

Changes to Moody's Rating Methodology for Municipalities

On November 2nd, Moody's published a new methodology for US cities (including towns and villages) and counties. At the same time, Moody's placed 252 US cities and counties on review for possible upgrade and 93 on review for possible downgrade.

Moody's uses a scorecard as a reference tool to evaluate issuers. A jurisdiction's credit rating also reflects additional factors, not clearly reflected in the scorecard, such as financial controls, quality of financial reporting, quality and experience of management, assessment of environmental, social and governance ("ESG") considerations. Regulatory, litigation, liquidity and cyber risks and changes in demographic and macroeconomic trends also affect ratings. A comparison of Moody's old and new methodology appears in the chart below.

| Prior Scorecard Metrics | | Current Scorecard Metrics | |
|---|--------|--|--------|
| | Weight | | Weight |
| Economy/Tax Base (30%) | | Economy/Tax Base (30%) | |
| Tax Base Size: Full Value | 10% | Resident Income (NHI Adjusted) | 10% |
| Full Value Per Capita | 10% | Full Value Per Capita | 10% |
| Socioeconomic Indices: MFI | 10% | Economic Growth (5 yr CAGR in Real GDP) | 10% |
| Finances (30%) | | Finances (30%) | |
| Fund Balance as % of Revenues | 10% | Available Fund Balance Ratio | 20% |
| 5-Year Dollar Change in Fund Balance as % of Revenues | 5% | Liquidity Ratio (Unrestricted Cash/Revenue) | 10% |
| Cash Balance as % of Revenues | 10% | | |
| 5-Year Dollar Change in Cash Balance as % of Revenues | 5% | | |
| Management (20%) | | Institutional Framework (10%) | |
| Institutional Framework | 10% | | |
| Operating History: 5-year Average of Operating Revenues | 10% | | |
| Debt/Pensions (20%) | | Leverage (30%) | |
| Net Direct Debt/Full Value | 5% | Long Term Liabilities Ratio (Debt+ANPL+Adj Net OPEB+OPEB+Other LT Liabilities)/Revenue | 20% |
| Net Direct Debt/Operating Revenues | 5% | Fixed Costs Ratio (Adj Fixed Costs/Revenue) | 10% |
| 3-Year Average of Moody's Adjusted Net Pension Liability/Operating Revenues | 5% | | |
| 3-Year Average of Moody's Adjusted Net Pension Liability/Operating Revenues | 5% | | |

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RECENT CMA CLIENT SALE RESULTS

| Issuer | Issue Type | Par Amount | Sale Date | Term | Rate | Purchaser |
|--------------------------|-------------------|-------------------|------------------|-------------|-------------|--|
| Westchester County (Aa1) | Green Bonds | \$24,775,000 | 1-Dec. | 13 yrs. | 2.89% | Jefferies LLC |
| East Greenbush CSD (Aa3) | BAN | \$22,155,042 | 30-Nov. | 1 Yr. | 2.84% | Jefferies LLC |
| Yonkers City (A3) | Bonds | \$67,820,000 | 15-Nov. | 20 Yrs. | 4.16% | Raymond James, D.A. Davidson & FHN Financial Capital Markets |
| West Islip UFSD (Aa3) | TAN | \$20,000,000 | 3-Nov. | 7 mos. | 3.56% | Jefferies LLC |
| Islip Town (Aaa) | BAN (Taxable) | \$2,500,000 | 2-Nov. | 6 mos. | 5.23% | Piper Sandler & Co. |

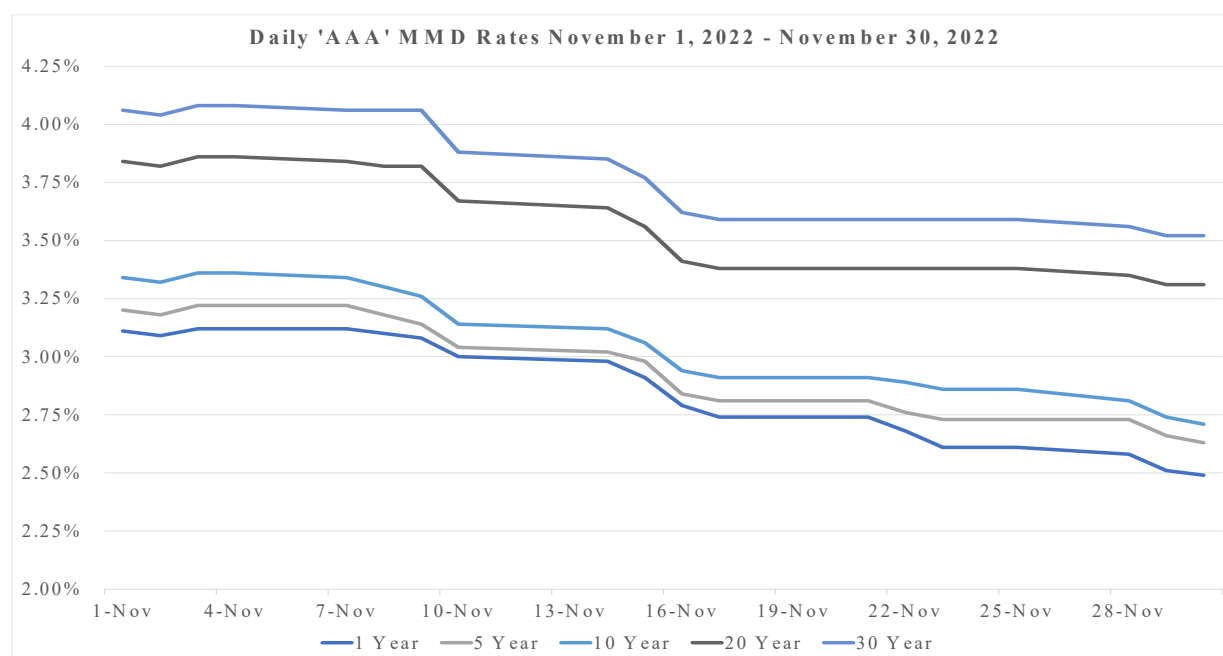
Some notable factor changes in the new methodology include:

- Elimination of tax base size which has been replaced with economic growth as measured by 5-year compound annual growth in real GDP;
- Reduced emphasis on fund balance and cash trends;
- Elimination of operating history trend metric from management category; and
- Heavier weighting (30% compared to 20% previously) on leverage which includes Long Term Liabilities, OPEB and Fixed Costs.

A complete copy of the Moody's Methodology is available at CMA's website at www.capmark.org under "Documents for Download". As always, we encourage our clients to reach out to CMA to discuss individual circumstances or any questions regarding their credit rating or updated rating methodology.

Market Delivers Early Gift for Issuers

Following months of steady increases, tax exempt interest rates declined significantly in November with drops of over 70 bps. in the shorter end of the yield curve. Happy Holidays!



MMD GENERAL OBLIGATION INTEREST RATES

| Term | December 1, 2022 | | | | | 1 Month Ago - November 1, 2022 | | | | | 1 Year Ago - December 1, 2021 | | | | |
|-------|------------------|-------|---------|-------|-------|--------------------------------|-------|---------|-------|-------|-------------------------------|-------|---------|-------|-------|
| | Aaa | Aa | Insured | A | Baa | Aaa | Aa | Insured | A | Baa | Aaa | Aa | Insured | A | Baa |
| 1 yr. | 2.39% | 2.44% | 2.54% | 2.55% | 2.88% | 3.11% | 3.18% | 3.28% | 3.29% | 3.62% | 0.15% | 0.17% | 0.18% | 0.19% | 0.37% |
| 5 | 2.53 | 2.63 | 2.72 | 2.77 | 3.12 | 3.20 | 3.35 | 3.44 | 3.49 | 3.84 | 0.60 | 0.65 | 0.65 | 0.70 | 0.93 |
| 10 | 2.61 | 2.79 | 2.92 | 2.99 | 3.51 | 3.34 | 3.58 | 3.71 | 3.78 | 4.30 | 1.03 | 1.15 | 1.18 | 1.25 | 1.60 |
| 15 | 3.05 | 3.35 | 3.45 | 3.56 | 4.00 | 3.63 | 3.98 | 4.08 | 4.19 | 4.63 | 1.14 | 1.30 | 1.30 | 1.41 | 1.73 |
| 20 | 3.27 | 3.61 | 3.72 | 3.82 | 4.26 | 3.84 | 4.23 | 4.34 | 4.44 | 4.88 | 1.29 | 1.49 | 1.50 | 1.60 | 1.92 |