

ISSUER COMMENT

2 February 2017

RATING

General Obligation (or GO Related)¹

Aa1 No Outlook

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City of Gahanna, OH

Annual Comment on Gahanna

Issuer Profile

The City of Gahanna is located along the bank of the Big Walnut Creek in Franklin County in central Ohio, approximately five miles northeast of Columbus. Franklin County has a population of 1,231,393 and a population density of 2,314 people per square mile. The county's per capita personal income is \$45,158 (1st quartile) and the August 2016 unemployment rate was 3.9% (1st quartile).² The largest industry sectors that drive the local economy are health services, retail trade, and administrative/waste management services.

Credit Overview

The credit position for Gahanna is very strong, and its Aa1 rating is above the median rating of Aa3 for US cities. Notable credit factors include a robust financial position, and a sizable tax base with a strong socioeconomic profile. It also takes into account a somewhat elevated pension liability with a light debt burden.

Finances: The city has a very healthy financial position in relation to the assigned rating of Aa1. The available fund balance as a percent of operating revenues (100.6%) is far above the US median and saw an impressive increase between 2012 and 2015. Additionally, the net cash balance as a percent of revenues (96.8%) is far superior to other Moody's-rated cities nationwide.

Economy and Tax Base: The economy and tax base of Gahanna are strong when compared to its Aa1 rating. The median family income equals a significant 139.3% of the US level. In addition, the total full value (\$2.6 billion) is slightly above the US median. Lastly, the city's full value per capita (\$78,195) is consistent with other Moody's-rated cities nationwide and increased modestly from 2012 to 2015.

Debt and Pensions: The debt and pension liabilities of Gahanna are manageable in relation to the assigned rating of Aa1. The net direct debt to full value (0.9%) is under the US median. However, the Moody's-adjusted net pension liability to operating revenues (2.4x) is materially higher than the US median and rose slightly between 2012 and 2015.

Management and Governance: The ability to generate positive operating margins indicates strong financial management. Advantageously, on average, Gahanna's operations were positive while the tax base grew modestly.

Ohio cities have an institutional framework score ³ of "A," or moderate. The volatility of income taxes, typically the primary source of operating revenue, results in low revenue predictability. Cities also rely on voter-approved property taxes to support activities such as public safety and street maintenance. Cities have a moderate ability to raise revenues, as

voter authorization is necessary to raise income tax rates above 1%. Cities can also increase property tax rates above their charter caps with voter authorization. Expenditures mostly consist of personnel costs, which are moderately predictable. However, these costs tend to be impacted by labor agreements, resulting in moderate expenditure reduction ability.

Sector Trends - Ohio Cities

Ohio cities will generally benefit from a stable state economy, though cities with a high reliance on manufacturing employment may continue to lag the rest of the state. Modest growth or stability in employment will drive steady income tax revenue collection, and an improved housing market will support predictability of property taxes. Ohio cities remain exposed to high defined benefit pension liabilities of multiple cost-sharing retirement plans, despite recently legislated pension benefit reform. The relatively weak status of the pension plans raises the risk that the costs to local government employers could grow and pressure operating budgets.

Exhibit 1

Key Indicators^{4 5}

Gahanna, OH

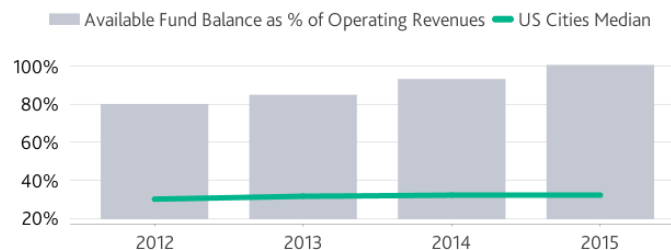
	2012	2013	2014	2015	US Median	Credit Trend
Economy / Tax Base						
Total Full Value	\$2,573M	\$2,573M	\$2,579M	\$2,609M	\$1,722M	Stable
Full Value Per Capita	\$77,152	\$76,651	\$76,343	\$78,195	\$85,195	Stable
Median Family Income (% of US Median)	137.1%	136.9%	139.3%	139.3%	115.2%	Stable
Finances						
Available Fund Balance as % of Operating Revenues	80.0%	84.9%	93.2%	100.6%	32.1%	Improved
Net Cash Balance as % of Operating Revenues	80.2%	82.3%	90.2%	96.8%	34.4%	Improved
Debt / Pensions						
Net Direct Debt / Full Value	0.73%	0.77%	0.73%	0.88%	1.2%	Stable
Net Direct Debt / Operating Revenues	0.85x	0.81x	0.75x	0.89x	0.94x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	1.9%	2.2%	2.4%	2.3%	1.7%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	2.21x	2.34x	2.51x	2.36x	1.35x	Stable

Source: Moody's

Exhibit 2

Available fund balance as a percent of operating revenues increased from 2012 to 2015

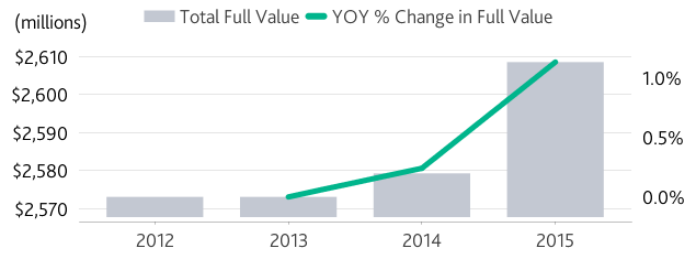
Available Fund Balance as a Percent of Operating Revenues



Source: Issuer financial statements; Moody's

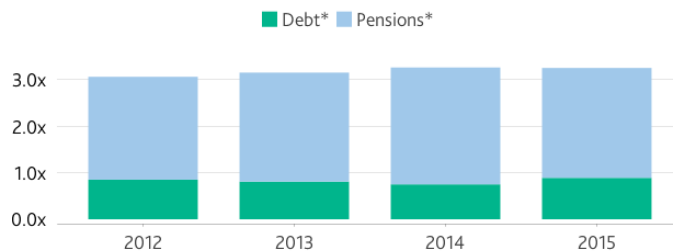
This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Exhibit 3

Full value of the property tax base grew between 2012 and 2015**Total Full Value**

Source: Issuer financial statements; Government data sources; Offering statements; Moody's

Exhibit 4

Moody's-adjusted net pension liability to operating revenues increased from 2012 to 2015**Net Direct Debt and Adjusted Net Pension Liability / Operating Revenues**

*Debt is represented as Net Direct Debt / Operating Revenues. Net Direct Debt is defined as gross debt minus self supporting debt. Pensions are represented as ANPL / Operating Revenues. ANPL is defined as the average of Moody's-adjusted Net Pension Liability in each of the past three years.

Source: Issuer financial statements; Government data sources; Offering statements; Moody's

Endnotes

- 1 The rating referenced in this report is the government's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally a security backed by the full faith and credit pledge and total taxing power of the local government. See [Local Government GO Pledges Vary Across States](#), for more details. GO-related ratings include issuer ratings, which are GO-equivalent ratings for governments that do not issue GO debt. GO-related ratings also include ratings on other securities that are notched or otherwise related to what the government's GO rating would be, such as annual appropriation, lease revenue, non-ad valorem, and moral obligation debt. The referenced ratings reflect the government's underlying credit quality without regard to state guarantee or enhancement programs or bond insurance.
- 2 The per capita personal income data and unemployment data for all counties in the US census are allocated to quartiles. The quartiles are ordered from strongest-to-weakest from a credit perspective: the highest per capita personal income quartile is first quartile, and the lowest unemployment rate is first quartile. The first quartile consists of the top 25% of observations in the dataset, the second quartile consists of the next 25%, and so on. The median per capita personal income for US counties is \$46,049 for 2014. The median unemployment rate for US counties is 4.9% for August 2016.
- 3 The institutional framework score measures a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. See [US Local Government General Obligation Debt \(January 2014\)](#) for more details.
- 4 For definitions of the metrics in the Key Indicators Table, [US Local Government General Obligation Methodology and Scorecard User Guide \(July 2014\)](#). The population figure used in the Full Value Per Capita ratio is the most recently available, most often sourced from either the US Census or the American Community Survey. Similarly, the Median Family Income data reported as of 2012 and later is always the most recently available data and is sourced from the American Community Survey. The Median Family Income data prior to 2012 is sourced from the 2010 US Census. The Full Value figure used in the Net Direct Debt and Moody's-adjusted Net Pension Liability (3-year average ANPL) ratios is matched to the same year as audited financial data, or if not available, lags by one or two years. Certain state-specific rules also apply to Full Value. For example, in California and Washington, assessed value is the best available proxy for Full Value. Certain state specific rules also apply to individual data points and ratios. Moody's makes adjustments to New Jersey local governments' reported financial statements to make it more comparable to GAAP. Additionally, Moody's ANPLs reflect analyst adjustments, if any, for pension contribution support from non-operating funds and self-supporting enterprises. Many local government pension liabilities are associated with its participation in the statewide multiple-employer cost-sharing plans. Metrics represented as N/A indicate the data were not available at the time of publication.
- 5 The medians come from our most recently published local government medians report, [Medians – Growing Tax Bases and Stable Fund Balances Support Sector's Stability \(March 2016\)](#). The medians conform to our US Local Government General Obligation Debt rating methodology published in January 2014. As such, the medians presented here are based on the key metrics outlined in the methodology and the associated scorecard. The appendix of this report provides additional metrics broken out by sector, rating category, and population. We use data from a variety of sources to calculate the medians, many of which have differing reporting schedules. Whenever possible, we calculated these medians using available data for fiscal year 2014. However, there are some exceptions. Population data is based on the 2010 Census and Median Family Income is derived from the 2012 American Community Survey. Medians for some rating levels are based on relatively small sample sizes. These medians, therefore, may be subject to potentially substantial year-over-year variation. Our ratings reflect our forward looking opinion derived from forecasts of financial performance and qualitative factors, as opposed to strictly historical quantitative data used for the medians. Our expectation of future performance combined with the relative importance of certain metrics on individual local government ratings account for the range of values that can be found within each rating category. Median data for prior years published in this report may not match last year's publication due to data refinement and changes in the sample sets used, as well as rating changes, initial ratings, and rating withdrawals.

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