FITCH RATES DUBLIN, OH'S $22.7MM LTGO BONDS 'AAA'; OUTLOOK STABLE

Fitch Ratings-New York-14 November 2018: Fitch Ratings has assigned a 'AAA' rating to the following city of Dublin, OH bonds:

--$18.7 million general obligation limited tax various purpose bonds, series 2018A;
--$4 million general obligation limited tax various purpose tax bonds, series 2018B.

Additionally, Fitch has affirmed the following ratings at 'AAA':

--the city's Issuer Default Rating (IDR);
--$120.7 million limited tax general obligation (LTGO) bonds;
--$2.7 million unlimited tax general obligation (ULTGO) bonds series 2009A.

The Rating Outlook is Stable.

Proceeds of the series 2018A bonds will be used to pay the costs of constructing a parking structure, related roadway improvements, and a pedestrian plaza. Proceeds of the series 2018B bonds will also be used to pay the costs of constructing a parking structure.

SECURITY

The 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.

ANALYTICAL CONCLUSION

The 'AAA' rating reflects the city's stable economic underpinnings, the highest level of gap-closing capacity, excellent institutionalized financial management practices, and low long-term liability burden.

Economic Resource Base
Dublin is located in central Ohio, 16 miles northwest of Columbus, 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 about 14% since 2010 to over 47,000 in 2017. This growth has fueled considerable residential and commercial development over the past decade.

KEY RATING DRIVERS

Revenue Framework: 'aaa'
Fitch expects continued solid revenue performance, above inflation but below U.S. economic performance. The city has ample legal ability to independently raise revenues.

Expenditure Framework: 'aa'

The city's natural rate of expenditure growth is expected to be in line with to marginally above revenue growth. Expenditure flexibility is solid, with moderate carrying costs for debt service, pension, and other post-employment obligations.

Long-Term Liability Burden: 'aaa'
The long-term liability burden, including pension liabilities and overall debt, is low relative to personal income and expected to remain at this level.

Operating Performance: 'aaa'
The highest level gap-closing capacity reflects ample revenue raising ability, strong expenditure flexibility and prudent budget controls given relatively low expected revenue volatility. Management has maintained its strong financial flexibility during the recent recovery.

RATING SENSITIVITIES

Material Changes in Revenue Growth Expectations: Fitch expects revenue growth to be solid. Recent changes in the employment base have caused some softening, but Fitch expects them to recover. Should revenues fail to return prior growth trends credit quality could weaken.

Increased Long-Term Liability Burden: The rating is sensitive to significant increases in the city's long-term liability burden. While Fitch expects the city to manage liabilities conservatively, continued growth in long-term liabilities and/or a decline in the economic resource base supporting them may apply downward pressure to the rating.

CREDIT PROFILE

Dublin benefits from a well-diversified economy, anchored by financial services, telecommunications, and healthcare. Key employers include Cardinal Health, Inc., and The Wendy's Corporation. After the 2014-2015 loss of large employer Verizon, it was announced that Nationwide will relocate approximately 3,400 jobs to the neighboring city of Grandview Heights by the 4th quarter of 2018. In addition, Wendy's announced that it will reduce its workforce; however, it has indicated that the number of employees in the city will not fall below 388 from the 636 as of Dec. 31, 2017. These job losses have had an impact on income tax revenue performance in fiscal 2016 and 2017. The highly educated population base has also helped strengthen the city's employment profile, supporting income levels that exceed the state and nation.

The unemployment rate is consistently well below state and national averages. The city is approximately 80% built out and assessed valuation has grown approximately 15% in the past five years due to property value appreciation and new construction.

Revenue Framework
The city is heavily reliant on income tax revenues, which comprise approximately 90% of general fund revenues.

Fitch expects that revenue growth will be solid going forward, above the level of inflation. Income tax revenues declined in fiscal 2016 and 2017 due to recent job losses. Year-to-date revenues are slightly ahead of last year, performing better than the budgeted decline. Revenue has been bolstered by a substantial economic development program. The growing population also reinforces Fitch's expectations for future revenue growth.

Ohio state law limits un-voted income and sales taxes. The city council has the legal ability to reduce or eliminate the 100% income tax credit given to the city's residents who work in and pay income taxes to other cities. This could generate up to approximately $25 million in income tax revenues, equivalent to over a third of general fund revenues. As a policy matter, the city is unlikely to take this action; however, its ability to do so provides significant flexibility to offset a recessionary decline in revenue.

In addition, since the city pays for the majority of non-enterprise-fund debt service from income tax revenues, it has the legal ability to independently raise property tax revenues equal to the amount of unlimited tax GO debt service, which fully matures in 2021. This would free up an equal amount of income tax receipts for operations. The city also has the ability to raise charges for fees and services.

Expenditure Framework

Dublin's primary expenditure category is general government, which comprises approximately 54% of general fund expenditures. These service costs include waste management, engineering, and fleet management, and other facilities related expenses. Recreational spending comprises an additional 18% of expenditures.

The pace of spending growth is likely to be in line with expected revenue growth in the absence of policy action. Dublin has three local union contracts; all of which are currently settled. The contracts generally call for salary increases between 2% and 2.75% annually over the next several years.

The city has solid flexibility over its main expenditure items. Fiscal 2017 carrying costs for debt, pension, and other post-employment benefits (OPEB) are equal to about 13% of government spending. Management has identified additional areas of potential expenditure flexibility, which include discretionary services and reduction in wage expenses through staffing attrition and the elimination of non-essential employees. Fitch does not expect the city to implement these expenditure saving mechanisms, but they support overall expenditure flexibility.

Long-Term Liability Burden

The city has a low long-term liability burden, with overall debt and Fitch-adjusted net pension liabilities totaling less than 10% of personal income. Approximately 49% of the burden is direct debt, with overlapping debt equaling about 28% of the liability. While debt levels have increased in recent years due to issuance to support economic development, future issuance plans are more moderate. Direct debt is scheduled to amortize at a moderate pace with over 50% retired within the next 10 years.

Dublin provides pension benefits and other post-employment benefits (OPEB) through two state-sponsored defined benefit pension plans, the Ohio Public Employees Retirement System (OPERS) and the Ohio Police and Fire Pension Fund (OP&F). The plans reported a combined assets-to-liabilities ratio of 76%. Using Fitch's more conservative 6% rate of return, the estimated ratio is 63%.

Operating Performance

The city exhibits the highest-level gap-closing ability and is expected to maintain strong financial flexibility during times of future economic decline. Financial resilience comes from the city's superior inherent budget flexibility, which includes a combination of its solid ability to adjust expenditures and ample revenue-raising capacity. This is bolstered by the city's maintenance of a high reserve cushion sufficient to mitigate the relatively low expected revenue volatility in a moderate economic downturn scenario.

Management has built reserves to very high levels, well in excess of what required for a 'aaa' operating performance assessment (95% of expenditures and transfers out at fiscal 2017 year-end). In addition, the city recently established formal general fund balance and debt policies that management expects will further safeguard their financial position. The general fund reserve policy requires that unrestricted balances are maintained at a minimum 50% of expenditures and transfers out. Furthermore, should any unrestricted fund balance exceed 75% of expenditures and transfers out, a quarter of the excess will be transferred to the capital improvement fund. The debt policy includes provisions that of the income tax revenues diverted to capital improvement fund, 60% will be used for debt service and 40% for pay-go capital.

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In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from Lumesis.

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Additional information is available on www.fitchratings.com

Applicable Criteria
U.S. Public Finance Tax-Supported Rating Criteria (pub. 03 Apr 2018)
https://www.fitchratings.com/site/re/10024656