

## Research

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### Summary:

# Dublin, Ohio; General Obligation; Note

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### Credit Profile

US\$19.18 mil GO (ltd tax) various purp imp and rfdg bnds ser 2024 due 12/01/2044		
<i>Long Term Rating</i>	AAA/Stable	New
US\$12.705 mil GO (ltd tax) cap fac nts ser 2024 dtd 08/28/2024 due 08/28/2025		
<i>Long Term Rating</i>	AAA/Stable	New

### Credit Highlights

- S&P Global Ratings assigned its 'AAA' long-term rating to the City of Dublin, Ohio's \$19.180 million series 2024 various-purpose limited-tax improvement and refunding general obligation (GO) bonds and the city's \$12.705 million series 2024 limited-tax GO capital facilities notes.
- The outlook is stable.

### Security

The city's full faith and credit and an agreement to levy ad valorem property taxes within the state's 10-mill limitation secure the bonds. We rate the limited-tax GO debt at the same level as our view of Dublin's general creditworthiness, as reflected by an unlimited-tax GO pledge. The city will use series 2024 bonds and notes to pay for water, sewer system, and roadway improvements; to purchase land and improve municipal facilities; and to refund 2018 bonds for interest-cost savings.

### Credit overview

In our view, key credit strengths supporting the 'AAA' rating are Dublin's status as a desirable suburb within the fast-growing Columbus metropolitan statistical area (MSA); the city's commitment to maintaining a large and diverse employment base, which supports a healthy income tax stream, a key revenue source; and Dublin's robust financial policy framework. The city continues to use economic development tools and infrastructure investments to retain and attract businesses, and we believe that this will provide stability to the income tax base.

Although overall debt levels remain elevated, we note this reflects the city's growth and development. In our opinion, Dublin's growing tax base, extremely strong reserve position, and formalized debt policy partially mitigate the credit downsides--leverage position and a reliance on income tax revenues that are generally volatile.

The rating reflects our view of Dublin's:

- Dynamic and growing local economy, with a variety of long-standing employers;
- Robust reserve and liquidity position, strong budget preparation and capital planning, and a high degree of financial flexibility afforded by liquidity;
- Institutionalized, comprehensive financial management practices and policies; and

- Manageable, albeit somewhat elevated, debt and retirement liability position.

### **Environmental, social, and governance**

We view Dublin's reliance on income taxes from commuters as a moderately negative social factor given the ongoing shift to working from home, although we think the stability of institutional employers largely mitigates this risk. The city is in the process of developing Riverview Village, a first-of-its-kind coworking and entrepreneurship complex in downtown Dublin. We believe that the city's environmental and governance factors are neutral; Dublin continues to take steps to mitigate exposure to cybersecurity threats and, in our opinion, is not overexposed to extreme weather events or long-term changes in climate trends.

### **Ratings above the sovereign**

Dublin's GO bonds are eligible to be rated above the sovereign because we believe the city can maintain better credit characteristics than the U.S. in a stress scenario. Under our criteria, "Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions" (published Nov. 19, 2013, on RatingsDirect), U.S. local governments are considered moderately sensitive to country risk. The institutional framework in the U.S. is predictable for local governments, allowing them significant autonomy, independent treasury management, and no history of government intervention.

## **Outlook**

The stable outlook reflects our view of the city's high reserves and liquidity position, growing economy, and financial management practices that have historically yielded strong budgetary results even in times of softer revenue environment.

### **Downside scenario**

Although we believe it's unlikely in the near term, if Dublin's employment base declines and income tax collections weaken materially, and if reserves decline, we could lower the rating.

## **Credit Opinion**

### **A strong growing city integral to Columbus economy**

The city has a resident population of more than 50,000 in Delaware, Franklin, and Union counties in the Columbus MSA. Dublin wealth and incomes are strong and its residential tax base, valued at \$9.6 billion in 2024, is deep and diverse. Since it became a city in 1987, Dublin has seen significant population growth of over 70%. In addition to a strong residential base, the city has developed a large commercial and industrial base, with more than 4,300 businesses employing approximately 75,000 workers (daytime population).

Dublin's largest business sectors include information technology, biomedical, and health care services, as well as business support services. The city is also home to various corporate headquarters, including Cardinal Health and The Wendy's Co. Dublin's top 10 employers accounted for approximately 15% of total income tax collections. Several key developments that are intended to create new jobs and help retain existing ones include the Ohio State University Wexner Medical Center; Mount Carmel Medical Center; a significant expansion at Vadata Inc.'s data center and

research and development facilities; and participation in the U.S. 33 Smart Mobility Corridor, an inclusive testing area for autonomous vehicles and "smart" transportation.

In an ongoing effort to retain and strengthen Dublin's employment base, officials are working with private partners to diversify the city's housing, office, and retail stock with the development of new mixed-use walkable neighborhoods. Building and maintaining infrastructure is a critical component of the city's day-to-day and strategic operations. Dublin has 42 tax-increment financing (TIF) districts with more than \$1.2 billion in private investments. TIF revenues have contributed about \$15 million-\$19 million annually to the city's coffers with potentially more to come.

### **Strong management focused on long-term capital planning committed to maintaining manageable debt load and very strong reserves**

We view Dublin's management as strong, with good financial policies and practices under our Financial Management Assessment methodology, indicating our view that financial practices exist in most areas, but that governance officials might not formalize or monitor all of them on a regular basis. Management practices and policies are very strong in all areas except for long-term formal financial planning. Officials project income tax revenue for five years, but do not perform detailed forecasting for other revenue and expenditures.

Highlights include:

- For purposes of budgeting, officials do a detailed income analysis, keep a comprehensive schedule for fee-based services, and look at historical trends for other revenue and expenditures.
- The council receives a monthly report with budget-to-actual results, and the budget can be amended when necessary.
- Dublin has a comprehensive council-approved, five-year rolling capital improvement plan that identifies estimated costs and funding sources.
- The city has a formal investment policy, and the council reviews investment holdings and earnings monthly.
- Dublin's debt policy is well defined and more restrictive compared with that of state guidelines.
- The city carries a formal reserve policy that requires a minimum general fund balance equal to 50% of expenditures. This high level was chosen in part to mitigate the effects of potential employment losses. As per the policy, if the balance exceeds 75%, 25% of the excess amount is transferred for capital improvements.

### **Historically strong performance despite year-over-year fluctuations in income tax collections**

As part of our analysis, we combined the city's safety fund with the general fund because this fund represents Dublin's police department, which we view as a core operating service.

The city levies a 2% income tax on salaries and wages earned by workers employed in Dublin and on business profits. Residents are permitted a credit against their city income tax liability for amounts equal to 100% of the income tax paid (at the rate of up to 2.0%) on the same income to another municipal corporation. Dublin can adjust taxes with voter approval and can reduce the residential income tax credit with council approval.

In 2022 (fiscal year-end Dec. 31, the most recent audited year), income tax revenue accounted for 93% of general fund revenue. Dublin ended the year with \$58.4 million in available reserves, which equates to 71% of operating

expenditures of general and safety funds. Total governmental and business type activities liquidity in 2022 amounted to \$149 million. The city has a practice of advancing general fund cash for construction projects that will later be reimbursed with bond proceeds and repayments from TIF funds. The 2023 audit is under development, and an unaudited report shows an \$8.8 million general and safety fund surplus, a \$15.4 million total governmental fund surplus, and an assigned and unassigned general fund reserve of \$63.6 million.

Performance has been strong in recent years. Fund balance reductions, when they occurred, were done in compliance with the fund balance policy that dictates that if the balance exceeds 75%, 25% of the excess amount should be transferred for capital improvements. Targeted economic development initiatives translated into stable revenue collections--income tax revenues, on average, increased 3.4% on a cash basis over the past 10 years; however, income tax collections have seen some year-over-year fluctuations. It is the city's practice to budget conservatively on the expenditure side--actual general fund expenditures average about 85% of the budgeted amount, while revenue, including income tax revenue, outperforms budgeted amounts. Dublin's 2024 budget estimates a 1.5% reduction in income tax collections, and a use of general fund reserves equal to \$11.5 million to support land acquisition. Future drawdowns to support nonrecurring expenditures are likely; however, officials anticipate maintaining the actual assigned and unassigned fund balance at 55%-80% of expenditures.

### **Somewhat elevated debt and contingent liability profile**

In our view, Dublin's debt and contingent liability profile is weak. Total governmental fund debt service is 15.5% of total governmental fund expenditures, and net direct debt is 149.8% of total governmental fund revenue. The 25% allocation of income tax revenue to Dublin's capital improvement fund, which is used for debt service, cannot be changed without voter approval.

Officials plan to issue \$15.3 million of special obligation nontax revenue manuscript debt in 2024 and \$41.5 million in debt supported by various revenue sources through the end of 2028. We believe the city's debt policy and strong financial position should help maintain manageable debt levels.

In 2015, Dublin issued \$32 million in nontax revenue bonds to construct two parking garages within its Bridge Street development district. Although the bonds are secured by all the city's nontax revenue, Dublin has entered into agreements with property owners within the district to provide annual minimum service payments that, in aggregate, are sufficient to cover debt service. Multiple obligations, include nontax revenue bonds that were privately placed. We do not currently view these obligations as contingent liability risks as per our interpretation of legal documents.

### **Pension and other postemployment liabilities**

We do not consider Dublin's pension and other postemployment benefit (OPEB) liabilities a source of budgetary pressure, as contributions totaled 3.3% of total governmental fund expenditures in 2022 and because rapid, near-term cost escalation is unlikely.

We see long-term pension cost or unfunded liability escalation risk as plausible, given the potential for funding progress to deviate from actuarial plans and a statutory funding framework. Under both plans, amortization periods may be adjusted based on actual experience under the state's statutory, fixed-rate funding framework. If lengthened, plan contributions, and subsequently growth in plan assets, could diminish relative to liabilities.

In our view, recent efforts to modify OPEBs to transition to a stipend coverage model from a full-coverage model mitigate OPEB cost and liability pressures.

Dublin participated in the following plans as of Dec. 31, 2022:

- Ohio Public Employees' Retirement System, 93% funded as of the latest valuation.
- Ohio Police & Fire Pension Fund, 75% funded as of the latest valuation.

For more information on our view of these plans, see "Pension Spotlight: Ohio," published July 31, 2023.

Dublin, Ohio -- Key credit metrics				
	Most recent	Historical information		
		2022	2021	2020
<b>Very strong economy</b>				
Projected per capita EBI % of U.S.	169			
Market value per capita (\$)	190,544			
Population (no.)		51,247	50,035	49,688
County unemployment rate(%)		3.3		
Market value (\$000)	9,628,546	7,523,074	7,528,194	6,615,577
Ten largest taxpayers % of taxable value	5.1			
<b>Strong budgetary performance</b>				
Operating fund result % of expenditures		(0.4)	(11.1)	13.1
Total governmental fund result % of expenditures		(5.6)	(8.4)	(5.6)
<b>Very strong budgetary flexibility</b>				
Available reserves % of operating expenditures		70.9	59.1	155.8
Total available reserves (\$000)		58,362	54,088	71,075
<b>Very strong liquidity</b>				
Total government cash % of governmental fund expenditures		92	94	149
Total government cash % of governmental fund debt service		497	842	1,080
<b>Strong management</b>				
Financial Management Assessment	Good			
<b>Weak debt &amp; long-term liabilities</b>				
Debt service % of governmental fund expenditures		18.4	11.1	13.8
Net direct debt % of governmental fund revenue	127			
Overall net debt % of market value	4.0			
Direct debt 10-year amortization (%)	65			
Required pension contribution % of governmental fund expenditures		3.2		
OPEB actual contribution % of governmental fund expenditures		0.0		
<b>Strong institutional framework</b>				

EBI--Effective buying income. OPEB--Other postemployment benefits.

## **Related Research**

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

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