

**Rating Action: Moody's assigns Aa3 to Cincinnati City School District, OH's COPs**

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New York, March 12, 2021 -- Moody's Investors Service has assigned a Aa3 rating to Cincinnati City School District's \$57.2 million 2021 Certificates of Participation (Cincinnati City School District School Improvement Project) (Taxable). Moody's also affirmed the district's Aa2 issuer rating and Aa2 ratings on the outstanding general obligation unlimited tax (GOULT) and general obligation limited tax (GOLT) bonds, and Aa3 lease revenue ratings, affecting \$487.5 million of outstanding rated debt. The issuer rating reflects the district's ability to repay debt and debt like obligations without consideration of any pledge, security, or structural features. The outlook is stable.

**RATINGS RATIONALE**

The Aa2 issuer rating reflects the district's regionally important economy, which includes all of the City of Cincinnati and portions of its suburbs. Although cash and fund balance will likely decline over the next two fiscal years, reserves are currently strong and the declines are driven by strategic investments in the district's programs and offerings. Also the district stands to significantly gain from the recent federal relief bill, which will likely more than offset the forecast declines. Enrollment fell in fiscal 2021, reversing several consecutive years of growth. Those declines were mostly in pre-school and kindergarten and are likely to reverse in the next few years. Long-term liabilities are moderate and the district's fixed cost ratio is low.

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 lease rating is 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 outlook is stable because reserves will remain healthy despite projected declines because of substantial one-time federal relief funding and the district's track record of strong budget management.

**FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS**

- Stronger resident income levels
- Materially improved cash and fund balance
- Substantially lower long-term liabilities ratio

**FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS**

- Material decline in resident income levels
- Materially lower cash and fund balance
- Materially increased long-term liabilities or fixed costs ratio

**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, including the Series 2021 certificates, are contingent obligations, backed by lease payments, which are made by the district subject to annual appropriation. Failure to renew the lease in any year prior to maturity is an event of default under the lease-purchase agreement and may be remedied by the trustee's eviction of the district from the pledged facilities.

#### USE OF PROCEEDS

Proceeds will advanced refund a portion of the 2014 Certificates of Participation (Cincinnati City School District School Improvement Project), which were used to refunded a portion of the district's 2006 COPs, which partially funded improvements to five high schools, among other improvements to multiple buildings throughout the district.

#### PROFILE

Cincinnati City School District is located in Hamilton County in the southwestern corner of Ohio. The district's enrollment was 34,801 in 2019. The Cincinnati City School District is located in southwestern Ohio (Aa1 stable) and includes 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://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM\\_1202421](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1202421). Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

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