

ISSUER COMMENT

14 August 2020

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 165,811 and a moderate population density of 400 people per square mile. The county's median family income is \$86,393 (1st quartile) and the June 2020 unemployment rate was 8.8% (2nd quartile) ². The largest industry sectors that drive the local economy are federal government (civilian), retail trade and professional/scientific/technical services.

We regard the coronavirus outbreak as a social risk under our environmental, social and governance framework, given the substantial implications for public health and safety and the economy. We do not see any material immediate credit risks for Fairborn City SD. However, the situation surrounding coronavirus is rapidly evolving and the longer term impact will depend on both the severity and duration of the crisis. If our view of the credit quality of Fairborn City SD changes, we will update our opinion at that time.

Credit Overview

Fairborn City SD'S credit position is very healthy, and its Aa3 rating is equal to the median rating of Aa3 for school districts nationwide. Notable credit factors include a robust financial position, a moderately sized tax base, modest property wealth, moderate resident income, a moderate debt burden and an elevated pension liability.

Finances: The district has a very strong financial position, which is favorable with respect to the assigned rating of Aa3. The fund balance as a percent of operating revenues (57.9%) is far superior to the US median, and saw an impressive increase between 2015 and 2019. Also, Fairborn City SD'S cash balance as a percent of operating revenues (60.2%) is far above other Moody's-rated school districts nationwide.

Economy and Tax Base: The coronavirus pandemic is driving an unprecedented economic slowdown. We currently forecast real US GDP to decline significantly over the first and second quarters of 2020, but a more moderate decline for the full year. Local governments with the highest exposure to the tourism, health care, consumer and international trade sectors could suffer particularly severe impacts.

The economy and tax base of the district are satisfactory, yet the factors are comparable or unfavorable in relation to its Aa3 rating. The total full value (\$1.8 billion) is consistent with the US median, and grew modestly from 2015 to 2019. Additionally, the median family

income is 90.3% of the US level. Lastly, the full value per capita (\$40,927) is significantly below the US median.

Debt and Pensions: Fairborn City SD has somewhat inflated debt and pension liabilities overall and they are unfavorable relative to its Aa3 rating position. The district's net direct debt to full value (2.4%) is higher than the US median, but the net direct debt to operating revenues (0.8x) is roughly equivalent to the US median. Additionally, the Moody's-adjusted net pension liability to operating revenues (2.7x) unfavorably is materially above the US median.

Management and Governance: Ohio school districts have an institutional framework score ³ of "A," which is moderate. The sector's major revenue sources are property taxes and state aid, with wealthier districts relying more heavily on property tax. Local property tax do not have a rate cap, but can be increased with voter approval only. Some school districts also levy a local income tax, which requires voter approval. 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 will face state aid cuts this year as a result of coronavirus-related economic pressures. Recently, the state cut approximately \$300 million in aid to school districts for the remainder of fiscal 2020, and state funding for school districts may be further reduced in fiscal 2021. School levy elections are increasingly important throughout the state, and districts with strong voter support for new local taxes can better align revenues with expenditures. Competition from charter schools is concentrated in large metropolitan areas. School district pension burdens will remain elevated.

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 1

Key Indicators ⁴/₅ Fairborn City SD

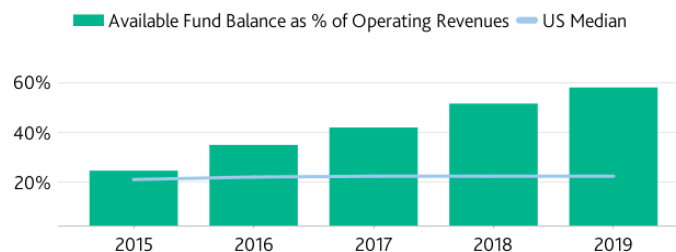
	2015	2016	2017	2018	2019	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$1,702M	\$1,705M	\$1,716M	\$1,747M	\$1,775M	\$1,919M	Stable
Full Value Per Capita	\$39,521	\$39,549	\$39,782	\$40,273	\$40,927	\$87,328	Stable
Median Family Income (% of US Median)	89%	88%	92%	90%	90%	101%	Stable
Finances							
Available Fund Balance as % of Operating Revenues	24.6%	34.9%	41.9%	51.4%	57.9%	22.3%	Improved
Net Cash Balance as % of Operating Revenues	28.0%	37.8%	47.9%	53.5%	60.2%	27.2%	Improved
Debt / Pensions							
Net Direct Debt / Full Value	0.8%	0.7%	2.6%	2.5%	2.4%	1.6%	Weakened
Net Direct Debt / Operating Revenues	0.30x	0.26x	0.91x	0.87x	0.79x	0.73x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	9.3%	8.4%	8.9%	8.6%	8.1%	3.3%	Improved
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	3.63x	3.11x	3.09x	3.00x	2.71x	1.48x	Improved

	2015	2016	2017	2018	2019	US Median
Debt and Financial Data						
Population	43,066	43,128	43,139	43,383	43,383	N/A
Available Fund Balance (\$000s)	\$10,670	\$16,141	\$20,615	\$25,680	\$30,885	\$9,391
Net Cash Balance (\$000s)	\$12,179	\$17,493	\$23,588	\$26,724	\$32,115	\$11,164
Operating Revenues (\$000s)	\$43,434	\$46,267	\$49,249	\$49,915	\$53,337	\$42,583
Net Direct Debt (\$000s)	\$13,005	\$12,061	\$44,788	\$43,295	\$42,027	\$29,872
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$157,815	\$143,947	\$151,943	\$149,617	\$144,461	\$62,410

Source: Moody's Investors Service

EXHIBIT 2

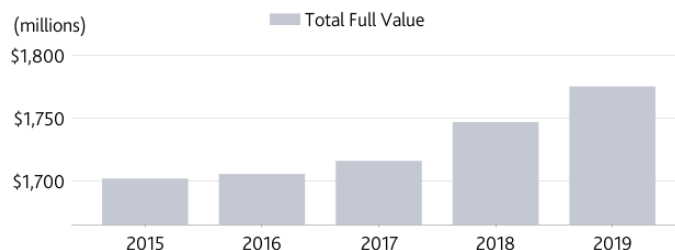
Available fund balance as a percent of operating revenues increased from 2015 to 2019



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

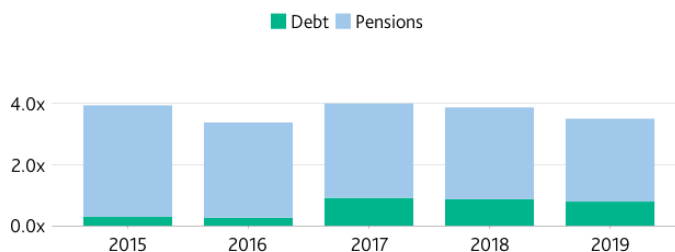
Full value of the property tax base increased from 2015 to 2019



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 2015 to 2019



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 \(September 2019\)](#) 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 - Tax base growth underpins sector strength, while pension challenges remain \(May 2019\)](#) which is available on Moody's.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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