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First AAA/Aaa-Rated Sales Tax Bond in History Closed by FBT Client Franklin County, Ohio

On June 5, 2018, Franklin County in Ohio issued its \$250 million Various Purpose Sales Tax Revenue Bonds, Series 2018 (Tax-Exempt). The bond proceeds, together with approximately \$200 million of additional equity from the County, will be used to finance a new correctional center, forensic center and other County projects. Bank of America Merrill Lynch acted as the senior underwriter. Frost Brown Todd acted as bond counsel for Franklin County, with a team led by Emmett Kelly and including David Rogers, Patrick Woodside, Rob Mecklenborg, Michael Elliott and April Fulton from the firm's [Public and Project Finance](#) team. In addition, the [State and Local Taxation](#) team helped with certain tax questions.

As bond counsel, the FBT team negotiated and drafted all bond documents and proceedings as well as the County's Official Statement disclosure document. The team attended the presentations in New York to the rating agencies. The firm also worked with the County, the underwriters and the County's municipal advisor, Umbaugh & Associates, to structure the cash flows, reserves and repayment of the bonds to achieve the highest credit rating possible.

This deal was truly unique and history making – it is the first bond issue of its kind (sales tax revenue bond) for any state, county, municipality or township in the nation to earn the top ratings from the two main credit rating agencies, S&P Global and Moody's. The County already has an AAA/Aaa credit rating with respect to its general obligation bonds. It would not accept any less for these revenue bonds, and the whole finance team got on board with the County's desire for the double AAA/Aaa. Moody's was the real hurdle, and FBT proposed a "springing reserve fund" to provide additional security. As structured, if sales tax revenues ever fell drastically (by a factor of more than 400 percent), the County would add money to a reserve fund equal to the maximum annual

debt service on the bonds.

In summary, it is the first time ever that Moody's has agreed to its highest Aaa rating for a sales tax revenue bond.

Now that the bond deal is closed, many suggest it will be in the running as a 2018 "Bond Buyer Deal of the Year." The *Bond Buyer* covered the deal in an article on May 22, [accessible here](#).

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