



RATING ACTION COMMENTARY

Fitch Rates Dublin, OH's \$16.23MM LTGO Bonds 'AAA'; Outlook Stable

Fri 03 Sep, 2021 - 1:52 PM ET

Fitch Ratings - Austin - 03 Sep 2021: Fitch Ratings has assigned a 'AAA' rating to the following city of Dublin, OH bonds:

--\$16.23 million general obligation (limited tax) various purpose improvement and refunding bonds, series 2021.

The series 2021 bonds are scheduled for a competitive sale on Sept. 14, 2021. Proceeds will be used to refund a portion of the city's outstanding debt, to improve the municipal sanitary sewer system, and to pay the costs of issuance.

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

--The city's Issuer Default Rating (IDR);

--\$144.6 million limited tax general obligation (LTGO) bonds;

The Rating Outlook is Stable.

SECURITY

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

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 over 18% since 2010 to over 49,000 in 2020. 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 (OPEB).

Long-Term Liability Burden: 'aaa'

Inclusive of the current issuance, the long-term liability burden, including pension liabilities and overall debt, is expected to remain low relative to personal income.

Operating Performance: 'aaa'

The highest gap-closing capacity reflects ample revenue raising ability, strong expenditure flexibility and prudent budget controls given relatively low expected revenue volatility. Management has consistently maintained strong financial flexibility.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--Not applicable.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--A sustained increase in the city's long-term liability burden to more than 10% of the personal income.

--An increase in carrying costs as a result of an increase in required pension contributions, labor contract costs, and/or debt service costs.

--Softening of revenue growth prospects to a level below that of U.S. inflation.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

CURRENT DEVELOPMENTS

Management built reserves to a very high 103.7% of expenditures and transfers out in 2020 (FYE Dec. 31), well in excess of what is required for a 'aaa' operating performance assessment. A portion of the increase was driven by the repayment of a \$15.5 million advance from the general fund in fiscal 2019 for capital improvements that was repaid early in 2020.

The current general fund expectation for 2021 is a decrease of about \$11.3 million in reserves to a little over \$60 million, over 70% of budgeted fiscal 2021 general fund expenditures and transfers out. The yoy decrease is due to a planned \$6 million transfer to capital improvements fund, and a transfer of \$3.5 million to subsidize losses of revenue in the recreation fund and hotel motel tax fund. However, recently received American Rescue Plan Act (ARPA) money should cover the revenue losses in the funds, and the general fund

balance is likely to end up higher than currently expected. Dublin anticipates receiving a total of \$5.1 million in ARPA funds, and recently received the first half of this allotment

The recreation fund and hotel motel tax funds were hit hardest in 2020 due to the pandemic. Recreation fund revenues decreased \$2.4 million to about \$1.5 million, about a 60% decrease. Hotel motel tax fund revenues decreased \$3.8 million to about \$1.1 million, about a 77% decrease. However, expenditure savings in the hotel motel tax fund were about \$2.8 million, a decrease of about 60% from 2019, to help offset the revenue loss. Additionally, the city in 2020 sold property for \$3.2 million and received \$2.6 million in CARES Act funding to help offset revenue losses.

CREDIT PROFILE

Dublin benefits from a well-diversified economy, anchored by financial services, telecommunications, and healthcare. Key employers include Cardinal Health, Inc. and OhioHealth Corporation. The highly educated population base has 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. Assessed valuation has grown moderately due to property value appreciation and new construction. There are currently many economic development projects throughout the city in various stages of development bringing a new hospital, residential sites, office buildings, and jobs.

Revenue Framework

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

Fitch expects revenue growth will be solid going forward absent changes in the income tax rate, above the level of inflation. General fund revenue decreased about 2.4% for 2020 as a result of the pandemic. Income tax revenues decreased 1.2% in 2020; however, income tax collections year-to-date through July 25th are up 12.0% in fiscal 2021. The growing population also reinforces Fitch's expectations for future solid 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 \$26 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. 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, fleet management and other facilities-related expenses. Recreational spending comprises an additional 17% 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 currently in the negotiation process. The contracts generally call for salary increases between 2.0% and 2.75% annually over the next several years.

The city has solid flexibility to adjust its main expenditure items. Carrying costs in 2020 for debt, pension, and OPEB equaled about 17% 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 outside of an economic downturn, 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 approximately 9% of personal income, inclusive of the current sale. Approximately 46% of the burden is direct debt, with overlapping debt equaling about 31%. The city may issue an additional \$5.3 million for the Riverside Crossing Park, to be repaid through income taxes and/or TIF service payment revenues if they become available. According to management, this debt would not be issued until about 2025. Given the growth in personal income and minimal debt plans, Fitch believes the long-term liability burden will remain in the 'aaa' category.

The current sale consists of refunding bonds as well as a small portion of new money: \$14.73 million of the current issuance will be used to current refund a portion of the city's outstanding GO debt and \$1.5 million will be used to improve the municipal sanitary sewer system by extending certain sewer lines, repairing and lining certain existing sewer lines, and installing associated manholes and service laterals.

Dublin provides pension benefits and 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

79% as of (Dec. 31, 2019). Using Fitch's more conservative 6% rate of return, the estimated ratio is 68%.

Operating Performance

The city exhibits the highest-level gap-closing ability and is expected to maintain strong financial flexibility through periods of 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 reserve cushion sufficient to mitigate the relatively low expected revenue volatility. Fitch believes the city is well positioned to manage through the current and future periods of economic uncertainty.

The general fund reserve policy requires that unrestricted balances are maintained at a minimum 50% of expenditures and transfers out. 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.

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

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit

www.fitchratings.com/esg.

RATING ACTIONS

ENTITY/DEBT

RATING

PRIOR

ENTITY/DEBT	RATING			PRIOR
Dublin (OH) [General Government]	LT IDR	AAA Rating Outlook Stable	Affirmed	AAA Rating Outlook Stable
● Dublin (OH) /General Obligation - Limited Tax/1 LT	LT	AAA Rating Outlook Stable	Affirmed	AAA Rating Outlook Stable

[VIEW ADDITIONAL RATING DETAILS](#)

FITCH RATINGS ANALYSTS

Brittany Pulley

Associate Director

Primary Rating Analyst

+1 512 215 3723

brittany.pulley@fitchratings.com

Fitch Ratings, Inc.

2600 Via Fortuna, Suite 330 Austin, TX 78746

Matthew Wong

Director

Secondary Rating Analyst

+1 212 908 0548

matthew.wong@fitchratings.com

Steve Murray

Senior Director

Committee Chairperson

+1 512 215 3729

steve.murray@fitchratings.com

MEDIA CONTACTS

Sandro Scenga

New York

+1 212 908 0278

sandro.scenga@thefitchgroup.com

Additional information is available on www.fitchratings.com

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APPLICABLE CRITERIA

[U.S. Public Finance Tax-Supported Rating Criteria \(pub. 04 May 2021\) \(including rating assumption sensitivity\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

FAST Econometric API - Fitch Analytical Stress Test Model, v3.0.0 (1)

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Dublin (OH)

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