

ISSUER COMMENT

24 May 2019

RATING

General Obligation (or GO Related) ¹

Aa3 No Outlook

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Fairborn City School District, OH

Annual Comment on Fairborn City SD

Issuer Profile

Fairborn City School District is located primarily in Greene County in western Ohio, approximately 55 miles southwest of Columbus, with portions extending into Clark and Montgomery Counties. The county has a population of 164,825 and a moderate population density of 397 people per square mile. The county's median family income is \$84,568 (1st quartile) and the March 2019 unemployment rate was 3.6% (2nd quartile) ². The largest industry sectors that drive the local economy are federal government (civilian), retail trade, and professional/scientific/technical services.

Credit Overview

Fairborn City SD'S credit position is strong, and its Aa3 rating is level with the median rating of Aa3 for school districts nationwide. The key credit factors include a robust financial position, a sizable tax base and a solid wealth and income profile. Also reflected are a mid-ranged debt burden and an inflated pension liability.

Finances: The district has a very healthy financial position, which is favorable in relation to the assigned rating of Aa3. The fund balance as a percent of operating revenues (51.4%) is far above the US median, and saw an impressive increase between 2014 and 2018. Furthermore, the cash balance as a percent of operating revenues (53.5%) is far superior to the US median.

Economy and Tax Base: The economy and tax base of the district are solid. Yet, this factor is slightly weak relative to its Aa3 rating position. The full value (\$1.7 billion) is consistent with the US median, and remained the same from 2014 to 2018. In addition, the median family income equals just 89.2% of the US level. Lastly, Fairborn City SD'S full value per capita (\$40,511) is weaker than other Moody's-rated school districts nationwide.

Debt and Pensions: The debt and pension liabilities of the district are elevated overall, and they are quite unfavorable in relation to the assigned rating of Aa3. The net direct debt to full value (2.5%) is higher than the US median, and increased significantly between 2014 and 2018. Furthermore, the Moody's-adjusted net pension liability to operating revenues (3.0x) is unfavorably well above the US median.

Management and Governance: Ohio school districts have an Institutional Framework score ³ of A, which is moderate. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. The sector's major revenue sources are property taxes and state aid. Local property tax rates can be increased with voter approval only. Some school districts also levy a local income tax, if approved by voters. Revenues and expenditures tend to be predictable. Ohio has public sector unions, which can limit the ability to cut expenditures.

Sector Trends - Ohio School Districts

Ohio school districts generally face a stable operating environment. The state's current biennium budget increases total school funding by 3% over fiscal years 2018 and 2019; however, the state is targeting the latest increases toward lower-wealth districts. School levy elections are becoming increasingly important throughout the state, and districts with strong voter support for new taxes can best align revenues with expenditures. Competition from charter schools is concentrated in large metropolitan areas. School district pension burdens are high, despite recent reforms including cost of living modifications that highlight the state's legal flexibility to manage pension liabilities.

EXHIBIT 1

Key Indicators [4](#) [5](#) Fairborn City SD

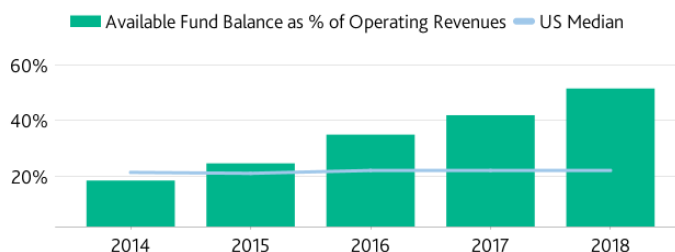
	2014	2015	2016	2017	2018	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$1,754M	\$1,702M	\$1,705M	\$1,716M	\$1,747M	\$1,906M	Stable
Full Value Per Capita	\$41,147	\$39,521	\$39,549	\$39,792	\$40,511	\$84,623	Stable
Median Family Income (% of US Median)	89%	89%	89%	89%	89%	102%	Stable
Finances							
Available Fund Balance as % of Operating Revenues	18.4%	24.6%	34.9%	41.9%	51.4%	22.0%	Improved
Net Cash Balance as % of Operating Revenues	19.1%	28.0%	37.8%	47.9%	53.5%	26.8%	Improved
Debt / Pensions							
Net Direct Debt / Full Value	0.7%	0.8%	0.7%	2.6%	2.5%	1.5%	Weakened
Net Direct Debt / Operating Revenues	0.30x	0.30x	0.26x	0.91x	0.87x	0.71x	Weakened
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	11.4%	9.3%	8.4%	8.9%	8.6%	2.9%	Improved
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	4.61x	3.63x	3.11x	3.09x	3.00x	1.42x	Improved
	2014	2015	2016	2017	2018	US Median	
Debt and Financial Data							
Population	42,648	43,066	43,128	43,128	43,128	N/A	
Available Fund Balance (\$000s)	\$7,955	\$10,670	\$16,141	\$20,615	\$25,680	\$8,985	
Net Cash Balance (\$000s)	\$8,256	\$12,179	\$17,493	\$23,588	\$26,724	\$10,862	
Operating Revenues (\$000s)	\$43,220	\$43,434	\$46,267	\$49,249	\$49,915	\$41,251	
Net Direct Debt (\$000s)	\$13,046	\$13,005	\$12,061	\$44,788	\$43,295	\$28,020	
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$199,308	\$157,815	\$143,947	\$151,943	\$149,617	\$55,897	

Source: Moody's Investors Service

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

EXHIBIT 2

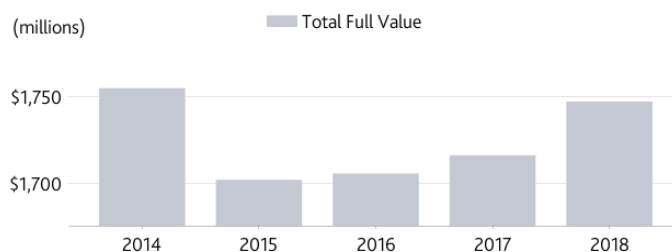
Available fund balance as a percent of operating revenues increased from 2014 to 2018



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

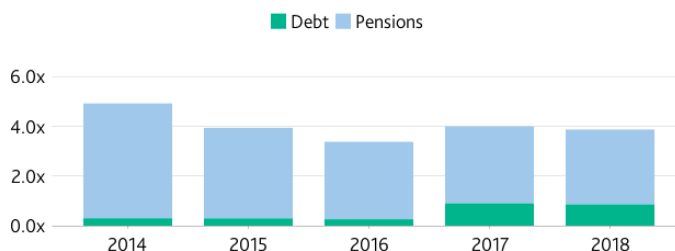
Full value of the property tax base decreased from 2014 to 2018



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

EXHIBIT 4

Moody's-adjusted net pension liability to operating revenues decreased from 2014 to 2018



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

Endnotes

- The rating referenced in this report is the issuer's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally backed by the full faith and credit pledge and total taxing power of the issuer. GO-related securities include general obligation limited tax, annual appropriation, lease revenue, non-ad valorem, and moral obligation debt. The referenced ratings reflect the government's underlying credit quality without regard to state guarantees, enhancement programs or bond insurance.
 - The demographic data presented, including population, population density, per capita personal income and unemployment rate are derived from the most recently available US government databases. Population, population density and per capita personal income come from the American Community Survey while the unemployment rate comes from the Bureau of Labor Statistics.
- The largest industry sectors are derived from the Bureau of Economic Analysis. Moody's allocated the per capita personal income data and unemployment data for all counties in the US census into quartiles. The quartiles are ordered from strongest-to-weakest from a credit perspective: the highest per capita personal income quartile is first quartile, and the lowest unemployment rate is first quartile.
- The institutional framework score assesses a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. See [US Local Government General Obligation Debt \(December 2016\)](#) methodology report for more details.
 - For definitions of the metrics in the Key Indicators Table, [US Local Government General Obligation Methodology and Scorecard User Guide \(July 2014\)](#). Metrics represented as N/A indicate the data were not available at the time of publication.
 - The medians come from our most recently published local government medians report, [Medians - Property values key to stability, but pension burdens remain a challenge \(March 2018\)](#) which is available on Moodys.com. The medians presented here are based on the key metrics outlined in Moody's GO methodology and the associated scorecard.

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