

CASE 947-AT-19

PRELIMINARY MEMORANDUM

September 19, 2019

Petitioner: Zoning Administrator

Request: Amend the Champaign County Zoning Ordinance by amending the requirements for PV solar farms by deleting Section 6.1.5 B.(2)b. that requires a 0.5 mile separation between a proposed PV solar farm and the CR Conservation Recreation Zoning District, and amend the requirements in Section 6.1.5 Q.(4)e. to add requirements for financial assurance provided by financial institutions headquartered in Champaign County.

Location: Unincorporated Champaign County

Time Schedule for Development: As soon as possible

Prepared by: Susan Burgstrom, Senior Planner
John Hall, Zoning Administrator

Brookens Administrative Center
1776 E. Washington Street
Urbana, Illinois 61802

(217) 384-3708

zoningdept@co.champaign.il.us

www.co.champaign.il.us/zoning

BACKGROUND

At its May 9, 2019 meeting, ELUC reviewed a memorandum dated May 1, 2019 regarding proposed changes to the solar farm text amendment approved on August 23, 2018 – see Attachment 2. One of the proposed changes from that memorandum was to remove the one-half mile separation requirement between PV solar farms and the CR Conservation Recreation District – see Attachment 2.A. The memo also included changes involving the minimum required credit rating for financial institutions headquartered in Champaign County providing solar farm financial assurance – see Attachment 2.B.

ELUC approved opening a ZBA public hearing for these amendments at its June 6, 2019 meeting.

REASONS FOR PROPOSED AMENDMENTS

Regarding the separation from the CR Conservation-Recreation District

A one-half mile separation between a PV solar farm and the CR District is similar to but less than the one-mile separation to the CR District that is required for a wind farm. Based on the reviews of recently authorized PV solar farms, the Zoning Administrator has determined a minimum separation between a PV solar farm and the CR Conservation Recreation Zoning District is not necessary, and recommends removal of this requirement from the Zoning Ordinance.

Regarding the minimum required credit rating for solar farm financial assurance

The Zoning Ordinance currently requires that a financial institution providing financial assurance for solar farm decommissioning must have a minimum corporate debt rating of "A" by S&P or "A2" by Moody's. Staff has been contacted about establishing alternative minimum credit ratings for banks headquartered in Champaign County.

The proposed alternative minimum credit rating for banks headquartered in Champaign County is approximately the same as the minimum corporate debt ratings from S&P or Moody's, so there should be little or no added risk to Champaign County arising from this proposed change.

It appears at this time that there is only one bank headquartered in Champaign County that will be able to meet these minimum credit ratings. Attachment C includes online articles regarding the Kroll Bond Rating Agency.

ATTACHMENTS

- A Legal advertisement

- B ELUC Memorandum dated May 1, 2019, with attachments:
 - Proposed Changes to Zoning Ordinance Other Than in Response to Municipal Concerns dated February 27, 2019
 - Alternative Minimum Credit Rating for Financial Institutions Headquartered in Champaign County, Illinois dated May 1, 2019

- C Several online articles regarding the Kroll Bond Rating Agency

- D Land Resource Management Plan (LRMP) Goals & Objectives (*see Case 945-AT-19 packet*)

- E Preliminary Finding of Fact, Summary Finding of Fact, and Final Determination for Case 947-AT-19 dated September 26, 2019, with attachment:
 - Annotated version of proposed amendments

LEGAL PUBLICATION: WEDNESDAY, SEPTEMBER 11, 2019

CASES: 945-AT-19, 946-AT-19, 947-AT-19 & 948-AT-19

NOTICE OF PUBLIC HEARING IN REGARD TO PROPOSED AMENDMENTS TO THE CHAMPAIGN COUNTY ZONING ORDINANCE.

CASES: 945-AT-19, 946-AT-19, 947-AT-19 & 948-AT-19

The Champaign County Zoning Administrator, 1776 East Washington Street, Urbana, has filed a petition to change the text of the Champaign County Zoning Ordinance. The petition is on file in the office of the Champaign County Department of Planning and Zoning, 1776 East Washington Street, Urbana, IL.

A public hearing will be held **Thursday, September 26, 2019, at 6:30 p.m.** prevailing time in the John Dimit Meeting Room, Brookens Administrative Center, 1776 East Washington Street, Urbana, IL, at which time and place the Champaign County Zoning Board of Appeals will consider a petition to amend the Champaign County Zoning Ordinance as follows:

Case 945-AT-19

Amend the requirements for a photovoltaic (PV) solar farm in Section 6.1.5 B.(2) of the Champaign County Zoning Ordinance by adding the following requirements for any proposed PV solar farm that is located within 1.5 miles of a municipality:

- A. Increase the minimum required time for municipal review by adding the following:
 1. Require the Zoning Administrator to send notice to any municipality located within 1.5 miles of a proposed PV solar farm prior to the start of a public hearing, in addition to any notice otherwise required.
 2. Require the public hearing at the Zoning Board of Appeals (ZBA) for the PV solar farm to occur at a minimum of two ZBA meetings that are not less than 28 days apart unless the 28-day period is waived in writing by any relevant municipality.
 3. Require the Zoning Administrator to notify said municipality of the ZBA recommendation after the close of the public hearing.
 4. If the Environment and Land Use Committee (ELUC) makes a preliminary determination to accept the ZBA recommendation, the PV solar farm shall remain at ELUC for a maximum 30-day municipal comment period until the next ELUC meeting, unless the municipal comment period is waived in writing by any relevant municipality.
- B. Require municipal subdivision approval for any PV solar farm land lease exceeding five years when required by any relevant municipal authority that has an adopted comprehensive plan.
- C. Amend Section 8.2.3 to allow any PV solar farm authorized prior to the effective date of this amendment and that is in the process of being repaired to not lose its zoning right to operate.
- D. Add new Section 8.2.4 to allow any PV solar farm authorized prior to the effective date of this amendment to be constructed pursuant to the standard requirement of a Zoning Use Permit, provided that the Special Use Permit for the solar farm has not expired.

Case 946-AT-19

Amend the requirements for a photovoltaic (PV) solar farm in Section 6.1.5 B.(2) of the Champaign County Zoning Ordinance by adding the following requirements for any proposed PV solar farm that is located within 1.5 miles of a municipality:

- A. Increase the minimum required separation between a PV solar farm and a municipal boundary from 0.5 mile to 1.5 miles.
- B. Increase the minimum required time for municipal review by adding the following:

1. Require the Zoning Administrator to send notice to any municipality located within 1.5 miles of a proposed PV solar farm prior to the start of a public hearing, in addition to any notice otherwise required.
 2. Require the public hearing at the Zoning Board of Appeals (ZBA) for the PV solar farm to occur at a minimum of two ZBA meetings that are not less than 28 days apart unless the 28-day period is waived in writing by any relevant municipality.
 3. Require the Zoning Administrator to notify said municipality of the ZBA recommendation after the close of the public hearing.
 4. If the Environment and Land Use Committee (ELUC) makes a preliminary determination to accept the ZBA recommendation, the PV solar farm shall remain at ELUC for a maximum 30-day municipal comment period until the next ELUC meeting, unless the municipal comment period is waived in writing by any relevant municipality.
- C. Require municipal subdivision approval for any PV solar farm land lease exceeding five years when required by any relevant municipal authority that has an adopted comprehensive plan.
- D. Amend Section 8.2.3 to allow any PV solar farm authorized prior to the effective date of this amendment and that is in the process of being repaired to not lose its zoning right to operate.
- E. Add new Section 8.2.4 to allow any PV solar farm authorized prior to the effective date of this amendment to be constructed pursuant to the standard requirement of a Zoning Use Permit, provided that the Special Use Permit for the solar farm has not expired.

Case 947-AT-19

Amend the Champaign County Zoning Ordinance by amending the requirements for PV solar farms by deleting Section 6.1.5 B.(2)b. that requires a 0.5 mile separation between a proposed PV solar farm and the CR Conservation Recreation Zoning District, and amend the requirements in Section 6.1.5 Q.(4)e. to add requirements for financial assurance provided by financial institutions headquartered in Champaign County.

Case 948-AT-19

Amend the Champaign County Zoning Ordinance by amending Section 8.3.2 to authorize a variance to rebuild a nonconforming structure before the structure is damaged.

All persons interested are invited to attend said hearing and be heard. The hearing may be continued and reconvened at a later time.

Ryan Elwell, Chair
Champaign County Zoning Board of Appeals

TO BE PUBLISHED: WEDNESDAY, SEPTEMBER 11, 2019 ONLY

Send bill and one copy to: Champaign County Planning and Zoning Dept.
Brookens Administrative Center
1776 E. Washington Street
Urbana, IL 61802
Phone: 384-3708

TO: **Environment and Land Use Committee**

Case 947-AT-19, ZBA 09/26/19
Attachment B Page 1 of 3

FROM: **John Hall, Champaign County Zoning Administrator**
Susan Burgstrom, Champaign County Senior Planner

DATE: **May 1, 2019**

RE: **Update on Direction Regarding Proposed Zoning Ordinance Text
Amendment for PV Solar Farm Requirements Other than in Response
to Municipal Concerns (continued from the 3/7/19 ELUC meeting)**

Champaign County
Department of
**PLANNING &
ZONING**

Brookens Administrative
Center
1776 E. Washington Street
Urbana, Illinois 61802

(217) 384-3708
zoningdept@co.champaign.il.us
www.co.champaign.il.us/zoning

BACKGROUND

At the 3/7/19 meeting the Committee reviewed a memorandum dated 2/27/19 that included two proposed changes to the Zoning Ordinance. Those changes are included as Attachment A.

The 2/27/19 memorandum also referred to another proposed change involving the minimum required credit rating for financial institutions headquartered in Champaign County providing solar farm financial assurance. No draft language was included for this proposed change in that 2/27/19 memo.

ALTERNATIVE MINIMUM CREDIT RATING FOR FINANCIAL INSTITUTIONS HEADQUARTERED IN CHAMPAIGN COUNTY

The Zoning Ordinance currently requires that a financial institution providing financial assurance for solar farm decommissioning must have a minimum corporate debt rating of "A" by S&P or "A2" by Moody's. Staff has been contacted about establishing alternative minimum credit ratings for banks headquartered in Champaign County.

An alternative minimum credit rating for banks headquartered in Champaign County that provide financial assurance for solar farm decommissioning is proposed in Attachment B.

The proposed alternative minimum credit rating for banks headquartered in Champaign County is approximately the same as the minimum corporate debt ratings from S&P or Moody's so there should be little or no added risk to Champaign County arising from this proposed change.

It is assumed there is only one bank headquartered in Champaign County that will be able to meet these minimum credit ratings.

The proposed changes in this memorandum have been referred to the State's Attorney's Office for legal review.

ATTACHMENTS

- A 2/27/19 Proposed Changes to Champaign County Zoning Ordinance other than in Response to Municipal Concerns**
- B Alternative Minimum Required Credit Rating for Financial Institutions Headquartered in Champaign County**

1. Delete existing Section 6.1.5B.(2)b.:

b. ~~Less than one half mile from the CR Conservation Recreation Zoning District.~~

{Note: This part of the amendment is not related to the 11/5/18 letter from non-home rule municipalities. Based on the reviews of recently authorized PV SOLAR FARMS, a minimum separation from the CR Conservation Recreation Zoning District is not necessary and should be eliminated from the Ordinance.}

2. Amend Section 8.3.2 to read as follows (proposed new text is underlined):

8.3.2 Should such STRUCTURE be destroyed by any means to an extent of more than 50% of its replacement cost at the time of destruction, it shall not be reconstructed unless a VARIANCE is granted by the BOARD in accordance with Section 9.1.9. The BOARD may authorize such a VARIANCE prior to such STRUCTURE incurring any damage or destruction.

{Note: This part of the amendment was not requested in the 11/5/18 letter from non-home rule municipalities and is not related to any recently authorized PV SOLAR FARM. This part of the amendment makes it clear that an owner can apply for a variance to replace a nonconforming structure prior to the structure actually being destroyed.}

Revise Section 6.1.5 Q.(4)e. as follows:

- e. The long term corporate debt (credit) rating of the letter of credit issuing financial institution by both Standard & Poor's Financial Services LLC (S&P) and Moody's Investors Service (Moody's) shall be equal to or greater than the minimum acceptable long term corporate debt (credit) rating, as follows:
 - (a) The Zoning Administrator shall verify the long term corporate debt (credit) rating of the proposed financial institution by both Standard & Poor's Financial Services LLC (S&P) and / or Moody's Investors Service (Moody's).
 - (b) The minimum acceptable long term corporate debt (credit) rating of the proposed financial institution shall be a rating of "A" by S&P or a rating of "A2" by Moody's.
 - (c) Notwithstanding the requirements of Section 6.1.5Q.(4)e.(a)-(b), if the financial institution issuing the letter of credit is headquartered in a municipality within Champaign County, Illinois, an alternative minimum acceptable credit rating shall be a rating of "A-" by the Kroll Bond Rating Agency and shall be verified by the Zoning Administrator.
 - (e d) Whenever the most current long term corporate debt (credit) rating of the proposed financial institution by either S&P or Moody's or, in the case of a financial institution headquartered in a municipality in Champaign County, Illinois, the Kroll Bond Rating Agency is lower than the minimum acceptable long term corporate debt (credit) rating, the letter of credit shall be replaced with a new irrevocable letter of credit from an issuing financial institution whose most current long term corporate debt (credit) rating by either S&P or Moody's meets or exceeds the minimum acceptable long term corporate debt (credit) rating.

WIKIPEDIA

Nationally recognized statistical rating organization

A **nationally recognized statistical rating organization (NRSRO)** is a credit rating agency (CRA) that issues credit ratings that the U.S. Securities and Exchange Commission (SEC) permits other financial firms to use for certain regulatory purposes. Originally, seven rating agencies were recognized as NRSROs, a number that dwindled as a result of mergers to six by the mid-1990s^[1] and then to three by 2003.^[2] As of March 2015, ten organizations were designated as NRSROs.^[3] Ratings by NRSROs are used for a variety of regulatory purposes in the United States. In addition to net capital requirements (described in more detail below), the SEC permits certain bond issuers to use a shorter prospectus form when issuing bonds if the issuer is older, has issued bonds before, and has a credit rating above a certain level. SEC regulations also require that money market funds (mutual funds that mimic the safety and liquidity of a bank savings deposit, but without U.S. Federal Deposit Insurance Corporation insurance) comprise only securities with a very high rating from an NRSRO. Likewise, insurance regulators use credit ratings from NRSROs to ascertain the strength of the reserves held by insurance companies.

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History

The use of the term NRSRO began in 1975 when the SEC promulgated rules regarding bank and broker-dealer net capital requirements (17 C.F.R. 240.15c3-1 (<https://www.law.cornell.edu/cfr/text/17/240.15c3-1>)).^[4] The idea is that banks and other financial institutions should not need to keep in reserve the same amount of capital to protect the institution (against, for example, a run on the bank) if the financial institution is heavily invested in highly liquid and very "safe" securities, such as U.S. government bonds or commercial paper from very stable companies. The safety of these securities, under this approach, is reflected in their credit ratings, as determined by certain highly respected CRAs. In the early 1980s, there were seven NRSROs, but, due to mergers, this number dropped to three during the 1990s. Recently, the SEC, arguably as a result of political pressure and/or concern about concentration in the industry, added to this number, first with DBRS (a

Canadian CRA formerly known as Dominion Bond Rating Service) in 2003, and A.M. Best in 2005. In 2007, the SEC added two Japanese rating agencies, Japan Credit Rating Agency and Ratings and Investment Information and a Philadelphia area based firm Egan-Jones Rating Company (EJR).

Originally, the SEC did not adopt specific standards for determining which credit rating agencies were "nationally recognized", and instead addressed the question on a case-by-case basis.^[5] NRSRO recognition was granted by the SEC through a "No Action Letter" sent by the SEC staff. Under this approach, if a CRA (or investment bank or broker-dealer) were interested in using the ratings from a particular CRA for regulatory purposes, the SEC staff would research the market to determine whether ratings from that particular CRA are widely used and considered "reliable and credible." If the SEC staff determined that this was the case, it would send a letter to the CRA indicating that if a regulated entity were to rely on the CRA's ratings, the SEC staff would not recommend enforcement action against that entity. These "No Action Letters" were made public and could be relied upon by other regulated entities, not just the entity making the original request. The SEC later sought to further define the criteria it uses when making this assessment, and in March 2005 published a proposed regulation to this effect. According to the SEC:^[5]

The single most important factor in the Commission staff's assessment of NRSRO status is whether the rating agency is "nationally recognized" in the United States as an issuer of credible and reliable ratings by the predominant users of securities ratings. The staff also reviews the operational capability and reliability of each rating organization. Included within this assessment are: (1) the organizational structure of the rating organization; (2) the rating organization's financial resources (to determine, among other things, whether it is able to operate independently of economic pressures or control from the companies it rates); (3) the size and quality of the rating organization's staff (to determine if the entity is capable of thoroughly and competently evaluating an issuer's credit); (4) the rating organization's independence from the companies it rates; (5) the rating organization's rating procedures (to determine whether it has systematic procedures designed to produce credible and accurate ratings); and (6) whether the rating organization has internal procedures to prevent the misuse of nonpublic information and whether those procedures are followed. The staff also recommends that the agency become registered as an investment adviser.

In 2006, following criticism that the SEC's "No Action letter" approach was simultaneously too opaque and provided the SEC with too little regulatory oversight of NRSROs, the U.S. Congress passed the Credit Rating Agency Reform Act of 2006, Pub.L. 109-291 (<http://legislink.org/us/pl-109-291>), 120 Stat. 1327 (<http://legislink.org/us/stat-120-1327>), enacted September 29, 2006. This law required the SEC to establish clear guidelines for determining which credit rating agencies qualify as NRSROs. It also gives the SEC the power to regulate NRSRO internal processes regarding record-keeping and how they guard against conflicts of interest, and makes the NRSRO determination subject to a Commission vote (rather than an SEC staff determination). Notably, however, the law specifically prohibits the SEC from regulating an NRSRO's rating methodologies. In June 2007, the SEC promulgated new regulations that implemented the provisions of the Credit Rating Agency Reform Act.^[6] In February 2009, the SEC promulgated amended regulations designed to address concerns about the integrity of the process by which NRSROs rate structured finance products, particularly mortgage-related securities.^[7]

Since 2010, there have also been changes in laws and regulations due to the Dodd-Frank Wall Street Reform

and Consumer Protection Act of 2010.

Controversies

Many private users (pension funds, banks) of ratings data now demand that ratings be from an NRSRO. Consequently, there is some debate that, by "recognizing" certain CRAs, the SEC has bestowed a competitive advantage on them. This view is supported by the vigor by which many non-NRSRO CRAs seek NRSRO recognition. On the other hand, historically, many private users of ratings data have "defaulted" to Standard & Poor's and Moody's when specifying which ratings must be used for their own purposes. (S&P and Moody's are the oldest, most widely respected, and by far the largest of the CRAs.) Accordingly, it is conceivable that the NRSRO designation has actually increased competition in the industry by providing an unintended government "seal of approval" on certain smaller CRAs (such as Fitch Ratings, DBRS, Kroll Bond Rating Agency, A.M. Best and Egan-Jones). If true, this, of course, raises the question of whether this is something the government should do, and whether the NRSRO recognition process is the best mechanism to achieve this goal.

The larger NRSROs have also been criticized for their reliance on an "issuer-pays" business model, whereby the bulk of their revenue comes from the issuers of the bonds being rated, so that the company receiving the credit rating pays the CRA directly. While this is recognized by regulators as a potential conflict of interest (since the bond issuer paying for the rating has an incentive to seek out the CRA most likely to give it a high rating, possibly creating a "race-to-the-bottom" in terms of rating quality), the larger NRSROs claim that the issuer-pays model is the only feasible model for them, because, in an age of email and faxes, the ratings of the larger CRAs are so widely and so quickly shared that a subscription-based model would not be profitable. Conversely, the predominance of the issuer-pays model has led to concerns that a CRA will be tempted to artificially inflate its rating to retain a valued customer.^[8] Furthermore, the larger CRAs often receive non-public information from issuers and, under the SEC's Regulation FD, a CRA may only use such information if its ratings are made available to the public for free.

This threat has been taken seriously by U.S. regulators who have adopted amendments to existing regulations designed to separate the payment negotiation and the credit assessment branches within a firm.

Some smaller CRAs, including Egan-Jones (the only NRSRO to do so), use a subscription-based business model whereby ratings are not made public but are available only to subscribers, who pay a monthly fee for access to credit rating information. These smaller CRAs argue that such a business model makes them less reliant on the good will of the issuers they rate, thereby eliminating one major potential conflict of interest.

Subprime mortgages, CDOs, and the financial crisis

The ratings agencies were heavily involved in the markets that enabled the subprime credit bubble of 2000-2008 and the subsequent financial crisis. In 1984 the federal government of the United States passed the Secondary Mortgage Market Enhancement Act (SMMEA) to improve the marketability of private-label (non-agency) mortgage-backed securities,^[9] which declared NRSRO AA-rated mortgage-backed securities to be legal investments equivalent to Treasury securities and other federal government bonds for federally-chartered banks

(such as federal savings banks, federal savings associations, etc.), state-chartered financial institutions (such as depository banks and insurance companies) unless overridden by state law by October 1991 (of which 21 states did so),^[10] and Department of Labor-regulated pension funds.^[11]

The agencies made substantial profits from rating Collateralized debt obligations, residential mortgage-backed securities, and other creatures of structured finance intimately connected to the subprime industry. The ratings on these products were essential to the way the banks marketed the products. Buyers, like pension funds, university endowments, and cities (a classic example being the city of Narvik, Norway), relied on these ratings in their decisions to purchase CDOs and other structured finance products. The activities of the ratings agencies have been detailed in many books, including *The Big Short*, by Michael Lewis, *Confidence Game* by Christine S. Richard, *All The Devils are Here* by Bethany McClean and Joe Nocera, and in many other accounts of the financial crisis. Janet Tavakoli, author of *Structured Finance and Collateralized Debt Obligations*, has suggested that these agencies lose their NRSRO status in relation to certain financial products. In 2011, the US Senate released the Levin-Coburn report on "Wall Street and the Financial Crisis"; it did a case study of the behavior of some of the CRAs during the crisis.

List of NRSROs

As of December 2016, ten organizations were designated as NRSROs, including the Big Three.^[12]

- Standard & Poor's
- Moody's Investors Service
- Morningstar, Inc.
- Fitch Ratings
- A.M. Best
- Kroll Bond Rating Agency
- Dominion Bond Rating Service, Ltd
- Japan Credit Rating Agency, Ltd.
- Egan-Jones Rating Company
- HR Ratings de México, S.A. de C.V.

Notes

1. SEC rules (<https://www.sec.gov/rules/concept/34-34616.pdf>)
2. SEC news (<https://www.sec.gov/news/studies/credratingreport0103.pdf>)
3. "Credit Rating Agencies—NRSROs" (<https://www.sec.gov/ocr/ocr-current-nrsros.html>). U.S. Securities and Exchange Commission. 25 September 2008. Retrieved 2017-05-29.
4. "Adoption of Amendments to Rule 15c3-1 and Adoption of Alternative Net Capital Requirement for Certain Brokers and Dealers", Exchange Act Release 34-11497 of June 26, 1975; 40 FR 29795 (<https://www.govinfo.gov/link/fr/40/29795>) of July 16, 1975
5. U.S. Securities and Exchange Commission (January 2003), *Report on the Role and Function of Credit Rating Agencies in the Operation of the Securities Markets* (<https://www.sec.gov/news/studies/credratingreport0103.pdf>) (PDF), pp. 9–10

6. "Oversight of Credit Rating Agencies Registered as Nationally Recognized Statistical Rating Organizations", Exchange Act Release 34-55857 of June 5, 2007; 72 FR 33564 (<https://www.federalregister.gov/citation/72-FR-33564>) of June 18, 2007
7. "Amendments to Rules for Nationally Recognized Statistical Rating Organization", Exchange Act Release 34-59342 of February 2, 2009; 74 FR 6456 (<https://www.federalregister.gov/citation/74-FR-6456>) of February 9, 2009
8. OICV-IOSCO (September 2003). "Report on the Activities of the Credit Rating Agencies" (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD153.pdf>) (PDF). iosco.org.
9. Fabozzi & Modigliani 1992 p. 31.
10. The 21 states that utilized the exemption provisions were Alaska, Arkansas, Colorado, Connecticut, Delaware, Florida, Georgia, Illinois, Kansas, Maryland, Michigan, Missouri, Nebraska, New Hampshire, New York, North Carolina, Ohio, South Dakota, Utah, Virginia, and West Virginia.
11. Fabozzi & Modigliani 1992, p. 32.
12. "2016 Summary Examination Reports on NRSROs" (<https://www.sec.gov/ocr/reportspubs/special-studies/nrsro-summary-report-2016.pdf>) (PDF). www.sec.gov. U.S. Securities and Exchange Commission. 1 December 2016. p. 7. Retrieved 28 May 2017.

Bibliography

- Report on the Role and Function of Credit Rating Agencies in the Operation of the Securities Markets (<https://www.sec.gov/news/studies/credratingreport0103.pdf>)
- Rating Agencies and the Use of Credit Ratings under the Federal Securities Laws (<https://www.sec.gov/rules/concept/33-8236.htm>)

External links

- Definition of NRSRO by SEC (<https://www.sec.gov/answers/nrsro.htm>)
- List of credit rating agencies currently registered as NRSROs (<https://www.sec.gov/ocr/ocr-current-nrsros.html>)

Retrieved from "https://en.wikipedia.org/w/index.php?title=Nationally_recognized_statistical_rating_organization&oldid=881803990"

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WIKIPEDIA

Kroll Bond Rating Agency

Kroll Bond Rating Agency (KBRA) is a credit rating agency. KBRA publishes research and analyses that are available to the public domain free of charge. KBRA is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (NRSRO). In addition, KBRA is recognized by the National Association of Insurance Commissioners (NAIC) as a Credit Rating Provider (CRP). Its head office is located at 805 Third Avenue in Midtown, New York City.^[2]

The firm was founded by Jules Kroll when he partnered with RiskMetrics Group.^[1] KBRA is currently active in the CMBS, RMBS, ABS, Public Finance, Corporate Finance, Financial Guarantor, and Financial Institutions sectors.^[3]

Kroll Bond Rating Agency

Industry	Credit ratings, Financial Services
Founded	2010
Founder	Jules Kroll
Headquarters	New York City, United States
Key people	Jim Nadler (CEO)
Number of employees	320 ^[1]
Website	www.kbra.com (http://www.kbra.com)

Credit ratings

Kroll Bond Rating Agency assigns credit ratings to issuers and their obligations and, through its Subscription Rating Service (SRS), financial strength ratings to financial institutions, corporations and sovereigns.^[4] KBRA issues both long-term and short-term credit ratings.^[5]

References

1. Segal, Julie (3 October 2018). "How to Break Up a Credit Ratings Oligopoly" (<https://www.institutionalinvestor.com/article/b1b74shdrlpzjy/How-to-Break-Up-a-Credit-Ratings-Oligopoly>) *Institutional Investor*.
2. "KBRA - Kroll Bond Rating Agency, Inc" (<https://www.krollbondratings.com/overview>). krollbondratings.com Retrieved 2015-05-22.
3. "The New York Times" (https://www.nytimes.com/2011/02/27/business/27kroll.html?pagewanted=all&_r=0). nytimes.com. Retrieved 2015 05-22
4. "KBRA - Kroll Bond Rating Agency, Inc" (<https://www.krollbondratings.com/srs>). krollbondratings.com Retrieved 2015-05-22
5. "KBRA - Kroll Bond Rating Agency, Inc" (<https://www.krollbondratings.com/ratings/scales>). krollbondratings.com. Retrieved 2015 05-22.

Retrieved from "https://en.wikipedia.org/w/index.php?title=Kroll_Bond_Rating_Agency&oldid=885374573"

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Search Reports, Issuers, or CUSIPs

Methodologies (/ratings/methodologies) / Rating Scales

Rating Scales

Kroll Bond Rating Agency (KBRA) assigns credit ratings to Issuers and their obligations.

Long-Term Credit	Short-Term Credit	Insurance FSR	Funds	FSR	Bank FSR Matrix	Rating Outlook & Watch	Other
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Kroll Bond Rating Agency's short-term ratings indicate an ability to meet obligations that typically have maturities of thirteen months or less when issued by corporate entities, financial institutions, and in connection with structured finance transactions. When applied to municipal obligations, KBRA's short-term ratings typically indicate an ability to meet obligations three years or less. Short-term ratings may be assigned to both issuers and to specific obligations. As compared to long-term ratings, greater emphasis is placed on an obligor's liquidity profile and access to funding. KBRA appends an (sf) indicator to ratings assigned to structured finance obligations.

- K1+ Exceptional ability to meet short-term obligations
- K1 Very strong ability to meet short-term obligations
- K2 Strong ability to meet short-term obligations
- K3 Adequate ability to meet short-term obligations
- B Questionable ability to meet short-term obligations
- C Little ability to meet short-term obligations

KBRA defines default as occurring if:

- 1. There is a missed interest payment, principal payment, or preferred dividend payment, as applicable, on a rated obligation which is unlikely to be recovered.
- 2. The rated entity files for protection from creditors, is placed into receivership or is closed by regulators such that a missed payment is likely to result.
- 3. The rated entity seeks and completes a distressed exchange, where existing rated obligations are replaced by new obligations with a diminished economic value.

With exceptions for certain issuers and sectors, the following correspondence between KBRA's short- and long-term ratings generally holds:

Long-Term Rating	Short-Term Rating
AAA	
AA+	
AA	K1+
AA-	
A+	K1+ or K1
A	K1
A-	K1 or K2
BBB+	K2
BBB	K2 or K3
BBB-	K3
BB+	
BB	
BB-	B
B+	
B	
B-	
CCC+	
CCC	
CCC-	C
CC	
C	
D	D

A2, Aa1

A3

Baa1, Baa2, Baa3

Relative Grade

Ba1, Ba2, Ba3

B1, B2, B3

Caa2, Caa3

specula

subje

be

Rating Symbols and Definitions

JUNE 2018

Credit Rating Services

Moody's Global Rating Scales

Ratings assigned on Moody's global long-term and short-term rating scales are forward-looking opinions of the relative credit risks of financial obligations issued by non-financial corporates, financial institutions, structured finance vehicles, project finance vehicles, and public sector entities. Long-term ratings are assigned to issuers or obligations with an original maturity of one year or more and reflect both on the likelihood of a default on contractually promised payments and the expected financial loss suffered in the event of default. Short-term ratings are assigned to obligations with an original maturity of thirteen months or less and reflect both on the likelihood of a default on contractually promised payments and the expected financial loss suffered in the event of default.^{1,2} Moody's issues ratings at the issuer level and instrument level on both the long-term scale and the short-term scale. Typically, ratings are made publicly available although private and unpublished ratings may also be assigned.³

Moody's differentiates structured finance ratings from fundamental ratings (i.e., ratings on nonfinancial corporate, financial institution, and public sector entities) on the global long-term scale by adding (sf) to all structured finance ratings.⁴ The addition of (sf) to structured finance ratings should eliminate any presumption that such ratings and fundamental ratings at the same letter grade level will behave the same. The (sf) indicator for structured finance security ratings indicates that otherwise similarly rated structured finance and fundamental securities may have different risk characteristics. Through its current methodologies, however, Moody's aspires to achieve broad expected equivalence in structured finance and fundamental rating performance when measured over a long period of time.

-
- 1 For certain structured finance, preferred stock and hybrid securities in which payment default events are either not defined or do not match investors' expectations for timely payment, long-term and short-term ratings reflect the likelihood of impairment (as defined below in this publication) and financial loss in the event of impairment.
 - 2 Supranational institutions and central banks that hold sovereign debt or extend sovereign loans, such as the IMF or the European Central Bank, may not always be treated similarly to other investors and lenders with similar credit exposures. Long-term and short-term ratings assigned to obligations held by both supranational institutions and central banks, as well as other investors, reflect only the credit risks faced by other investors unless specifically noted otherwise.
 - 3 For information on how to obtain a Moody's credit rating, including private and unpublished credit ratings, please see [Moody's Investors Service Products](#).
 - 4 Like other global scale ratings, (sf) ratings reflect both the likelihood of a default and the expected loss suffered in the event of default. Ratings are assigned based on a rating committee's assessment of a security's expected loss rate (default probability multiplied by expected loss severity), and may be subject to the constraint that the final expected loss rating assigned would not be more than a certain number of notches, typically three to five notches, above the rating that would be assigned based on an assessment of default probability alone. The magnitude of this constraint may vary with the level of the rating, the seasoning of the transaction, and the uncertainty around the assessments of expected loss and probability of default.

Global Long-Term Rating Scale

Aaa	Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.
Aa	Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.
A	Obligations rated A are judged to be upper-medium grade and are subject to low credit risk.
Baa	Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.
Ba	Obligations rated Ba are judged to be speculative and are subject to substantial credit risk.
B	Obligations rated B are considered speculative and are subject to high credit risk.
Caa	Obligations rated Caa are judged to be speculative of poor standing and are subject to very high credit risk.
Ca	Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
C	Obligations rated C are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.

Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking, and the modifier 3 indicates a ranking in the lower end of that generic rating category. Additionally, a "(hyb)" indicator is appended to all ratings of hybrid securities issued by banks, insurers, finance companies, and securities firms.*

Note: For more information on long-term ratings assigned to obligations in default, please see the definition "Long-Term Credit Ratings for Defaulted or Impaired Securities" in the Other Definitions section of this publication.

* By their terms, hybrid securities allow for the omission of scheduled dividends, interest, or principal payments, which can potentially result in impairment if such an omission occurs. Hybrid securities may also be subject to contractually allowable write-downs of principal that could result in impairment. Together with the hybrid indicator, the long-term obligation rating assigned to a hybrid security is an expression of the relative credit risk associated with that security.

Global Short-Term Rating Scale

P-1	Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.
P-2	Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.
P-3	Issuers (or supporting institutions) rated Prime-3 have an acceptable ability to repay short-term obligations.
NP	Issuers (or supporting institutions) rated Not Prime do not fall within any of the Prime rating categories.

S&P Global Ratings

(/en_US/web/guest/home) S&P Global Ratings Definitions

19-Apr-2018 08:02 EDT

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(Editor's Note: We republished this article on April 19, 2018, to (1) add financial institution resolution counterparty rating definitions, municipal short-term note rating 'D', and a mapping table for Nordic regional scale ratings, (2) remove the Japan SME national scale section, (3) remove references to the Japan SME national scale as well as ASEAN and Greater China regional scales from the "National/Regional Scale Credit Rating Prefix" table (table 17), (4) refine our credit estimate and credit assessment definitions, and (5) make some minor refinements.)

S&P Global Ratings Disclaimers

The analyses, including ratings, of S&P Global Ratings and its affiliates (together, S&P Global Ratings) are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or make any investment decisions. S&P Global Ratings assumes no obligation to update any information following publication. Users of ratings or other analyses should not rely on them in making any investment decision. S&P Global Ratings' opinions and analyses do not address the suitability of any security. S&P Global Ratings does not act as a fiduciary or an investment advisor except where registered as such. While S&P Global Ratings has obtained information from sources it believes to be reliable, it does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Ratings and other opinions may be changed, suspended, or withdrawn at any time.

1. This document contains S&P Global Ratings' credit rating definitions. The definitions are classified into two types: general-purpose credit ratings and special-purpose ratings. S&P Global Ratings uses letters, numbers, words, or combinations of these in each ratings scale to summarize its opinion. The rating definitions provide the meaning of the letters, numbers, and words. Additionally, some ratings feature qualifiers, suffixes, identifiers, prefixes, or a combination of these. Definitions of this supplementary information are included. NR indicates that a rating has not been assigned or is no longer assigned.
2. Section I describes the general-purpose credit rating, both issue and issuer credit ratings, and the long-term and short-term credit ratings. Section II provides information on CreditWatch, rating outlooks and local currency and foreign currency ratings. Special-purpose ratings are detailed in section III. Qualifiers are covered in section IV. Section V details national and regional scale ratings. Other credit-related opinions are described in section VI. Section VII details seven identifiers. Section IX includes a list of contacts for further information.
3. S&P Global Ratings provides other services not covered in this ratings definitions document. Information about other products and services is located on the S&P Global Ratings website at <http://www.standardandpoors.com> (<http://www.standardandpoors.com>).

I. GENERAL-PURPOSE CREDIT RATINGS

4. The following sets of rating definitions are for long-term and short-term credit ratings for both issuer and issue ratings. These types of credit ratings cover the broadest set of credit risk factors and are not limited in scope. Some refer to these as the "traditional" credit ratings.

A. Issue Credit Ratings

5. An S&P Global Ratings issue credit rating is a forward-looking opinion about the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program (including ratings on medium-term note programs and commercial paper programs). It takes into consideration the creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation and takes into account the currency in which the obligation is denominated. The opinion reflects S&P Global

Ratings' view of the obligor's capacity and willingness to meet its financial commitments as they come due, and this opinion may assess terms, such as collateral security and subordination, which could affect ultimate payment in the event of default.

6. Issue credit ratings can be either long-term or short-term. Short-term ratings are generally assigned to those obligations considered short-term in the relevant market. Short-term ratings are also used to indicate the creditworthiness of an obligor with respect to put features on long-term obligations. Medium-term notes are assigned long-term ratings.

1. Long-Term Issue Credit Ratings

7. Issue credit ratings are based, in varying degrees, on S&P Global Ratings' analysis of the following considerations:

The likelihood of payment--the capacity and willingness of the obligor to meet its financial commitments on an obligation in accordance with the terms of the obligation;

The nature and provisions of the financial obligation, and the promise we impute; and

The protection afforded by, and relative position of, the financial obligation in the event of a bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

8. An issue rating is an assessment of default risk but may incorporate an assessment of relative seniority or ultimate recovery in the event of default. Junior obligations are typically rated lower than senior obligations, to reflect lower priority in bankruptcy, as noted above. (Such differentiation may apply when an entity has both senior and subordinated obligations, secured and unsecured obligations, or operating company and holding company obligations.)

Table 1

Category	Long-Term Issue Credit Ratings* Definition
AAA	An obligation rated 'AAA' has the highest rating assigned by S&P Global Ratings. The obligor's capacity to meet its financial commitments on the obligation is extremely strong.
AA	An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitments on the obligation is very strong.
A	An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitments on the obligation is still strong.
BBB	An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation.
BB, B, CCC, CC, and C	Obligations rated 'BB', 'B', 'CCC', 'CC', and 'C' are regarded as having significant speculative characteristics. 'BB' indicates the least degree of speculation and 'C' the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposure to adverse conditions.
BB	An obligation rated 'BB' is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions that could lead to the obligor's inadequate capacity to meet its financial commitments on the obligation.
B	An obligation rated 'B' is more vulnerable to nonpayment than obligations rated 'BB', but the obligor currently has the capacity to meet its financial commitments on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments on the obligation.
CCC	An obligation rated 'CCC' is currently vulnerable to nonpayment and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitments on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitments on the obligation.

- CC** An obligation rated 'CC' is currently highly vulnerable to nonpayment. The 'CC' rating is used when a default has not yet occurred but S&P Global Ratings expects default to be a virtual certainty, regardless of the anticipated time to default.
- C** An obligation rated 'C' is currently highly vulnerable to nonpayment, and the obligation is expected to have lower relative seniority or lower ultimate recovery compared with obligations that are rated higher. An obligation rated 'D' is in default or in breach of an imputed promise. For non-hybrid capital instruments, the 'D' rating category is used when payments on an obligation are not made on the date due, unless S&P Global Ratings believes that such payments will be made within five business days in the absence of a stated grace period or within the earlier of the stated grace period or 30 calendar days.
- D** The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. An obligation's rating is lowered to 'D' if it is subject to a distressed exchange offer.

*Ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

2. Short-Term Issue Credit Ratings

Table 2

Category	Short-Term Issue Credit Ratings Definition
A-1	A short-term obligation rated 'A-1' is rated in the highest category by S&P Global Ratings. The obligor's capacity to meet its financial commitments on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitments on these obligations is extremely strong.
A-2	A short-term obligation rated 'A-2' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitments on the obligation is satisfactory.
A-3	A short-term obligation rated 'A-3' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken an obligor's capacity to meet its financial commitments on the obligation.
B	A short-term obligation rated 'B' is regarded as vulnerable and has significant speculative characteristics. The obligor currently has the capacity to meet its financial commitments; however, it faces major ongoing uncertainties that could lead to the obligor's inadequate capacity to meet its financial commitments.
C	A short-term obligation rated 'C' is currently vulnerable to nonpayment and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitments on the obligation.
D	A short-term obligation rated 'D' is in default or in breach of an imputed promise. For non-hybrid capital instruments, the 'D' rating category is used when payments on an obligation are not made on the date due, unless S&P Global Ratings believes that such payments will be made within any stated grace period. However, any stated grace period longer than five business days will be treated as five business days. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. An obligation's rating is lowered to 'D' if it is subject to a distressed exchange offer.

B. Issuer Credit Ratings

9. An S&P Global Ratings issuer credit rating is a forward-looking opinion about an obligor's overall creditworthiness. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation.

10. Both corporate credit ratings and sovereign credit ratings are forms of issuer credit ratings.

11. Issuer credit ratings can be either long-term or short-term.

1. Long-Term Issuer Credit Ratings

Table 3

Category	Long-Term Issuer Credit Ratings* Definition
AAA	An obligor rated 'AAA' has extremely strong capacity to meet its financial commitments. 'AAA' is the highest issuer credit rating assigned by S&P Global Ratings.
AA	An obligor rated 'AA' has very strong capacity to meet its financial commitments. It differs from the highest-rated obligors only to a small degree.
A	An obligor rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.
BBB	An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments.
BB, B, CCC, and CC	Obligors rated 'BB', 'B', 'CCC', and 'CC' are regarded as having significant speculative characteristics. 'BB' indicates the least degree of speculation and 'CC' the highest. While such obligors will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposure to adverse conditions.
BB	An obligor rated 'BB' is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions that could lead to the obligor's inadequate capacity to meet its financial commitments.
B	An obligor rated 'B' is more vulnerable than the obligors rated 'BB', but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments.
CCC	An obligor rated 'CCC' is currently vulnerable and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments.
CC	An obligor rated 'CC' is currently highly vulnerable. The 'CC' rating is used when a default has not yet occurred but S&P Global Ratings expects default to be a virtual certainty, regardless of the anticipated time to default.
R	An obligor rated 'R' is under regulatory supervision owing to its financial condition. During the pendency of the regulatory supervision, the regulators may have the power to favor one class of obligations over others or pay some obligations and not others.
SD and D	An obligor rated 'SD' (selective default) or 'D' is in default on one or more of its financial obligations including rated and unrated obligations but excluding hybrid instruments classified as regulatory capital or in nonpayment according to terms. An obligor is considered in default unless S&P Global Ratings believes that such payments will be made within five business days of the due date in the absence of a stated grace period or within the earlier of the stated grace period or 30 calendar days. A 'D' rating is assigned when S&P Global Ratings believes that the default will be a general default and that the obligor will fail to pay all or substantially all of its obligations as they come due. An 'SD' rating is assigned when S&P Global Ratings believes that the obligor has selectively defaulted on a specific issue or class of obligations but it will continue to meet its payment obligations on other issues or classes of obligations in a timely manner. An obligor's rating is lowered to 'D' or 'SD' if it is conducting a distressed exchange offer.

*Ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

2. Short-Term Issuer Credit Ratings

Table 4

Short-Term Issuer Credit Ratings

Category	Definition
A-1	An obligor rated 'A-1' has strong capacity to meet its financial commitments. It is rated in the highest category by S&P Global Ratings. Within this category, certain obligors are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitments is extremely strong.
A-2	An obligor rated 'A-2' has satisfactory capacity to meet its financial commitments. However, it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in the highest rating category.
A-3	An obligor rated 'A-3' has adequate capacity to meet its financial obligations. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments.
B	An obligor rated 'B' is regarded as vulnerable and has significant speculative characteristics. The obligor currently has the capacity to meet its financial commitments; however, it faces major ongoing uncertainties that could lead to the obligor's inadequate capacity to meet its financial commitments.
C	An obligor rated 'C' is currently vulnerable to nonpayment that would result in an 'SD' or 'D' issuer rating and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments.
R	An obligor rated 'R' is under regulatory supervision owing to its financial condition. During the pendency of the regulatory supervision, the regulators may have the power to favor one class of obligations over others or pay some obligations and not others.
SD and D	An obligor rated 'SD' (selective default) or 'D' has failed to pay one or more of its financial obligations (rated or unrated), excluding hybrid instruments classified as regulatory capital or in nonpayment according to terms, when it came due. An obligor is considered in default unless S&P Global Ratings believes that such payments will be made within any stated grace period. However, any stated grace period longer than five business days will be treated as five business days. A 'D' rating is assigned when S&P Global Ratings believes that the default will be a general default and that the obligor will fail to pay all or substantially all of its obligations as they come due. An 'SD' rating is assigned when S&P Global Ratings believes that the obligor has selectively defaulted on a specific issue or class of obligations, excluding hybrid instruments classified as regulatory capital, but it will continue to meet its payment obligations on other issues or classes of obligations in a timely manner. An obligor's rating is lowered to 'D' or 'SD' if it is conducting a distressed exchange offer.

II. CREDITWATCH, RATING OUTLOOKS, LOCAL CURRENCY AND FOREIGN CURRENCY RATINGS

12. The following section explains CreditWatch and rating outlooks and how they are used. Additionally, this section explains local currency and foreign currency ratings.

A. CreditWatch

13. CreditWatch highlights our opinion regarding the potential direction of a short-term or long-term rating. It focuses on identifiable events and short-term trends that cause ratings to be placed under special surveillance by S&P Global Ratings' analytical staff. Ratings may be placed on CreditWatch under the following circumstances:

When an event has occurred or, in our view, a deviation from an expected trend has occurred or is expected and when additional information is necessary to evaluate the current rating. Events and short-term trends may include mergers, recapitalizations, voter referendums, regulatory actions, performance deterioration of securitized assets, or anticipated operating developments.

When we believe there has been a material change in performance of an issue or issuer, but the magnitude of the rating impact has not been fully determined, and we believe that a rating change is likely in the short-term. A change in criteria has been adopted that necessitates a review of an entire sector or multiple transactions and we believe that a rating change is likely in the short-term.

PRELIMINARY DRAFT

947-AT-19

**FINDING OF FACT
AND FINAL DETERMINATION**

**of
Champaign County Zoning Board of Appeals**

Final Determination: *{RECOMMEND ENACTMENT/RECOMMEND DENIAL}*

Date: *{September 26, 2019}*

Petitioner: **Zoning Administrator**

Request: **Amend the Champaign County Zoning Ordinance by amending the requirements for PV solar farms by deleting Section 6.1.5 B.(2)b. that requires a 0.5 mile separation between a proposed PV solar farm and the CR Conservation Recreation Zoning District, and amend the requirements in Section 6.1.5 Q.(4)e. to add requirements for financial assurance provided by financial institutions headquartered in Champaign County.**

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PRELIMINARY DRAFT**Case 947-AT-19**

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FINDING OF FACT

From the documents of record and the testimony and exhibits received at the public hearing conducted on **September 26, 2019**, the Zoning Board of Appeals of Champaign County finds that:

1. The petitioner is the Zoning Administrator.
2. The proposed amendment is intended to update the requirements for Photovoltaic (PV) SOLAR FARMS in the Zoning Ordinance.
3. Municipalities with zoning and townships with planning commissions have protest rights on all text amendments and they are notified of such cases.

SUMMARY OF THE PROPOSED AMENDMENT

4. The proposed amendment is attached to this Finding of Fact as it will appear in the Zoning Ordinance.

GENERALLY REGARDING THE LRMP GOALS, OBJECTIVES, AND POLICIES

5. The *Champaign County Land Resource Management Plan* (LRMP) was adopted by the County Board on April 22, 2010. The LRMP Goals, Objectives, and Policies were drafted through an inclusive and public process that produced a set of ten goals, 42 objectives, and 100 policies, which are currently the only guidance for amendments to the *Champaign County Zoning Ordinance*, as follows:
 - A. The Purpose Statement of the LRMP Goals, Objectives, and Policies is as follows:

“It is the purpose of this plan to encourage municipalities and the County to protect the land, air, water, natural resources and environment of the County and to encourage the use of such resources in a manner which is socially and economically desirable. The Goals, Objectives and Policies necessary to achieve this purpose are as follows:”
 - B. The LRMP defines Goals, Objectives, and Policies as follows:
 - (1) Goal: an ideal future condition to which the community aspires
 - (2) Objective: a tangible, measurable outcome leading to the achievement of a goal
 - (3) Policy: a statement of actions or requirements judged to be necessary to achieve goals and objectives
 - C. The Background given with the LRMP Goals, Objectives, and Policies further states, “Three documents, the *County Land Use Goals and Policies* adopted in 1977, and two sets of *Land Use Regulatory Policies*, dated 2001 and 2005, were built upon, updated, and consolidated into the LRMP Goals, Objectives and Policies.

REGARDING LRMP GOALS

6. LRMP Goal 1 is entitled “Planning and Public Involvement” and states that as follows:

Champaign County will attain a system of land resource management planning built on broad public involvement that supports effective decision making by the County.

Goal 1 has 4 objectives and 4 policies. Goal 1 is **NOT RELEVANT** to the proposed amendment in general.

PRELIMINARY DRAFT

7. LRMP Goal 2 is entitled “Governmental Coordination” and states as follows:

Champaign County will collaboratively formulate land resource and development policy with other units of government in areas of overlapping land use planning jurisdiction.

Goal 2 has two objectives and three policies. Goal 2 is *NOT RELEVANT* to the proposed amendment in general.

8. LRMP Goal 3 is entitled “Prosperity” and states as follows:

Champaign County will encourage economic growth and development to ensure prosperity for its residents and the region.

Goal 3 has three objectives and no policies. Objectives 3.2 and 3.3 do not appear to be relevant to the proposed amendment.

The proposed amendment will *HELP ACHIEVE* Goal 3 for the following reasons:

- A. Objective 3.1 states, “Champaign County will seek to ensure that it maintains comparable tax rates and fees, and a favorable business climate relative to similar counties.”

The proposed amendment will *HELP ACHIEVE* Objective 3.1 because of the following:

- (1) The proposed amendment will provide an opportunity for locally based businesses to participate in the financial security of a PV solar farm development, which will help Champaign County maintain a business climate comparable to other counties.

9. LRMP Goal 4 is entitled “Agriculture” and states as follows:

Champaign County will protect the long term viability of agriculture in Champaign County and its land resource base.

Goal 4 has 9 objectives and 22 policies. Goal 4 is *NOT RELEVANT* to the proposed amendment in general.

10. LRMP Goal 5 is entitled “Urban Land Use” and states as follows:

Champaign County will encourage urban development that is compact and contiguous to existing cities, villages, and existing unincorporated settlements.

Goal 5 has 3 objectives and 15 policies. Goal 5 is *NOT RELEVANT* to the proposed amendment in general.

11. LRMP Goal 6 is entitled “Public Health and Safety” and states as follows:

Champaign County will ensure protection of the public health and public safety in land resource management decisions.

Goal 6 has 4 objectives and 7 policies. Goal 6 is *NOT RELEVANT* to the proposed amendment in general.

12. LRMP Goal 7 is entitled “Transportation” and states as follows:

Champaign County will coordinate land use decisions in the unincorporated area with the existing and planned transportation infrastructure and services.

Goal 7 has 2 objectives and 7 policies. Goal 7 is **NOT RELEVANT** to the proposed amendment in general.

13. LRMP Goal 8 is entitled “Natural Resources” and states as follows:

Champaign County will strive to conserve and enhance the County’s landscape and natural resources and ensure their sustainable use.

Goal 8 has 9 objectives and 36 policies. Objectives 8.1, 8.2, 8.3, 8.4, 8.5, 8.7, 8.8, and 8.9 do not appear to be relevant to the proposed amendment.

The proposed amendment will **HELP ACHIEVE** Goal 8 for the following reasons:

- A. Objective 8.6 states, “Champaign County will encourage resource management which avoids loss or degradation of areas representative of the pre-settlement environment and other areas that provide habitat for native and game species.

Objective 8.6 has six subsidiary policies. Policies 8.6.1, 8.6.2b., 8.6.5, and 8.6.6 do not appear to be relevant to the proposed amendment. The proposed amendment will **HELP ACHIEVE** Objective 8.6 because of the following:

- (1) Policy 8.6.2a. states, “**a. For new development, the County will require land use patterns, site design standards and land management practices to minimize the disturbance of existing areas that provide habitat for native and game species, or to mitigate the impacts of unavoidable disturbance to such areas.**”

The proposed amendment will **HELP ACHIEVE** Policy 8.6.2a. for the following reason:

- a. Regarding the proposed amendment to remove the 0.5-mile separation required between a PV solar farm and the CR Conservation Recreation Zoning District, the Zoning Ordinance regarding PV solar farms already has protections in place for the stream corridors and other natural areas typically found in the CR District without requiring a separation from a PV solar farm.
- b. Section 6.1.5 F.(9) requires a vegetative land cover for any PV solar farm on best prime farmland. This land cover will provide some additional habitat as compared to row crop agriculture, which will actually benefit any CR District that is nearby.
- c. Sec. 6.1.5 M.(2) requires vegetative screening within 1,000 feet of dwellings, which will also benefit any nearby CR District.
- (2) Policy 8.6.3 states, “**For discretionary development, the County will use the Illinois Natural Areas Inventory and other scientific sources of information to identify priority areas for protection or which offer the potential for restoration, preservation, or enhancement.**”

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The proposed amendment will **HELP ACHIEVE** Policy 8.6.3 for the following reason:

- a. Regarding the proposed amendment to remove the 0.5-mile separation required between a PV solar farm and the CR Conservation Recreation Zoning District, the Zoning Ordinance regarding PV solar farms already requires petitioners to complete an EcoCAT environmental assessment to identify stream corridors and other natural areas typically found in the CR District without requiring a separation from a PV solar farm.

- (3) Policy 8.6.4 states, “**The County will require implementation of IDNR recommendations for discretionary development sites that contain endangered or threatened species, and will seek to ensure that recommended management practices are maintained on such sites.**”

The proposed amendment will **HELP ACHIEVE** Policy 8.6.4 for the following reason:

- a. Regarding the proposed amendment to remove the 0.5-mile separation required between a PV solar farm and the CR Conservation Recreation Zoning District, the Zoning Ordinance regarding PV solar farms already requires petitioners to implement IDNR recommendations to protect habitats and endangered or threatened species typically found in the CR District without requiring a separation from a PV solar farm.

- 14. LRMP Goal 9 is entitled “Energy Conservation” and states as follows:

Champaign County will encourage energy conservation, efficiency, and the use of renewable energy sources.

Goal 9 has 5 objectives and 5 policies. Goal 9 is **NOT RELEVANT** to the proposed amendment in general.

- 15. LRMP Goal 10 is entitled “Cultural Amenities” and states as follows:

Champaign County will promote the development and preservation of cultural amenities that contribute to a high quality of life for its citizens.

Goal 10 has 1 objective and 1 policy. Goal 10 is **NOT RELEVANT** to the proposed amendment in general.

REGARDING THE PURPOSE OF THE ZONING ORDINANCE

- 16. The proposed amendment will **HELP ACHIEVE** the purpose of the Zoning Ordinance as established in Section 2 of the Ordinance for the following reasons:

- A. Paragraph 2.0 (a) of the Ordinance states that one purpose of the zoning regulations and standards that have been adopted and established is to secure adequate light, pure air, and safety from fire and other dangers.

The proposed amendment is not directly related to this purpose.

PRELIMINARY DRAFT

- B. Paragraph 2.0 (b) of the Ordinance states that one purpose of the zoning regulations and standards that have been adopted and established is to conserve the value of land, BUILDINGS, and STRUCTURES throughout the COUNTY.

The proposed amendment is not directly related to this purpose.

- C. Paragraph 2.0 (c) of the Ordinance states that one purpose of the zoning regulations and standards that have been adopted and established is to lessen and avoid congestion in the public STREETS.

The proposed amendment is not directly related to this purpose.

- D. Paragraph 2.0 (d) of the Ordinance states that one purpose of the zoning regulations and standards that have been adopted and established is to lessen and avoid hazards to persons and damage to property resulting from the accumulation of runoff of storm or flood waters.

The proposed amendment is not directly related to this purpose.

- E. Paragraph 2.0 (e) of the Ordinance states that one purpose of the zoning regulations and standards that have been adopted and established is to promote the public health, safety, comfort, morals, and general welfare.

The proposed amendment is not directly related to this purpose.

- F. Paragraph 2.0 (f) of the Ordinance states that one purpose of the zoning regulations and standards that have been adopted and established is to regulate and limit the height and bulk of BUILDINGS and STRUCTURES hereafter to be erected.

The proposed amendment is not directly related to this purpose.

- G. Paragraph 2.0 (g) of the Ordinance states that one purpose of the zoning regulations and standards that have been adopted and established is to establish, regulate, and limit the building or setback lines on or along any street, trafficway, drive or parkway.

The proposed amendment is not directly related to this purpose.

- H. Paragraph 2.0 (h) of the Ordinance states that one purpose of the zoning regulations and standards that have been adopted and established is to regulate and limit the intensity of the use of LOT areas, and regulating and determining the area of open spaces within and surrounding BUILDINGS and STRUCTURES.

The proposed amendment is not directly related to this purpose.

- I. Paragraph 2.0 (i) of the Ordinance states that one purpose of the zoning regulations and standards that have been adopted and established is to classify, regulate, and restrict the location of trades and industries and the location of BUILDINGS, STRUCTURES, and land designed for specified industrial, residential, and other land USES.

The proposed amendment is consistent with this purpose.

- J. Paragraph 2.0 (j) of the Ordinance states that one purpose of the zoning regulations and standards that have been adopted and established is to divide the entire County into DISTRICTS of such number, shape, area, and such different classes according to the USE of land, BUILDINGS, and STRUCTURES, intensity of the USE of LOT area, area of open spaces, and other classification as may be deemed best suited to carry out the purpose of the ordinance.

The proposed amendment is consistent with this purpose.

- K. Paragraph 2.0 (k) of the Ordinance states that one purpose of the zoning regulations and standards that have been adopted and established is to fix regulations and standards to which BUILDINGS, STRUCTURES, or USES therein shall conform.

The proposed amendment is not directly related to this purpose.

- L. Paragraph 2.0 (l) of the Ordinance states that one purpose of the zoning regulations and standards that have been adopted and established is to prohibit USES, BUILDINGS, or STRUCTURES incompatible with the character of such DISTRICTS.

The proposed amendment is consistent with this purpose.

- M. Paragraph 2.0 (m) of the Ordinance states that one purpose of the zoning regulations and standards that have been adopted and established is to prevent additions to and alteration or remodeling of existing BUILDINGS, STRUCTURES, or USES in such a way as to avoid the restrictions and limitations lawfully imposed under this ordinance.

The proposed amendment is not directly related to this purpose.

- N. Paragraph 2.0 (n) of the Ordinance states that one purpose of the zoning regulations and standards that have been adopted and established is to protect the most productive agricultural lands from haphazard and unplanned intrusions of urban USES.

The proposed amendment is not directly related to this purpose.

- O. Paragraph 2.0 (o) of the Ordinance states that one purpose of the zoning regulations and standards that have been adopted and established is to protect natural features such as forested areas and watercourses.

The proposed amendment is consistent with this purpose because the Zoning Ordinance regarding PV solar farms already has protections in place for the stream corridors and other natural areas typically found in the CR District without requiring a separation from a PV solar farm.

- P. Paragraph 2.0 (p) of the Ordinance states that one purpose of the zoning regulations and standards that have been adopted and established is to encourage the compact development of urban areas to minimize the cost of development of public utilities and public transportation facilities.

The proposed amendment is not directly related to this purpose.

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- Q. Paragraph 2.0 (q) of the Ordinance states that one purpose of the zoning regulations and standards that have been adopted and established is to encourage the preservation of agricultural belts surrounding urban areas, to retain the agricultural nature of the County, and the individual character of existing communities.

The proposed amendment is not directly related to this purpose.

- R. Paragraph 2.0 (r) of the Ordinance states that one purpose of the zoning regulations and standards that have been adopted and established is to provide for the safe and efficient development of renewable energy sources in those parts of the COUNTY that are most suited to their development.

The proposed amendment is consistent with this purpose. Eliminating the unnecessary separation to the CR District will improve the efficiency of the approval process for PV solar farms.

- 17. The proposed text amendment **WILL** improve the text of the Zoning Ordinance because:
 - A. The proposed amendment regarding credit ratings will provide opportunities for locally headquartered financial institutions that have not been rated by S&P or Moody's to be eligible for providing letters of credit for approved PV solar farms.
 - B. The proposed amendment that removes the one-half mile separation between a PV solar farm and the CR District would remove unnecessary language from the Zoning Ordinance.

SUMMARY FINDING OF FACT

From the documents of record and the testimony and exhibits received at the public hearing conducted on **September 26, 2019**, the Zoning Board of Appeals of Champaign County finds that:

1. The proposed Zoning Ordinance text amendment ***IS NECESSARY TO ACHIEVE*** the Land Resource Management Plan because:
 - A. The proposed Zoning Ordinance text amendment will ***HELP ACHIEVE*** LRMP Goals 3 and 8.
 - B. The proposed Zoning Ordinance text amendment is ***NOT RELEVANT*** to LRMP Goals 1, 2, 4, 5, 6, 7, 9, and 10.
2. The proposed text amendment ***WILL*** improve the Zoning Ordinance because it will:
 - A. ***HELP ACHIEVE*** the purpose of the Zoning Ordinance (see Item 16).
 - B. ***IMPROVE*** the text of the Zoning Ordinance (see Item 17).

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DOCUMENTS OF RECORD

1. Legal advertisement
2. Preliminary Memorandum dated September 19, 2019, with attachments:
 - A Legal advertisement
 - B ELUC Memorandum dated May 1, 2019, with attachments:
 - Proposed Changes to Zoning Ordinance Other Than in Response to Municipal Concerns dated February 27, 2019
 - Alternative Minimum Credit Rating for Financial Institutions Headquartered in Champaign County, Illinois dated May 1, 2019
 - C Several online articles regarding the Kroll Bond Rating Agency
 - D Land Resource Management Plan (LRMP) Goals & Objectives
 - E Preliminary Finding of Fact, Summary Finding of Fact, and Final Determination for Case 947-AT-19 dated September 26, 2019, with attachment:
 - Annotated version of proposed amendments

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FINAL DETERMINATION FOR CASE 947-AT-19

Pursuant to the authority granted by Section 9.2 of the Champaign County Zoning Ordinance, the Zoning Board of Appeals of Champaign County recommends that:

The Zoning Ordinance Amendment requested in **Case 947-AT-19** should ***{BE ENACTED / NOT BE ENACTED}*** by the County Board in the form attached hereto.

The foregoing is an accurate and complete record of the Findings and Determination of the Zoning Board of Appeals of Champaign County.

SIGNED:

Ryan Elwell, Chair
Champaign County Zoning Board of Appeals

ATTEST:

Secretary to the Zoning Board of Appeals

Date

PROPOSED AMENDMENT FOR CASE 947-AT-19

1. Delete existing Section 6.1.5 B.(2)b.:
 - (2) The PV SOLAR FARM County Board SPECIAL USE permit shall not be located in the following areas:
 - a. Less than one-and-one-half miles from an incorporated municipality that has a zoning ordinance unless the following is provided:
 - (a) No part of a PV SOLAR FARM shall be located within a contiguous urban growth area (CUGA) as indicated in the most recent update of the CUGA in the Champaign County Land Resource Management Plan, and there shall be a separation of one-half mile from a proposed PV SOLAR FARM to a municipal boundary at the time of application for the SPECIAL USE Permit, except for any power lines of 34.5 kVA or less and except for any proposed PV SOLAR FARM substation and related proposed connection to an existing substation.
 - (b) The PV SOLAR FARM SPECIAL USE permit application shall include documentation that the applicant has provided a complete copy of the SPECIAL USE permit application to any municipality within one-and-one-half miles of the proposed PV SOLAR FARM.
 - (c) If no municipal resolution regarding the PV SOLAR FARM is received from any municipality located within one-and-one-half miles of the PV SOLAR FARM prior to the consideration of the PV SOLAR FARM SPECIAL USE permit by the Champaign County Board, the ZONING ADMINISTRATOR shall provide documentation to the County Board that any municipality within one-and-one-half miles of the PV SOLAR FARM was provided notice of the meeting dates for consideration of the proposed PV SOLAR FARM SPECIAL USE Permit for both the Environment and Land Use Committee and the County Board.

~~b. Less than one-half mile from the CR Conservation Recreation Zoning District.~~

2. Revise Section 6.1.S Q.(4)e. as follows:

- e. The long term corporate debt (credit) rating of the letter of credit issuing financial institution by both Standard & Poor's Financial Services LLC (S&P) and Moody's Investors Service (Moody's) shall be equal to or greater than the minimum acceptable long term corporate debt (credit) rating, as follows:
 - (a) The Zoning Administrator shall verify the long term corporate debt (credit) rating of the proposed financial institution by **both** Standard & Poor's Financial Services LLC (S&P) and **or** Moody's Investors Service (Moody's).

PRELIMINARY DRAFT

- (b) The minimum acceptable long term corporate debt (credit) rating of the proposed financial institution shall be a rating of “A” by S&P or a rating of “A2” by Moody’s.
- (c) Notwithstanding the requirements of Section 6.1.5 Q.(4)e.(a)-(b), if the financial institution issuing the letter of credit is headquartered in a municipality within Champaign County, Illinois, an alternative minimum acceptable credit rating shall be a rating of "A-" by the Kroll Bond Rating Agency and shall be verified by the Zoning Administrator.
- (ed) Whenever the most current long term corporate debt (credit) rating of the proposed financial institution by either S&P or Moody’s, or in the case of a financial institution headquartered in a municipality in Champaign County, Illinois, the Kroll Bond Rating Agency is lower than the minimum acceptable long term corporate debt (credit) rating, the letter of credit shall be replaced with a new irrevocable letter of credit from an issuing financial institution whose most current long term corporate debt (credit) rating by either S&P or Moody’s meets or exceeds the minimum acceptable long term corporate debt (credit) rating.