

RatingsDirect®

Summary:

Worthington, Ohio; General Obligation

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Credit Profile

US\$4.4 mil various purp bnds (GO-ltd tax) ser 2023 due 12/01/2043

Long Term Rating AAA/Stable New

Worthington various purpose bnds (GO - ltd tax) ser 2021 due 12/01/2041

Long Term Rating AAA/Stable Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AAA' long-term rating to Worthington, Ohio's 2023 limited-tax general obligation (GO) various purpose bonds, with a preliminary par amount of \$4.4 million.
- At the same time, S&P Global Ratings affirmed its 'AAA' long-term rating on the city's GO bonds outstanding.
- 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 series 2023 GO bonds. The city's charter further limits its rate to eight mills. Nonetheless, we rate the city's limited-tax GO debt at the same level as our view of its general creditworthiness given the full-faith-and-credit pledge and the flexibility of the city's general resources to pay debt service.

The city anticipates using income tax revenue allocated to its capital improvement fund (20% of income tax receipts per city policy) to finance debt service on the 2023 bonds, limiting the impact on the operating budget and preserving property taxing flexibility. We believe the city maintains sufficient flexibility within its statutory property tax rate limit to support debt service, if need be.

The 2023 GO bond proceeds will finance various capital improvement projects.

Credit overview

Worthington's credit quality is supported by its robust economic profile, with comparatively high incomes and wealth levels, diverse employment base, inclusion within the Columbus metro area, and proximity to The Ohio State University. A growing tax base and adherence to comprehensive financial management practices have contributed to a very strong financial profile, including stable operating performance, high reserves, and a manageable debt and retirement liability position. The city depends on economically sensitive income taxes for the majority of operating revenue, and collections have grown steadily the past several years in line with wage growth. Nonetheless, the 'AAA' rating incorporates our view that the city's financial resiliency and proactive budgetary management would persist under more general economic declines.

The 'AAA' long-term rating further reflects our view of the city's:

- Central location within the rapidly growing Columbus metropolitan statistical area and proximity to the area's major interstates, supporting ongoing economic development and a diverse array of employment opportunities within the city itself. The city's comparatively large commercial footprint, consisting of several corporate office parks and upscale retail centers, including its historic downtown, brings its daytime population to nearly 35,000.
- History of positive operating results stretching back to 2010, driven by strong revenue growth, proactive expenditure management, and conservative budgeting practices. Unaudited fiscal 2022 results point to another general fund surplus and addition to reserves. Similar to past budgets, fiscal 2023 includes a \$2.9 million use of reserves, though we anticipate that positive variances will lead to balanced results.
- Five-year general fund forecast highlighting balance, on average, through fiscal 2027, with revenue growth in line with recent trends. A projected economic slowdown may contrast with assumptions, but the city's track record of maintaining structural balance and proactive budgetary management leads us to anticipate that its financial position will remain very strong.
- Supportive management and administration, with strong financial policies and practices under our financial management assessment methodology, and a strong institutional framework for Ohio local governments
- Comparatively low debt burden, even considering plans to issue \$13.9 million in additional debt over the next five years. The city's unfunded retirement liabilities are moderate and contain some actuarial assumptions we consider permissive, though costs are manageable and escalation risks are limited given statutorily based funding.

Environmental, social, and governance

We view the city's partial reliance on income taxes from commuters as an emerging social risk given that the pandemic has accelerated remote working trends. Over time, should withholding taxes from commuters fall in a manner that offsets potential increases in collections from city residents who have the opportunity to work remotely, the city may face budgetary pressures. Environmental and governance factors are neutral considerations, in our opinion.

Outlook

The stable outlook reflects our view that the city's economic and financial strengths will persist and be able to weather a projected economic slowdown.

Downside scenario

All else equal, we could consider a lower rating if the city realizes an ongoing period of structural imbalance leading to material declines in available reserves.

Ratings above the sovereign

The city GO rating is eligible to be higher than the sovereign rating because we believe the city can maintain positive credit characteristics relative to the U.S. sovereign in a stress scenario. Under our criteria "Ratings Above the Sovereign: Corporate and Government Ratings--Methodologies and Assumptions," published Nov. 19, 2013, on RatingsDirect, the city has predominantly locally derived revenue with independent taxing authority and independent treasury management from the federal government.

Worthington key credit metrics

	Most recent	Historical information		
		2021	2020	2019
Very strong economy				
Projected per capita EBI as % of U.S.	156			
Market value per capita (\$)	146,392			
Population		14,898	14,900	14,804
County unemployment rate (%)	3.4	5.0	7.6	3.6
Market value (\$000s)	2,180,954	2,156,086		
Ten largest taxpayers as % of taxable value	6.2			
Strong budgetary performance				
Operating fund result as % of expenditures		9.9	8.9	5.4
Total governmental funds result as % of expenditures		6.9	6.7	0.5
Very strong budgetary flexibility				
Available reserves as % of operating expenditures		77.0	72.1	61.8
Total available reserves (\$000s)		22,303	20,050	17,601
Very strong liquidity				
Total government cash as % of governmental funds expenditures		77	87	74
Total government cash as % of governmental funds debt service		1,781	2,241	1,941
Very strong management				
Financial management assessment	Strong			
Strong debt and long-term liabilities				
Debt service as % of governmental funds expenditures		4.3	3.9	3.8
Net direct debt as % of governmental funds revenue	41			
Overall net debt as % of market value	5.9			
Direct debt 10-year amortization (%)	56			
Required pension contribution as % of governmental funds expenditures		6.2		
OPEB actual contribution as % of governmental funds expenditures		0.1		
Strong institutional framework				

Note: Data points and ratios may reflect analytical adjustments. 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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