

Research Update:

Center Point-Urbana Community School District, IA Bond Rating Outlook Revised To Negative On Operating Deficits

January 16, 2026

Overview

- S&P Global Ratings revised the outlook to negative from stable and affirmed its 'A+' rating on [Center Point-Urbana Community School District](#) (CSD), Iowa's existing general obligation (GO) debt.
- At the same time, S&P Global Ratings assigned its 'A+' long-term rating to the district's \$10 million series 2026 GO school bonds.
- The outlook revision to negative reflects at least a one-in-three chance we could lower the rating over our two-year outlook horizon if the district's efforts to balance its budget and maintain reserves within its 15%-20% target range are unsuccessful.

Rationale

Security

The district's unlimited ad valorem tax GO pledge secures the bonds. The district expects to use proceeds of the bonds to construct, furnish, and equip additions to the High School, including an auditorium, lobby, multi-purpose practice space and weight room, and site improvements, including parking; to renovate, repair, equip, and improve athletic facilities, including baseball and softball fields and concession stand; and safety and security improvements at the Primary and Middle School buildings, and to pay costs of issuance for the bonds.

Credit highlights

The rating and negative outlook reflect our view of continued operating deficits through at least fiscal 2026, which could have an adverse effect on maintenance of reserve levels. Partially offsetting these weaknesses are a healthy service area economy as measured by effective buying incomes and the district's history of building reserves to about 30% of revenues historically. The district is located in a primarily residential area along Interstate 380 (I-380) with easy access to

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several employment centers, namely Cedar Rapids, Waterloo, and Iowa City, which has contributed to strong income and wealth metrics and modest market value and population growth. Operating revenues have flattened out due to declining enrollment and the district experienced an operating deficit of approximately \$535,000 in fiscal 2024 with expectations for an operating deficit of approximately \$800,000 in fiscal 2025. The district plans to spend down reserves in the near term, but it is starting to look at budgetary adjustments with a goal of starting to rebuild reserves to within the district's 15%-20% target range in fiscal 2027. The district has experienced a decline in its resident population over the last four years, negatively affecting its certified enrollment numbers and the amount of revenue received from the state. Certified and served enrollment have declined by about 200 students in the past two years, leading to pressure on district finances. The district ended fiscal 2024 with approximately \$5 million in its general fund, which provides some cushion during this period during which it is looking to address operating deficits.

The rating reflects our view of the district's:

- Stable residential economy with access to larger employment bases in the Cedar Rapids metropolitan statistical area, Waterloo, and Iowa City, home to the University of Iowa;
- Fluctuating operating results, with operating deficits in fiscal years 2024 and 2025;
- Expected drawdowns on reserves in the near term;
- Sound management practices, supported by financial policies that support financial planning; and
- Relatively high debt burden with additional debt plans.

Environmental, social, and governance

We view the district's environmental, social, and governance factors as neutral within our credit analysis.

Outlook

The negative outlook reflects at least a one-in-three chance we could lower the rating over the two-year outlook horizon.

Downside scenario

We could take a negative rating action if operating deficits persist such that the district were forced to draw upon reserves to levels inconsistent with the current rating.

Upside scenario

We could revise the outlook back to stable if the district's operating deficits are addressed such that structural balance is maintained and if the district consistently maintains reserves at levels we consider consistent with the current rating level.

Credit Opinion

Economy

The approximately 91-square-mile district serves an estimated population of 6,500 in east-central Iowa, approximately 20 miles north of Cedar Rapids. The district's location along I-380 gives district residents easy access to diverse employment opportunities in Cedar Rapids, Waterloo (40 miles northwest of the district), and Iowa City (45 miles south of the district), which is home to the University of Iowa. The district's tax base is primarily residential (72% of taxable valuation) followed by agricultural (16%) and commercial (11%). The district has seen steady market value growth averaging 4% annually in the past five years, with larger growth of 8% in 2021 due to a reassessment. Management reports minimal residential and commercial investment and associated construction within the district's boundaries. We expect that the district's proximity to nearby urban centers will continue to promote stability in the district's economic profile.

Financial performance

Enrollment is a key driver of state education funding in Iowa. Increases or decreases in enrollment can lead to increases or decreases, respectively, in revenue. The district's enrollment has been stable overall in the last decade, with recent declines due to the pandemic and families moving out of the district. The district has positive net open enrollment into the district; however, total served students have declined each year since 2020. Management expects enrollment will continue to decline due to attrition over the next two-to-three years.

The district's available fund balance as a percentage of general fund revenues has moderated at approximately 30% from fiscal 2021 to fiscal 2024. The district has kept its operating expenditures notably flat during this period. Management attributes its strong reserve levels to shifting capital expenditures from the general fund to the physical plant and equipment levy fund and better budgeting practices. Enrollment declines and associated effects on revenues will likely cause the district's reserves to decrease to 15%-20% of operating revenues range, although we note that continued operating deficits, including an expected \$1.5 million deficit in fiscal 2026, could bring reserve levels below 15% by fiscal 2027. To help mitigate potential budget shortfalls, the district is exploring options such as sharing certain staff positions with other districts in order to get additional funding from the state without bearing the full cost of those staff members on its own. The district was allocated approximately \$784,000 in Elementary and Secondary School Emergency Relief (ESSER) funds and has spent the balance on software improvements and supplies, as well as on curriculum costs, summer school, and addressing learning loss.

Based on unaudited fiscal 2025 results, the district achieved an \$800,000 deficit in its general fund, which could cause reserves to decrease to approximately 25% of operating revenues. Management attributes the deficit to enrollment declines in fiscal years 2020-2024, leading to a decrease in state aid revenues. An expected operating deficit of approximately \$1.5 million in fiscal 2026 could cause reserves to decrease to below the district's target of 15%-20%.

Management

Management highlights include:

- The use of five years of historical data and conservative budgeting practices when putting together the district's budget;
- Monthly budget-to-actual reporting to the board, though spending is not broken out by categories;
- A detailed five-year long-term financial plan that includes enrollment, tax rate, and reserve projections;

- An investment policy that includes rules around reporting and permitted investments and fund balances reported to the board on a monthly basis;
- A mostly qualitative debt management policy with a debt limit that matches that of the state; and
- An informal reserve target of 15%-20% of revenues in reserve.

Debt and liabilities

We consider the district's debt burden and carrying charges to be somewhat high at 14.7% in fiscal 2024. In addition to the series 2026 issuance, the district expects it will likely issue additional bonds in the next two years to address needs contained in its updated master facilities plan, with a \$7 million issuance expected next year and a potential \$3.5 million issuance in 2028. We expect the district's debt profile will remain a weaker part of the overall credit profile relative to those of peers.

The district has two series of privately placed sales tax revenue bonds outstanding, but we recognize the agreements contain no nonstandard events of default or acceleration provisions.

Pension and other postemployment benefits costs remain manageable

The district's pension and other postemployment benefits (OPEB) costs are modest as a share of total spending. They are not likely to accelerate significantly in the medium term, especially due to the pension plan's strong funding level.

The district participates in the following pension and OPEB plans:

- Iowa Public Employees' Retirement System (IPERS): 91% funded (as of June 30, 2024), with a district proportionate share of the plan's net pension asset of \$5.9 million.
- An implicit rate subsidy arising from retirees staying on the district's plan while paying active premium rates.

State statute sets IPERS contributions, and the amounts equal required contributions for each of the past three fiscal years. We expect the district's pension costs will remain manageable.

Although the district funds its OPEBs on a pay-as-you-go basis, exposing it to potential cost acceleration, we expect that medium-term costs will remain only a small share of total spending and therefore not a significant budgetary pressure.

Center Point-Urbana Community School District, Iowa--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	2.73
Economy	1.5
Financial performance	4
Reserves and liquidity	2
Management	2.65
Debt and liabilities	3.5

Center Point-Urbana Community School District, Iowa--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	112	--	112	117
County PCPI % of U.S.	91	--	91	92
Market value (\$000s)	800,255	621,477	607,301	564,667
Market value per capita (\$)	131,018	101,748	99,411	85,868
Top 10 taxpayers % of taxable value	7.0	6.0	6.3	--
County unemployment rate (%)	3.8	3.4	3.3	3.2
Local median household EBI % of U.S.	115	115	107	--
Local per capita EBI % of U.S.	95	95	86	--
Local population	6,108	6,108	6,109	6,576
Financial performance				
Operating fund revenues (\$000s)	--	16,987	17,052	16,938
Operating fund expenditures (\$000s)	--	17,541	17,085	16,731
Net transfers and other adjustments (\$000s)	--	18	20	41
Operating result (\$000s)	--	(536)	(13)	248
Operating result % of revenues	--	(3.2)	(0.1)	1.5
Operating result three-year average %	--	(0.6)	3.1	5.5
Reserves and liquidity				
Available reserves % of operating revenues	--	29.5	32.3	32.2
Available reserves (\$000s)	--	5,003	5,512	5,460
Debt and liabilities				
Debt service cost % of revenues	--	9.7	10.5	39.8
Net direct debt per capita (\$)	3,424	2,843	3,116	3,152
Net direct debt (\$000s)	20,911	17,365	19,036	20,727
Direct debt 10-year amortization (%)	58	95	92	--
Pension and OPEB cost % of revenues	--	5.0	5.0	5.0
NPLs per capita (\$)	--	778	964	798
Combined NPLs (\$000s)	--	4,752	5,890	5,250

Ratings List

New Issue Ratings

US\$10,000,000 Center Point-Urbana Community School District, Iowa, General Obligation School Bonds, Series 2026, dated: Date of Delivery, due: May 1, 2045

Long Term Rating A+/Negative

Outlook Action

To	From
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Local Government

Center Point-Urbana Comnty Sch Dist, IA Unlimited Tax General Obligation	A+/Negative	A+/Stable
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The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have

different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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