



Briefing Prepared for City Council

Capital Planning & Borrowing Process,
Financial Results, and Credit Rating
Considerations

April 6, 2026

Purpose of the Presentation

- In preparation for more detailed Capital Planning, Debt Capacity, and Debt Affordability discussions later this budget cycle, City Staff have asked Davenport to prepare a Two-Part Briefing for City Council.

- Part One of the Briefing will address the following today:
 - The Capital Planning and Borrowing Process;

 - Recent Financial Results; and,

 - Credit Rating Considerations.

- Later in the budget cycle, Davenport will return with Part Two of the briefing that provides a more in-depth presentation discussing the City's Debt Capacity & Affordability, inclusive of an analysis of capital projects the City is actively considering.

- Davenport & Company LLC (“Davenport”) was initially engaged as Financial Advisor by the City of Cincinnati (the “City”) in 2014.
- Davenport was engaged following a two-notch credit rating downgrade by Standard & Poor’s, and a one-notch downgrade by Moody’s.
 - Note: Moody’s also assigned a “Negative Outlook” to the City following the downgrade – in essence, a two-notch downgrade.
- In the City’s first Credit Ratings with Davenport as Financial Advisor, Moody’s revised their outlook to “Stable”, and in 2016, S&P upgraded the City to AA.
 - Credit ratings serve as an independent assessment of the City’s ability to fund both essential services and essential capital projects through varying economic cycles.
- Over the past decade, Davenport has assisted the city with strategic multi-year capital planning, credit rating agency interactions, new money and refunding issuances, and financial policy development.

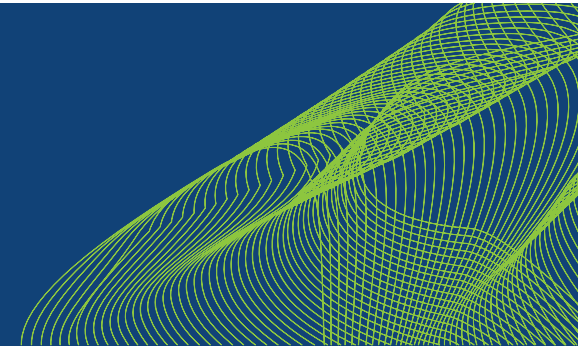
Peer Comparative Group Analysis

- Throughout this presentation, we have provided several comparisons to demonstrate how the City stands fiscally relative to its peers – including Columbus and Cleveland.

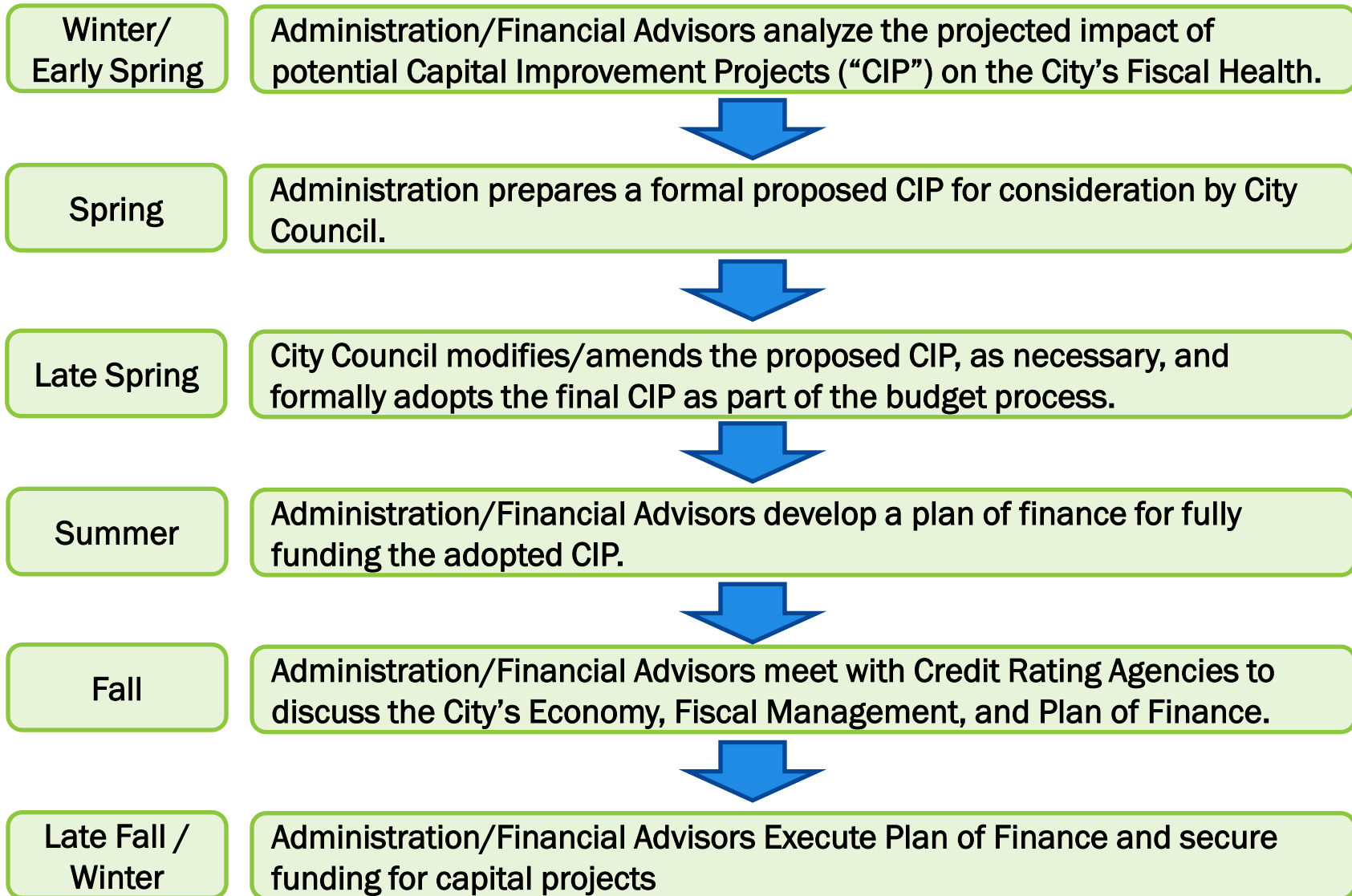
| Peer Comparative Group | | | |
|------------------------|--|---------------------|----------------|
| Locality | Issuer Credit Rating(s) ⁽¹⁾ | Locality Population | MSA Population |
| Cincinnati, OH | Aa2 / AA / NR | 309,595 | 2,312,858 |
| Baltimore, MD | Aa2 / AA / NR | 577,193 | 2,857,781 |
| Cleveland, OH | Aa3 / AA- / NR | 367,523 | 2,165,775 |
| Columbus, OH | Aaa / AAA / AAA | 914,802 | 2,242,028 |
| Kansas City, MO | Aa3 / AA / AA | 508,233 | 2,270,682 |
| Memphis, TN | Aa2 / AA / AA | 629,063 | 1,341,412 |
| Miami, FL | Aa2 / AA / NR | 446,663 | 6,391,072 |
| Nashville-Davidson, TN | Aa2 / AA+ / NR | 709,846 | 2,197,416 |
| Oakland, CA | Aa1 / AA+ / AA- | 438,072 | 4,630,041 |
| Omaha, NE | Aa2 / AA+ / NR | 488,197 | 1,009,836 |
| Pittsburgh, PA | A1 / AA- / AA | 303,620 | 2,421,992 |
| Sacramento, CA | Aa2 / AA / AA+ | 524,802 | 2,477,274 |
| Tucson, AZ | Aa3 / AA / AA | 543,348 | 1,074,685 |

(1) Moody's / S&P / Fitch

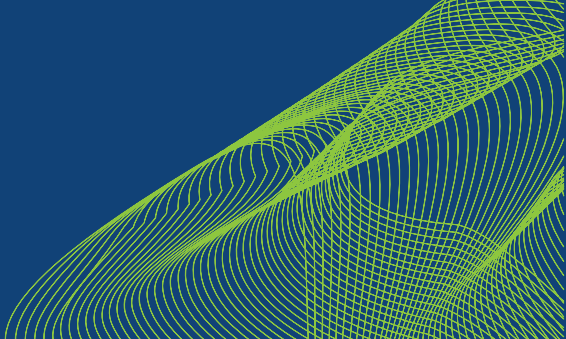
Overview of the Capital Planning & Borrowing Process



Overview of the Capital Planning & Borrowing Process



Recent Financial Results



Recent Financial Performance

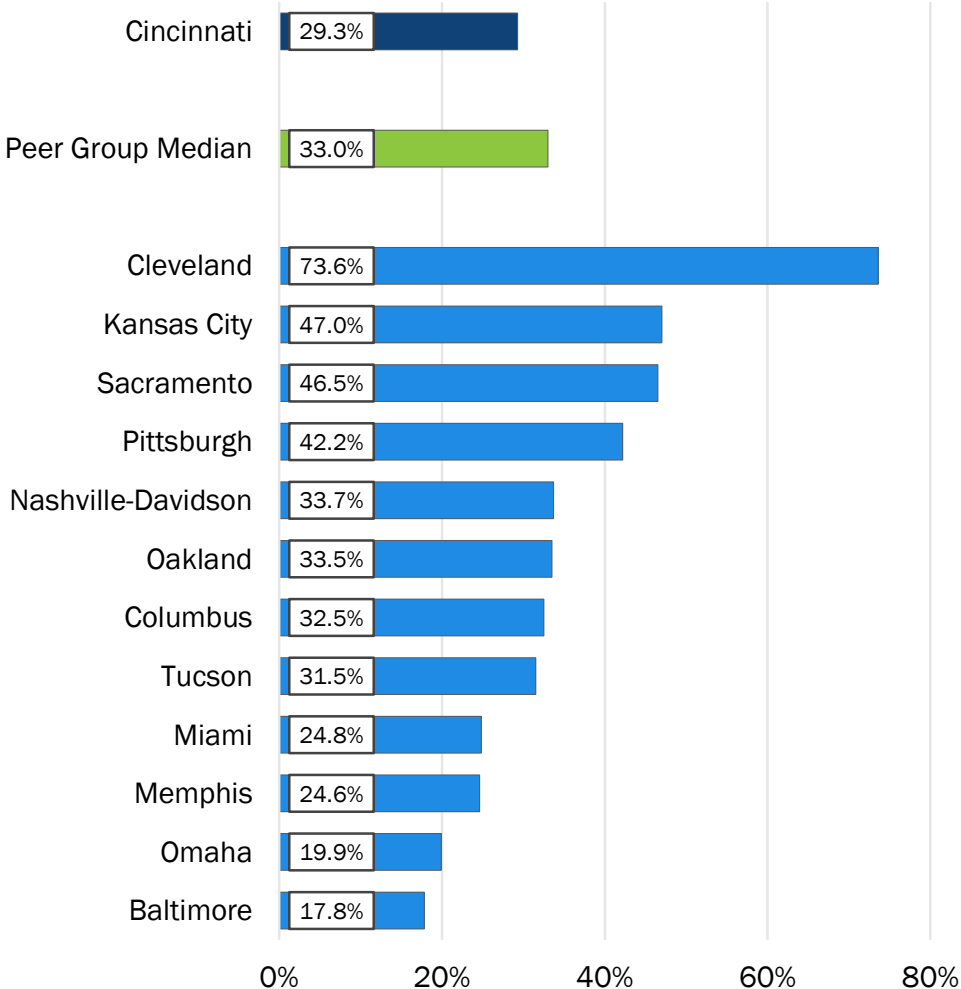
- The City has experienced multiple recent years of strong financial results driven by prudent financial management, and the overall health, stability, and growth of both the local and national economy.

- Due to these strong financial results, in FY 2022, the City was able to reach its minimum target Stabilization Reserve Balance of 16.7% of revenues;
 - This was the first time the City had reached the target level since the enhanced policy was initially adopted by City Council in 2015.

- However, many other localities were also able to capitalize on COVID Relief Funds and strong economic factors to grow fund balances, and even with the recent surpluses, the City's fund balances trail certain regional peers.

- As the national economic outlook continues to evolve, it will continue to be essential to maintain structural balance
 - The use of one-time revenue sources, such as fund balance, to fund recurring expenditures could lead to an operating deficit and potential negative fiscal impacts to the City.

AFB vs. Revenue - All Gov. Funds

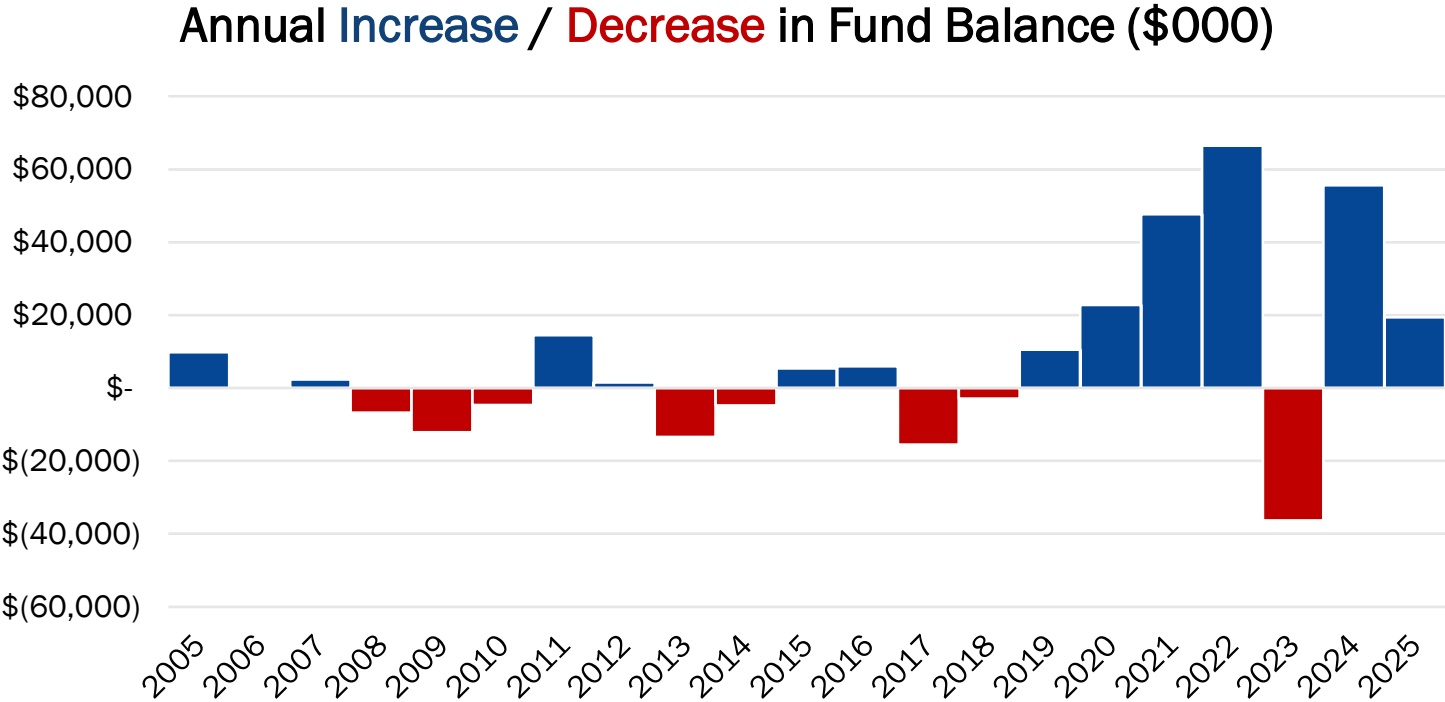


- The City’s “Available” Fund Balance, when measured as a percentage of all Governmental Fund Revenues, is below the median for the Peer Group, and lags behind certain regional peers such as Columbus, Cleveland, and Pittsburgh.
- Fund Balances provide for fiscal continuity and enable the City to fund core operations through varying economic and budgetary cycles.

Data sourced from Moody’s Investors Service

Historical Changes in Fund Balance (General Fund)

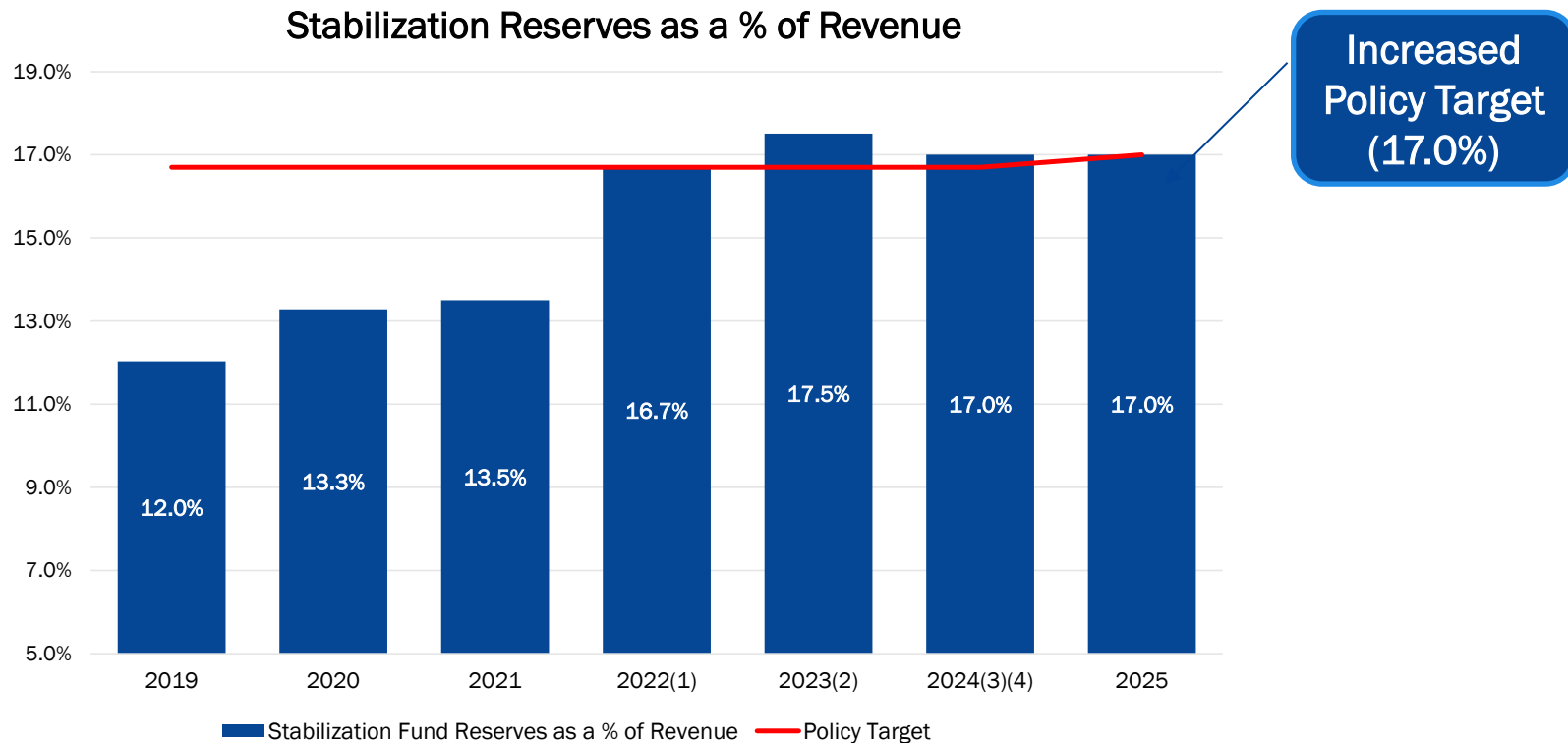
- From 2020 through 2024, the City was able to materially grow its fund balances as a result of growth in tax revenues, an expanding regional economy, and Federal COVID-19 relief funds (i.e., CARES/ARPA dollars).
- However, the FY 2026 Budget marked the end of Federal ARPA dollars, and inflationary pressures coupled with economic uncertainty raise the likelihood of a return to a pre-2020 operating environment – where the City runs closer to breakeven over time.



Source: City of Cincinnati ACFRs. 2025 reflects unaudited data.

Stabilization Funds (After Transfers)

- The recent multiple years of strong financial results have allowed the City to add to its stabilization funds – enabling the City to achieve its **minimum** policy target level for the first time in FY 2022 and increase the policy target to 17% in FY 2025.



(1) Revenue in FY 2022 included ARPA dollars.

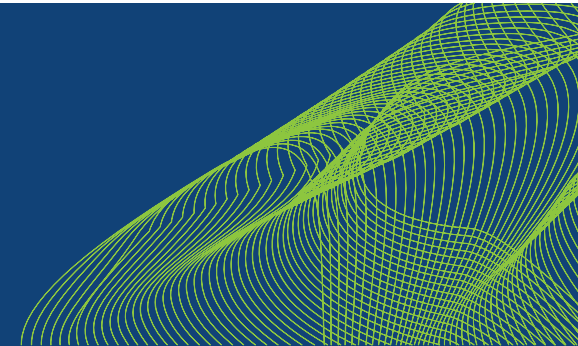
(2) Revenues in FY 2023 exclude \$85.6 million in ARPA Revenue.

(3) Revenues in FY 2024 included \$27.2 million in ARPA Revenue. The reserve percentage is 17.87% based on GF revenue only (excluding ARPA).

(4) General Fund Contingency Account excludes \$21.7 million that will be applied to one-time uses in FY 2024

Source: City of Cincinnati Staff

Credit Rating Considerations



Credit Rating Overview

- The City enjoys “very strong” Aa2/AA credit ratings from Moody’s and S&P, respectively. These credit ratings were affirmed as part of the issuance process in 2025.

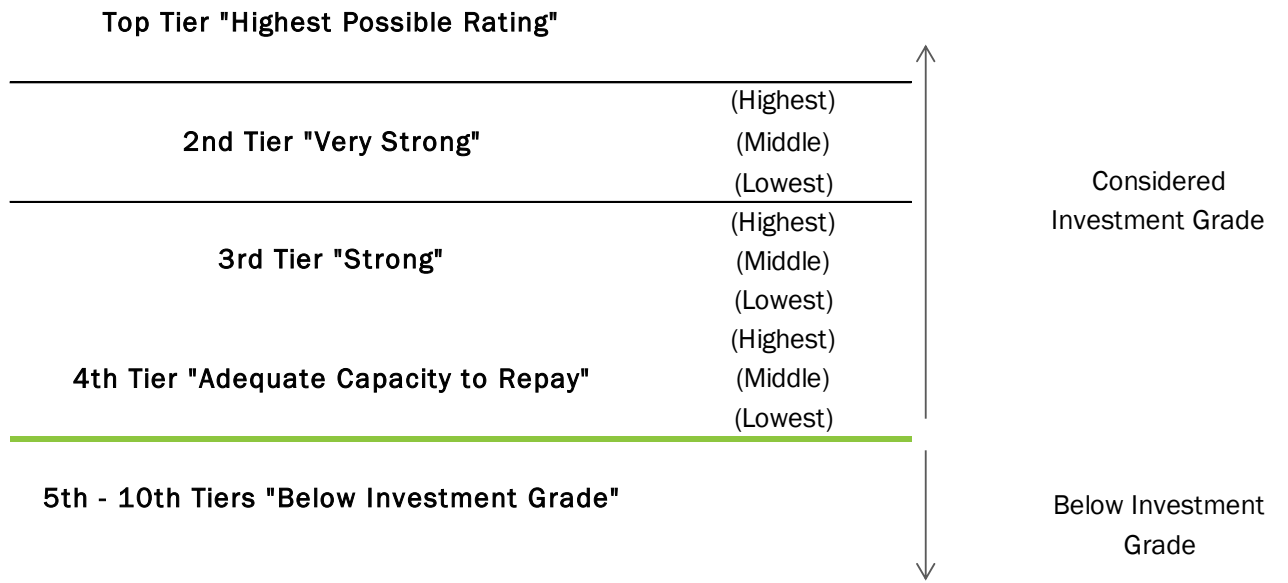
– Credit ratings serve as an independent assessment of the City’s ability to fund both essential services and essential capital projects through varying economic cycles.

City of Cincinnati

| Moody's | S&P |
|---------|------|
| Aaa | AAA |
| Aa1 | AA+ |
| Aa2 | AA |
| Aa3 | AA- |
| A1 | A+ |
| A2 | A |
| A3 | A- |
| Baa1 | BBB+ |
| Baa2 | BBB |
| Baa3 | BBB- |

BB, B, CCC, CC, C, D

Current G.O. Rating



Key Drivers to a Credit Rating

- Demographic Characteristics
- Tax Base
- Industry Mix & Composition
- Local and Regional Growth patterns

20 – 30% of Rating



- Revenue & Expenditure structure and patterns
- Annual Operating & Budgetary performance
- Financial flexibility/Fund Balance position
- Long-Term Financial Plan

30 – 40% of Rating

20 – 30% of Rating

- Nature of the pledged security & debt structure
- Balance between accelerated debt issuance and under-investment in capital facilities
- Debt Burden measured against: Tax Base & Total Budget

- Financial Forecasting and management
- Consistent and prudent budgeting practices
- Range and growth of services provided in relation to capacity to provide services
- Adherence to long-range financial planning and policies

10 – 20% of Rating

2014 Rating Downgrade

“The negative outlook reflects the expectation that the city will continue to face challenges in attaining structurally balanced operations, stemming from...reliance on a number of one-time budgetary solutions in recent years.”



2025 Rating Affirmation

“The outlook on the city is stable because...we expect cash and fund balance to remain stable, supported by the city's good budget management and a broad revenue base.”

Credit Strengths

- Diverse regional economic center anchored by numerous corporate headquarters, healthcare organizations and higher education institutions
- **Steady financial operations supported by strong budgetary management**

Credit Weaknesses

- Elevated long-term leverage with pension contributions below tread water
- While adequate, available fund balance is below peers

Factors that Could Lead to an Upgrade

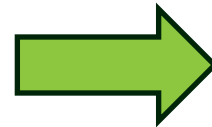
- Reduction of long-term liabilities ratio closer to 200%
- Economic growth that boosts the resident income ratio closer to 80% or full value per capita closer to \$100,000

Factors that Could Lead to a Downgrade

- Weakening of available fund balance ratio below 25%
- Growth in long-term liabilities ratio above 450%

2014 Rating Downgrade

“Weak budgetary performance, including projections for a significant operating deficit in fiscal 2014.”



2025 Rating Affirmation

“Strong financial operations and robust reserve and liquidity position that will continue, guided by a sophisticated management team with well-established long-term planning and financial management policies and practices.”

Credit Observations

- Anchor for a broad and diverse MSA that's supporting exceptionally high economic output
- **Management is exceptionally strong, providing a foundation for near- and long-term financial stability**
- Significant financial flexibility, with fiscal 2025 available reserves estimated at \$226 million or 38.6% of general fund revenue
- **The City's large debt, pension, and other postemployment benefit liabilities remain a credit weakness and rating limitation,**

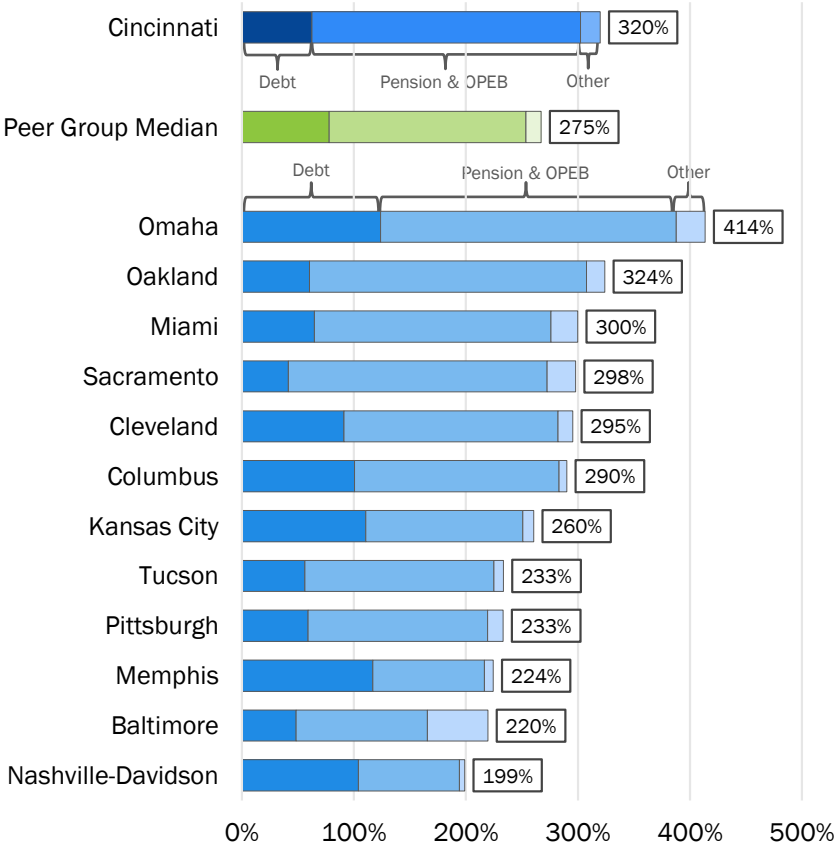
Upside Scenario

- In the longer term, if Cincinnati improves its pension funding discipline and liability, with all other rating factors remaining constant, we could raise the rating.

Downside Scenario

- We could lower the rating if reserves decrease to a level that we believe is no longer commensurate with that of similarly rated peers. We could also lower the rating if the city's pension funding discipline leads to material weakening in its funding status.

Total Long-Term Liabilities to Revenues



■ The City’s Overall Liabilities as a percentage of its Revenues are elevated relative to the peer group median.

— However, this is largely attributable to the City’s Pension Liability, and not its Debt/Other Liabilities.

Date sourced from Moody’s Investors Service

Cost of a Rating Downgrade

- A credit rating downgrade of one notch (i.e., Aa2 to Aa3) can lead to an increased borrowing cost in the range of 5-15 basis points.

- At first, this difference may seem de minimis; however, the City's total tax-secured debt profile amounts to more than \$600 million.
 - Further, the City typically amortizes its debt upwards of 20 years; and,

 - Meaning, over 20 years on a \$600 million portfolio, 5-15 basis points can lead to an \$18+ million increase in total debt service.

- This difference in borrowing costs could be further exacerbated if the market perceives negative momentum in the City's credit rating.

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