MOODY'S
INVESTORS SERVICE

New Issue: Moody's assigns Aa1 rating to Worthington City School District's (OH) General Obligation School Facilities Construction and Improvement Bonds, Series 2013A and Series 2013B

Global Credit Research - 25 Jan 2013

Aa1 rating affects $75.0 million in post-sale GO parity debt

WORTHINGTON CITY SCHOOL DISTRICT, OH
Public K-12 School Districts
OH

Moody's Rating

ISSUE		RATING
School Facilities Construction and Improvement Bonds, Series 2013B		Aa1
Sale Amount	$9,705,000	
Expected Sale Date	01/31/13	
Rating Description	General Obligation	
School Facilities Construction and Improvement Bonds, Series 2013A		Aa1
Sale Amount	$26,335,000	
Expected Sale Date	01/31/13	
Rating Description	General Obligation	

Moody's Outlook NOO

Opinion

NEW YORK, January 25, 2013 --Moody's Investors Service has assigned a Aa1 rating to Worthington City School District's (OH) $26.4 million School Facilities Construction and Improvement Bonds, Series 2013A and $9.7 million School Facilities Construction and Improvement Bonds, Series 2013B. Concurrently, Moody's affirms the Aa1 rating on the district's outstanding general obligation unlimited and limited tax debt and the Aa2 rating on the district's outstanding certificates of participation. The Aa1 rating applies to $75.0 million in outstanding post-sale general obligation parity debt. The Aa2 rating applies to $4.4 million in outstanding certificates of participation.

SUMMARY RATINGS RATIONALE

The Series 2013A and Series 2013B bonds are secured by the district's general obligation unlimited tax pledge and were approved by voters in November 2012. Proceeds from the bonds will be used to finance capital improvements and equipment purchases within the district. Outstanding bonds are secured by either the district's general obligation unlimited tax pledge or limited tax pledge subject to the State of Ohio's (GO rated Aa1/stable outlook) statutory 10-mill limitation.

The Aa1 rating incorporates the district's sizeable, mature tax base which overlaps portions of the City of Columbus (GO rated Aaa/stable outlook); sound financial reserves; and capable management with strong instituted financial, capital and debt policies. Also reflected in the rating is the district's continued reliance on voter approval for operating increases which has been solid as of late but uneven over the last decade. Additionally, the district's debt profile and principal amortization schedule remain average.

The lack of rating distinction between the general obligation unlimited and limited tax debt reflects the state requirement that Ohio municipalities use all available revenues, including available property tax millage currently assigned to operations for the district or overlapping entities under the ten mill limitation statutory code, for the payment of debt service prior to any other uses. Outstanding certificates of participation are notched one time below the general obligation rating due to the annual risk of non-appropriation and the essential nature of the financed asset (the district's administration building).

STRENGTHS

- Sizable tax base with significant portion of assessed value within the City of Columbus

- Sound financial reserves

- Strong stated financial, capital and debt policies

- Above average socioeconomic characteristics

CHALLENGES

- Uneven election history with likely reliance on voter support every three years

- Socioeconomic characteristics slightly below medians for higher rated school districts

DETAILED CREDIT DISCUSSION

SIZABLE, MATURE TAX BASE OVERLAPPING PORTIONS OF NORTHERN COLUMBUS

We expect the district's tax base, which currently stands at a sizeable $5.1 billion, will experience stable long term valuation trends given its beneficial location within the Columbus metropolitan region. Located in Franklin County (GO rated Aaa/stable outlook), the district serves the entirety of the City of Worthington (GOLT rated Aa2) and the Village of Riverlea as well as portions of the City of Columbus and townships of Perry and Sharon. Although only 7% of Columbus' assessed value falls within the district, a significant 59% of the district's assessed value is comprised of the capital city. The exposure to the greater Columbus region will likely bring long term stability to the base through the area's institutional and economic diversity. Full valuation in the district has been flat as of late, averaging an annual full value decrease of a minimal 0.8% over the last five years (2008-2013).

The district's population grew minimally over the past decade, with just 1.7% population growth from 2000 to 2010. Stagnant population has contributed to stagnant student enrollment within the district. Enrollment in fiscal 2013 stood at 9,454 which follows an average annual increase of 0.1% from fiscal 2008 to fiscal 2013. Going forward, officials expect similar enrollment growth trends. District residents' income levels are above the state and nation, with per capita and median family incomes at 135.1% and 141.3% of US levels, respectively.

SOUND RESERVES AND SOLID POLICIES BUT WITH RELIANCE ON VOTERS TO MAINTAIN FISCAL HEALTH

The district has maintained sound financial reserve levels, which we anticipate will continue over the medium term given its solid and transparent financial policies, capable management and favorable financial forecasts. The district's finances have benefited from four consecutive modified accrual GAAP-basis operating surpluses which have improved General Fund reserves to healthy levels. These operating surpluses included $4.5 million and $4.0 million surpluses in fiscal 2010 and fiscal 2011, respectively. Another substantial operating surplus of $6.5 million was achieved in fiscal 2012 improving the General Fund GAAP balance to $63.4 million, or a robust 52.3% of fiscal 2012 General Fund revenues. On a cash-basis, the basis in which the district submits five-year forecasts approved at the state level, finances have demonstrated positive trends as well. These trends included operating surpluses of $897,000 and $4.8 million in fiscal 2010 and fiscal 2011, respectively. In fiscal 2012 the district recorded a modest cash-basis operating deficit of $71,000 resulting in a General Fund cash balance of $44.2 million, or 38.4% of receipts. The district's recently modified five-year financial forecast shows stable, healthy General Fund cash balances through the life of the forecast, which we expect will improve even more in the outermost years particularly given the conservative projection of revenue trends. For fiscal 2013 the district projects a $3.5 million operating surplus, which if achieved, would result in a cash balance of $47.7 million, or 39.4% of projected receipts.

Operating revenues for the district are largely locally sourced with 68% of fiscal 2012 revenues coming from property taxes as compared to 29% derived from intergovernmental aid. Like a majority of Ohio public school districts, Worthington City School District relies on local voter support for new revenues every few years. This is due to the fact that expenditure trends typically overtake revenues generated by existing levies every few years. This cycle usually results in districts approaching voters for new property taxes to support operations. Voter support for new levies has been mixed. Voters have approved five out of the last nine levies since 2000, though support has improved in recent years resulting in the approval of the last two incremental operating levies which were passed in November 2009 and November 2012. In addition to the operating levies, voters have expressed support for the last three bond issues including the referenda associated with the new borrowing. District officials have communicated to constituents the need for reasonably sized levies in regular intervals in future years. The result of this approach is likely a return to voters in 2015 for a new levy comparable in size to those most recently passed. We note the district's recently improved voter support but ongoing fiscal health will remain dependent on continued approval of new revenue.

AVERAGE DEBT BURDEN; NO ADDITIONAL NEAR TERM BORROWING EXPECTED

We expect the district's debt burden will remain manageable given its average relative outstanding debt and lack of additional near term borrowing plans. Post-sale, district's direct debt will stand at 1.6% of full value while its overall debt will stand at 2.9%. With 64% of existing long term general obligation debt scheduled to be retired in ten years, amortization is average. All of the district's outstanding debt is fixed rate, and the district is not a party to any interest rate swap agreements.

What Could Make The Rating Go Up

- Sustained voter support of new operating revenues combined with stable and/or increased General Fund cash reserves

- Sufficient increases to the district's tax base and/or increased socioeconomic indicators

What Could Make The Rating Go Down

- Material declines in reserves and liquidity to levels inconsistent with the current ratings category

- Erosion of the district's tax base and/or falling socioeconomic indicators

Key Statistics

Fiscal 2013 enrollment: 9,454 (+0.1% average annual change since 2008)

2010 Population: 59,374 (1.7% increase since 2000)

2013 Full value: $5.1 billion (-0.8% average annual change since 2008)

2013 Full value per capita: $85,929

Per capita income (as % of US): 135.1%

Median family income (as % of US): 141.3%

Fiscal 2012 General Fund (GAAP) balance: $63.4 million (52.3% of General Fund revenues)

Fiscal 2012 General Fund (cash) balance: $44.2 million (38.4% of General Fund receipts)

Net direct debt burden: 1.6%

Net overall debt burden: 2.9%

Principal amortization (10 years): 64%

Post-sale general obligation debt outstanding: $75.0 million

Certificates of participation outstanding: $4.4 million

RATING METHODOLOGY

The principal methodology used for the General Obligation rating was General Obligation Bonds Issued by U.S. Local Governments published in October 2009. The principal methodology used for the Lease Rental rating was The Fundamentals of Credit Analysis for Lease-Backed Municipal Obligations published in December 2011. Please see the Credit Policy page on www.moodys.com for a copy of these methodologies.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Analysts

Andrew T. Van Dyck Dobos
Lead Analyst
Public Finance Group
Moody's Investors Service

Matthew Butler
Backup Analyst
Public Finance Group
Moody's Investors Service

Jeffery Yorg
Additional Contact
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
USA

MOODY'S
INVESTORS SERVICE

Rating Materials
Standard & Poor's Rating Report

STANDARD
& POOR'S
RATINGS SERVICES

RatingsDirect®

Summary:
Worthington City School District, Ohio; General Obligation

Primary Credit Analyst:
Caroline E West, Chicago (1) 312-233-7047; caroline_west@standardandpoors.com

Secondary Contact:
Carol A Hendrickson, Chicago (1) 312-233-7062; carol_hendrickson@standardandpoors.com

Table Of Contents

Summary:

Worthington City School District, Ohio; General Obligation

Credit Profile		
US$26.335 mil sch facs construction & imp bnds (GO - unltd tax) ser 2013A due 12/01/2027		
Long Term Rating	AA/Stable	New
US$9.705 mil sch facs construction & imp bnds (GO - unltd tax) ser 2013B due 12/01/2028		
Long Term Rating	AA/Stable	New
Worthington City Sch Dist GO		
Long Term Rating	AA/Stable	Affirmed
Worthington City Sch Dist GO		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services assigned its 'AA' long-term rating to Worthington City School District, Ohio's series 2013A and 2013B unlimited-tax general obligation (GO) school facilities construction and improvement bonds. At the same time, Standard & Poor's affirmed its 'AA' long-term and underlying (SPUR) ratings on the district's existing debt. The outlook on all ratings is stable.

The rating also reflects our view of the district's:

- Participation in the strong and diverse Columbus metropolitan area economy;
- Very strong income levels;
- Good financial performance, as evidenced by very strong reserves, with a favorable projected five-year operating forecast; and
- Low overall debt burden with no need to issue additional debt in the next several years.

The district's tax base, while strong in our view, somewhat limits the rating due to its relative lack of depth and the ongoing impact of the loss of tangible personal property tax on revenue.

Both series are secured by a voter-approved unlimited-tax general obligation pledge. The series 2013A bonds will finance a variety of capital improvements within the district. The series 2013B bonds will retire the district's outstanding series 2012 bond anticipation notes issued in December 2012.

The school district serves the City of Worthington, the Village of Riverlea, a portion of the City of Columbus, and unincorporated areas in Perry Township and Sharon Township. The 20-square-mile district serves an estimated population of 59,374. Given that Worthington is a first-ring suburb of Columbus, the district is nearly built-out.

Enrollment has experienced mild fluctuations during the past five years, and we understand that management projects growth of 600 new students (6.3%) during the next seven years. The student count in the current academic year (2012-2013) totals 9,499. Management estimates that the district's current buildings have the capacity to absorb the projected enrollment growth. While enrollment-based state aid makes up a notable portion of the district's general fund revenue (12% in 2012), property taxes are the primary revenue source (67%), so we do not consider the enrollment trend to be a major credit factor.

The district's tax base has contracted somewhat due to the state phase-out of taxation on tangible personal property, which is directly causing revenue losses for the district (roughly $2.2 million in general fund revenue in 2012, increasing annually by $2.2 million until eventually reaching $15 million). In the 2012 sexennial reappraisal, total valuation, which is now 75% residential and 23% commercial/industrial, fell by 3.3% to $1.78 billion, then increased by a slight 0.4% in 2013 to $1.79 billion. Estimated full market value totals $5.1 billion or $85,929 per capita, a figure we consider strong, although not particularly robust. The district's property tax base is very diverse in our view, with the 10 leading taxpayers accounting for only 5.9% of total assessed value (AV). We consider the district's income levels to be very strong and a supporting credit factor, with median household and per capita effective buying incomes at 140% and 135% of the national levels, respectively.

We believe the district's finances are stable, despite the loss of tangible personal property tax revenue, and have been recently strengthened by a voter-approved operating levy passed in November 2012. The district's estimated five-year forecast calls for cash surpluses in fiscal years 2013 and 2014, increasing the unreserved cash balance to $36.3 million in fiscal 2014 (or 29.7% of expenditures, which we consider very strong) after accounting for additional revenue from the new operating levy. (The levy, totaling 6.9 mills, calls for incremental increases of 4.9 mills in 2013, 1.0 mill in 2014, and 1.0 mill in 2015.) The cash balance is positive through the end of the five-year forecast in 2017, demonstrating the strength of the district's current revenue stream to support district operations without another operating levy or major expenditure reductions for the next four years. In our view, this result demonstrates effective levy management as well as strong buy-in from district residents. The district's last operating levy request, also a 6.9 mill incremental levy, passed in November 2009. Prior to that vote, a 7.4-mill operating levy was defeated in May 2009.

We understand that management intends to ask voters for another operating levy in calendar year 2015, and has committed to voters that levy requests will not be higher than 6.9 mills and not be closer than three years apart.

As measured on a generally accepted accounting principles (GAAP) basis, the district closed fiscal 2012 on June 30, with a $6.5 million general fund surplus that increased the total general fund reserve to $63.4 million or 55.8% of expenditures, which we consider very strong. Of that amount, $59.2 million is unreserved or 52% of expenditures. Officials estimate that, on a cash basis, fiscal 2012 closed with a $33 million unreserved general fund cash balance or 28.5% of expenditures, which we consider strong. This represents a very minor $71,000 cash decrease from the prior year. In addition, the district maintains $3.1 million in cash in a reserved contingency fund, which could be used for any purpose.

The district's management practices are considered "strong" under Standard & Poor's financial management assessment (FMA), indicating that practices are strong, well-embedded, and likely sustainable. The FMA was revised to "strong" from "good" due to management's adoption of comprehensive debt and fund balance policies. The school board receives monthly financial reports, and per state requirements, management updates a five-year long-term financial forecast semi-annually. The district also maintains a five-year rolling capital improvement plan.

In our opinion, the district's overall debt burden remains low at 2.8% of market value and $2,429 per capita. The district's debt costs as a percent of total governmental expenditures (excluding capital outlay) has remained manageable, at between 6% and 7% of the operating budget, since 2008. Amortization is accelerated, in our view, with 72% of all direct debt due to mature within 10 years and 100% due to mature within 20 years. We understand that the district will wait at least five years before approaching voters for another bond issuance, and therefore has no immediate plans to issue additional debt.

The district contributes to the School Employees Retirement System (SERS) and the State Teachers Retirement System of Ohio (STRS Ohio), both cost-sharing multiple employer pension plans administered by the state. The district contributes the required amounts to these plans annually, which totaled $10.5 million in 2012 or approximately 7.6% of total governmental funds expenditures. Other post-employment benefits (OPEB) including retiree healthcare are provided through SERS and STRS Ohio, therefore the district has no direct OPEB liability.

Outlook

The stable outlook reflects Standard & Poor's anticipation that the district's management will continue to effectively manage its finances, including maintaining very strong cash reserves, by adhering to the district's strong financial policies and practices and continuing to engage residents to preserve strong support. Voters' recent approval of two incremental operating levies since 2009 demonstrates, in our view, a strong commitment to the district's financial and academic health, and we anticipate that voters will continue to support the district's efforts in future levies. Credit improvement is dependent upon a deeper tax base, as well as continued maintenance of the very strong cash reserves and voter support. Given the robust five-year operating forecast, including management's projections to keep very strong cash balances through 2017 even without additional voter support, we do not expect to lower the rating in the two-year outlook horizon.

Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Financial Management Assessment, June 27, 2006

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.