



FitchRatings

# U.S. Public Finance Quick Reference Guide

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## About Fitch Ratings' U.S. Public Finance (USPF) Group

**Fitch analysts** have always provided the world's largest institutional investors in-depth analysis, comprehensive research, and forward-looking ratings. They are constantly working to meet the changing needs of the credit markets in this period of uncertainty and volatility. We are committed to providing insightful commentary and transparency to our credit ratings.

Located across the country to cover all areas of U.S. Public Finance, our senior analysts have an average of 16 years of industry experience. They are attuned to local legislative and legal issues and are poised to address the specific needs of regional markets.

**Our Business Relationship Management Team** provides issuers, bankers and rating advisors the highest level of business services to ensure a positive engagement process, as well as a productive long-term relationship with Fitch Ratings. The USPF BRM Group is highly experienced, leveraging their expertise as former rating analysts, bankers and advisors on the behalf of issuers seeking rating services. Our managers cover the State and Local Tax-Supported Sector and various Revenue Sectors, including Utilities (Public Power and Water & Sewer), Healthcare, Housing, Higher Education, Transportation, and Municipal Structured Finance. They bring their deep knowledge of the municipal markets to governmental and other entities across many sectors, regions and capital structures.



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Global Head of U.S. & International  
Public Finance and Global Infrastructure



Jack Archibald  
Senior Director  
U.S. Public Finance



Jessica Soltz Rudd  
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U.S. Public Finance



Saavan Gatfield  
Senior Director  
U.S. Global Infrastructure and  
Municipal Transportation



Carmine Charles  
Director  
U.S. Public Finance



James Mitchell  
Senior Director  
U.S. Public Finance

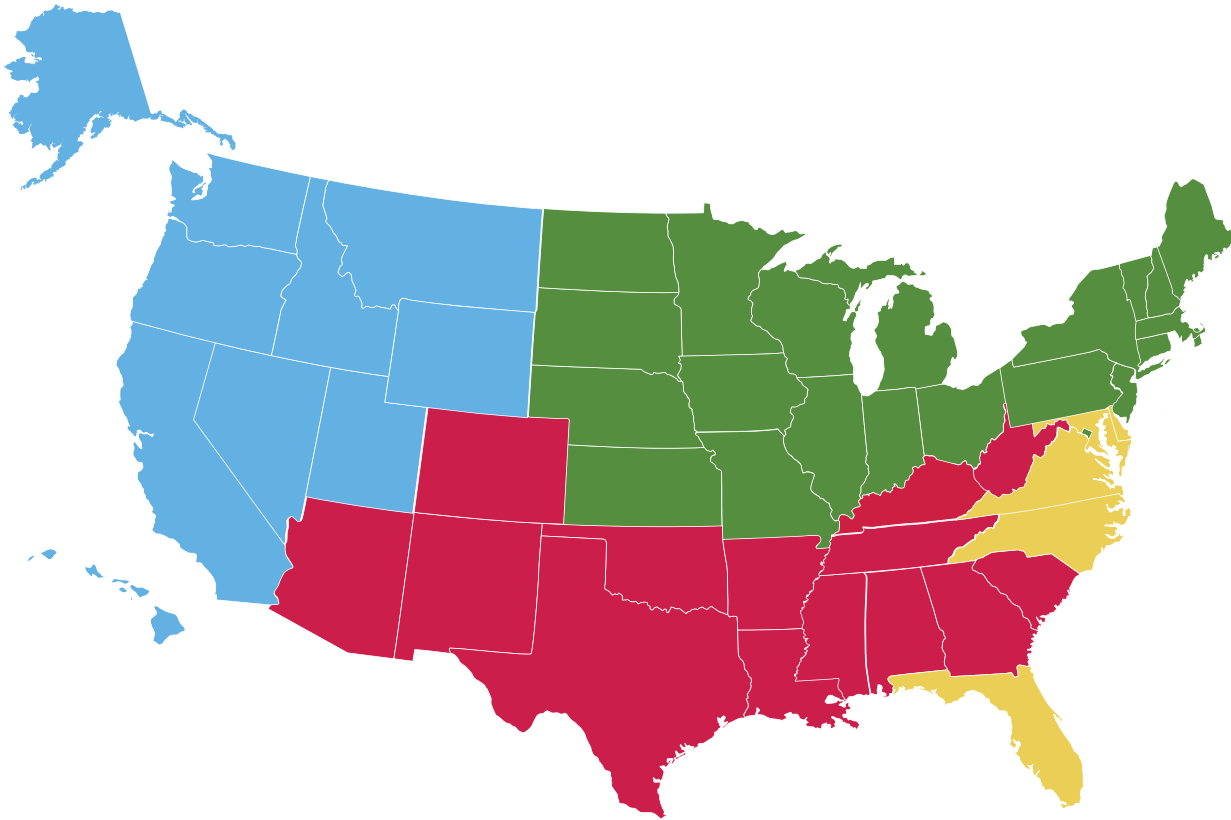


Richard Packard  
Director  
U.S. Public Finance



Michele O'Brien  
Senior Director  
U.S. Public Finance Investor and  
Dealer Relations

## Business & Relationship Management Coverage



### Regional Coverage

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## Main Rating Products

	Indicative Rating	Public Rating	Private Rating	Rating Assessment Service (RAS)	Credit Opinion
Description	<ul style="list-style-type: none"> <li>Utilized for first time issuers and new securities to Fitch</li> <li>Confidential</li> </ul>	<ul style="list-style-type: none"> <li>General purposes</li> <li>Financing purposes</li> </ul>	<ul style="list-style-type: none"> <li>Non-public financing transactions</li> </ul>	<ul style="list-style-type: none"> <li>Assessment of given scenarios</li> <li>Transaction specific</li> <li>Not limited to Fitch-rated entities</li> <li>Can consider multiple financing scenarios</li> </ul>	<ul style="list-style-type: none"> <li>Opinion which omits one or more characteristics of a full rating</li> </ul>
Reference	<ul style="list-style-type: none"> <li>Point-in-time</li> </ul>	<ul style="list-style-type: none"> <li>Monitored</li> </ul>	<ul style="list-style-type: none"> <li>Monitored</li> </ul>	<ul style="list-style-type: none"> <li>Point-in-time</li> </ul>	<ul style="list-style-type: none"> <li>Typically point-in-time</li> </ul>
Notch Specific	<ul style="list-style-type: none"> <li>Yes</li> </ul>	<ul style="list-style-type: none"> <li>Yes</li> </ul>	<ul style="list-style-type: none"> <li>Yes</li> </ul>	<ul style="list-style-type: none"> <li>Yes</li> </ul>	<ul style="list-style-type: none"> <li>Notch or category specific</li> </ul>
Output	<ul style="list-style-type: none"> <li>Confidential rating letter can be provided</li> </ul>	<ul style="list-style-type: none"> <li>Rating Commentary</li> <li>Full report</li> </ul>	<ul style="list-style-type: none"> <li>Confidential rating letter</li> </ul>	<ul style="list-style-type: none"> <li>Confidential rating letter</li> </ul>	<ul style="list-style-type: none"> <li>Confidential rating letter</li> </ul>



# Fitch Credit Rating Process

Link to: [Rating Process Video](#)





## Data/Information Needed for a Credit Rating\*

**Audited Financial Statements:** Audited Financial Statements will be requested (if not publicly available)

**Budget:** Current budget and upcoming budget (if available)

**Debt:** Information on any private debt

**Dedicated Tax Bonds:** Pledge revenue history, bond indenture and resolution, flow of funds, information on parity/subordinate debt outstanding or plans for future issuance

**Labor:** Information on labor unions/collective bargaining groups and contract terms

**Pension Plan:** If municipality operates its own pension plan, last three years of plan audits/valuations

**POS:** Preliminary Offering Statement (if applicable)

**Refunding analysis:** Refunding analysis (if applicable)

\* If additional information is required, the analyst may contact you



# Fitch Credit Rating Scales

Quality	Long-Term Rating	Short-Term Rating
Highest Credit Quality	AAA	F1+
Very High Credit Quality	AA+	F1+
	AA	F1+
	AA-	F1+
High Credit Quality	A+	F1 or F1+
	A	F1 or F1+
	A-	F2 or F1
Good Credit Quality	BBB+	F2 or F1
	BBB	F3 or F2
	BBB-	F3
Speculative	BB+	B
	BB	B
	BB-	B
Highly Speculative	B+	B
	B	B
	B-	B
Substantial Credit Risk	CCC+ / CCC / CCC-	C
Very High Levels of Credit Risk	CC	C
Exceptionally High Levels of Credit Risk	C	C
Restricted Default   Default	RD   D	RD   D

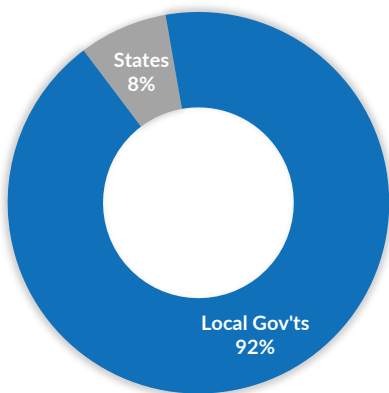


# U.S. Public Finance Sector Overview

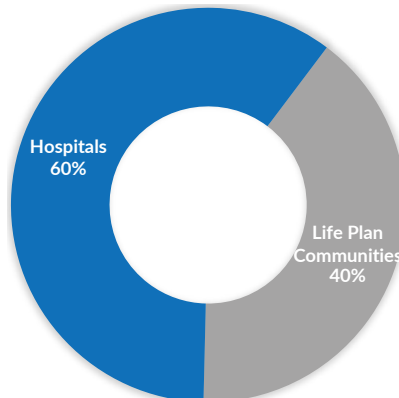
Sector	Portfolio Distribution
Tax-Supported	49%
Healthcare	19%
Water & Sewer	14%
Public Power	10%
Education & Nonprofits	7%
Tax-Exempt Housing	2%

## U.S. Public Finance by Subsector

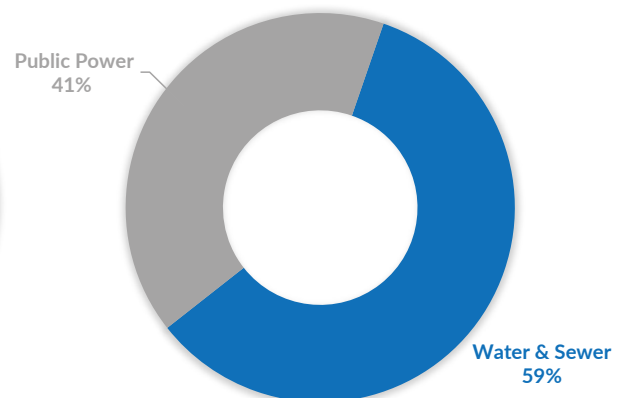
**Tax-Supported**



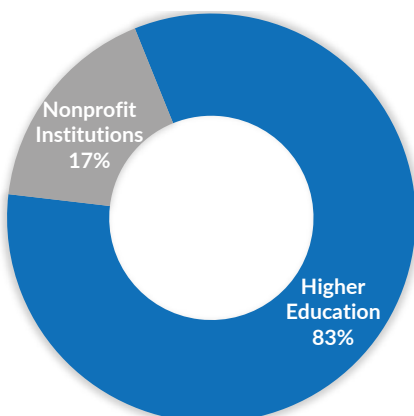
**Healthcare**



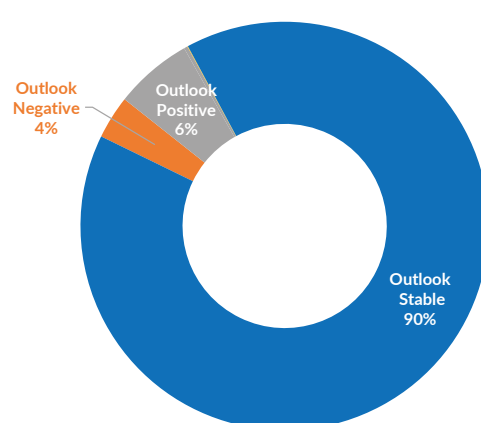
**Utilities**



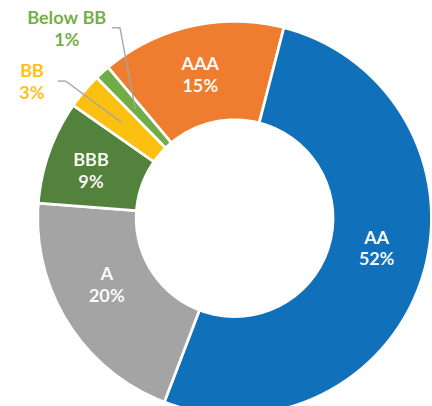
**Education & Nonprofits**



**Subsector Distribution**



**Ratings Distribution**



## Key Benefits of Engaging with Fitch

### Research

[Medians](#)

[Criteria](#)

[USPF Weekly](#)

### Discussions

[Webinars](#)

### Sophisticated Tools

#### Environmental, Social, and Governance (ESG) Relevance Scores

Fitch launched a new integrated scoring system which shows how ESG factors impact individual credit rating decisions. We are the only credit rating agency currently offering this level of granularity or transparency about the impact of ESG on fundamental credit.

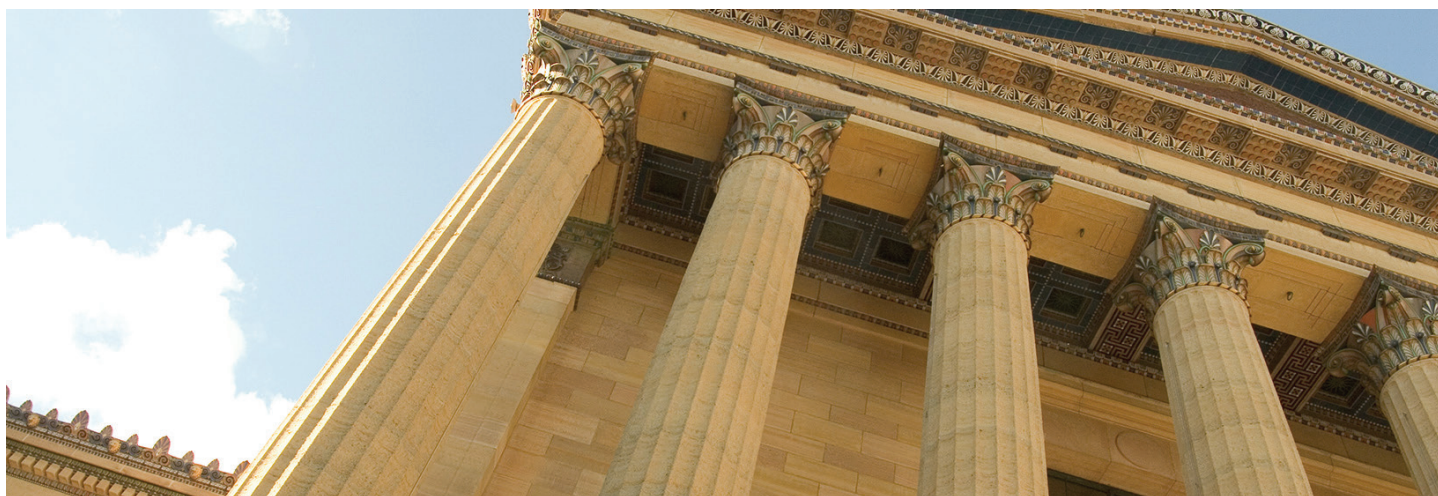
#### Fitch Analytical Comparative Tool (FACT) (Tax-Supported and certain revenue sectors)

This Excel-based tool provides statistics and metrics for U.S. Public Finance issuers within a particular sector. The program allows for analyses of rating trends, custom peer groups, and individual agencies.

#### Fitch Analytical Stress Test (FAST) (Tax-Supported and certain revenue sectors)

A suite of tools covering U.S. Public Finance's Tax-Supported and Revenue Sectors. Our scenario analysis framework incorporates two distinct elements that work together to highlight how an issuer's financial position can change through an economic or market cycle and what level of change can be considered consistent with the existing rating.

FAST supports our through-the-cycle analysis and provides analytical information used in the rating process. However, FAST by itself does not generate ratings, nor should the output be considered a forecast or a precise estimate.



# Environmental, Social and Governance (ESG) Factors

Fitch is the first credit rating agency to apply a systematic approach to publishing opinions about how ESG issues are relevant and material to individual entities' credit ratings.

## Characteristics

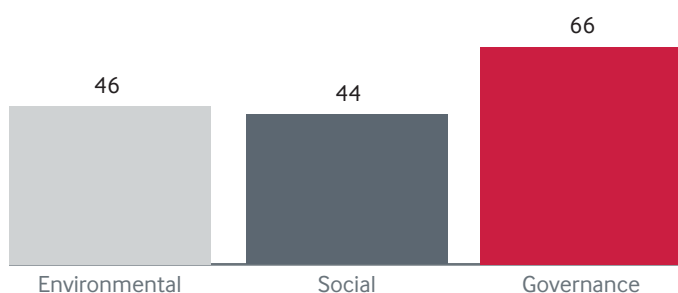
- ESG Scoring provides transparency into a pre-existing part of Fitch Ratings' criteria to the credit evaluation process
- Satisfies investors demand for more thorough and robust reporting on how ESG affects credit risk
- Observational and augments transparency of risk evaluation
- Reviewed at the time of every rating action
- Based on qualitative and quantitative information used for ratings (annual management interviews, and public and proprietary issuer information)

## ESG Scoring Definitions

Score	Relevancy Definition
5	Highly relevant, and a key rating driver
4	Relevant to rating, but not a key rating driver
3	Minimally relevant to rating (most commonly assigned)
2	Irrelevant to the entity rating, but relevant to sector
1	Irrelevant to the entity rating, and irrelevant to sector

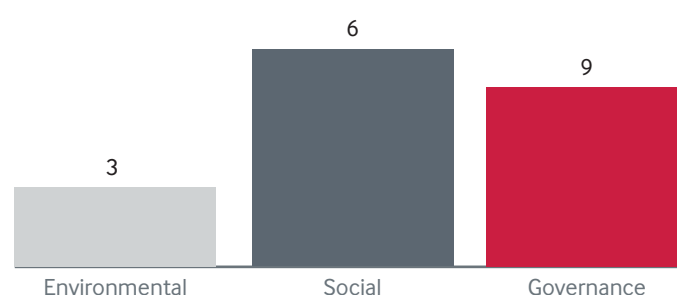
## US Public Finance

**Number of Credits** Score = either 4 or 5  
(A score of 3 is the most commonly assigned)



## Global Infrastructure

**Number of Credits** Score = either 4 or 5  
(A score of 3 is the most commonly assigned)



## ESG Factors\*

ESG Relevance Scores identify 14 or 15 ESG Factors.

Each ESG Factor is scored on a credit relevance scale of 1 – 5 by our credit analyst.

## Environmental\*\*

- GHG Emissions & Air Quality
- Energy Management
- Water & Wastewater Management
- Waste & Hazardous Materials Management; Ecological Impacts / Biodiversity and Natural Resource Management
- Exposure to Environmental Impacts / Natural Disasters and Climate Change

## Social\*\*

- Human Rights, Community Relations, Access & Affordability / *Human Rights and Political Freedoms*
- Customer Welfare – Fair Messaging Privacy & Data Security (Cyber Security) / *Human Development, Health and Education*
- Labor Relations & Practices
- Employee Wellbeing / *Public Safety and Security*
- Exposure to Social Impacts / *Demographic Trends*

## Governance\*\*

- Management Strategy
- Governance Structure
- Group Structure
- Financial Transparency
- USPF Tax-Supported-only:**
- *Political Stability and Rights*
- *Rule of Law, Institutional & Regulatory Quality, Control of Corruption*
- *International Relations and Trade*
- *Creditor Rights*
- *Data Quality and Transparency*

\*All ESG Factors in black text are shared in common, except when blue text appears.

\*\* Blue bulleted text items are exclusive to USPF Tax-Supported sector on this page

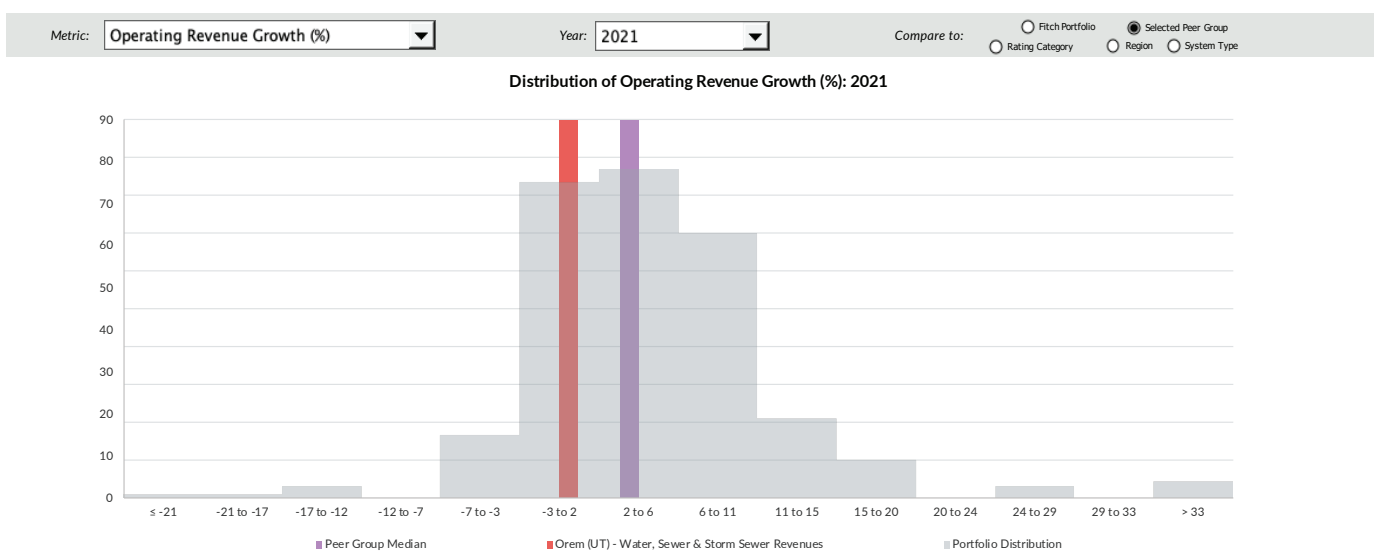


# Fitch Analytical Comparative Tool (FACT)

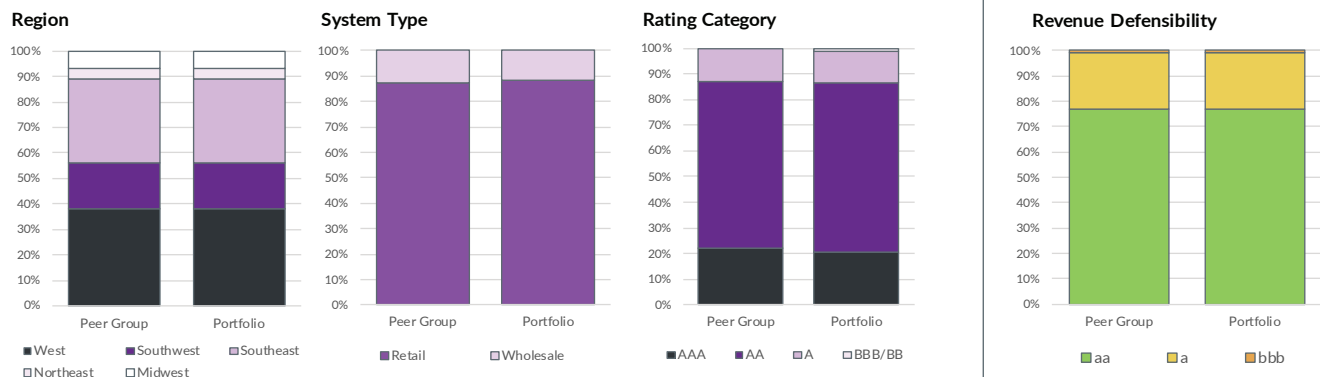
## Sophisticated Tools Developed by Fitch Ratings' U.S. Public Finance Team

- Compares an entity's key financial metrics with peers in their sector
- User-friendly approach to analysis
- Interactive excel-based analytical tool
- Facilitates an understanding of key credit metrics used in Fitch's analysis

### Metric Analysis: Operating Revenue Growth



### Distribution of Characteristics and Key Rating Factors (as of July 2022)



### The FACT Tool is available for the following Sub-Sectors:

- Airports, Infrastructure, Ports & Toll Roads
- Not-for-Profit Life Plan Communities
- Not-for-Profit Hospitals & Health Systems
- Public Housing
- Public Power
- State & Local Governments
- Water & Sewer

# Fitch Analytical Stress Test (FAST)

Sophisticated Tools Developed by Fitch Ratings' U.S. Public Finance Team

## What FAST Is:

- Through-the-Cycle Analysis
- Models an issuer's historical revenue performance over multiple economic cycles to estimate possible future revenue behavior in a hypothetical, user-specified downturn

## What FAST Is Not:

- Does not generate ratings
- Is not a forecast

## FAST's Key Benefits:

- Gain insight into issuer financial and operating metric volatility and sensitivity to changing economic/cyclical conditions
- Specify a user-defined scenario and discover patterns in macroeconomic or cyclical impacts among certain peer groups
- Drill-down to a specific issuer and examine impact of a top-down stress on issuer finances and key credit metrics through a multi-year scenario analysis

### FAST Public Power - Fitch Analytical Stress Test - Demand Generator

Scenario Yr	1	2	3	4	5
Std Devs*	-2.00	-1.00	1.00	0.75	0.25
Implied GDP	-1.0%	0.5%	3.3%	3.0%	2.3%

**Enter assumed stress in standard deviation terms to the left.\* User may filter issuers using drop down menus in row 10.**

\*Stated in terms of standard deviations to GDP, which is used as a scaling factor. Use of GDP does not imply causality in this context with regard to demand result with the possible exception of those issuers that show a result under "Econometric" approach to the right. **Scenario estimates should not be construed as a forecast.** See description tab and special report for more details and limitations.

Source: Fitch Ratings, EIA, Federal Reserve Bank of St. Louis.

### FAST Public Power - Fitch Analytical Stress Test - Screener

**User may filter issuers using drop down menus in row 7; Stress assumptions specified on "Generator" tab.**

Source: Fitch Ratings, EIA, Federal Reserve Bank of St. Louis. **Scenario estimates should not be construed as a forecast.** See description tab and special report for

Geographical Location					Issuer Name	Total Electric Demand: Size and Growth Scale = 1 (Smallest) to 10 (Largest)			Data Descriptive	
Country	Region	State	User Field 1	User Field 2	Issuer Name	2016 Retail + Wholesale Total KWH	Size Decile	5-yr Growth Decile	Rev Type	Sector
USA	Far West	CA			Alameda Municipal Power (CA)	343270	1	1	Demand - KWH	Electric - Retail
USA	Far West	AK			Anchorage Electric (AK)	1354366	4	8	Demand - KWH	Electric - Retail
USA	Rocky	UT			Bountiful (UT)	288409	1	3	Demand - KWH	Electric - Retail
USA	Southeast	VA			Bristol Virginia Utilities Authority (VA)	481990	2	1	Demand - KWH	Electric - Retail

## Investor Outreach

Fitch's Public Finance Group has a broad and active investor relations program.

In the past 12 months, we had significant interactions with institutional investors to share our views and comments on specific credits, sectors and trends.

- Aberdeen Standard Investments
- 40/86 Advisors, Inc.
- AIG
- Alliance Bernstein
- Allspring
- Allstate
- American Century
- BlackRock
- BNY Mellon
- Bank of America Wealth Management
- Breckinridge Capital
- Capital Group
- Cavanal Hill Investment Management
- Charles Schwab
- Columbia Threadneedle
- Conning Asset Management
- Dodge & Cox
- DWS Investments
- Eaton Vance
- Evercore Asset Management
- Federated
- Fidelity
- Franklin Templeton
- Genworth Financial
- Goldman Sachs
- Guggenheim
- Gurtin Fixed Income Management
- Hartford Investment Management
- Insight
- Invesco
- J.P. Morgan
- Lazard Asset Management
- Loews
- Loomis, Sayles & Company
- Lord Abbett
- Mackay Shields LLC
- Macquarie Investment Management
- Manulife
- McDonnell Investment
- MetLife
- MFS
- Morgan Stanley
- Nationwide Asset Management
- Neuberger Berman
- New York Life
- Northern Trust
- Northwestern Mutual
- Nuveen
- Pacific Life
- PGIM
- PIMCO
- PNC Capital
- Principal
- Prudential Financial, Inc.
- Putnam Investment Management
- Schroder Investment
- SIT Investment
- State Farm
- State Street Global Advisors
- T. Rowe Price
- The Travelers Indemnity Company
- Thrivent Financial
- TIAA
- UBS Global Asset Management
- USAA
- Vanguard
- Wellington Management
- Western Asset Management
- Wilmington Trust





## Quarterly Investor Outreach Snapshot

Select Investors Fitch Interacted With



**BlackRock**



**Asset  
Management**



**THRIVENT  
FINANCIAL**

LORD ABBETT®

**EVERCORE**



**nuveen**

# Appendix

## Main Rating Products

Product	Definition
<b>Credit Rating</b>	<ul style="list-style-type: none"> <li>• An opinion of the ability of the issuer to make timely payments of principal and interest to investors</li> <li>• Assigned to a security</li> <li>• Provides a forward-looking and relative assessment of credit risk</li> <li>• Helps bridge the information gap between seller and buyer of bonds</li> <li>• An opinion that indicates the level of credit risk of bonds to bond investors</li> </ul>
<b>Credit Opinion</b>	<ul style="list-style-type: none"> <li>• A relative credit view that provides a category, or notch specific level that does not take into consideration all of the analytical factors considered for a rating, under the applicable criteria</li> <li>• Considered more preliminary in nature</li> </ul>
<b>Indicative Rating (IR)</b>	<ul style="list-style-type: none"> <li>• Private Point-in-Time rating (PPiT)</li> <li>• Non-monitored</li> <li>• Confidential</li> <li>• Convertible to a Public Rating</li> </ul>
<b>Private Rating</b>	<ul style="list-style-type: none"> <li>• Monitored</li> <li>• Confidential</li> <li>• Private Monitored Ratings involves Fitch's analysis, committee process and ongoing surveillance</li> </ul>
<b>Public Rating</b>	<ul style="list-style-type: none"> <li>• Monitored</li> <li>• Non-confidential</li> <li>• Involves Fitch's analysis, committee process and ongoing surveillance</li> <li>• Publication of these ratings are administered through Fitch's global website via a Rating Action Commentary (RAC)</li> </ul>
<b>Rating Assessment Service (RAS)</b>	<ul style="list-style-type: none"> <li>• An indication of what a rating might be given a set of hypothetical circumstances</li> <li>• Private Point-in-Time (PPiT) rating</li> <li>• Up to three scenarios</li> <li>• Can be done on a Fitch rated or non-Fitch-rated entity</li> <li>• Notch specific</li> </ul>

## Glossary of Terms

Term	Definition
<b>Issuer Default Rating (IDR)</b>	<ul style="list-style-type: none"> <li>Fitch assigns IDRs to debt issuers to communicate the relative general creditworthiness of the issuer and its ability to meet its financial commitments</li> </ul>
<b>Long-Term Rating</b>	<ul style="list-style-type: none"> <li>Assigned to debt with a maturity of greater than an approximate 365 days</li> <li>Ratings are based on all information known to and considered relevant by Fitch, including publicly available information and/or non-public documents and information provided to the agency by an issuer and other parties</li> <li>Publication and maintenance of all ratings are subject to there being sufficient information, consistent with the relevant criteria, to form an opinion on the relative vulnerability to default expressed in a rating</li> </ul>
<b>Point-in-time (PiT)</b>	<ul style="list-style-type: none"> <li>Not monitored</li> <li>Rating products, such as Credit Opinions (COs), Indicative Ratings (IRs) and Rating Assessment Services (RAS) are point-in-time ratings</li> </ul>
<b>Rating Affirmation</b>	<ul style="list-style-type: none"> <li>The rating has been reviewed with no change in rating. Ratings affirmations may also include an affirmation of, or change to, an Outlook when an Outlook is used</li> </ul>
<b>Rating Confirmation</b>	<ul style="list-style-type: none"> <li>A rating has been reviewed at the request of the rated entity or its representatives to confirm that there would be no rating effect from a proposed limited change to specific terms or other provisions or circumstances in relation to an entity, its issues or a transaction</li> </ul>
<b>Rating Outlook</b>	<ul style="list-style-type: none"> <li>Indicates the direction a rating is likely to move in, over a one-to-two-year period. Reflects financial or other trends that have not yet reached or been sustained the level that would cause a rating action, but which may do so if such trends continue</li> </ul>
<b>Reviewed No Action</b>	<ul style="list-style-type: none"> <li>The rating has been reviewed with no change in rating. Such action will be published on the agency's website, however, a rating action commentary will not be issued</li> <li>This is not applicable to ratings or rating modifiers that have changed (including Rating Watch, Rating Outlook or Recovery Ratings)</li> </ul>



## Glossary of Terms

Term	Definition
<b>Rating Watch</b>	<ul style="list-style-type: none"> <li>• Most likely event driven</li> <li>• A Rating Watch must be reviewed and a Rating Action Commentary be published every six months after a rating has been placed on Rating Watch</li> </ul>
<b>Rating Action Commentary (RAC)</b>	<ul style="list-style-type: none"> <li>• A press release which includes Fitch's rating actions and related regulatory disclosures</li> </ul>
<b>Non-Rating Action Commentary (NRAC)</b>	<ul style="list-style-type: none"> <li>• A press release used to comment on market developments or to alert market participants to Fitch publications</li> <li>• NRACs do not disclose rating actions</li> </ul>
<b>Short-Term Rating</b>	<ul style="list-style-type: none"> <li>• Assigned to debt with a maturity less than approximately 365 days</li> </ul>
<b>Surveillance</b>	<ul style="list-style-type: none"> <li>• Monitored credit ratings are subject to a review by a rating committee, at least once annually</li> <li>• Fitch's ratings are monitored on an ongoing basis in accordance with Fitch's policies and procedures</li> </ul>
<b>Under Criteria Observation (UCO)</b>	<ul style="list-style-type: none"> <li>• A rating has been placed "Under Criteria Observation" (UCO) upon the publication of new or revised criteria that is applicable to the rating, where the new or revised criteria has yet to be applied to the rating and where the new or revised criteria could result in a rating change when applied</li> </ul>

## Contact Us

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