



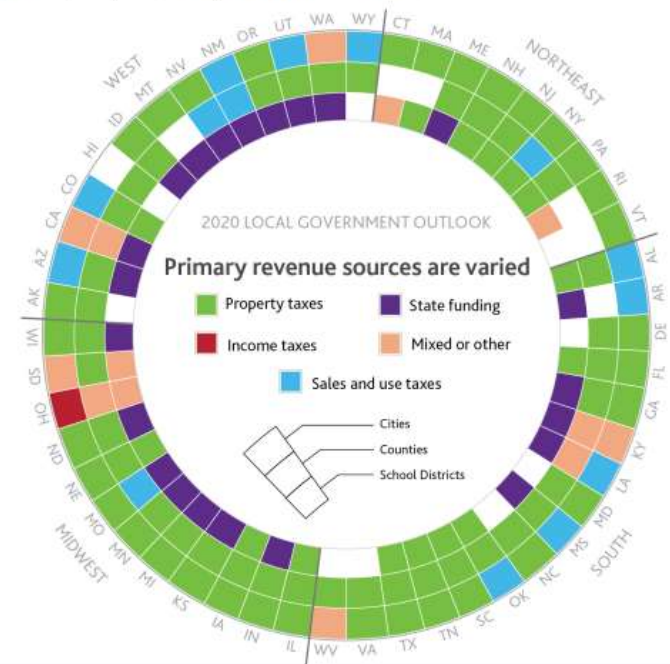
# Florida Credits through the Pandemic & Intro to ESG Scoring

# Florida local governments are largely property tax dependent

## Sales and property taxes remain strong

- Property tax revenues remain strong fiscal 2022. Risk exists with commercial taxpayers.
- Federal aid to local governments has boosted liquidity across sectors.
- Sales taxes have remained relatively healthy and often comprise less than 25% of FL local government budget; tourism-related taxes were hard hit but are recovering
- Florida local governments entered the pandemic with healthy reserves, the result of ten years of revenue growth (since 2010)

Property taxes make up the bulk of local government revenue  
Empty spaces indicate the absence, or very limited number, of rated entities in those sectors

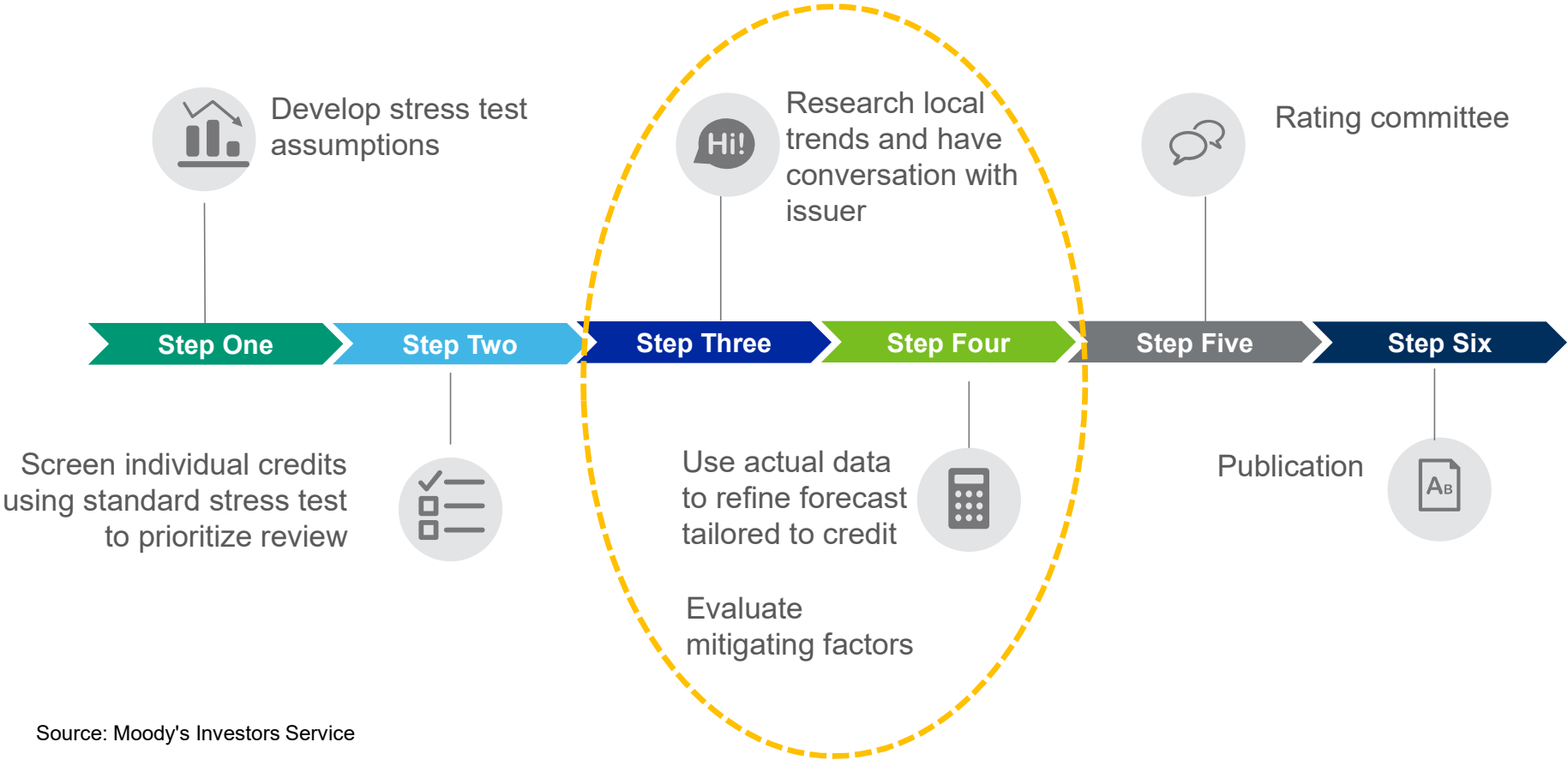


# Special tax definition

- Non-property taxes, typically derived from consumer behavior (examples below)
- Passive & volatile in nature
- Roles in municipal governments:
  - Component of operating revenue but not pledged to debt
  - Component of operating revenue and pledged to debt
  - Not a major component of operation revenue, but pledged to debt that support capital financing
- 3% of Moody's US state and local government portfolio (by count of credit)
  - A1 median for local government credits



# Moody's approach: apply tailored forecasts based on actual data & evaluate mitigating factors



Source: Moody's Investors Service

# Pandemic impact on special tax credit portfolio

- Approximately 10% of the total portfolio was negatively impacted (negative outlook or downgrade)
- Negative rating actions have impacted non-sales tax credits, primarily hotel occupancy taxes
- No Florida special tax credits have been downgraded specifically due to coronavirus
- Sales taxes have largely recovered to pre-pandemic levels
- TDT revenues remain below pre-pandemic levels although recovery has been strong

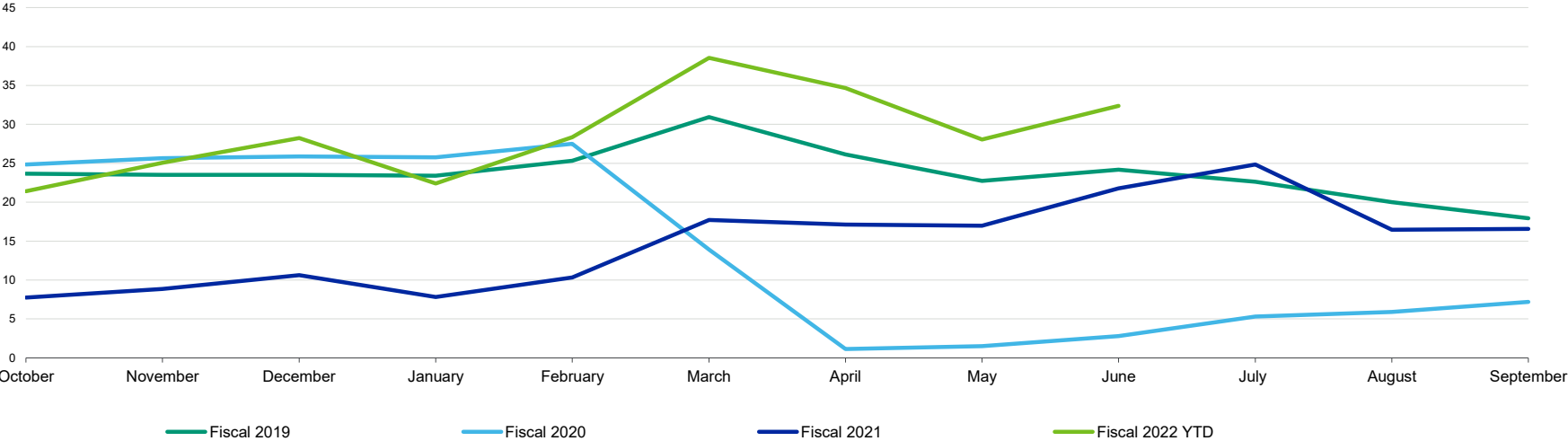
## Hotel and tourism tax declines had varied impacts

- » Credits with outdoor tourism (beaches, mountains, etc.) exposure performed better than more crowded destinations
- » Small number of credits with higher exposure to business travel still performing well below 2019 levels (including Washington State Convention Center, New York Convention Center Dev. Corp, Atlanta, Successor to the San Francisco RDA)
- » Support of parent governments and significant alternate liquidity has been a strength for those credits projecting less than sum sufficient coverage (including Lexington-Fayette Urban Co. Gov't Public Facilities Corp, Orange County, FL, Las Vegas Convention and Visitor Authority)

# Orange County: Significant impact offset by strong reserves

- » Strong bondholder protections: legals include a debt service reserve fund at MADS and a renewal and replacement fund at 4% of the convention center’s gross physical plant and equipment
- » Entering the pandemic, the county had more than 2x MADS in the above reserves and cash

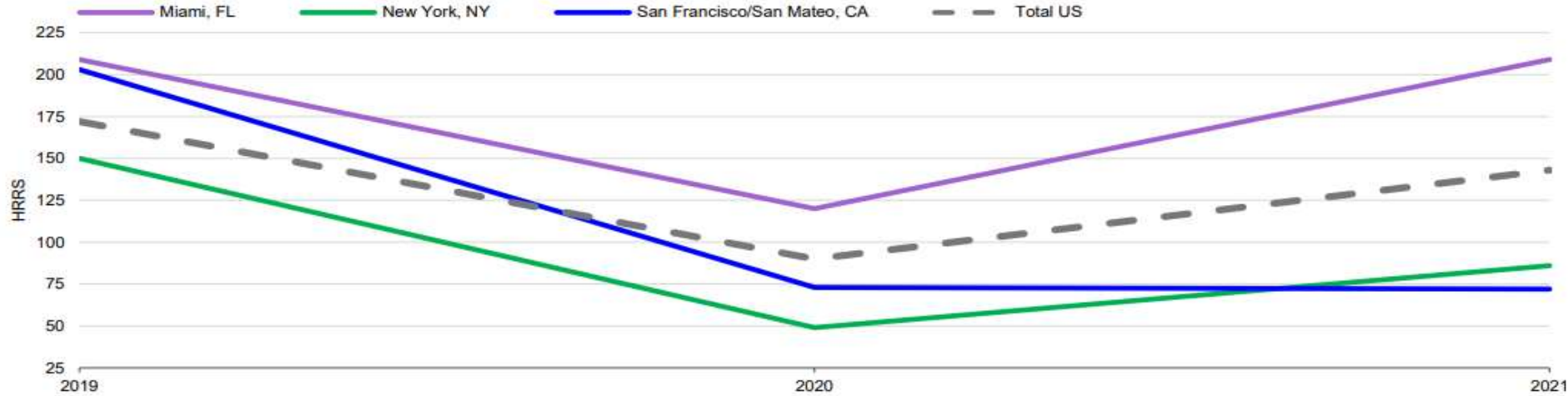
Orange County TDT revenues Fiscal 2019-2022



# Miami outperforms peers

- » Miami RevPAR (revenue per available room) outperformed during pandemic and recovery
- » RevPAR improvements are driven by room rate; demand still lags 2019 levels

The pace of hotels' recovery varies by market  
Historical RevPAR ratio series (1998 = 100), by market

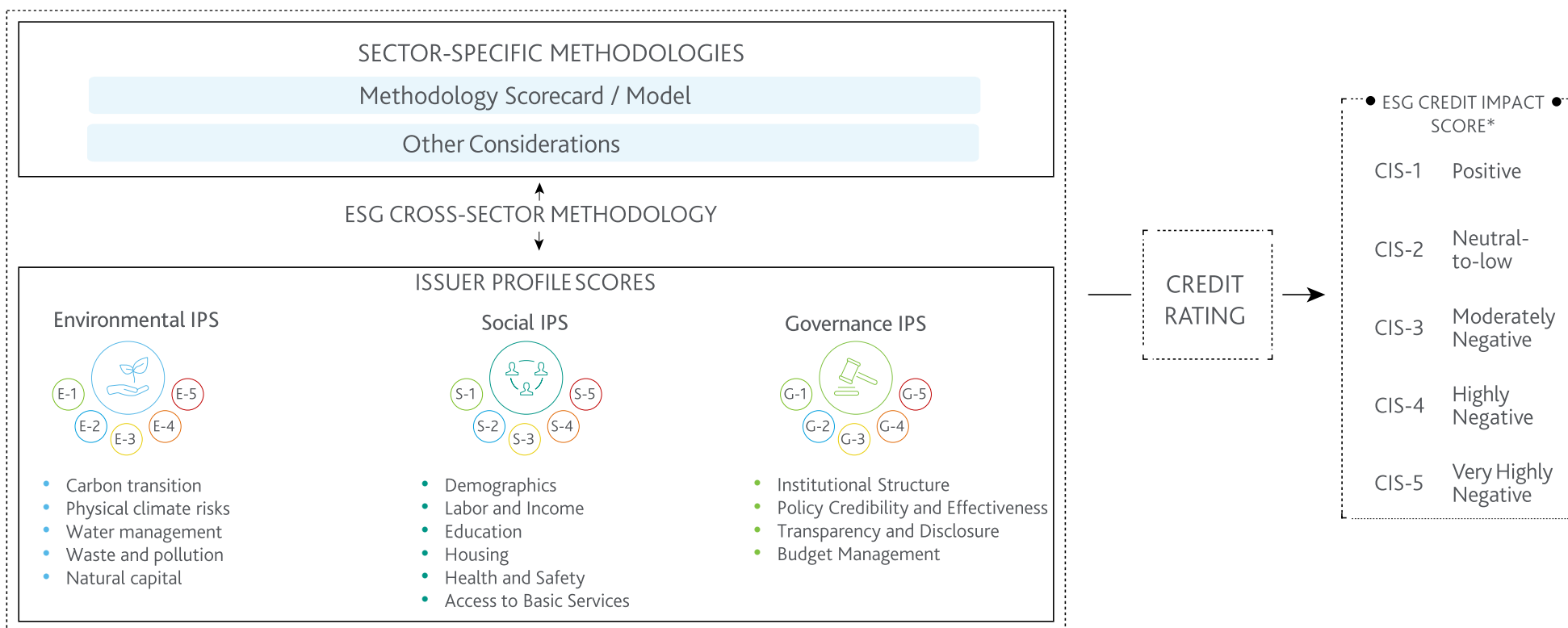


Sources: STR, Inc. and Moody's Investors Service



# ESG Integration Into Credit Analysis – Public Sector






Our rating analysis considers all material credit considerations, including ESG



The ESG credit impact score (CIS) is an output of the rating process that more transparently communicates the impact of ESG considerations on the rating of an issuer or transaction.






# E, S and G Issuer Profile Scoring Scale

Assessed on a five-point scale from positive to negative exposure

	Score	Definition
 POSITIVE	<b>E-1</b> <b>S-1</b> <b>G-1</b>	<p>Issuers or transactions with a Positive E or S issuer profile score typically have exposures to E or S issues that carry material credit benefits.</p> <p>For G, issuers or transactions typically have exposure to G considerations that, in the context of their sector, positions them strongly, with material credit benefits.</p>
 NEUTRAL-TO-LOW	<b>E-2</b> <b>S-2</b> <b>G-2</b>	<p>Issuers or transactions with a Neutral-to-Low E or S issuer profile score typically have exposures to E or S issues that are not material in differentiating credit quality. In other words, they could be overall slightly credit-positive, credit-neutral, or slightly credit-negative. An issuer or transaction may have a Neutral-to-Low score because the exposure is not material or because there are mitigants specifically related to any E or S risks that are sufficient to offset those risks.</p> <p>Issuers or transactions with a Neutral-to-Low G issuer profile score typically have exposure to G considerations that, in the context of their sector, positions them as average, and the exposure is overall neither credit-positive nor negative.</p>
 MODERATELY NEGATIVE	<b>E-3</b> <b>S-3</b> <b>G-3</b>	<p>Issuers or transactions with a Moderately Negative E or S issuer profile score typically have exposures to E or S issues that carry moderately negative credit risks. These issuers may demonstrate some mitigants specifically related to the identified E or S risks, but they are not sufficiently material to fully offset the risks.</p> <p>Issuers or transactions with a Moderately Negative G issuer profile score typically have exposure to G considerations that, in the context of the sector, positions them below average and the exposure carries overall moderately negative credit risks.</p>
 HIGHLY NEGATIVE	<b>E-4</b> <b>S-4</b> <b>G-4</b>	<p>Issuers or transactions with a Highly Negative E or S issuer profile score typically have exposures to E or S issues that carry high credit risks. These issuers may demonstrate some mitigants specifically tied to the E or S risks identified, but they generally have limited effect on the risks.</p> <p>Issuers or transactions with a Highly Negative G issuer profile score typically have exposure to G considerations that, in the context of their sector, positions them weakly and the exposure carries overall highly negative credit risks.</p>
 VERY HIGHLY NEGATIVE	<b>E-5</b> <b>S-5</b> <b>G-5</b>	<p>Issuers or transactions with a Very Highly Negative E or S issuer profile score typically have exposures to E or S issues that carry very high credit risks. While these issuers or transactions may demonstrate some mitigants specifically related to the identified E or S risks, they are not meaningful relative to the magnitude of the risks.</p> <p>Issuers or transactions with a Very Highly Negative G issuer profile score typically have exposure to G considerations that, in the context of their sector, positions them very poorly and the exposure carries overall very high credit risks.</p>

Source: Moody's Investors Service

# ESG Credit Impact Score (CIS) Scale

	Score	Definition
 POSITIVE	<b>CIS-1</b>	For an issuer scored CIS-1 (Positive), its ESG attributes are overall considered as having a positive impact on the rating. The overall positive influence from its ESG attributes on the rating is material.
 NEUTRAL-TO-LOW	<b>CIS-2</b>	For an issuer scored CIS-2 (Neutral-to-Low), its ESG attributes are overall considered as having a neutral-to-low impact on the current rating; i.e., the overall influence of these attributes on the rating is non-material.
 MODERATELY NEGATIVE	<b>CIS-3</b>	For an issuer scored CIS-3 (Moderately Negative), its ESG attributes are overall considered as having a limited impact on the current rating, with greater potential for future negative impact over time. The negative influence of the overall ESG attributes on the rating is more pronounced compared to an issuer scored CIS-2.
 HIGHLY NEGATIVE	<b>CIS-4</b>	For an issuer scored CIS-4 (Highly Negative), its ESG attributes are overall considered as having a discernible negative impact on the current rating. The negative influence of the overall ESG attributes on the rating is more pronounced compared to an issuer scored CIS-3.
 VERY HIGHLY NEGATIVE	<b>CIS-5</b>	For an issuer scored CIS-5 (Very Highly Negative), its ESG attributes are overall considered as having a very high negative impact on the current rating. The negative influence of the overall ESG attributes on the rating is more pronounced compared to an issuer scored CIS-4.

# Environmental Considerations for Regional/Local Govts

Risk categories	General Considerations
<b>Carbon Transition</b>	<p>Importance of hydrocarbon resources or carbon-intensive industry (e.g. oil severance taxes, property taxes on coal-fired power plant)/renewable energy industry on an RLG's revenue</p> <p>Importance of hydrocarbon resources or carbon-intensive industry (e.g. oil severance taxes, property taxes on coal-fired power plant)/renewable energy industry for an RLG's economic base</p>
<b>Physical Climate Risks</b>	<p>Concentration of economic activity exposed to climate hazards</p> <p>Concentration of population and key infrastructure in areas subject to climate hazards</p> <p>Impact of environmental long-term trends on productivity, health related issues, energy demand and overall economic growth</p> <p>Hardening of assets subject to physical climate risks</p> <p>Presence of specific financial protections (e.g. dedicated reserves)</p>
<b>Water Management</b>	<p>Reliance of RLG's major economic sectors on water resources</p> <p>Water availability, consumption, efficiency of use, access, quality, treatment and pollution</p> <p>Policies and strategies for demand reduction, wastewater treatment, integrated water management system</p>
<b>Waste and Pollution</b>	<p>Types and production levels of non-GHG air pollutants and land-based waste and pollution</p> <p>Incidence and clean-up costs related to RLG's non-GHG and land-based pollution issues</p> <p>Long-term planning for waste and pollution control</p>
<b>Natural Capital</b>	<p>Reliance of the local economy on natural assets</p> <p>Sustainability of natural resources</p> <p>Policies related to strategic natural resources protections or of development of alternative resources</p>

# Social Considerations for Regional/Local Govts

Risk categories	General Considerations
<b>Demographics</b>	<ul style="list-style-type: none"> <li>Age distribution</li> <li>Immigration</li> <li>Birth rates</li> <li>Racial &amp; ethnic composition/trends</li> </ul>
<b>Labor &amp; income</b>	<ul style="list-style-type: none"> <li>Labor force participation</li> <li>Income inequality</li> </ul>
<b>Education</b>	<ul style="list-style-type: none"> <li>Access to primary/secondary/tertiary education</li> <li>Educated populace</li> <li>Literacy</li> </ul>
<b>Housing</b>	<ul style="list-style-type: none"> <li>Availability and access</li> <li>Condition of housing</li> </ul>
<b>Health and Safety</b>	<ul style="list-style-type: none"> <li>Healthcare</li> <li>Food security</li> <li>Environmental quality</li> </ul>
<b>Access to basic services</b>	<ul style="list-style-type: none"> <li>Water</li> <li>Sewer</li> <li>Electricity</li> <li>Financial services</li> <li>Transportation</li> <li>Telecom/Internet</li> </ul>

# Governance Considerations for Regional/Local Govts

Risk categories	General Considerations
<b>Institutional Structure</b>	<ul style="list-style-type: none"> <li>Strength of judiciary and civil society</li> <li>Institutional arrangement that guides fiscal and macroeconomic policy</li> <li>Control of corruption</li> </ul>
<b>Policy credibility and effectiveness</b>	<ul style="list-style-type: none"> <li>Fiscal policy track-record and effectiveness</li> <li>Monetary and macroeconomic policy effectiveness</li> <li>Regulatory effectiveness</li> </ul>
<b>Transparency &amp; disclosure</b>	<ul style="list-style-type: none"> <li>Comprehensiveness and reliability of economic, fiscal, and financial data</li> <li>Timely financial disclosure</li> </ul>
<b>Budget management</b>	<ul style="list-style-type: none"> <li>Budgetary and forecast accuracy</li> <li>Management quality and experience</li> <li>Effective use of multi-year planning for operating and capital spending</li> </ul>

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