

MOODY'S

RATINGS

Rating Action: Moody's Ratings affirms Cincinnati City School District, OH's Aa2; outlook stable

11 Jul 2024

New York, July 11, 2024 -- Moody's Ratings (Moody's) has affirmed Cincinnati City School District OH's Aa2 issuer rating, the Aa2 rating on outstanding general obligation unlimited tax (GOULT) and general obligation limited tax (GOLT) debt and the Aa3 rating on its outstanding certificates of participation (COPs). As of fiscal 2023, the district had \$454 million in debt outstanding. The outlook is stable.

RATINGS RATIONALE

The Aa2 issuer rating incorporates the district's regionally significant economy, which includes all of the City of Cincinnati and portions of its suburbs, a sound financial position and a tenured financial management team. The district budgeted for a modest deficit in 2024, but now expects audited results to be essentially balanced. At the close of fiscal 2023, reserves were equal to a sound 43% of revenue. Management has implemented expenditure cuts to balance operations net of Elementary and Secondary School Emergency Relief (ESSER) funding for fiscal 2025 and expects to be at least balanced. Enrollment growth is expected to resume, supported by the district's desirability and recent population increases, following some pandemic related enrollment loss. Long term leverage is moderate and expected to remain relatively stable given a lack of material borrowing plans.

The GOULT rating is Aa2, equivalent to the issuer rating, based on the district's general obligation pledge and authority to levy an unlimited property tax.

The GOLT rating is Aa2, equivalent to the issuer rating, based on the district's general promise to pay and the authority to levy property taxes within the State of Ohio's statutory 10-mill limitation.

The COPs are rated Aa3, one notch below the issuer rating, reflecting the contingent nature of the pledge, which is subject to annual appropriation, and the more essential financed project (improvements to school facilities). All of the district's actively managed general revenue is available for appropriation.

RATING OUTLOOK

The stable outlook reflects the district's sound fund balance and liquidity and demonstrated willingness to balance operations. The stable outlook also considers the district's regionally important economy that is expected to remain stable.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Additional bolstering of fund balance and liquidity to 50% of revenue
- Improvement of resident income to levels more consistent with the national median
- Substantial reduction in long-term leverage below 250% of revenue

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Declines in fund balance to below 20% of revenue
- Material increase in long-term leverage approaching 400% of revenue

LEGAL SECURITY

The GOULT debt is backed by the district's general obligation pledge and authority to levy an unlimited property tax.

The GOLT debt is backed by the district's general obligation pledge and the authority to levy property taxes within the State of Ohio's statutory 10-mill limitation.

The district's COPs are contingent obligations, backed by lease payments, which are made by the district subject to annual appropriation.

PROFILE

Cincinnati City School District is located in Hamilton County in the southwestern corner of Ohio. The district's enrollment is over 35,000 students. The district serves all of the City of Cincinnati (Aa2 stable) as well as portions of 14 surrounding cities and villages. The district covers roughly 90 square miles.

METHODOLOGY

The principal methodology used in these ratings was US K-12 Public School Districts Methodology published in January 2021 and available at <https://ratings.moodys.com/rmc-documents/70054>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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