



Briefing Prepared for City Council

Capital Planning, Debt Capacity & Debt
Affordability

June 8, 2026

Purpose of the Presentation

- In connection with the FY 2027 Budget cycle, City Staff asked Davenport to prepare a Two-Part Briefing for City Council.

- Part One of the Briefing was presented on April 6th and addressed Capital Planning and the Borrowing Process, Recent Financial Results, and Credit Rating Considerations.

- Now, Davenport has returned with Part Two of the Briefing, which is meant to provide an in-depth presentation discussing:
 - The City’s Existing Debt Profile and Debt Management Policies;

 - The City’s previously adopted FY 2026 – FY 2031 CIP; and,

 - The City’s additional ***Debt Capacity & Affordability***.

- 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.

Debt Capacity vs. Debt Affordability

- Throughout the presentation, Davenport will discuss both the City's **Debt Capacity** and the City's **Debt Affordability**.
- The City's **Debt Capacity** is its ability to issue new debt while remaining in compliance with both State Statutory Limits and Debt Management Policies.
 - *In particular, the City regularly monitors its Debt Capacity relative to its 5.5% Statutory Limit.*
- However, often a more important governor of the City's Debt is the City's **Debt Affordability**.
- Debt Affordability is defined as the City's ability to repay its existing and projected debt service within **cash flow & budgetary constraints**.
 - *i.e., what amount of debt could the City sustainably issue and repay within its current and projected budgetary resources?*

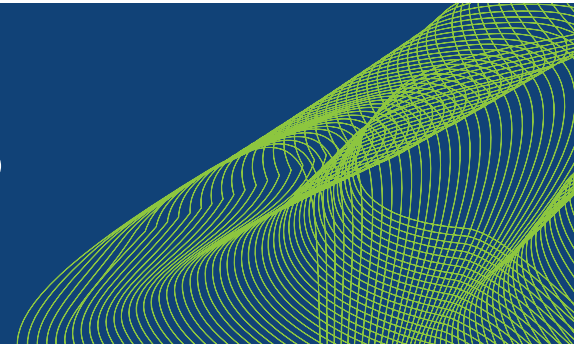
Peer Comparative Group Analysis

- Throughout this presentation, we have also 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

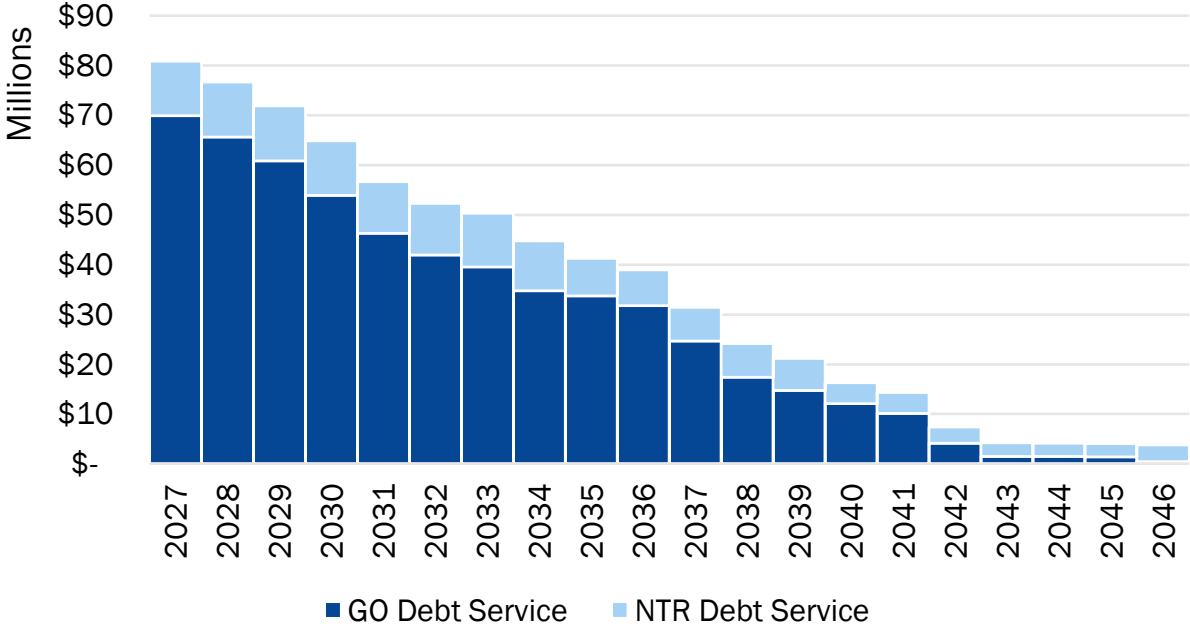
Existing Debt Profile & Adopted CIP



Existing Debt Profile

- Heading into FY 2027, the City has approximately \$582 million of Tax-Secured Debt outstanding.
 - This includes ~\$475 million of General Obligation (“GO”) Debt, and ~\$107 million of Non-Tax Revenue (“NTR”) Debt.
- All of the City’s outstanding debt is fixed-rate, and roughly 80% of the City’s outstanding debt will be repaid within the next 10 years.

Existing Debt Profile



Debt Management Policies

■ The City maintains several long-standing Debt Management Policies that have been in place since 2016. They are summarized below:

	Policy / Limit	Existing Policy / Limit
Legal / Statutory Limit	General Obligation Debt to Assessed Value <i>(Statutory Limit Imposed at the State Level)</i>	Not to exceed 5.5%
	Debt vs. Full Market Value	Not to exceed 4.5%.
	Debt Service to Revenues	Not to exceed 12.5%.
Policies	10-Year Payout Ratio	Remain above 60%.
	Income Tax Supported Debt Service vs 0.15% Income Tax Revenues	Not to exceed 75%.
	Equity or Cash Funding of the City's CIP over a rolling 5-year CIP Period	No less than 20%

■ These policies are regularly monitored and updated as needed to ensure the City continues to comply with industry best practices.

Debt Management Policies (cont.)

- City Staff & Administration are actively analyzing updates/amendments to these policies, which may be presented to Council later this summer (summarized below).

	Policy / Limit	Proposed Policy / Limit
No Recommended Change to Policy Level	General Obligation Debt to Assessed Value <i>(Statutory Limit Imposed at the State Level)</i>	Not to exceed 5.5%
	Debt vs. Full Market Value	Not to exceed 4.5%.
	Debt Service to Revenues	Not to exceed 12.5%.
	10-Year Payout Ratio	Remain above 60%.
Recommended Updated Policy Levels	Income Tax Supported Debt Service vs 0.15% Income Tax Revenues	Not to exceed 50%.
	Equity or Cash Funding of the City's CIP over a rolling 5-year CIP Period	No less than 50%

Debt Management Policies (cont.)

- The recommended changes include the formalization of the fund balance targets for the Bond Retirement Fund and the Income Tax Capital Fund, which were previously Administrative only in nature.

- Additionally, the Income Tax Supported Debt Service vs. Revenues policy limit has been reduced to 50% to ensure ample capacity for cash funding of capital projects via Income Tax; and,

- City Administration is also recommending an increase in the City's Equity/Cash ("Pay-Go") funding percentage for the Five-Year CIP from 20% to 50%
 - I.e., the City would seek to fund 50% of its rolling Five-Year CIP from Pay-Go sources such as CSR Trust Disbursements, Fund Balance, and recurring revenues

- **Importantly, the increase from 20% to 50% is reflective of the robust fiscal health of the City, inclusive of increased disbursements from the CSR Trust and increased revenues from Income Tax – which are both used to cash fund capital projects.**

Debt Management Policies (cont.)

- It is also important to note that the City already meets and exceeds the new higher threshold of 50%.
 - Pay-Go funding in the adopted FY 2026 – FY 2031 CIP approximates \$512 million⁽¹⁾ or roughly 72% of total capital resources.
 - Therefore, this policy update is not necessarily a change to the operating cash flows of the City, but rather a commitment to continue to maintain Pay-Go funding at very strong levels.

(1) Includes Income Tax Capital Revenue, General Fund Revenue Capital and Southern Railway Trust Disbursements.

Adopted FY 2026 – FY 2031 CIP

- As part of the FY 2027 Budget, we understand City Council is considering modifications/amendments to the adopted FY 2026 – FY 2031 CIP – which was adopted as part of the FY 2026 Budget.
- To aid in the discussion of these modifications, on the following pages we have provided the projected impact of the **Adopted** FY 2026 – FY 2031 CIP on the City’s Debt Management Policies – prior to any modifications.
- This analysis will provide a baseline for projecting the City’s additional Debt Capacity and Debt Affordability.
- Importantly, for the scope of this presentation, we have focused on the impact of the Property Tax Supported Debt outlined in the CIP, which has been summarized below.

Future Borrowings Outlined in Adopted FY 2026 - FY 2031 CIP

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total
Property Tax Supported G.O.	\$ 32,250,000	\$ 31,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 153,250,000

- In projecting future debt and debt service, we have made certain assumptions regarding amortization length and interest rates. These assumptions are in line with both the City’s historical issuance patterns and industry best practices.

General Obligation Debt to Assessed Value (Statutory Limit)

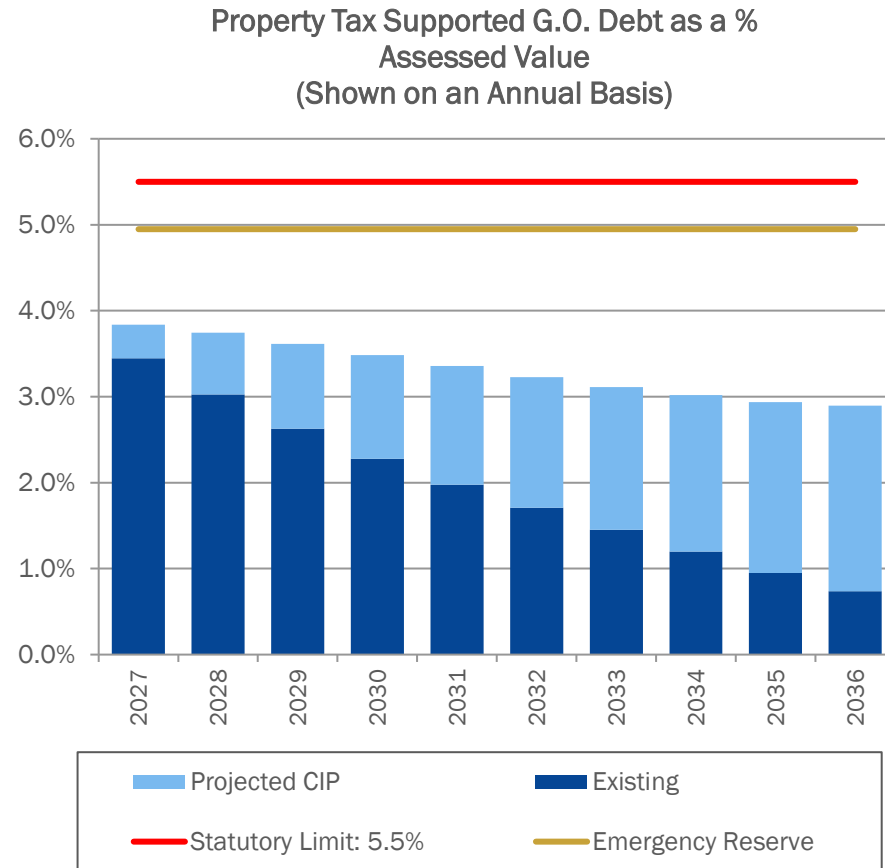
- As an administrative practice, the City maintains a ~0.5% Emergency Reserve under the Statutory Limit.

– Note: the ~0.5% is equivalent to ~\$45 million of borrowing capacity.

- This reserve is designed to provide the City with GO borrowing capacity in the event of an emergent need (landslide, pandemic, flooding, etc.).

- The City is projected to retain additional capacity under both the Statutory Limit and the Emergency Reserve – after incorporating the adopted FY 2026 – FY 2031 CIP.

The Ratio of total Unvoted Property Tax Supported GO Debt to the Assessed Value of Taxable Property shall not exceed 5.50%.

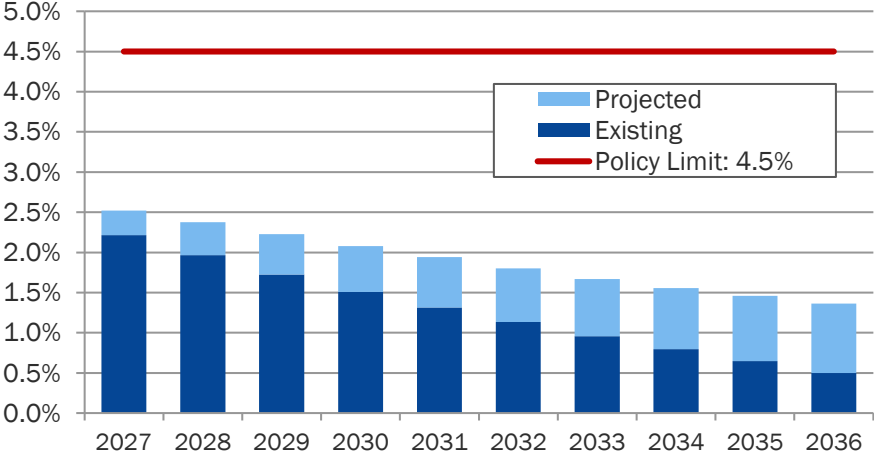


Note: Assessed Value assumes 0% growth rate.

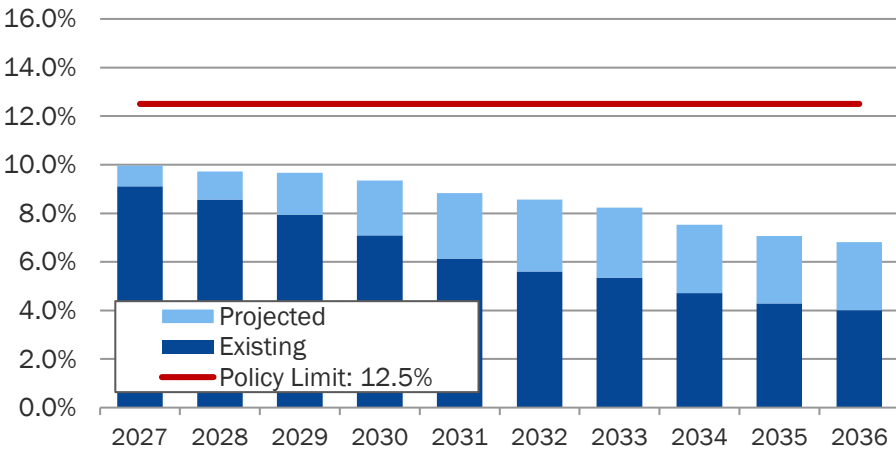
Debt Management Policies

■ The City is currently in compliance with its Debt Management Policies, factoring in the FY 2026 – FY 2031 CIP.

Long-term Tax Supported Governmental Debt as a % of Full Valuation



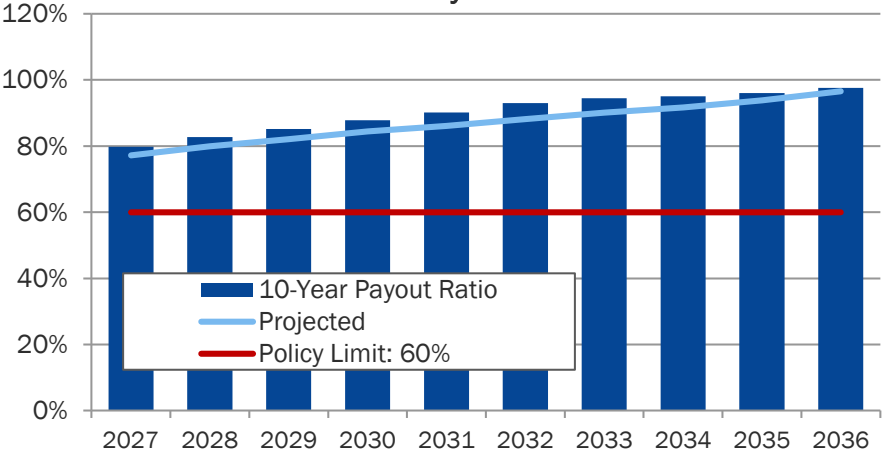
Long-term Tax Supported Debt Service as a % of Governmental Revenues



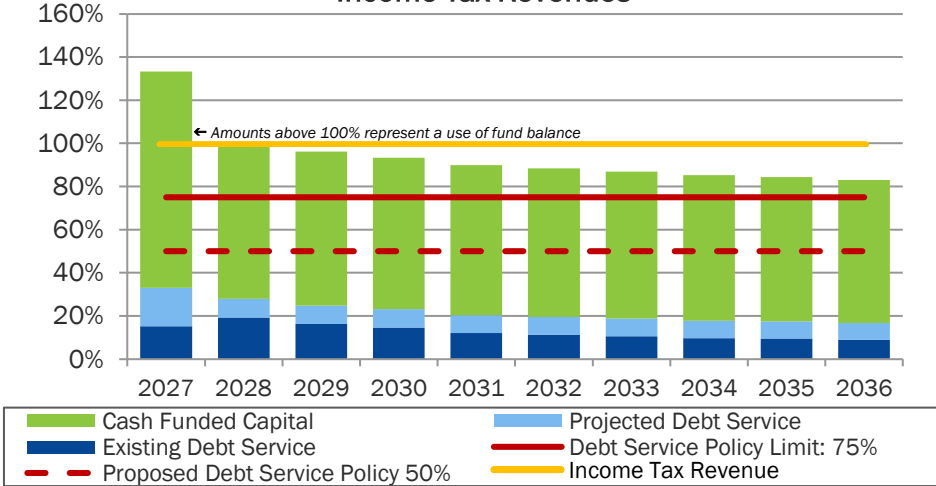
Debt Management Policies (cont.)

■ The City is currently in compliance with its Debt Management Policies, factoring in the FY 2026 – FY 2031 CIP.

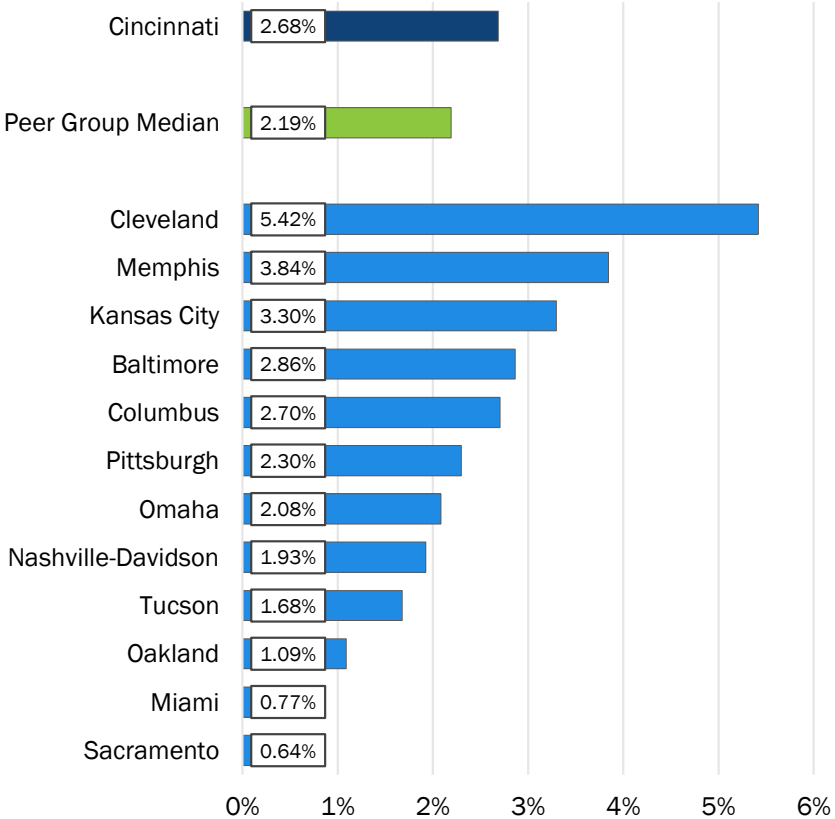
10-Year Payout Ratio



Income Tax Debt Service as a % of 0.15% Income Tax Revenues



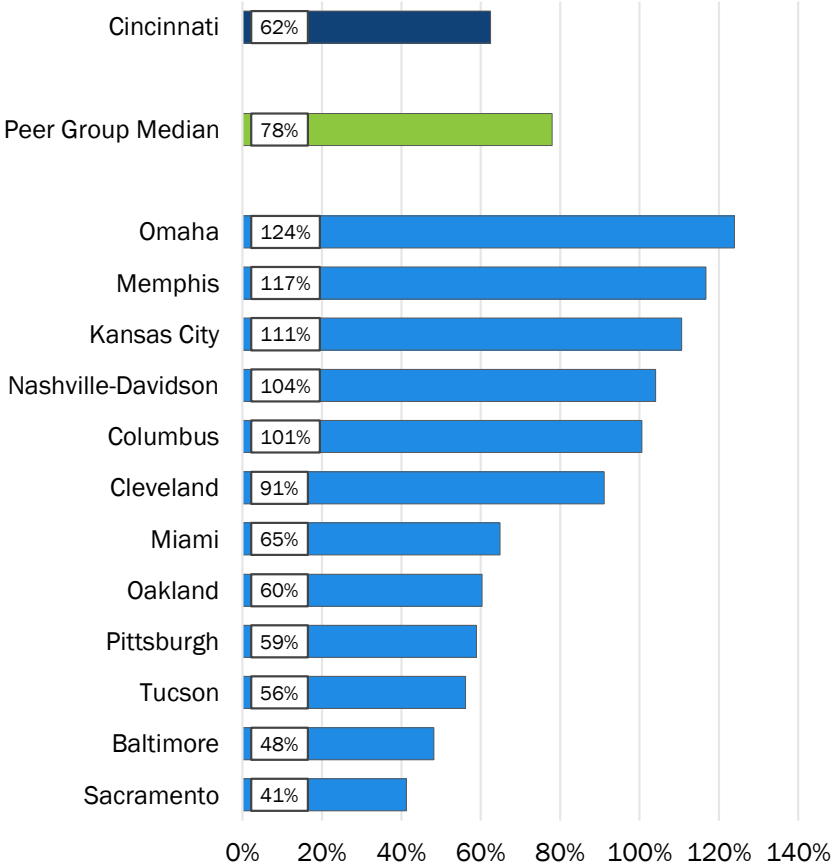
Debt vs. Full Value (Governmental Funds)



■ The City’s Debt to Full Value, while elevated relative to national peers, is in line with similarly rated regional peers such as Columbus and Pittsburgh.

Source: Moody’s Investors Service

Debt as a % of Revenues

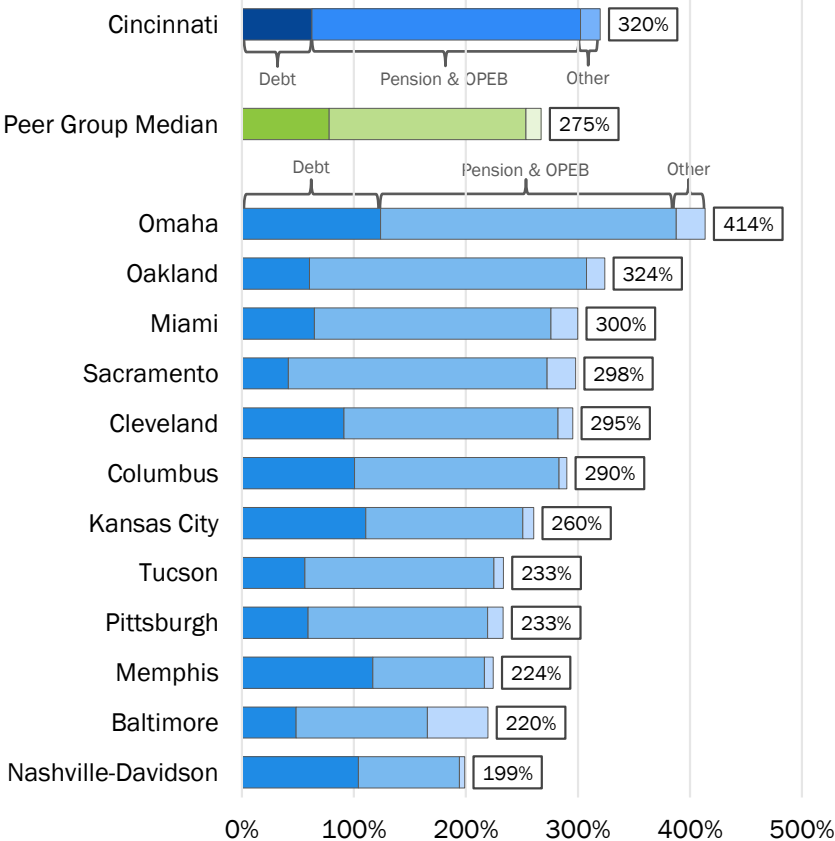


■ The City’s Debt as a percentage of its Revenues approximates the peer group median.

– This demonstrates the City’s Debt burden, relative to the size of its operations, is approximately in line with similarly rated major metropolitan areas throughout the country.

Source: Moody’s Investors Service

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.

Source: Moody’s Investors Service

Additional Debt Capacity & Affordability

Additional Debt Capacity & Affordability

- On top of the City's Adopted FY 2026 – FY 2031 CIP, Davenport has been asked to analyze the City's additional Debt Capacity and additional Debt Affordability.
- As previously mentioned, Debt Capacity is the additional debt the City can issue while maintaining compliance with Statutory Limits, while Debt Affordability is the additional debt the City can issue within its cash flow & budgetary constraints.
- Currently, we estimate the City could issue an additional ~\$100 million in debt over the next five years, on top of the Adopted FY 2026 – FY 2031 CIP, without violating its Debt Capacity or Affordability.
 - Of this \$100 million, roughly \$16 million has been programmed into the FY 2027 Budget Update.
- The constraining factor for additional Property Tax Supported Debt Issuance is the City's Debt Affordability (i.e., ability to repay debt).
 - The City's Debt Capacity⁽¹⁾ over the next five years is estimated at ~\$176 million; however, this would be in excess of what the City could afford within its current cash flow & budgetary constraints.

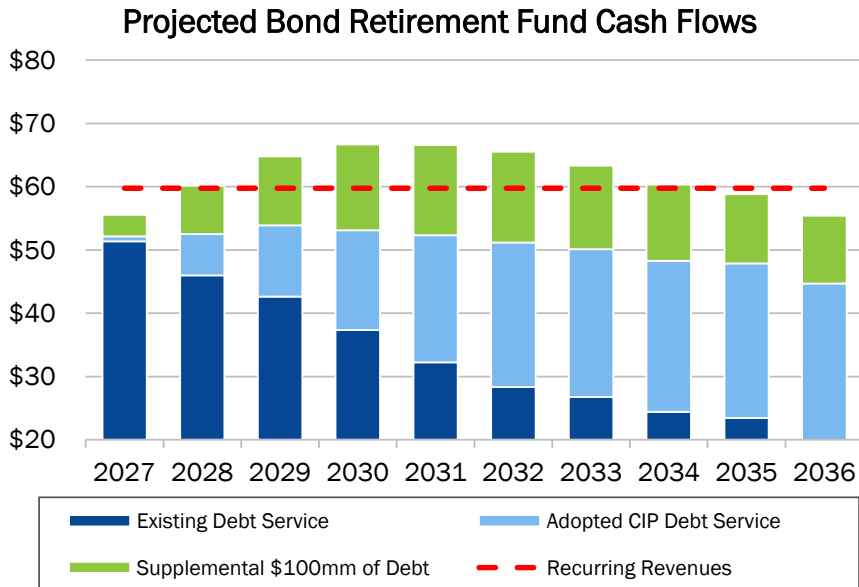
(1) Excludes ~0.5% Emergency Reserve.

Additional Debt Capacity & Affordability (cont.)

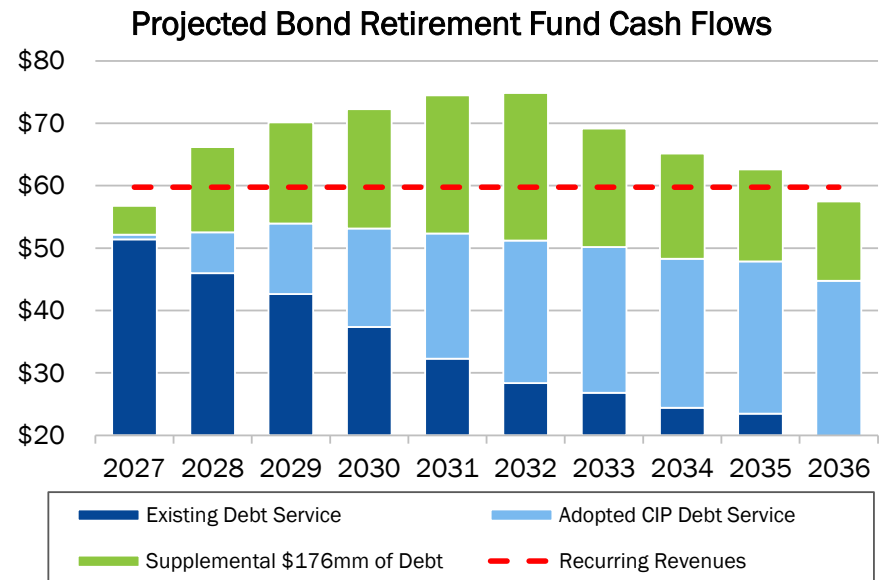
- Note, the additional \$100 million of Debt Affordability would require the City to utilize a portion of the Bond Retirement Fund Balance, spending the fund balance down to policy minimums.

- Debt Service on the City's Debt Capacity of \$176 million is not fundable within current cash flow and budgetary constraints.

Assumes \$100mm of Additional Debt (i.e., Debt Affordability)



Assumes \$176mm of Additional Debt (i.e., Debt Capacity)



Note: Preliminary and subject to change. Incorporates preliminary assumptions for borrowing amortization length, structure, and interest rate.

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