

**Summary:**

## Whitehall, Ohio; General Obligation

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### Table Of Contents

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Rationale

Outlook

Related Research

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### Credit Profile

US\$5.0 mil GO (ltd tax) recreational facs imp bnds ser 2019 due 12/01/2039

*Long Term Rating*

AA-/Stable

New

## Rationale

S&P Global Ratings assigned its 'AA-' long-term rating to the city of Whitehall, Ohio's series 2019 limited-tax general obligation (GO) recreational facilities improvement bonds. The outlook is stable.

Whitehall is a Columbus-area suburb that has benefitted in recent years from ongoing growth within the city, which has resulted in continual increases in income tax revenue, the city's primary operating revenue. After adjusting for one-time expenses, the city has consistently reported at least balanced operating results in recent years, however, it has utilized a portion of available reserves recently for one-time capital expenditures. The city is home to a sizable military installation, which, in conjunction with its participation in the greater Columbus economy, provides additional rating stability.

The 'AA-' rating on the series 2019 limited-tax GO bonds reflects a pledge of the city's full faith and credit and an agreement to levy ad valorem property taxes within the 10-mill limitation. We rate the limited-tax GO debt at the same level as our view of the city's general creditworthiness, given that ad valorem taxes are collected from the city's entire tax base and because of a lack of limitations on the fungibility of resources available for debt service. Bond proceeds will be used for improvement and construction projects associated with and expansion of the city's municipal recreation facilities.

The 'AA-' ratings reflect our view of the city's:

- Adequate economy, with projected per capita effective buying income at 67.5% and market value per capita of \$37,186, that is gaining advantage from access to a broad and diverse metropolitan statistical area (MSA) and a local stabilizing institutional influence;
- Adequate management, with standard financial policies and practices under our Financial Management Assessment methodology;
- Strong budgetary performance, with a slight operating surplus in the general fund and an operating surplus at the total governmental fund level in fiscal 2017;
- Strong budgetary flexibility, with an available fund balance that we expect will decrease in the near term from its fiscal 2017 level of 33% of operating expenditures;
- Very strong liquidity, with total government available cash at 58.6% of total governmental fund expenditures and 17.6x governmental debt service, and access to external liquidity we consider strong; Adequate debt and contingent liability position, with debt service carrying charges at 3.3% of expenditures and net direct debt that is 47.1% of total

governmental fund revenue, but a large pension and other postemployment benefit (OPEB) obligation; and

- Strong institutional framework score.

### **Adequate economy**

We consider Whitehall's economy adequate. The city, with an estimated population of 19,011, is located in Franklin County in the Columbus, OH MSA, which we consider to be broad and diverse. The city also benefits, in our view, from a stabilizing institutional influence. The city has a projected per capita effective buying income of 67.5% of the national level and per capita market value of \$37,186. Overall, the city's market value was stable over the past year at \$706.9 million in 2019. The county unemployment rate was 3.8% in 2018.

The primarily residential city is located approximately seven miles east of downtown Columbus, where residents benefit from the employment opportunities afforded by their participation in the greater Columbus-area economy. The city encompasses approximately five square miles, of which nearly 20% of its land is occupied by the Defense Supply Center Columbus (DSCC). DSCC is a United States military installation site, which comprises major tenants including the Defense Logistics Agency (4,000 employees), the Defense Finance & Accounting Services (2,600), and the Department of Veterans Affairs (350). With over 8,000 employees, DSCC is the city's top employer and it has been part of the city since its opening in 1918. The city's assessed value (AV) had increased in recent years, including a 12.15% increase in 2018 as a result of the county's sexennial reappraisal. Management expects AV values will grow in future years as a result of significant ongoing development, including residential and commercial, which we view as likely.

### **Adequate management**

We view the city's management as adequate, with standard financial policies and practices under our Financial Management Assessment methodology, indicating the finance department maintains adequate policies in some but not all key areas.

Highlights include:

- Strong revenue and expenditure assumptions, with the use of five years of history and outside sources when forecasting trends;
- Monthly budget-to-actual reporting to the council with the ability to amend the budget;
- No long-term or comprehensive financial forecast beyond the budgeted year;
- Longer-term capital planning discussions, and a formal five-year capital plan that is updated every couple years as needed;
- Formal investment management policy with holdings and earnings reported to the council monthly;
- No formal debt management policy beyond state limitations; and
- Informal target of maintaining at least \$4 million in general fund cash balances as sufficient for cash-flow needs and as a sufficient cushion for any unforeseen budgetary pressures; the city expects to be below this target at the end of 2019 as a result of one-time capital spending.

### **Strong budgetary performance**

Whitehall's budgetary performance is strong in our opinion. The city had slight surplus operating results in the general fund of 1.1% of expenditures, and surplus results across all governmental funds of 12.5% in fiscal 2017.

We expect that the city's budgetary performance will remain strong over the next two years. Ohio cities are primarily dependent on income tax receipts for operations. Income tax receipts represented 87.2% of Whitehall's general fund revenue in fiscal 2018. The city's income tax receipts have grown in recent years, increasing by 6.8% in 2018 over the prior year's revenue. Due in part to increases in income tax receipts, in conjunction with increases in gas tax and license fee revenue, the city expects to report at least balanced operating results in fiscal 2019 and fiscal 2020. Gas tax revenue are expected to increase by approximately \$350,000, equivalent to approximately 1.2% of operating revenue, and will supplement expenses that were previously paid from the city's general fund. In fiscal 2018, the city's positive operating result is after adjusting for one-time expenditures, including \$2.0 million spent for the city's YMCA project, and \$1.4 million of one-time expenditures for the city's Norton Crossing project. We expect that the city will benefit from the additional gas tax and license fee revenue and that management will make the necessary budgetary adjustments to maintain at least strong operating performance.

### **Strong budgetary flexibility**

At the end of 2017, Whitehall's budgetary flexibility was strong, in our view, with an available fund balance level of 33% of operating expenditures, or \$9.4 million. In 2018, the city expects to report an available fund balance of \$4.6 million, equivalent to approximately 14.5% of adjusted operating expenditures, a level that we consider strong.

We expect that the city's budgetary flexibility will remain at least strong over the next couple years. As a result of ongoing economic development and associated growth in income tax revenue, the city expects to report at least balanced operating results in future years, which we view as likely. Additionally, management does not currently have any plans to significantly spend down its level of available reserves and expects to add to available fund balance in future years, which we view as likely.

### **Very strong liquidity**

In our opinion, Whitehall's liquidity is very strong, with total government available cash at 58.6% of total governmental fund expenditures and 17.6x governmental debt service in 2017. In our view, the city has strong access to external liquidity, if necessary.

We expect that the city's liquidity will remain very strong over the next two years. Based on debt issuances over the past 15 years, we believe that the issuer has strong access to capital markets to provide for liquidity needs, if necessary. The city's holdings are primarily in checking and savings accounts or liquid investments, which we do not deem to be aggressive. The city has consistently had very strong liquidity, which we expect it will maintain.

### **Adequate debt and contingent liability profile**

In our view, Whitehall's debt and contingent liability profile is strong. Total governmental fund debt service is 3.3% of total governmental fund expenditures, and net direct debt is 47.1% of total governmental fund revenue.

We understand that the city does not currently have any plans to issue additional debt. The city maintains several series of privately placed obligations, including its series 2014 GO bonds, 2015 GO bonds, as well as its 2015 Franklin

County Infrastructure Bank Loan, to which the city has pledged its full faith and credit:

- The city's \$1.475 million series 2014 GO bonds were placed with JPMorgan Chase Bank in September 2014: \$1.020 million remains outstanding and the bonds will mature in 2030.
- The city's \$2.50 million series 2015 GO bonds were placed with Branch Banking & Trust Company in July 2015: \$2.03 million remains outstanding and the bonds will mature in 2030.
- The city's \$550,000 series 2015 Franklin County Infrastructure Bank Loan was entered into in October 2015: \$406,000 remains outstanding on the loan and will mature in 2025.

We recognize that none of the three privately placed agreements contains any events of default or covenant violations that we deem nonstandard pursuant to our contingent liquidity criteria.

In our opinion, a credit weakness is Whitehall's large pension and OPEB obligation. Whitehall's combined required pension and actual OPEB contributions totaled 9.6% of total governmental fund expenditures in 2018. The city made its full annual required pension contribution in 2018. The funded ratio of the largest pension plan is 70.9%. The city participates in the Ohio Public Employees Retirement System (OPERS) for pension and OPEBs. OPERS administers three separate pension plans: traditional, combined, and member-directed. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. On an accrual basis, the city annually pays 100% of its annual determined contribution (ADC) for these plans and has done so for the past three years.

The funded status for the OPERS traditional plan decreased to 77.25% from 81.00% for the Dec. 31, 2017, valuation versus the 2016 valuation. The city's proportion of the net pension liability for OPERS traditional plan was 0.034% for fiscal 2017 with the proportionate share of the net pension liability being \$7.6 million for 2017. The city also participates in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. The funded status for the OP&F plan rose slightly to 68.4% from 66.7% for the Dec. 31, 2017, valuation versus the 2016 valuation. The city's proportion of the net pension liability for OPERS traditional plan was 0.409% for fiscal 2017 with the proportionate share of the net pension liability being \$25.8 million for 2017. As per for the OPEB liability, the city has contributed its ADC in both plans for at least the past three years. The OPEB is included in the city's required contributions for each plan. In our opinion, the OP&F plan has some outdated assumptions and once addressed could potentially put pressure on the city's budget. We will continue to monitor the overall pension and OPEB liability and do not feel that it will be a budgetary pressure during our two-year outlook period.

### **Strong institutional framework**

The institutional framework score for Ohio cities is strong.

## **Outlook**

The stable outlook reflects our opinion that the city will continue to make the necessary adjustments to sustain its strong budgetary performance as well as at least strong budgetary flexibility on a GAAP basis. As a result, we do not expect the rating to change during the two-year outlook horizon.

### Downside scenario

We could lower the rating if capital spending, growth pressures, or another budgetary pressure result in a material decrease in the city's currently strong level of available reserves.

### Upside scenario

If the city increases and maintains reserves as a higher level, in conjunction with improvements in its economic indicators, assuming no deterioration in other ratings factors, we could raise the rating.

## Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Alternative Financing: Disclosure Is Critical To Credit Analysis In Public Finance, Feb. 18, 2014
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015
- 2018 Update Of Institutional Framework For U.S. Local Governments

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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