

County Financing Topics

Compass Municipal Advisors, LLC

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MARKET UPDATE



BOND MARKET THEMES

Two primary themes have dominated the municipal bond market in 2025:

1. Increased supply
2. Steepening municipal yield curve



MUNICIPAL BOND SUPPLY

The municipal bond market has seen an increase in volume this year due to multiple factors:

- Rising construction costs – i.e. increased borrowing amounts
- Exhaustion of federal funds
- Refundings – due to lower short-term borrowing rates



MUNICIPAL BORROWING RATES

MMD: AAA Yield Curve

- MMD: Municipal Market Data
- The MMD Index is the benchmark index for the municipal industry
- MMD is mean to represent AAA GO's with a 5% coupon rate
- Bonds are priced and traded off this index as a spread
- MMD is set every day at 3PM ET, with updates throughout the day.
- Industry terms for changes are "bump" or "cut".



FED FUNDS AND MUNICIPAL RATES

The Federal Reserve (via the FOMC) has lowered their benchmark lending rate four times since December 1, 2024.

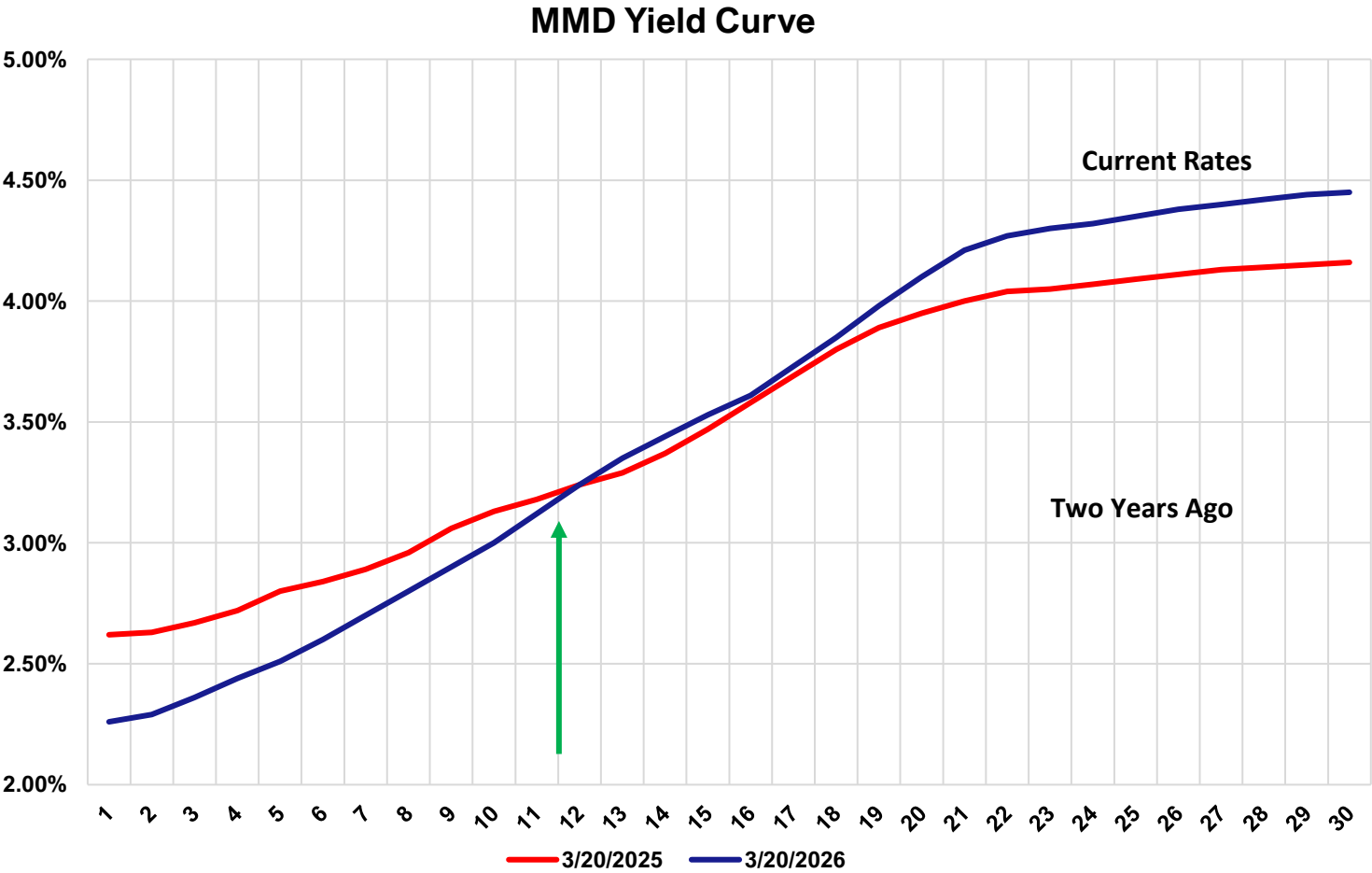
- The lending rate range was 4.50% - 4.75% as of 12/01/24
- The current range is 3.50% - 3.75%

Despite the rate cuts, long-term municipal rates have increased slightly YOY.

- This has created a steeper yield curve



AAA MUNICIPAL RATES - YOY



Source: LSEG



AAA MUNICIPAL RATES

3/20/2026													
Year	Current Yields	1-Day Change	2-Day Change	1-Week Change	1-Month Change	3-Month Change	1-Year Change	5-Year Change	vs. 1-Year		vs. 1-Year Average	vs. 3-Year Average	vs. 5-Year Average
									High	Low			
1	2.26	0.10	0.12	0.12	0.20	(0.20)	(0.36)	2.10	(1.14)	0.24	(0.19)	(0.54)	0.09
5	2.51	0.10	0.13	0.13	0.38	0.08	(0.29)	1.94	(1.08)	0.41	(0.00)	(0.11)	0.34
10	3.00	0.10	0.13	0.13	0.48	0.24	(0.13)	1.84	(0.89)	0.48	(0.01)	0.16	0.55
15	3.53	0.10	0.13	0.12	0.38	0.22	0.06	2.14	(0.71)	0.43	(0.03)	0.24	0.71
20	4.10	0.10	0.12	0.09	0.21	0.17	0.15	2.51	(0.56)	0.29	0.00	0.42	0.98
30	4.45	0.10	0.12	0.08	0.22	0.21	0.29	2.66	(0.39)	0.46	0.09	0.51	1.10
2Y-10Y	0.71	0.00	0.01	0.01	0.25	0.36	0.21	(0.24)	0.24	0.19	0.14	0.58	0.41
2Y-20Y	1.81	0.00	0.00	(0.03)	(0.02)	0.29	0.49	0.43	0.57	0.00	0.15	0.84	0.84
2Y-30Y	2.16	0.00	0.00	(0.04)	(0.01)	0.33	0.63	0.58	0.74	0.17	0.23	0.92	0.96

Source: LSEG



INVESTMENT RATES

US Treasury & SLGS Rates

- 1 Month – 3.71%
- 3 Months – 3.73%
- 6 Months – 3.77%
- 9 Months – 3.78%
- 12 Months – 3.78%
- 18 Months – 3.86%
- 24 Months – 3.89%

Liquid Investment Products

- Government MMKT – 3.57%
- Deposit/Sweep Accounts – 2.00% – 2.70%

Source: US Treasury and Fidelity



CREDIT RATINGS



CREDIT RATING OVERVIEW

Why are credit ratings important?

- Investors in the municipal market have placed a greater emphasis on individual credit quality and underlying bond ratings.
- Spreads between rating categories can widen dramatically, directly impacting the cost of capital.
- Gauge overall County fiscal health.

MOODY'S
INVESTORS SERVICE

S&P Global



FORMAL CREDIT RATING PROCESS

1. The financial advisor will contact rating agency(s) which will assign an analyst.
2. The financial advisor will submit the plan of finance, audits, POS and other pertinent information to the analyst.
3. The rating analyst will review information and provide a list of questions to discuss on a ratings call.
4. There will be a ratings call between the County, rating agency analyst and finance team.
5. The analyst takes the information provided and derived from the call to a committee who ultimately reviews and assigns the final bond rating.



HOW ARE CREDIT RATINGS DERIVED?

Each rating agency has their own methodology that is used to determine the outcome.

- Model generates overall credit score that represents the entity's indicative rating
- The final rating can then be notched upwards or downwards based on overriding credit factors and financing structure.
 - Upward: Strong local economy, strong cash position, population growth
 - Downward: poor demographics, tax base concentration, poor management.



CREDIT RATING SCALES

MOODY'S	S&P	FITCH	DESCRIPTIONS	GRADE
Aaa	AAA	AAA	Highest credit quality, minimum credit risk	 INVESTMENT
Aa	AA	AA	Very high credit quality, very low credit risk	
A	A	A	High credit quality, low credit risk	
Baa	BBB	BBB	Good credit quality, moderate credit risk	
Ba	BB	BB	Issuer faces adverse conditions and uncertainty, substantial credit risk	 HIGH YIELD (or "Junk")
B	B	B	High credit risk, issuer able to meet financial commitments	
Caa	CCC	CCC	Vulnerable and default likely	
Ca	CC	CC	Issuer is highly vulnerable or near default	
C	C	C	Lower ratings, issuer in default	
	D	RD	Lower ratings, issuer in default	
		D	Lower ratings, issuer in default	



MOODY'S METHODOLOGY

Factor	Factor Weighting*	Sub-factor	Sub-factor Weighting
Economy	30%	Resident Income (MHI Adjusted for RPP / US MHI)†	10%
		Full Value per Capita (Full Valuation of Tax Base / Population)	10%
		Economic Growth (Difference Between Five-Year Compound Annual Growth in Real GDP and Five-Year CAGR in Real US GDP) ‡	10%
Financial Performance	30%	Available Fund Balance Ratio (Available Fund Balance + Net Current Assets / Revenue)	20%
		Liquidity Ratio (Unrestricted Cash / Revenue)	10%
Institutional Framework	10%	-- **	10%
Leverage	30%	Long-term Liabilities Ratio ((Debt + ANPL + Adjusted Net OPEB + Other Long-Term Liabilities) / Revenue)††	20%
		Fixed-Costs Ratio (Adjusted Fixed Costs / Revenue)	10%
Total	100%		100%
Preliminary Outcome			
Notching Factor			Notching Range
Additional Strength in Local Resources			0 to +2
Limited Scale of Operations			-1 to 0
Financial Disclosures			-2 to 0
Potential Cost Shift to or from the State			-1 to +1
Potential for Significant Change in Leverage			-2 to +1.5



ECONOMY

FACTOR

Economy (30%)

Sub-factor	Sub-factor Weight	Aaa	Aa	A	Baa	Ba	B	Caa	Ca
Resident Income (MHI Adjusted for RPP / US MHI)* ¹	10%	≥ 120%	100 - 120%	80 - 100%	65 - 80%	50 - 65%	35 - 50%	20 - 35%	< 20%
Full Value per Capita (Full Valuation of the Tax Base / Population)* ²	10%	≥ \$180,000	\$100,000 - \$180,000	\$60,000 - \$100,000	\$40,000 - \$60,000	\$25,000 - \$40,000	\$15,000 - \$25,000	\$9,000 - \$15,000	< \$9,000
Economic Growth (Difference Between Five-Year Compound Annual Growth in Real GDP and Five-Year CAGR in Real US GDP)* ³	10%	≥ 0	(1)% - 0	(2.5) - (1)%	(4.5) - (2.5)%	(7) - (4.5)%	(10) - (7)%	(15) - (10)%	< (15)%

*1 For the linear scoring scale described in Appendix A, the Aaa endpoint value is 200%. A value of 200% or better equates to a numeric score of 0.5. The Ca endpoint value is 0%. A value of 0% or worse equates to a numeric score of 20.5.

*2 For the linear scoring scale, the Aaa endpoint value is \$400,000. A value of \$400,000 or better equates to a numeric score of 0.5. The Ca endpoint value is \$7,500. A value of \$7,500 or worse equates to a numeric score of 20.5.

*3 For the linear scoring scale, the Aaa endpoint is 2%. A value of 2% equates to a numeric score of 0.5. The Ca endpoint value is (20)%. A value of (20)% or worse equates to a numeric score of 20.5.

Source: Moody's Investors Service



FINANCIAL PERFORMANCE

FACTOR

Financial Performance (30%)

Sub-factor	Sub-factor Weight	Aaa	Aa	A	Baa	Ba	B	Caa	Ca
Available Fund Balance Ratio (Available Fund Balance + Net Current Assets / Revenue)* ⁴	20%	≥ 35%	25 - 35%	15 - 25%	5 - 15%	0 - 5%	(5) - 0%	(10) - (5)%	< (10)%
Liquidity Ratio (Unrestricted Cash / Revenue)* ⁵	10%	≥ 40%	30 - 40%	20 - 30%	12.5 - 20%	5 - 12.5%	0 - 5%	(5) - 0%	< (5)%

*4 For the linear scoring scale, the Aaa endpoint value is 50%. A value of 50% or better equates to a numeric score of 0.5. The Ca endpoint value is (15)%. A value of (15)% or worse equates to a numeric score of 20.5.

*5 For the linear scoring scale, the Aaa endpoint value is 60%. A value of 60% or better equates to a numeric score of 0.5. The Ca endpoint value is (10)%. A value of (10)% or worse equates to a numeric score of 20.5.

Source: Moody's Investors Service



LEVERAGE

FACTOR

Leverage (30%)

Sub-factor	Sub-factor Weight	Aaa	Aa	A	Baa	Ba	B	Caa	Ca
Long-term Liabilities Ratio ((Debt + ANPL + Adjusted Net OPEB + Other Long-Term Liabilities) / Revenue) ^{*6}	20%	≤ 100%	100 - 200%	200 - 350%	350 - 500%	500 - 700%	700 - 900%	900 - 1,100%	> 1,100%
Fixed-Costs Ratio (Adjusted Fixed Costs / Revenue) ^{*7}	10%	≤ 10%	10 - 15%	15 - 20%	20 - 25%	25 - 35%	35 - 45%	45 - 55%	> 55%

^{*6} For the linear scoring scale, the Aaa endpoint value is 0%. A value of 0% or better equates to a numeric score of 0.5. The Ca endpoint value is 1,300%. A value of 1,300% or worse equates to a numeric score of 20.5.

^{*7} For the linear scoring scale, the Aaa endpoint value is 0%. A value of 0% or better equates to a numeric score of 0.5. The Ca endpoint value is 65%. A value of 65% or worse equates to a numeric score of 20.5.

Source: Moody's Investors Service



ARPA UPDATE



LATCF UPDATE

ANNUAL REPORTS ARE DUE MARCH 31, 2026

Award Closeout Process

- ✓ Verify the totality of your LATCF award has been expended.
- ✓ Confirm your County has completed all reporting requirements as outlined in your Financial Assistance Agreement.
- ✓ Ensure your SAM.gov registration is currently active.
- ✓ Ensure your designated points of contact in the Treasury Portal are up-to-date.
- ✓ Login to the portal and follow the Closeout Walkthrough Instructions.
- ✓ Maintain records for a period of five years after all funds have been expended.



SLFRF UPDATE

NEXT ANNUAL & QUARTERLY REPORTS ARE DUE APRIL 30, 2026

ALL FUNDS MUST BE EXPENDED BY DECEMBER 31, 2026.

- Funds may be “reallocated” if a current project is under budget resulting in surplus SLFRF
 - However, the “new project” must have been obligated by December 31, 2024.
- Treasury is inviting recipients, on a rolling basis, to initiate closeout by notifying eligible recipients with instructions.



QUESTIONS



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