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A Comparison of School Districts

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Standard & Poor's Ratings Services currently maintains stand-alone ratings on 57 Ohio school districts. The Ohio school district ratings follow a normal ratings distribution curve, with 63% in the "A" category. While Standard & Poor's is presenting this information, it does not determine a school district's rating based on comparative data alone because the quantitative information does not completely represent an issuer's credit characteristics. During the rating process, however, an issuer's quantitative data points are measured against the same data of its peer group.

School Funding & Finances

The method in which local Ohio school districts fund operations is unique: the district's property tax levies, which support operations, are subject to annual rollback. Annual rollback of the levies forces many districts to add new levies every few years. Such levy increases require a majority vote of the districts' constituents, which makes voter support of schools a more important credit characteristic for Ohio districts. Because of the annual rollback, many districts' financial operations clearly reflect the levy cycle: A district will have a period of operating surpluses and growing fund balances after a new levy is added and a period of operating deficits and declining fund balances will follow. As such, expenditure growth due to inflation places more pressure on the annually rolled back levy.

Since voter support of district operations key is to its financial stability, Standard & Poor's evaluates the trend in voter support and looks for consistency. Less emphasis is given to the actual current general fund liquidity position since it fluctuates depending on the levy cycle. A district's unrestricted cash balance, however, is expected to always be positive. The overall three-to-five-year financial trend should reflect balanced operations and the district's ability to manage resources if, for some reason, its new levy request does not receive immediate voter approval. Given this, a district's ability to perform multiyear forecasting, keep financial performance stable, and have contingency plans if the levy request is not initially approved by voters are evaluated during the rating process.

The constitutionality of the state's funding of the schools remains an issue 10 years after it was first considered by the Ohio Supreme Court. In its DeRolph IV ruling in December 2002, the court vacated the decision made under DeRolph III in September 2001, maintaining that the current school funding system is unconstitutional. The court again directed the General Assembly to enact a school-funding scheme that is through and efficient. As the state waits for final resolution and ultimate implementation, however, it remains clear that since the DeRolph case was first filed in the early 1900's, the state's support of schools has increased dramatically. In turn, this has

lengthened the time between levy requests for many districts, allowing for smoother financial operations.

Economic factors

The GO rating analysis begins with an assessment of and issuer's economic characteristics. Normally, the scope, breadth, and depth of the economy the issuer participates in establish the rating category. Economic factors are represented by population and income information, employment base statistics, and tax base values and trends. Urban areas usually have the most diverse employment and tax bases. In addition, the suburban communities of such areas can have concentrated wealth and large commercial tax base.

Credit Characteristics of Ohio Schools

The 'AA' category districts.

Standard & Poor's rates 16 Ohio school districts in the 'AA' category. Until 2003, all of the districts in the 'AA' category were suburban communities of the state's largest cities of Columbus, Cleveland, and Cincinnati. This year, Kettering City Schools, a suburb of Dayton, was added to the 'AA' category after earning an 'AA' rating. The 16 'AA' category districts have above average income levels, such as measured by the U.S. Census Bureau's household and per capita effective buying income figures, and a

Continued on next page

Comparison, cont.

high per capita property wealth. The tax bases of the 'AA' category districts range in value from \$600.0 million-\$6.0 billion, with the average at \$ 3.3 billion. These tax bases have residential property as their largest component, and many have significant commercial development represented by office building and retail. Annual tax base growth trends are very strong, with the five- year average annual growth, including at least one revaluation year, generally exceeding 5%. Financially, these districts are strong, with the average unreserved general fund balance at more than 15% of expenditures. Of great importance given the cyclical nature of Ohio school finance, the 'AA' category districts have a trend of solid voter support, which translates into strong financial operations. Overall, debt levels are moderate for these districts.

The 'A' category districts.

The 36 districts in the 'A' category are geographically diverse and include urban, suburban, and rural areas across the state. In addition, district sizes are diverse, with some of the rural districts serving 100-plus square-mile areas. Across the country, GO 'A' category issuers have average credit characteristics, which is reflect-

ed by Ohio school districts in this category. Effective buying income indicators for these districts average out to be on par with national levels, although individual districts vary widely across the category. Among the 36 districts, household and per capita effective buying income averages in the 'A' category are 104% and 99%, respectively, of the national average, although the range within the list is much wider. Market value per capita is just as widely dispersed, although it does average out to a moderate \$55,000. Financially, 'A' category districts have unreserved fund balances that are much lower than the higher rated 'AA' category districts. Several of the districts have negative unreserved fund balances, reflecting their need for new operating levies and that voter support may be marginal. On average, debt levels are moderate to low.

The 'BBB' category districts.

Standard & Poor's rates five districts in the 'BBB' category, which somewhat limits the discussion of their representative factors. Most are below-average economically, but some fall into the 'BBB' category solely based on financial strains. The ability to gain the necessary voter approval for oper-

ating levies also plays a key role in the district's financial situations.

Conclusion

Again, Standard & Poor's does not determine a school district's rating based on comparative data. Many debt issuers strive for an upgrade to their bonds. A rating and an upgrade is always considered when an issuer issues new bonds. A rating revision, whether an upgrade or downgrade, is contingent on a material change in issuer's credit characteristics. Most often, such changes are economic or financial. Normally, a material economic change means there has been a fundamental change in an issuer's employment and tax bases. Changes can include the expansion and diversification above and beyond the normal expected growth in assessed values and the labor force. Financially, a material change can be represented by a three-to five-year trend of solid liquidity levels, with forecasts indicating such levels will be maintained.

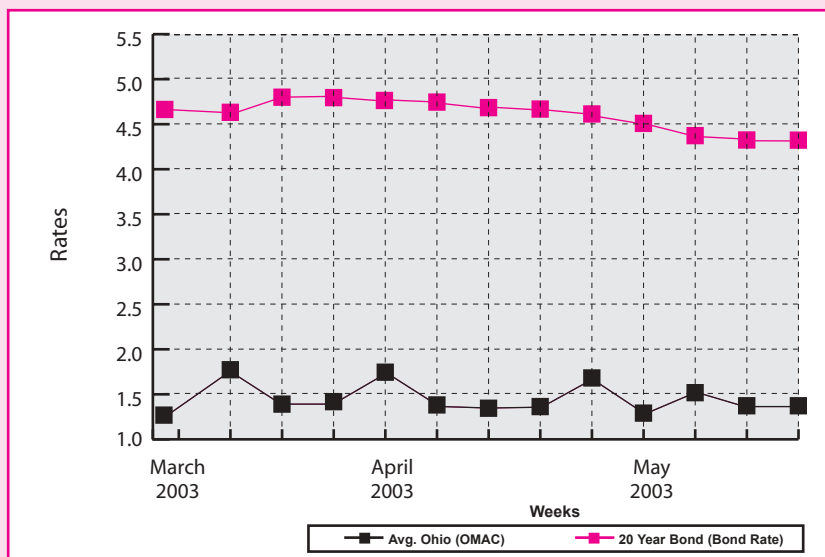
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MARKET UPDATE

GENERAL OBLIGATION

Note and Bond Interest Rates for March thru May

The following graph compares Ohio short-term note rates with the Bond Buyer's 20 year bond index. The short-term rates represent actual rates reported to OMAC by Ohio purchasers and reported on OMAC's weekly calendar.



School District Election Results

The following tables show the results of school district bond issues and tax levies submitted at the May 6, 2003 election. The results were compiled with the assistance of the County Boards of Election, and the office of the Secretary of State.

Bond Issues

The following table shows this years' primary election result with those of the last four years:

TABLE I

YEAR	VOLUME			NUMBER		
	SUBMITTED	APPROVED	% APP.	SUBMITTED	APPROVED	%
2003	\$1,413,645,061	\$754,312,000	53.4%	40	12	30.0%
2002	677,016,962	293,921,281	43.4	39	18	46.2
2001	985,283,000	662,950,000	67.3	34	16	47.1
2000	757,359,570	331,097,250	43.7	47	23	48.9
1999	565,520,740	282,502,000	49.9	38	16	42.1

The second table shows by issue size, the volume and number of each submitted, and the volume and number of each approved (including ratio approved).

TABLE II

Issue Size *	SUBMITTED			APPROVED		
	Volume	No.	% Vol.	Volume	No.	% No.
Large	\$1,397,815,061	35	53.4%	\$745,882,000	9	25.7%
Intermediate	6,000,000	1	0.0	0	0	0.0
Small	9,830,000	4	85.8	8,430,000	3	75.0
TOTAL	\$1,413,645,061	40	53.4%	\$754,312,000	12	30.0%

*Large \$10,000,000 or greater; Intermediate \$5,000,000 to \$9,999,999; Small less \$5,000,000

The third table shows by subdivision classification the volume and number of issues approved.

TABLE III

	VOLUME			NUMBER		
	Submitted	Approved	% App.	Submitted	Approved	% App.
County	\$0	\$0	0.0%	0	0	0.0%
Muni.	16,210,000	0	0.0	1	0	0.0
School	1,353,735,061	712,012,000	52.6	37	11	29.7
Twps.	1,400,000	0	0.0	1	0	0.0
Misc. Dists.	42,300,000	42,300,000	100.0	1	1	100.0
TOTAL	\$1,413,645,061	\$754,312,000	53.4%	40	12	30.0%

School District Tax Levies

The first table shows the total new millage levies submitted (number and volume), and also the results thereof.

TABLE I

Type	Submitted			Approved			Defeated			
	No.	Millage	No.	Pct.	Millage	Pct.	No.	Pct.	Millage	Pct.
Current Expense*	27	182.41	14	51.9	85.91	47.1	13	48.1	96.50	52.9
Emergency	17	111.88	6	35.3	30.13	26.9	11	64.7	81.75	73.1
Permanent Improvement	7	12.35	3	42.9	3.25	26.3	4	57.1	9.10	73.7
TOTAL	51	306.64	23	45.1	119.29	38.9	28	54.9	187.35	61.1

*Includes Current Operating

The second table shows the total renewal millage levies submitted (number and volume), and also the results thereof.

TABLE II

Type	Submitted			Approved			Defeated			
	No.	Millage	No.	Pct.	Millage	Pct.	No.	Pct.	Millage	Pct.
Current Expense*	22	122.25	17	77.3	102.75	84.0	5	22.7	19.50	16.0
Emergency	22	120.90	21	95.5	113.15	93.6	1	4.5	7.75	6.4
Permanent Improvement	16	41.21	10	62.5	31.11	75.5	6	37.5	10.10	24.5
TOTAL	60	284.36	48	80.0	247.01	86.9	12	20.0	37.35	13.1

*Includes Current Operating

The third table gives a three year comparison (Primary) by levy type, the total new millage submitted and approved, with the ratio approved.

TABLE III

	2003			2002			2001		
	Subm.	App.	% App.	Subm.	App.	% App.	Subm.	App.	% App.
Current Expense	182.41	85.91	47.1	161.18	70.88	44.0	140.98	55.34	39.3
Emergency	111.88	30.13	26.9	95.84	44.76	46.7	51.12	14.70	28.8
Permanent Improvement	12.35	3.25	26.3	4.50	4.50	100.0	21.47	10.63	49.5
TOTAL	306.64	119.29	38.9	261.52	120.04	45.9	213.57	80.67	37.8

Finally, nineteen (19) School District Income Tax Questions were submitted at the May 6, 2003 Primary Election. Voters approved ten (10) of the Income Tax Questions.



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 9321 Ravenna Rd, Unit K
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CALENDAR

Calendar of Issuer Conferences & Outings for 2003

NAME	EVENT	DATE	LOCATION
GFOA	Annual Golf Outing	July 28	Dornoch Golf Club – Delaware, Ohio
	Annual Fall Conference	September 16 - 18	Cincinnati Marriott North, Cincinnati, Ohio
MFOA			
(OML)	Annual Conference	October 1 – 3	Hyatt Regency Hotel - Cincinnati, Ohio
	Northeast Ohio Golf Outing	July 16	Springvale Golf Course – North Olmsted, Ohio
	North-Central Ohio Golf Outing	August 27	Woussicquet Golf Course – Sandusky, Ohio
CCAO	Winter Conference	Nov. 30 – Dec. 2	Hyatt Regency – Columbus, Ohio
	Annual Golf Outing	August 13	Oakhaven Golf Club - Delaware County, Ohio
OSBA	Conference	November 9 - 12	Hyatt Regency - Columbus Convention Center
NACO	National Conference	July 11 – 15	Milwaukee, Wisconsin
OPFOTP	Ohio Public Finance		
	Officers Training Program	June 23 – 27	Holiday Inn – Hudson, Ohio
	CMFA Maintenance Program	June 26 – 27	Holiday Inn – Hudson, Ohio
	Golf Outing	June 25	Boston Hills Country Club – Hudson, Ohio
OAPT	Annual Conference	October 8 – 10	Hilton Cincinnati Netherland Plaza – Cincinnati Ohio
	National Conference	August 10 – 13	Washington DC – United States
CAAO	Winter Conference	November 18 - 20	Embassy Suites - Dublin, Ohio
OPEC	Annual Meeting	TBD	Columbus, Ohio

CCAO – County Commissioners Association of Ohio – (614) 221-5627
 GFOA – Government Finance Officers Association – (614) 221-1900
 MFOA – Municipal Finance Officers Association of Ohio – (614) 221-4349
 NACO – National Association of Counties – (614) 221-5627
 OASBO – Ohio Association of School Business Officials – (614) 431-9116
 OMCA – Ohio Municipal Clerks Association – (614) 221-4349

OSBA – Ohio School Boards Association – (614) 540-4000
 OMTA – Ohio Municipal Treasurers Association – (440) 885-8812
 CAAO – County Auditor’s Association of Ohio – (614) 228-2226
 OPFOTP – Ohio Public Finance Officers Training Program – (330) 672-7148
 BMA – Bond Market Association – (212) 440- 9429
 OPEC – Ohio Public Expenditure Council – (614) 221-7738

If you would like your event highlighted, contact Chris Scott at 1-800-969-6622, or by email at Chris@ohiomac.com