



Summary:

Cabell County Board of Education, West Virginia; School State Program

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reserves provide it with the flexibility to meet its obligations and, if needed, make the necessary revenue and expenditure adjustments to maintain balanced operations in the near term.

The stable outlook on the 'A+' underlying rating reflects our expectation that Cabell County BOE's management will make the necessary adjustments to once again outperform its budget in fiscal 2021 and beyond thus maintaining balanced general fund operations. We expect the district to maintain at least very strong available reserves despite a probable transfer of its unassigned fund balance to the capital fund and the probable decline in state aid due to enrollment declines. The district's strong market values, good management team, and low debt burden provide further rating stability. Our outlook is generally for two years, but we see significant downside risks due to the pandemic and U.S. recession over the next six to 12 months.

The rating reflects our opinion of the district's general creditworthiness, including its:

- Recent positive general fund performance and maintenance of very strong reserves,
- Good financial management under our financial management assessment methodology,
- Diverse tax base with strong market values, and
- Low debt burden.

We believe the above strengths are offset by our view of the district's incomes, which we consider low; adequately funded pension plan; and declining enrollment with reliance on state aid for funding.

Environmental, social, and governance factors

Our rating action reflects our view regarding the health and safety risks posed by the COVID-19 pandemic, which could negatively affect state funding. Absent the implications of COVID-19, we consider the district's social risks to be in line with those of the sector, though we will continue to monitor enrollment declines. The district has not experienced any increases in extreme weather events or other environmental factors. Therefore, we view its environmental and governance risks to be in line with those of the sector.

Stable Outlook

Downside scenario

We could lower the rating if the district cannot sustain balanced operations, with prolonged weak budgetary performance possibly due to cuts in state funding resulting in a material decrease in its currently very strong level of reserves.

Upside scenario

We could raise the rating if the district's economic metrics were to improve while the district maintains balanced general fund performance and very strong reserves, all else being equal.

Credit Opinion

Economy

Cabell County BOE serves an estimated population of 94,256 in Cabell County in western West Virginia. The roughly 288-square-mile district sits partly along the southern bank of the Ohio River, bordering Ohio and about 10 miles from the Kentucky border. The county seat is Huntington, the home of Marshall University, and Cabell County is a part of the Huntington-Ashland metropolitan statistical area, which provides residents access to employment in a number of sectors including health care, education and government services, leisure and hospitality, and manufacturing.

The district's median household effective buying income (EBI) is 68% of the national average while per capita EBI is 75%, which are adequate, in our view. Management reports some residential development, particularly in the eastern portion of the county, but both commercial and residential development is limited throughout most of the county. At \$67,936 per capita, the fiscal 2021 market value is estimated to be \$6.4 billion, which we consider strong. Since 2017, AVs have increased by \$208.4 million, or 5.7%, to \$3.8 billion in fiscal 2021. In our opinion, given the limited growth in the county, the tax base is unlikely to see sharp increases but should continue its small but steady increases. The tax base is very diverse, in our view, with the 10 largest taxpayers accounting for approximately 12% of AV in fiscal 2020.

As with other counties in the state and the nation in 2020, Cabell County experienced a sharp increase in its unemployment rate in the wake of the COVID-19 pandemic and the related recession. The county's unemployment rate reached 16.3% in April 2020 before falling to 8.3% in August. Its annual unemployment rate remained roughly three percentage points below 10% in the aftermath of the Great Recession.

Cabell County BOE operates 18 elementary schools, four middle schools, two high schools, a career academy, a preschool, and an alternative school serving a projected 11,860 students in fiscal 2021. Since fiscal 2015, enrollment has decreased by 1,344 students, or 10.2%. Management attributes the enrollment decline to low birth rates and population loss across the county and state, as well as changes to the state's compulsory school age in 2019. The district completed an enrollment projection last year, and it now expects enrollment stabilize and possibly increase. The district is currently operating under a hybrid education model, with set virtual and in-person attendance, as a result of the COVID-19 pandemic.

Finances

The district reported a surplus of \$1.2 million, or 1.0%, in fiscal 2019 (June 30). The positive operational performance in fiscal 2019 continues the trend of the district's cautious budgeting practices and reporting better-than-budgeted results. In three of the last four audited years, the district added to its fund balance, and the one year it did not was due to a planned drawdown on reserves for capital costs. The district's total assigned and unassigned, available fund balance of \$31.6 million is very strong, in our view, at 25.2% of general fund expenditures at fiscal 2019 year-end.

Although the fiscal 2020 audit is not yet complete, the district is expecting to report a \$2.4 million surplus, or about 1.8% of general fund expenditures. Officials informed us that the surplus is due to cautious budgeting practices as well as less-than-budgeted expenditures, as costs for supplies, overtime, and transportation were lower than projected due to the COVID-19 pandemic and the closure of the district's facilities for much of the spring. As a result of the surplus, we expect the district's fund balance to increase to roughly \$36 million, or 28% of general fund expenditures.

Cabell County BOE is budgeting for a deficit of \$2.3 million, or 1.8%, in fiscal 2021. However, management believes that the district can achieve balanced operations. The district did not raise property taxes and is expecting state funding to decline as a result of a 2.1% drop in enrollment between fiscal 2020 and fiscal 2021. Therefore, management is budgeting for a decline in revenue but believes revenue will outperform budgeted levels because property tax collections remain stable. Furthermore, management believes it can manage expenditures so that costs are less than budgeted. Therefore, we believe the district will outperform its budget, and may approach balanced operations in fiscal 2021. Management reports that the district continues to be reimbursed for COVID-19-related costs

specifies what investment types are permissible, and investment holdings and balances are reported to the board monthly. Although the district lacks a formal fund balance policy, officials target maintaining two months of reserves for cash flow purposes, which they are currently meeting. The district does not maintain a long-term financial forecast or a debt policy that goes beyond state guidelines.

Cabell County BOE has not been the victim of any cyberattacks, and it has taken steps to further mitigate exposure to cyber-related risks including continuing employee education and working with the West Virginia Department of Education to implement best practices and receiving cyberinsurance coverage through the state.

Debt

view, the plans' amortization methods are, for the most part, cautious; however, with liabilities measured using a discount rate of 7.5%, we see risk of cost escalation due to market volatility but view the primary risk as contributions not keeping up with an actuarial plan toward full funding.

Related Research

- Criteria Guidance: Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings, Oct. 7, 2019
- Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020

Ratings Detail (As Of December 1, 2020)

Cabell Cnty Brd of Ed pub sch bnds ser 2020 due 06/01/2036		
Long Term Rating	AA-/Stable	Rating Assigned
Underlying Rating for Credit Program	A+ /Stable	Rating Assigned
Cabell Cnty Brd of Ed pub sch rfdg bnds		
Long Term Rating	AA-/Stable	Current

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

