

RATING ACTION COMMENTARY

Fitch Affirms Cincinnati City School District, OH's IDR and GO Bonds at 'AA'; Outlook Stable

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Fitch Ratings - Chicago - 20 Aug 2025: Fitch Ratings has affirmed the following Cincinnati City School District, OH ratings at 'AA':

- Issuer Default Rating (IDR);
- Outstanding 2006 general obligations (GO) bonds maturing in 2031.

The Rating Outlook is Stable.

RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡			PRIOR ⚡
Cincinnati City School District (OH)	LT IDR	AA	Affirmed	AA
Cincinnati City School District (OH) /General Obligation - Unlimited Tax/1 LT	LT	AA	Affirmed	AA

Cincinnati City School District's IDR and GO bond 'AA' ratings reflect its 'aaa' financial resilience assessment, given a 'limited' degree of budgetary flexibility and Fitch's expectations that reserves will be maintained above 25% of spending and transfers out. As of fiscal YE 2024, the available fund balance totaled \$180.4 million or 25.7% of spending. Although the district projects a deficit in the next fiscal year, Fitch expects management to realign operations through eliminating staff positions, streamlining bus routes, and implementing other cost-saving measures.

The district's balanced outyear financial projections assume voter renewal of one of three fixed-dollar property tax levies. The November 2025 ballot will include the 10-year renewal of the \$48 million emergency levy for operations and continued pre-K expansion. Voter approved levies comprise nearly a quarter of general fund revenues, and despite the district's strong record of successful levy renewals, a failure to renew a levy could exert downward pressure on the rating.

The rating also reflects the district's 'Weakest' population trend and 'Weak' demographic and economic level metrics, which balance a high degree of educational attainment against high unemployment and low MHI relative to the Fitch-rated local government portfolio. The rating also reflects a population and local economy of sufficient size and diversification, respectively, and the district's moderate long-term liability burden, resulting in a composite assessed at 'Strong'.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--Sustained unrestricted reserves below 25% leading to a lower financial resilience assessment;

--A sustained approximate 45% increase in long-term liabilities associated with debt and net pension liabilities assuming current levels of income, governmental revenue and expenditures;

--A sustained approximate 20% decrease in long-term liabilities associated with debt and net pension liabilities assuming current levels of income, governmental revenue and expenditures;

--Material improvements in underlying demographic and economic metrics, including population trend and the unemployment rate relative to the national average.

SECURITY

The bonds are a general obligation of the district, payable from an ad valorem tax on all taxable property without limitation as to rate or amount.

FITCH'S LOCAL GOVERNMENT RATING MODEL

The Local Government Rating Model generates Model Implied Ratings, which communicate the issuer's credit quality relative to Fitch's local government rating portfolio. (The Model Implied Rating will be the Issuer Default Rating except in certain circumstances explained in the applicable criteria.) The Model Implied Rating is expressed via a numerical value calibrated to Fitch's long-term rating scale that ranges from 10.0 or higher (AAA), 9.0 (AA+), 8.0 (AA), and so forth down to 1.0 (BBB- and below).

Model Implied Ratings reflect the combination of issuer-specific metrics and assessments to generate a Metric Profile and a structured framework to account for Additional Analytical Factors not captured in the Metric Profile that can either mitigate or exacerbate credit risks. Additional Analytical Factors are reflected in notching from the Metric Profile and are capped at +/-3 notches.

RATINGS HEADROOM & POSITIONING

Cincinnati City School District Model Implied Rating: 'AA' (Numerical Value: 8.83)

-- Metric Profile: 'AA' (Numerical Value: 8.83)

-- Net Additional Analytical Factor Notching: 0.0

Cincinnati City School District's Model Implied Rating is 'AA'. The associated numerical value of 8.83 is at the inner end of the 8.0 to 9.0 range for a 'AA' rating.

Financial Resilience - 'aaa'

Cincinnati City School District's financial resilience is driven by the combination of its 'Low' revenue control assessment and 'Midrange' expenditure control assessment, culminating in a 'Limited' budgetary flexibility assessment.

-- Revenue control assessment: Low

-- Expenditure control assessment: Midrange

-- Budgetary flexibility assessment: Limited

-- Minimum fund balance for current financial resilience assessment: $\geq 25.0\%$

-- Current year fund balance to expenditure ratio: 25.7% Analyst Input (vs. 25.7% 2024 Actual)

-- Lowest fund balance to expenditure ratio for the fiscal-year period 2020-2024: 25.7% Analyst Input (vs. 21.0% actual in fiscal 2020)

Revenue Volatility - 'Midrange'

Cincinnati City School District's weakest historic three-year revenue performance has a modest negative impact on the Model Implied Rating.

The revenue volatility metric is an estimate of potential revenue volatility based on the issuer's historical experience relative to the median for the Fitch-rated local government portfolio. The metric helps to differentiate issuers by the scale of revenue loss that would have to be addressed through revenue raising, cost controls or utilization of reserves through economic cycles.

-- Lowest three-year revenue performance (based on revenues dating back to 2005): 5.5% decrease for the three-year period ending fiscal 2008

-- Median issuer decline: -4.3% (2024)

otherwise skew the time series.

Analyst input reflects the second largest three-year decline in revenue to discount the one-time dip in revenue due to late property tax collections during the pandemic.

DEMOGRAPHIC AND ECONOMIC STRENGTH

Population Trend - 'Weakest'

Based on the median of 10-year annual percentage change in population, Cincinnati City School District's population trend is assessed as 'Weakest'.

Population trend: 0.2% 2023 median of 10-year annual percentage change in population (18th percentile)

Unemployment, Educational Attainment and MHI Level - 'Weak'

The overall strength of Cincinnati City School District's demographic and economic level indicators (unemployment rate, educational attainment, median household income [MHI]) in 2024 are assessed as 'Weak' on a composite basis, performing at the 32nd percentile of Fitch's local government rating portfolio. This is due to very low median-issuer indexed adjusted MHI and high unemployment rate offsetting high education attainment levels.

-- Unemployment rate as a percentage of national rate: 158.3% Analyst Input (10th percentile), relative to the national rate of 3.6%

-- Percent of population with a bachelor's degree or higher: 41.0% (2023) (76th percentile)

-- MHI as a percent of the portfolio median: 70.8% (2023) (9th percentile)

Economic Concentration and Population Size - 'Strongest'

Cincinnati City School District's population in 2023 was of sufficient size and the economy was sufficiently diversified to qualify for Fitch's highest overall size/diversification category.

The composite metric acts asymmetrically with most issuers (above the 15th percentile for

the absolute deviation of the percentage of personal income by major economic sectors relative to the U.S. distribution.

-- Population size: 341,841 (2023) (above the 15th percentile)

-- Economic concentration: 25.2% (2024) (above the 15th percentile)

Fitch utilized the district's 2023 unemployment rate given the absence of final 2024 data.

LONG-TERM LIABILITY BURDEN

Long-Term Liability Burden - 'Strong'

Cincinnati City School District's carrying costs to governmental expenditures has improved while liabilities to personal income and liabilities to governmental revenue remain midrange. The long-term liability composite metric in 2024 is at the 61st percentile, indicating a somewhat lower liability burden relative to the Fitch's local government rating portfolio.

-- Liabilities to personal income: 5.5% Analyst Input (49th percentile) (vs. 5.7% 2024 Actual)

-- Liabilities to governmental revenue: 164.0% Analyst Input (57th percentile) (vs. 152.2% 2024 Actual)

-- Carrying costs to governmental expenditures: 11.6% (2024) (73rd percentile)

Adjustments to the long-term liability burden metrics include netting out one-year of principal amortization through fiscal 2025 from direct debt levels and removing the non-recurring Elementary and Secondary School Emergency Relief (ESSER) revenue received in in fiscal 2024 from total governmental revenue of \$98 million.

PROFILE

Located in Hamilton County and encompassing 90 square miles, Cincinnati City School District is the second largest public school district in the state. With a population of over 336,000, the district serves the city of Cincinnati and several surrounding area

In addition to sources of information identified in Fitch's applicable criteria specified below, this action was informed by data from DIVER by Solve.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit

<https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

Additional information is available on www.fitchratings.com

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APPLICABLE CRITERIA

[U.S. Public Finance Local Government Rating Criteria \(pub. 02 Apr 2024\) \(including rating assumption sensitivity\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

ENDORSEMENT STATUS

Cincinnati City School District (OH)

EU Endorsed, UK Endorsed

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