


FOR YOUR INFORMATION

April 19, 2011

To: Mayor and Members of City Council
From: Milton Dohoney, Jr., City Manager 
Subject: Moody's Bond Rating and Stable Outlook Affirmed

As part of a review of 2010 year-end projected financial results and the 2011 approved budget, Moody's Investor's Service has affirmed the City of Cincinnati's Aa1 General Obligation debt rating and stable outlook. The Aa2 rating for the City's Economic Development Non-Tax Revenue debt was also affirmed.

The affirmation of the Aa1 general obligation rating and stable outlook is based in part on the City's pressured but still satisfactory financial position, some flexibility provided by available but unused levy authority, moderate and well controlled use of reserves, and on-going development of strategies to address pension and OPEB obligations.

Moody's cites as a strength, management's continued adherence to long standing financial policies, recent stabilization of income tax revenue trends, diverse regional economy, ongoing public and private redevelopment, conservative debt structure and proactive management of pension and OPEB liabilities. Challenges cited were reliance on sensitive income tax revenues for majority (64%) of general fund revenues, limited cost cutting options due to substantial budget cuts during past few years, use of working capital in 2010 that underscores the severity of budgetary pressures and an underfunded pension and OPEB obligations.

Moody's also specifically notes that the City's continued compliance with its minimum reserve policies during extreme budgetary stress of fiscal years 2009 and 2010 speaks to the discipline of the financial management team. This demonstrated adherence to fiscal policies supports the City's credit strength, and is important, given the relative narrowness of Cincinnati's General Fund balance compared to those of similarly rated credits.

Follow up presentations will be made to both Moody's and Standard and Poor's (S&P) in anticipation of the City's 2011 bond sales. The results of those ratings will be provided at that time.

c: Reginald Zeno, Finance Director 