FITCH RATES DUBLIN, OH'S $32MM LTGO BONDS 'AAA'; OUTLOOK STABLE

Fitch Ratings-New York-29 June 2017: Fitch Ratings has assigned a 'AAA' rating to the following city of Dublin, OH bonds:

--$31.88 million limited tax general obligation (LTGO) various purpose bonds, series 2017.

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

--the city's Issuer Default Rating (IDR);
--$96 million limited tax general obligation (LTGO) bonds at 'AAA';
--$4.5 million unlimited tax general obligation (ULTGO) bonds series 2009A.

The Rating Outlook is Stable.

Proceeds of the bonds will be used for the purpose of paying the costs improving the city's vehicular transportation system with the Bridge Street District and routine capital improvements. The bonds are scheduled to sell via negotiation on July 19.

SECURITY

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

KEY RATING DRIVERS

The 'AAA' rating reflects the city's stable economic underpinnings, exceptionally strong 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 (GO bonds rated IDR of 'AAA'; Stable Outlook), 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 45% since 2000 to an estimated 45,568 in 2016 and considerable residential and commercial development over the past decade.

Revenue Framework: 'aaa' factor assessment
Fitch expects revenue performance to continue to be strong, tracking economic trends. The city has ample legal ability to independently raise revenues.

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

Long-Term Liability Burden: 'aaa' factor assessment
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' factor assessment
Extremely strong gap-closing capacity reflects ample revenue raising ability, strong expenditure flexibility and prudent budget controls. Management makes consistent efforts to support financial flexibility at times of economic recovery.

RATING SENSITIVITIES

Material Changes in Revenue Growth: Revenues have historically been strong, out pacing U.S. economic growth. 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 increases in the city's long-term liability burden. While Fitch expects the city to manage liabilities conservatively, continued growth in net overall debt 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 Nationwide Insurance Enterprise, Cardinal Health, Inc., and The Wendy's Corporation. The city's aggressive economic development program and highly educated population base have helped strengthen the city's employment profile. However, 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 recently announced a reduction in workforce, cutting staff by approximately 40% in 2017. United Health Care recently announced 700 jobs and the city reports continued strong business withholding tax revenues and growth in small businesses.

The unemployment rate is consistently well below state and national averages. Per capita income is approximately twice the state average. The city is approximately 80% built out and assessed valuation has grown approximately 8% in the past 10 years, due to property value appreciation and new construction.

Revenue Framework
The city is heavily reliant on income tax revenues, which comprise approximately 91% of general fund revenues.

Historical revenue growth is strong, above the level of inflation and tracking with the rate of U.S. economic performance. A growing population reinforces Fitch's expectations for future revenue growth. 2016 income tax revenues increased 2.5% on a cash basis from the prior year despite changes to the employment base. However, on an unaudited GAAP basis, these revenues reported a modest 0.8% decline due to an anticipated one-time employer income tax refund. Management budgets conservatively and anticipates 2017 revenues to modestly decline, due to changes in the employment base, but are expected to outperform budget.

Ohio state law limits un-voted income and sales taxes. The "inside mill" property tax allocation may be adjusted at the county's discretion, up to 10 mills. However, since the city pays for the majority of non-enterprise-fund debt service from income tax revenues alone, it has the legal ability to independently raise property tax revenues equal to 100% of unlimited tax GO debt service and up to the inside mill cap for limited tax GO debt service, or about 21% of general fund expenditures. This would free up an equal amount of income tax receipts for operations. Although as a policy matter the city is unlikely to need to take this action, the ability to do so provides significant flexibility and supports a strong revenue framework assessment.

City council also 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 $28 million in income tax revenues or about 35% of general fund revenues. 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 52% of general fund expenditures, half of which are directed toward public service expenses. These service costs include waste management, engineering, and fleet management, and other facilities related expenses. Other expenses include capital (15%) and recreational (13%) spending.

The pace of spending growth is likely to be in line with expected revenue growth in the absence of policy action.

The city's expenditure controls are solid. Fiscal 2016 carrying costs for debt, pension, and other post-employment benefits (OPEB) are equal to 9% of government spending, with debt service totaling about 63% of the cost. Budgeted expenditures for 2017 are expected to remain flat despite the inclusion of manageable salary increases. Dublin has three local union contracts; two are currently settled, with the remaining contract re-opening for negotiations at the end of 2017. All contracts are settled on a three-year term. Fitch expects that management will maintain reasonable labor costs.

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 need 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 debt plus Fitch-adjusted net pension liabilities totaling 9.7% of personal income. Approximately 45% of the burden is attributable to direct debt, with overlapping debt equaling about 30% of the liability. The city plans to issue approximately $21 million in new debt in 2018. However, the long-term liability burden should remain relatively level, as direct debt is scheduled to amortize at a moderate pace, with approximately $20 million in principal due through 2018 and 49% 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 83%, assuming an 8% rate of return, as of Dec. 31, 2016. Using Fitch's more conservative 6% rate of return, the estimated ratio is 70%.

Operating Performance

The city exhibits extremely strong gap-closing ability and is expected to maintain strong operational management during times of future economic decline. Financial resilience comes from a combination of expenditure cutting and ample revenue-raising flexibility, supplemented by the city's maintenance of a reserve cushion sufficient to offset expected revenue volatility in a moderate economic downturn scenario.

Management has built reserves to very high levels (98% of expenditures and transfers out at fiscal 2015 year-end), noting the economic sensitivity associated with the heavy reliance on income tax revenue, of which 25% is diverted to the capital improvement fund 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, to the extent that any unrestricted fund balance exceeds 75% 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% will be used 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 and InvestorTools.

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Additional information is available on www.fitchratings.com

Applicable Criteria
U.S. Public Finance Tax-Supported Rating Criteria (pub. 31 May 2017)
https://www.fitchratings.com/site/re/898466