S&P Global
Ratings

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Summary:
Dublin City School District, Ohio; General Obligation

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Credit Profile		
US$95.0 mil sch fac bnds (GO-unltd tax) ser 2024 due 12/01/2053		
Long Term Rating	AAA/Stable	New
Dublin City Sch Dist GO		
Long Term Rating	AAA/Stable	Affirmed
Dublin City Sch Dist GO		
Long Term Rating	AAA/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AAA' long-term rating to Dublin City School District, Ohio's $95 million series 2024 unlimited-tax general obligation (GO) school facilities bonds.
- At the same time, S&P Global Ratings affirmed its 'AAA' long-term rating on the district's previously issued GO debt.
- The outlook is stable.

Security

The 2024 bonds are secured by the district's full faith, credit, and resources, and revenue from ad valorem property taxes without limit to rate or amount following a voter-approved levy in November 2023 that received 50.5% support. This is the first issuance of $145 million in authorized debt from the ballot initiative. Series 2024 bond proceeds will be used to construct a new elementary building as well as numerous improvement and expansion projects at other school facilities.

Some of the district's debt outstanding is backed by the full faith, credit, and resources but with revenue from ad valorem property taxes within the state's 10-mill limitation. We rate the limited-tax GO debt at the same level as our view of the district's general creditworthiness, as reflected by the district's unlimited-tax GO pledge.

Dublin City School District's GO bonds outstanding are eligible to be rated above the sovereign because we believe the district can maintain better credit characteristics than the U.S. in a stress scenario. Under our criteria "Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions," published Nov. 19, 2013, on RatingsDirect, the district has a predominantly locally derived revenue source, independent taxing authority, and independent treasury management from the federal government.

Credit overview

In our view, the district's status as a desirable suburb within the fast-growing Columbus metropolitan area, with correspondingly strong incomes and market values, remains a key credit strength along with ample reserves and well-engrained management practices. This desirability, along with a strong academic reputation, is expected to continue substantiating enrollment growth. Given that the district is more reliant on property taxes than on per pupil state aid, we believe that successful management of the levy cycle, which includes gaining voter support for new levies as well as the continued use of long-term planning, is vital for the district to manage growth pressures. The debt burden, notably on a per capita basis, is exacerbated somewhat with this issuance and remaining authorization included, though we believe tax base growth can absorb the debt without material impacts to its credit quality. The stable outlook reflects our expectation that the district will maintain healthy operations by making the adjustments it deems necessary as facility demands continue to grow.

The 'AAA' rating further reflects our view of the district's:

- Large and diverse tax base with a mixture of residential and commercial properties, with significant growth underscored by an over 26% increase in assessed value (to $5.5 billion in 2024) as a result of the district's sexennial reappraisal;
- Maintenance of both a large nominal and proportionate reserve and liquidity position, which we anticipate will be sustained considering recent voter-approved property tax levy and growing enrollment;
- Good financial policies and strong voter support, which is crucial given its reliance on the levy cycle; and
- Moderate overall debt burden, supported by ongoing tax base growth, and manageable pension liabilities.

Environmental, social, and governance

We view the district's environmental, social, and governance factors relative to its economy, management, financial measures, and debt and liability profile as neutral within our credit analysis.

Outlook

The stable outlook reflects our view of the district's robust reserve and liquidity position, growing economy, and prudent fiscal planning that we anticipate, combined with successful levy cycle management, will sustain a healthy operating trajectory.

Downside scenario

We could lower the rating if the district is unable to successfully manage enrollment pressures or the levy cycle, leading to a significant reduction in reserves.

Credit Opinion

Wealthy suburb of Columbus experiencing continued residential and commercial growth

Dublin City School District, situated 16 miles northwest of Columbus, covers 49 square miles within Delaware, Franklin, and Union counties. Since it became a city in 1987, Dublin has seen significant population growth, making it the second-largest city in Franklin County. In addition to a strong residential base, the city has developed a large commercial and industrial base with more than 3,000 businesses. The city's largest business sectors include information technology, biomedical, and health care services, as well as business support services. Dublin is also home to various corporate headquarters, including Cardinal Health and The Wendy's Co. District residents have extensive job opportunities throughout an expanding employment base, both in Dublin and the Columbus metropolitan area. S&P Global Ratings' baseline forecast continues to project a growth slowdown, partly reflecting real interest rates remaining comparatively higher for the year, leading to higher costs of capital for businesses that result in slower hiring and increasing capital expenditures. Additionally, while consumer spending has proven resilient, it is expected to moderate and align with real income growth. (For additional information, see "Economic Outlook U.S. Q1 2024: Cooling Off But Not Breaking," published Nov. 27, 2023, on RatingsDirect.)

Good voter support and financial management bolster strong financial position amid growing enrollment

State-shared revenue, which is partly based on enrollment, accounted for only about 15% of general fund revenue in 2023. Enrollment continues to grow (even without participation in the state's open enrollment program) and, with the help of third-party projections, officials estimate that the student base will increase by 3,475 students over the next 10 years. Such demand is necessitating ongoing expansion and capacity management initiatives. Enrollment growth projections account for both current residential developments and a large amount of future developable land, which is primarily concentrated in the northwest corner of the district.

Property taxes are the district's largest revenue source, at nearly 80% of 2023 revenue. The fiscal 2023 deficit reflects the downward side of the levy cycle, though reserves remain robust at over $160 million, or about 62% of expenditures, on a modified-cash basis. A large portion of school property tax levies in Ohio are based on a revenue level that doesn't fluctuate with changes in assessed value. This creates what is known as the levy cycle, whereby districts must often seek voter approval for new levies as revenue becomes insufficient to match rising costs. Therefore, voter support is usually a key factor in the maintenance of strong district finances. The passage of an operating levy in November 2023 will allow the district to manage enrollment growth and facility costs by shoring up revenue.

Looking ahead to fiscal 2024 and beyond, considering the recent levy passage, the district's finances will continue to be guided by property tax growth as well as prudent fiscal oversight, which includes management of staffing levels. Officials had a staffing audit performed, which helps to inform the most cost-effective decisions and guide projections from a staffing standpoint, as it has identified approximately $18 million in savings through 2028. The district's five-year forecast conservatively depicts deficit operations through most of it, though cash balances remain healthy and positive throughout; that said, actual performance is likely to be stronger as a result of expense management and the likelihood of better-than-expected tax base growth.

Good financial management assessment

The district budget process includes a very detailed line-by-line analysis for each department and has many years of prior information with emphasis on the past three years. The district has consulted with outside sources to assist with enrollment, staffing, and facility needs. The budget can be amended as needed and the board receives a monthly budget to actual report. In accordance with state law, the district maintains a formal, five-year forecast, which is updated at least twice per year. In addition to a master facilities plan, the district has a capital maintenance plan that is tied to its permanent improvement levy and goes through 2030. The district has its own investment policy and reports on performance and holdings on a monthly basis. Officials lack a formal debt policy but adhere to state guidelines. The district does not have a formal reserve policy but informally targets to maintain at least one to two months of operating expenses. From a practical standpoint, the district does not plan to draw down reserves to this level, but rather uses it as a target in helping to determine when to approach voters for new levies or make expenditure reductions. The district has taken steps to mitigate cybersecurity risk, such as obtaining cyber insurance.

Moderate debt burden with capacity for additional debt

Including the series 2024 issuance, the total direct debt burden is about $314 million. The district also has approximately $15 million in bond anticipation notes due December 2024, though it may roll these over for up to several years before inevitably taking them out with bonds--there remains $35 million in authorized, but unissued, debt from the November 2023 ballot. Beyond this authorization, there are no concrete debt plans but future growth may necessitate additional issuance, at which point we will monitor the ramifications. Despite the per capita burden ticking up, we believe this tax base to be capable of absorbing this debt without deterioration to the overall credit profile.

The district's series 2021A and 2021B GO refunding bonds were privately placed with Key Government Finance Inc., but there are no permissive events of default or acceleration clauses.

Manageable pension and other postemployment benefits (OPEB) liabilities

Pension and OPEB costs are manageable, and a statutory funding framework and improvements in plan assets mitigate risks for unsustainable escalation.

Dublin City School District participated in the following plans as of June 30, 2023:

- Ohio State Teachers' Retirement System (STRS): 78.9% funded, with a proportionate share of the plan's net pension liability of $225.5 million
- Ohio State Employees Retirement System (SERS): 75.8% funded, with a proportionate share of the plan's net pension liability of $49.4 million
- OPEB (STRS): 230.7% funded, with a proportionate share of the plan's net OPEB asset of $26.3 million
- OPEB (SERS): 30.3% funded, with a proportionate share of the plan's net OPEB liability of $13.02 million

Amid strong investment performance, contributions for both plans have met or have nearly met our minimum funding progress metric, meaning the district has made progress at paying down its unfunded liability. This occurred despite the discount rate for both plans being reduced to 7%, increasing the present value of liabilities. We still consider the discount rate elevated, leading to the potential for contribution volatility. While it includes data from the prior valuation, the report "Pension Spotlight: Ohio," published Jan. 7, 2021, contains additional information on the state's pension and OPEB plans.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Ratings Detail (As Of January 29, 2024)		
Dublin City Sch Dist rfdg bnds (tax-exempt) (GO - unltd tax)		
Long Term Rating	AAA/Stable	Affirmed

Ratings Detail (As Of January 29, 2024) (cont.)		
Dublin City Sch Dist GO		
Long Term Rating	AAA/Stable	Affirmed