



# FGFOA 2026 Annual Conference

**June 13–17, 2026**

Loews Sapphire Resort at Universal Orlando

# Fitch Ratings Update

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# Fitch Ratings Public Finance

## Current Factors Influencing Ratings Analysis

- Rising costs are increasing budget pressure, particularly for insurance, wages, and utilities.
- Fiscal budgets include use of reserves and plans remain cautious amid uncertainty around the economy, sales tax performance, and Fed's evolving tariff-related decisions and effects of Middle East war on fuel/energy prices.
- Slower job growth with employers downsizing to cut costs leading to higher unemployment rates; potentially lower personal income levels.
- Uncertainty related to changes in federal policies that could impact near-term economic growth/increase spending.
- Proposal for Florida property tax reform makes for more challenging budget decisions due to uncertainty of approval.
- Most local governments possess sufficient financial resilience, liquidity and budgetary control to address these challenges. Still, governments may need to consider revenue increases and/or reductions in services or staffing to maintain structural balance.



# **Fitch Ratings Public Finance**

## **Local Government Rating Criteria**

- The criteria was released April 2nd, 2024 and is being used for the analysis of security ratings for:
  - **General obligation debt**
  - **Non-ad valorem revenue backed debt**
  - **Leases and other appropriation backed obligations**
  - **The concept of an Issuer Default Rating (IDR) remains in place and is equivalent to the general obligation bond rating**



# Fitch Ratings Public Finance

## Local Government Rating Criteria

- Model-based approach, with fixed metric weightings to provide greater rating clarity
- Notch-specific ratings communicated numerically supporting analysis of 'headroom' within rating category
- Covenant to Budget and Appropriate Non-Ad Valorem Revenues rated same as IDR/GO bonds
- Core credit factors we look at:
  - Budgetary flexibility
  - Financial operating performance
  - Long-term liability levels
  - Economic base



# Local Government Rating Criteria

## Key Rating Drivers

Key Rating Driver	
<b>Financial Profile</b>	<ul style="list-style-type: none"><li>• Considers legal ability to raise revenues within 10 mill cap plus fees and charges</li><li>• Considers Expenditure Control (for majority of Florida issuers this is assessed as “Midrange”)</li><li>• Financial Resilience – considers level of unrestricted reserves (for <b>‘High-Midrange’</b> assessment)<ul style="list-style-type: none"><li>• above 10% of spending is ‘aaa’ assessment</li><li>• 7.5% - 10% of spending is ‘aa’ assessment</li><li>• 5% - 7.5% of spending is an ‘a’ assessment</li><li>• 2.5% - 5% of spending is an ‘bbb’ assessment</li><li>• below 2.5% of spending is ‘bb’ assessment</li></ul></li></ul>



# Local Government Rating Criteria

## Key Rating Drivers

Key Rating Driver	
<b>Financial Profile (cont'd)</b>	<ul style="list-style-type: none"><li>• Financial Resilience – considers level of unrestricted reserves (for <b>‘Midrange’</b> assessment)<ul style="list-style-type: none"><li>• above 15% of spending is ‘aaa’ assessment</li><li>• 15% - 10% of spending is ‘aa’ assessment</li><li>• 10% - 7.5% of spending is an ‘a’ assessment</li><li>• 7.5% - 5% of spending is an ‘bbb’ assessment</li><li>• below 5% of spending is ‘bb’ assessment</li></ul></li><li>• Financial Resilience assessment of <b>‘Limited’</b> – unrestricted reserves level:<ul style="list-style-type: none"><li>• above 25% of spending is ‘aaa’ assessment</li><li>• 25% - 17.5% of spending is ‘aa’ assessment</li><li>• 17.5% -10% of spending is an ‘a’ assessment</li><li>• 10% - 5% of spending is an ‘bbb’ assessment</li><li>• below 5% of spending is ‘bb’ assessment</li></ul></li></ul>



# Local Government Rating Criteria

## Key Rating Drivers

Key Rating Driver	
<b>Demographic and Economic Strength</b>	<ul style="list-style-type: none"><li>● Population Trend (10 year median of yoy change)</li><li>● Adjusted Median Household Income</li><li>● Annual Avg. Unemployment Rates as % of National Rate</li><li>● Percentage of Residents with Bachelors Degree or Higher</li><li>● Economic Concentration</li><li>● Population Size</li></ul>



# Local Government Rating Criteria

## Key Rating Drivers

Key Rating Driver	
<b>Long Term Liability Burden</b>	<ul style="list-style-type: none"><li>• Direct Debt + Net Pension Liability as % of Personal Income</li><li>• Direct Debt + Net Pension Liability as % of Governmental Revenues</li><li>• Annual Governmental Debt Service + Pension and OPEB Contributions compared to Total Governmental Expenditures</li></ul>



# Fitch Ratings Public Finance

## Dedicated Tax and Revenue Bond Rating Criteria

Released May 1, 2026

- Standalone criteria used to rate bonds backed by sales tax, fuel and/or utility taxes, tax increment revenues and other dedicated taxes



# Dedicated Tax and Revenue Bond Rating Criteria

## Key Rating Drivers

- There are 2 primary key rating drivers – **Revenue Risk** and **Resilience**
- **Revenue Risk:** Fitch evaluates risk profile of the pledged revenues including an analysis of the revenue type, the scope of economic activities that underpin its collection and expectations for revenue growth and stability through cyclical downturns. See table:



## Revenue Risk Assessment Guidance

Assessment	aaa	aa	a	bbb	bb	b or lower
Revenue Type	Typically limited to property-based revenues, including parcel taxes, property assessments or well-established tax increment	Broad-based revenues, including general sales and use, utility, income, or excise and business taxes	Revenues from narrow but largely essential economic activity, including fuel, auto registration or food and beverage; also includes subsets of a broad revenue source, such as a high earner's personal income tax	Revenues from narrow and/or largely discretionary economic activity, including taxes on tourism or entertainment-related activities, auto rental or parking, lottery or gaming, real estate transactions, or student tuition and fees	New or unproven revenue sources and/or limited history with no reasonable proxy	
Revenue Sensitivity	Revenue trends are expected to be very stable, with extremely small and infrequent cyclical revenue declines, supporting expectations for a rapid recovery following a typical economic downturn	Revenue trends are expected to be stable, with moderate cumulative cyclical declines typically approximating 5% or lower and a rapid recovery to pre-stress levels	Revenue trends are expected to be moderately sensitive to cyclical stress, with cumulative declines typically ranging from approximately 5% to 10%, followed by a recovery to pre-stress levels within a two-year period	Revenue trends are expected to be highly sensitive to cyclical stress, with cumulative declines typically ranging from 10% to 20%; revenue recovery prospects are considered reasonable but more vulnerable to setback	Revenue trends are expected to be extremely sensitive, marked by cumulative declines typically ranging from 20% to 30% that inherently reduce visibility into revenue recovery	Revenue trends are expected to be extremely sensitive and unpredictable, with the potential for frequent and substantial cumulative declines of 30% or more
Revenue Growth Prospects	Strong; long-term revenue growth above U.S. GDP performance	Solid; long-term revenue growth below U.S. economic performance but above the level of long-run U.S. inflation	Slow; long-term revenue growth is expected to track U.S. inflation	Stagnant; long-term revenue growth is expected to be below U.S. inflation or flat	Negative; declining long-term revenue trajectory	Very negative; sharply declining long-term revenue trajectory
Suggested Revenue Stress	-1%	-5%	-10%	-15%	-20%	-30% or higher

Source: Fitch Ratings

# Dedicated Tax and Revenue Bond Rating Criteria

## Key Rating Drivers

- **Resilience:** Fitch's analysis considers the resilience of the bond's coverage of maximum annual debt service (MADS) from pledged revenues relative to cyclical revenue stresses informed by the Revenue Risk assessment.

### Resilience Assessment Mapping Table

Implied Resilience Assessment	Minimum Post-stress MADS Coverage Requirement
aaa	2.50x
aa	1.50x
a	1.20x
bbb	1.10x
bb	1.00x
b or lower	<1.00x

Source: Fitch Ratings



# Dedicated Tax and Revenue Bond Rating Criteria

## Key Rating Drivers

- **Additional Credit Factors:** The final rating outcome also considers certain additional credit factors (ACFs) that can have a positive or negative effect on the security rating, including:
  - transaction legal or structural provisions
  - contingent risks and developing situations that either heighten or mitigate credit risk not fully captured in the standalone analysis
  - Ability to control revenues
  - Higher than typical liquidity available to support debt service
  - Debt Structure – such as closed lien; variable rate debt; or, ascending debt service schedule



# Fitch Ratings Public Finance

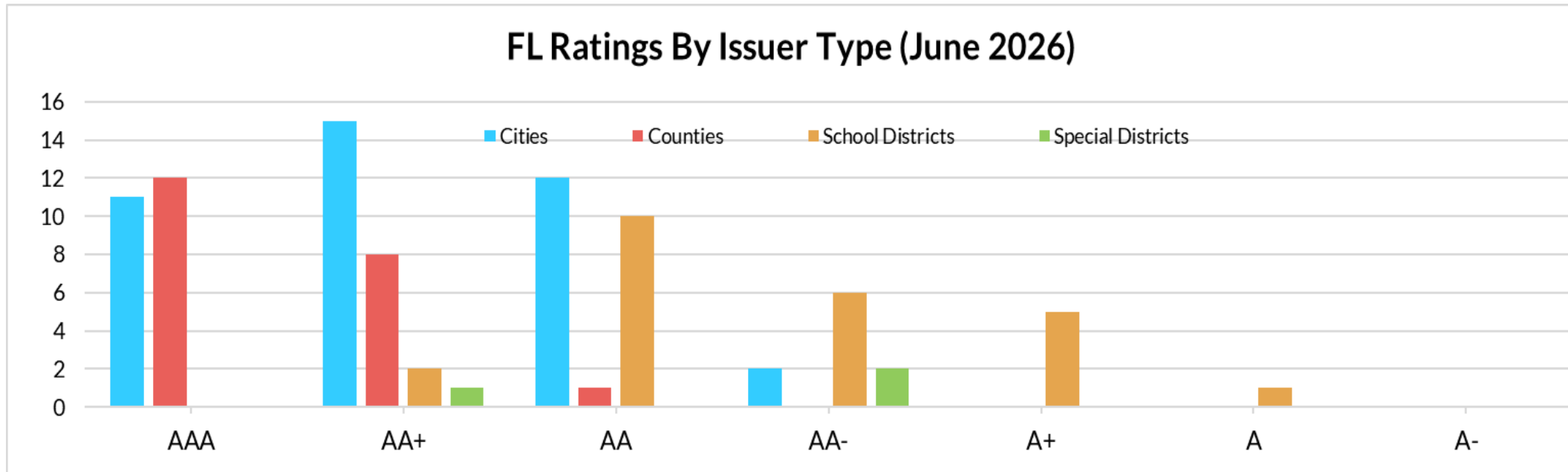
## Local Government Rating Criteria

### Exposure to the Related Government's Operations

- If pledged revenues are directly exposed to issuer operating risk, the DTRB rating is capped at the government's IDR.
- Fitch does not assume a government will support payment obligations on non-recourse bonds.
- A security rating may exceed the government's IDR if safeguards strengthen revenue recovery prospects in fiscal distress.
- Key considerations include continuation of the lien, ability to pay debt service, segregation of pledged revenues, and restrictions on their use.



# Florida Ratings Overview



- Based on Issuer Default Ratings (IDR). Excludes Dedicated Tax Bond ratings. Fitch's Florida local government IDRs for cities and counties are primarily rated 'AA' and above.



For additional questions on ratings, the new rating criteria or a demo of the ratings model, my colleague Tammy Ou and I will be available following the panel or can be reached via the contact info below:

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