FITCH RATES DUBLIN, OH GOS 'AAA' OUTLOOK STABLE

Fitch Ratings-New York-08 September 2015: Fitch Ratings assigns an 'AAA' rating to the following Dublin, Ohio (the city) general obligation (GO) bonds:

--$49.6 million general obligation limited tax various purpose bonds series 2015.

The bonds are expected to price the week of Sept. 14. Proceeds will finance the expansion of the city's Justice Center and various infrastructure improvements.

In addition, Fitch affirms the following ratings:

--$46.8 million limited tax general obligation (LTGO) bonds series 2004B, 2009B, 2012, 2013, 2014 at 'AAA';

--$9.1 million unlimited tax general obligation (ULTGO) bonds series 2004A and 2009A at 'AAA'.

The Rating Outlook is Stable.

SECURITY

The 2015 bonds and LTGO bonds are payable from ad valorem taxes levied on all taxable property within the 10-mill limitation imposed by Ohio law.

The ULTGO bonds are payable from unlimited ad valorem taxes levied on all taxable property with the city.

KEY RATING DRIVERS

GROWING ECONOMY, AFFLUENT RESIDENTS: The city benefits from an affluent, well-educated population, a diverse corporate presence, and proactive economic development policies.

WELL-MANAGED, HEALTHY FINANCES: The city's conservative budgeting and adherence to prudent fund balance policies have resulted in substantial reserves and ample financial flexibility. Exposure to income tax volatility is additionally mitigated by the city's careful monitoring of revenue performance and demonstrated willingness to adjust costs to offset shortfalls.

WEAKENED DEBT PROFILE: Debt ratios have increased to above average levels for the rating category with the recent issuance of the series 2015 general obligation and non-tax revenue bonds. Fitch believes the increased debt is manageable given the city's moderate future borrowing plans and strong financial operations. Carrying costs inclusive of debt service, pension and other post-employment (OPEB) are affordable.

LTGO AND ULTGO RATINGS ON PAR: Fitch makes no rating distinction between the ULTGO and LTGO ratings, due to the city's significant financial flexibility.

RATING SENSITIVITIES

INCREASING DEBT LEVELS: Significant shifts in the city's credit profile, especially additional borrowing that increases the debt burden significantly from levels currently projected, would pressure the city's high rating.

CREDIT PROFILE

Dublin is located in central Ohio, 16 miles northwest of Columbus (GO bonds rated 'AAA'; Stable Outlook by Fitch), Ohio's state capital and largest city. Dublin's location at the intersection of transportation networks servicing Columbus's northwestern suburbs has led to rapid population growth of 40.8% since 2000 to an estimated 44,214 in 2014 and considerable residential and commercial development over the past decade.

GROWING ECONOMY, AFFLUENT RESIDENTS

Dublin benefits from a well-diversified economy, anchored by financial services, telecommunications, and healthcare. Key employers include Nationwide Insurance Enterprises, Cardinal Health, Inc., and Express Scripts. The city's aggressive economic development program and highly educated residents (73% reporting a bachelor's degree as compared with 28.8% nationally) have helped strengthen the city's employment profile. However, after the 2014 - 2015 loss of large employer Verizon, it was announced that Nationwide will be relocating approximately 3,400 jobs to the neighboring city of Grandview Heights in 2016 and 2017.

The city's May 2015 3.1% unemployment rate slightly decreased from prior year (3.4%) and is well below state and national averages (5.2% and 5.5%, respectively). The city has posted annual resident employment gains since 2010, up 5.7% over the period.

Per capita income is approximately twice the state average. The city is approximately 80% built out and assessed valuation has remained stable since 2013. Assessed valuation increased by 3.6% in 2015 due to property value appreciation and new construction.

PRUDENT MANAGEMENT AND SOUND FINANCES

The city's conservative budgeting and prudent financial policies contribute to its strong financial position. Operations are highly reliant on income withholding tax (78.6% of 2014 general fund revenues) and a permanent 2% individual income tax, which combined provided 91% of general fund revenues in 2014. Fitch believes that the city's conservative budgeting of income tax revenues and the maintenance of ample reserves mitigate concerns over the inherent economic sensitivity of this revenue source.

The city added $15.7 million (approximately 29% of spending) to fund balance in 2014 (year-end Dec. 31). The favorable variance was driven by strong income tax performance, up 7.5% from the prior year, despite the 2014 loss of Verizon. This brought unrestricted general fund balance to $56.8 million or 104.6% of spending.

The 2015 revised budget assumes a 5.4% decline in income tax from 2014 actual. Income tax revenue is currently performing better than expected but was down 2.3% through July. Management's projections are conservative.

NEW BOND ISSUES WEAKEN DEBT PROFILE

The city's debt profile benefits from the voter-mandated dedication of 25% of city income tax receipts for capital improvement projects, which has helped manage the city's growth related needs as well as providing sound operational flexibility.

The city's debt profile will weaken with the issuance of the series 2015 GO bonds and $110.5 additional debt included in the five-year capital improvement plan. In addition to the GO bond issue, the city is issuing $32 million in non-tax revenue bonds (not rated by Fitch) for improvements to the Bridge Street District. The new debt would result in a slightly higher overall debt burden once amortization of existing debt is considered, assuming no tax base change. Overall debt per capita will increase from $4,529 to $6,451 and debt to full value is 5% up from 3.6%, both considered above-average by Fitch. Debt amortization, including 2015 bonds, is moderate.

The city expects debt service on the series 2015 non-tax revenue bonds to be paid by TIF revenues. Fitch believes the city has sufficient financial flexibility to manage the debt service payments (about 12% of 2014 spending) if TIF revenues were insufficient either by reducing spending on other items or temporarily drawing down on reserves.

MANAGEABLE PENSION AND OPEB LIABILITIES

The city makes statutorily required contributions equal to the actuarially required contribution to multiple-employer, cost-sharing state plans to fund both pension and other post-employment benefits. The largest, the Ohio Public Employees Retirement System, reported a funded ratio of 83.8% as of Dec. 31, 2014. Using Fitch's more conservative 7% rate of return, the estimated funded ratio is 83.3%. Carrying costs for debt service, pension and OPEB are manageable at 15.6% of government fund expenditures. They are projected to decrease temporarily to 12.2% in 2016 and increase, but remain manageable, after the capitalized interest period on the non-tax revenue bonds expires and debt service on those bonds increases over time.

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In addition to the sources of information identified in the Tax-Supported Rating Criteria, this action was additionally informed by information from Creditscope, University Financial Associates, S&P/Case-Shiller Home Price Index, IHS Global Insight, Zillow.com National Association of Realtors and Financial Advisor.

Applicable Criteria
Tax-Supported Rating Criteria (pub. 14 Aug 2012)

https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686015
U.S. Local Government Tax-Supported Rating Criteria (pub. 14 Aug 2012)
https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=685314