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U.S. Local Government Rating Model

Model Summary Document (MSD)

1. Model Purpose and Description

The U.S. Local Government Rating Model (U.S. LGRM, or LGRM) generates a Metric Profile, which represents a comparative evaluation of an issuer's overall credit quality based on the 11 key metrics related to three Key Risk Driver (KRD) categories (see "Model Inputs" section). The Metric Profile is calibrated to Fitch's long-term rating scale and corresponds linearly to the IDR for the local government.

As Fitch recognizes that the common risk assessment variables chosen do not fully capture all relevant influences on creditworthiness, the criteria features a structured framework for considering Additional Analytical Factors (AAFs) for each KRD category. The AAFs are designed for consistent and transparent incorporation of rating factors that do not lend themselves to metrics or are not fully reflected in the Metric Profile.

The Metric Profile and AAFs result in the Model-Implied Rating (MIR).

2. Model Assumptions

The assumptions in the model are informed by the underlying criteria model

- U.S. Local Government Rating Regression Model

And/or described in Fitch's criteria

- U.S. Public Finance Local Government Rating Criteria

3. Model Inputs

The main inputs to the model are the historical and prospective financial and demographic metrics as listed below.

- **Financial Profile**: financial resilience, revenue volatility
- **Demographic and Economic Strength**: population trend, unemployment rate relative to the U.S. average, % of population w. bachelor's degree and higher, MHI as a % of portfolio median, population size, economic concentration
- **Long-Term Liability Burden**: liabilities (direct) / personal income, liabilities (direct) / governmental revenues, carrying costs / governmental expenditures
- **Additional Analytical Factors**

4. Model Development Data

See Model Summary Document for the associated Criteria Model: U.S. Local Government Rating Regression Model.

5. Model Limitations

The model is intended only to analyse U.S. local governments within the scope of Fitch's "U.S. Public Finance Local Government Rating Criteria". The criteria can also support the assessment of tax-supported hospital districts, water and/or sewer utilities, public transit systems or other enterprises with tax support, in conjunction with Fitch's "Public Sector Revenue-Supported Entities Rating Criteria" or relevant sector criteria, where applicable.

6. Material Changes

The current model version is 1.1.x. Any future material changes will be disclosed in this section.

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