis balance of $9.8 million, or approximately 30.0% of estimated revenues.

City operations are highly dependent on economically sensitive income tax revenues which accounted for 62.5% of fiscal 2013 Operating Fund revenues. While income tax revenues can exhibit economic volatility, the city's income tax revenues have rebounded after suffering throughout the recession. The city last obtained voter approval for additional income taxes with a 0.25% Pride income tax in November 2013, which is received into four specific funds (Safety Services, Parks, Street Lighting, and Demolition Funds). In addition to the new income tax, the city collects a 1.75% income tax, 1.0% of which is permanent and is dedicated for general use, 0.5% which is voted and dedicated for safety services, and 0.25% which is voted for street improvements. Management has historically received voter support for the renewal of its voted income tax levies, with the most recent renewal for its 0.5% safety services levy being approved by voters May 5, 2015.

Liquidity

The city concluded fiscal 2013 with an operating net cash balance of $7.3 million, or a healthy 22.0% of revenues.

DEBT AND PENSIONS: MODEST DEBT PROFILE WITH NO PLANS FOR FUTURE BORROWING

The city's debt profile remains below average with direct and overall debt burdens of 0.3% and 1.8%, respectively. The city does not plan on issuing any new debt in the near or medium term and will most likely use cash on hand for future capital needs.

Debt Structure

All of the city's debt is fixed rate and amortizes over the long term.

Debt-Related Derivatives

The city has no derivatives.

Pensions and OPEB

We calculate an above average pension burden for Mansfield based on unfunded liabilities of two defined benefit cost-sharing retirement plans as well as our methodology for adjusting reported pension information. City employees are members of the Ohio Public Employees Retirement System (OPERS) and the Ohio Police & Fire Pension Fund (OP&F). Mansfield's three year average Moody's adjusted net pension liability (ANPL) through fiscal 2013 is $116.8 million, equivalent to 7.4% of full valuation and 3.6 times fiscal 2013 operating revenue. We have allocated the liabilities of the cost-sharing plans to the city in proportion to its respective contributions to the plans. The city's fiscal 2013 contribution to the retirement plans was $2.9 million, or 8.9% of operating revenue.

Ohio statutes establish local government retirement contributions as a share of annual payroll. While the city has routinely made its full statutorily required payment to the cost-sharing plans, statutory contributions to OP&F have been set well below actuarially-based standards for a number of years, resulting in steady growth in that plan's unfunded liability. Positively, the Ohio legislature enacted reforms in 2012 for all cost-sharing plans that include reductions in cost-of-living adjustments (COLAs) and phased-in growth in employee contributions. While savings associated with COLA changes are incorporated in the city's fiscal 2013 ANPL, we anticipate that growing employee contributions will gradually improve the status of the statewide retirement plans.

MANAGEMENT AND GOVERNANCE: ADOPTION OF FINANCIAL POLICIES AIMED AT LONG-TERM STABILITY

Ohio cities have an institutional framework score of 'A' or moderate. Economically sensitive income tax collections typically account for more than half of operating revenue, but cities have the ability to increase tax rates with voter approval. Expenditures tend to be predictable and many cities maintain the flexibility to cut costs as needed.

Management has successfully guided the city out of fiscal emergency through their willingness to make substantial expenditure reductions. They have put in place eight new policies and ordinances that are dedicated to the long-term health and stability of the city. Most notably, the city created a Budget Stabilization Fund outside the General Fund that is expected to carry a balance of 20% of total prior years General Fund expenditures.

KEY STATISTICS

- Estimated full valuation: $1.6 billion

- Estimated full valuation per capita: $32,800

- Estimated median family income as % of the US: 66.9%

- Fiscal 2013 available operating fund balance / operating revenue: 24.5%

- 5-year change in available operating fund balance / operating revenue: 21.9%

- Fiscal 2013 operating net cash / operating revenue: 22.0%

- 5-year change in operating net cash / operating revenue: 16.1%

- Institutional framework score: A

- 5-year average operating revenue / operating expenditures: 1.03x

- Net direct debt burden: 0.3% of full valuation; 0.1 times operating revenue

- 3-year average Moody's adjusted net pension liability: 7.4% of full valuation; 3.6 times operating revenue

OBLIGOR PROFILE

The city is located in Richland County approximately 65 miles northeast of Columbus and 75 miles southwest of Cleveland. The city is the county seat and the largest city in county, covering an area of 29.9 square miles.

LEGAL SECURITY

Debt service on the bonds is secured by the city's general obligation limited tax pledge, subject to the ten mill limitation defined in Ohio law.

USE OF PROCEEDS

N/A

PRINCIPAL METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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