

RatingsDirect®

Summary:

Cincinnati City School District; Appropriations; General Obligation

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Table Of Contents

Credit Highlights

Outlook

Related Research

Summary:

Cincinnati City School District; Appropriations; General Obligation

Credit Profile		
Cincinnati City Sch Dist COPs fed taxable qual sch const bnds		
Long Term Rating	A+ / Stable	Current
Cincinnati City Sch Dist GO		
Long Term Rating	AA- / Stable	Current
Cincinnati City Sch Dist APPROP		
Long Term Rating	A+ / Stable	Current
Cincinnati City Sch Dist APPROP		
Long Term Rating	A+ / Stable	Current

Credit Highlights

- S&P Global Ratings' long-term and underlying ratings on Cincinnati City School District (CCSD), Ohio's series 2006 (unlimited-tax) and series 2010 and 2011 limited-tax and general obligation (GO) bonds is 'AA-'.
- Also, our long-term rating on the district's series 2014 certificate of participation (COP) is 'A+'.
- The outlook on all the ratings is stable.

Security

The unlimited-tax GO debt is voter approved and secured by the district's full-faith-credit-and-resources pledge and an agreement to levy ad valorem property taxes, without limit to rate or amount. The limited-tax GO debt involves unvoted energy bonds secured by CCSD's limited-tax GO pledge, payable within the 10-mill limitation. We rate the limited-tax GO debt at the same level as the unlimited, which reflects no significant limitations on the fungibility of resources.

The series 2014 COP is payable from rental payments from the district under a lease agreement and subject to appropriation. We rate the COP one notch lower than the GO rating to reflect annual appropriation risk.

Credit overview

CCSD provides educational services from grades pre-K-12 across 65 building facilities in Cincinnati and its environs. Enrollment increased at a steady rate--over 1% since 2015--which is expected to continue through fiscal 2025. The strength of the local economy, currently very strong reserves (over 30% of general fund expenditures) despite recent planned spend-down, prudent fiscal management practices, stable enrollment, and moderate debt burden all support the rating.

Financial stability will depend on CCSD's ability to continue to maneuver expenditure growth, absent stimulus funds. Over \$300 million in stimulus funds provided significant financial cushion. The funds were primarily used for one-time

expenditures but also supported certain recurring ones. CCSD will have to make significant budget cuts to maintain balanced operations and its current reserves. Officials expect to achieve balanced operations in fiscal years 2025 and 2026 through tight budgetary controls, cutting, and/or redistributing certain costs that were increased and funded by stimulus funds. While fiscal 2024 projects a \$28 million operating deficit, officials expect only a slight draw in reserves compared to the large declines in fiscal years 2023 and 2022. Therefore, we expect reserves will remain very strong and continue to provide credit support. We understand the drawdowns in 2023 and 2022 were part of a strategic plan to spend down for infrastructure investments and instructional programs. We expect CCSD will make appropriate budgetary adjustments and manage its levy cycle to maintain structural balance.

Significant economic investment continues within the city and will provide stable property tax revenue, which accounts for over 50% of revenue. Strong assessed value (AV) growth is expected to continue as well. AV increased by 23% in the past three years. Also, as CCSD is at the 20-mill floor, it will be able to leverage AV growth and support financial flexibility. State aid accounts for about 25% of revenue, is tied to enrollment, and grew at a steady pace. Officials expects the increase to continue, at least for the near term.

Currently, CCSD's outstanding debt of about \$400 million is paid off rapidly. CCSD is considering reverting back to a middle-school concept to better facilitate its students and could require additional debt. It is in the early planning stages and there is the potential for additional debt, but the timing and amount is yet to be determined. Pension and other postemployment benefit (OPEB) costs are currently manageable, although pension cost escalation is likely given plan assumptions and methods.

The rating also reflects our view of CCSD's:

- Location, providing residents with full access to the diverse Cincinnati MSA economy that continues to demonstrate economic growth; however, the local economy is stable, but incomes are comparatively below average and constrain the rating;
- Demonstrated track record of maintaining reserves over 30% of general fund expenditures over the past three audited years with no immediate plans to spend down, and with a history of good voter support with the last three levy renewals passing at roughly 70% and the absence of significant financial deterioration during the end of the levy cycle;
- Good fiscal management that includes conservative budgeting monthly budget monitoring, a rolling five-year forecast that is updated semi-annually, a formal investment policy, and an informal reserve target to maintain a minimum of 2% of the prior-year revenue; and
- Debt costs could increase, given potential debt plans, but will likely remain manageable. Also, capital investments could be funded annually from the budget. Pension liabilities do not present an immediate credit pressure given the low costs. (See "Pension Spotlight: Ohio," published July 31, 2023, on RatingsDirect.)

Environmental, social, and governance

We analyzed CCSD's environmental, social, and governance (ESG) factors and consider them neutral in our analysis.

Outlook

The stable outlook reflects our expectation that CCSD will maintain its very strong reserves and benefit from stable revenue growth while effectively manage growing expenditures.

Downside scenario

We could lower the rating if the district is unable to achieve structurally balanced operations, resulting in reserves declining to levels we no longer consider strong, or if we believe that its financial flexibility is at risk of deteriorating in the near term.

Upside scenario

A higher rating will be predicated on the district's ability to maintain consistently very strong reserves, coupled with strengthened economic metrics that are more in line with those of higher rated peers.

Cincinnati City School District -- Key credit metrics

	Characterization	Most recent	Historical information		
			2023	2022	2021
Economic indicators					
Population				342,571	339,688
Median household EBI % of U.S.	Adequate			72	72
Per capita EBI % of U.S.	Good			95	91
Market value (\$000)		26,635,772	21,368,614	21,658,409	21,275,451
Market value per capita (\$)	Strong	77,753	62,377	63,223	62,632
Top 10 taxpayers % of taxable value	Very diverse		12.4	12.9	12.1
Financial indicators					
Total available reserves (\$000)			180,554	218,619	230,084
Available reserves % of operating expenditures	Very strong		31.4	39.0	38.3
Total government cash % of governmental fund expenditures			20.2	24.7	26.3
Operating fund result % of expenditures			(10.1)	(2.1)	15.8
Financial Management Assessment	Good				
Enrollment		34,917	35,482	35,459	35,261
Debt and long-term liabilities					
Overall net debt % of market value	Moderate		4.5	4.9	4.6
Overall net debt per capita (\$)	Moderate		2,837	3,111	2,888
Debt service % of governmental fund noncapital expenditures	Moderate		8.4	8.4	6.8
Direct debt 10-year amortization (%)	Rapid		98	96	83
Required pension contribution % of governmental fund expenditures			5	6.7	6.0
OPEB actual contribution % of governmental fund expenditures			0.1	0.1	0.1
Minimum funding progress, largest pension plan (%)			112	113.9	122.2

EBI--Effective buying income. OPEB--Other postemployment benefits.

Related Research

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Ratings Detail (As Of March 22, 2024)		
Cincinnati City Sch Dist GO (wrap of insured) (FGIC & AGM) (SEC MKT)		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Current
Cincinnati City Sch Dist GO (wrap of insured) (FGIC & ASSURED GTY) (SEC MKT)		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Current
Cincinnati City Sch Dist GO (wrap of insured) (FGIC) (National) (AGM) (SEC MKT)		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Current
Cincinnati City Sch Dist GO (FGIC) (National)		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Current
Cincinnati City Sch Dist ICR		
<i>Long Term Rating</i>	AA-/Stable	Current
Many issues are enhanced by bond insurance.		

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