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CREDIT OPINION
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New Issue

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Delaware (County of) OH

New Issue: Moody's Upgrades Delaware County, OH's GO to Aaa; Outlook Stable

Summary Rating Rationale

Moody's Investors Service has upgraded Delaware County, OH's general obligation unlimited tax (GOULT) and general obligation limited tax (GOLT) debt to Aaa from Aa1. Concurrently, Moody's has assigned a Aaa to the county's $35.6 million GOLT Various Purpose Improvement and Refunding Bonds, Series 2016. Post-sale the county will have $7.1 million of outstanding GOULT bonds and $54 million of outstanding GOLT bonds. The outlook is stable.

The upgrade to Aaa reflects the county's sizable tax base and growing economy located near the City of Columbus (Aaa stable); strong resident income profile; healthy financial position; moderate debt burden; and moderate exposure to unfunded pension liabilities of statewide, cost-sharing retirement plans.

The lack of distinction between the GOULT and GOLT ratings is based upon the state requirement that Ohio local governments use all available revenues, including available property tax millage currently assigned to operations of their own or overlapping entities under the ten mill limitation statutory code, for the payment of debt service prior to any other uses.

Credit Strengths

- Large tax base with a very strong demographic profile supported by proximity to Columbus
- Expected maintenance of a healthy financial position given solid revenue growth
- Strong financial management practices, including multi-year forecasting and capital planning

Credit Challenges

- Economically sensitive sales taxes comprise close to 50% of the county's core operating revenue
- Moderate exposure to unfunded defined benefit pension liabilities of cost-sharing retirement systems

Rating Outlook

The stable outlook reflects our expectation of continued strong growth in both tax base valuation and sales tax revenue due to sizable upcoming commercial developments. Additionally, we expect that the county's healthy financial profile will be maintained given planned formalization of reserve and debt policies as well as monthly financial reporting.

Factors that Could Lead to a Downgrade

» Weakening of the county's economic profile, as indicated by growing unemployment, depressed socioeconomic indices, or tax base depreciation

» Material declines in available financial reserves

» Growth in the county's debt and/or pension burden

Key Indicators

Exhibit 1

Delaware (County of) OH	2010	2011	2012	2013	2014
Economy/Tax Base					
Total Full Value ($000)	$ 17,906,564	$ 17,980,403	$ 17,224,499	$ 17,350,591	$ 17,571,388
Full Value Per Capita	$ 102,785	$ 105,432	$ 98,734	$ 97,399	$ 96,641
Median Family Income (% of US Median)	161.5%	161.3%	161.9%	160.0%	163.2%
Finances					
Operating Revenue ($000)	$ 97,427	$ 100,081	$ 102,470	$ 108,055	$ 115,495
Fund Balance as a % of Revenues	31.6%	38.0%	41.8%	40.4%	46.5%
Cash Balance as a % of Revenues	26.2%	32.5%	35.3%	35.5%	42.5%
Debt/Pensions					
Net Direct Debt ($000)	$ 42,580	$ 39,322	$ 35,973	$ 32,406	$ 29,568
Net Direct Debt / Operating Revenues (x)	0.4x	0.4x	0.4x	0.3x	0.3x
Net Direct Debt / Full Value (%)	0.2%	0.2%	0.2%	0.2%	0.2%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	N/A	N/A	1.7x	2.1x	2.2x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	N/A	N/A	1.0%	1.3%	1.4%

The above table does not include the most recent sale or valuation data. Total Full Value increased to $19.7 billion in 2016. Post sale, the county will have $100.9 million in net direct debt outstanding, equal to 0.5% of full value and 0.9 times operating revenue.
Source: Moody's Investors Service, Audited Financial Results, US Census Bureau

Recent Developments

Since our last report on June 02, 2015, the county's tax base has continued to grow, increasing to $19.7 billion from $18.9 billion. The county also concluded fiscal 2015, although audited financial results are not yet available.

Detailed Rating Considerations

Economy and Tax Base: Affluent Tax Base Near Columbus Shows Strong Growth Prospects

We anticipate continued economic and tax base growth within the county given its close ties to the expanding Columbus metropolitan area. The county's tax base has grown significantly over the last decade, with full value increasing by nearly $3 billion in ten years to $19.7 billion in 2016. The tax base had only a single year of decline, 4% in 2012, which was reflective of some residential depreciation during the recession. Over the past five years, including the single year of 4% decline, the county's tax base has grown at an average annual rate of 1.5%.

Both commercial and residential development are ongoing within the county. A new Simon-Tanger outlet mall is under construction and expected to open in June, and an IKEA store, only the second in the state, is expected to open in summer of 2017. Between the mall and the IKEA store, the county is projecting $2.8 million of additional sales tax revenue annually. Delaware County's population increased by 58% between 2000 and 2010 and has more than tripled since 1980. Based on the American Community Survey (ACS) data, the county's population was 181,821 in 2014. The Delaware County Regional Planning Commission estimates that the population will grow to 244,000 by 2030.

Median family income in the county is a very strong 163% of the U.S. according to the 2014 ACS estimates. The unemployment rate in Delaware County was a low 3.8% as of February 2016. The county's labor force and total employment level have grown 10% and 14%, respectively, since 2010. Large employers in the county include JP Morgan Chase and Co. (A3 stable), Kroger Co. (Baa2 stable) and the Olentangy Local School District (Aa1).

Financial Operations and Reserves: Strong Sales Tax Revenue Growth Supports Healthy Reserves Despite Some Planned Draws in 2016

We expect the county will maintain a healthy financial position going forward, in part due to the positive impact that the expanding local economy will have on sales tax collections. Sales taxes annually comprise between 55% and 60% of total General Fund revenue and between 40% and 45% of core operating fund revenue, which, in addition to the General Fund, we consider to include the county's major human services funds (Development Disabilities, Job & Family Services, and Children Services funds), other public safety funds, and debt service funds. While other revenue sources have remained fairly flat, growth in sales taxes supported four consecutive operating surpluses through fiscal 2014. The county closed that year with a strong $8.7 million increase in the General Fund bringing the available fund balance to $43.4 million (an ample 52.1% of revenue) and a core operating fund balance of $53.7 million (46.5% of revenue).

While audited information is not yet available for fiscal 2015, county management reports that, on a budget basis, the General Fund closed the year with an $1 million operating surplus, bringing the budgetary-basis fund balance to $32.4 million, or 38% of receipts. For fiscal 2016 the county has budgeted to use of $10.5 million of General Fund reserves for one-time expenses. The county is providing $8 million for infrastructure improvements associated a new Simon-Tanger outlet mall and a total of $10 million of cash will be put toward the county courthouse project. On a budget basis, management projects closing the current year with a General Fund cash balance of $22.4 million (inclusive of a $5 million budget stabilization fund). This balance would be equivalent to 26% of budgeted receipts.

LIQUIDITY

The county closed fiscal 2014 with an audited $49.1 million of available cash and investments across major operating funds. This was equivalent to a healthy 42.5% of operating revenue. Across all governmental funds, the county closed fiscal 2013 with a net cash balance of $102.3 million, or a substantial 76.6% of total governmental revenue. Approximately $29 million of total governmental cash was held in the county's Auto and Gas Fund in fiscal 2014, the reserves of which are statutorily restricted for improvement and maintenance of roads, bridges and ditches.

Debt and Pensions: Low Debt Burden and Manageable Exposure to Unfunded Pension Liabilities

DEBT STRUCTURE

Inclusive of the current offering, the county's net direct debt burden is a low 0.5% of full valuation and 0.9 times fiscal 2014 operating revenue. The county's overall debt burden is an above average 3.3% of full valuation, with the majority of overlapping debt having been issued by the Olentangy Local School District. In fiscal 2014, debt service was equivalent to 4% of annual operating revenue, and total fixed costs, including debt service, pension, and other post-employment benefit payments, were $12.4 million or a very manageable 10.7% of operating revenue. The county has no near term debt plans, but it may consider issuing debt for a second phase of the courthouse project; however, it is unlikely that any firm plans will be made until the current courthouse project has been completed, which should be by the end of 2017.

DEBT-RELATED DERIVATIVES

Post-sale, the county will have $7.1 million of GOULT bonds and $54.0 million of GOLT bonds. The county also has $39.3 million of sales tax revenue debt that is rated Aa1 stable. Amortization of the county's post-sale combined GO and sales tax debt is slower than average with 54% of principal retired within ten years. All debt of the county is long-term, fixed rate, amortizing bonds.

PENSIONS AND OPEB

We calculate an average pension burden for Delaware County based on its participation in two defined benefit cost-sharing plans. County employees are primarily members of the Ohio Public Employees Retirement System (OPERS) while a very small number have participated in the State Teachers Retirement System of Ohio (STRS) in prior years. In fiscal 2014 none of the county's employees participated in STRS. The county's three-year average Moody's adjusted net pension liability (ANPL) through fiscal 2014 is $253.9 million, equivalent to a moderate 1.3% of full valuation but above average 2.2 times fiscal 2014 operating revenue. Our adjustments reflect the use of a market-based discount rate to value liabilities. They are not intended as a guide, but rather, to enhance the comparability of rated entities in our credit analysis. Through fiscal 2014, we allocated the liabilities of the cost-sharing plans to the county in proportion to its respective contributions to the plans. The county's fiscal 2014 contribution to the plans was $7.6 million, or a manageable 6.6% of operating revenue.

Ohio statutes establish local government retirement contributions as a share of annual payroll. Reforms passed by the state in 2012 reduced cost-of-living adjustments (COLAs) in all cost-sharing plans. The county's 2013 and 2014 ANPLs incorporate the impact of the COLA reform. Statutory contributions to OPERS have largely remained in line with actuarial requirements. However, if current contribution rates do not amortize plan unfunded liabilities quickly enough under a state funding threshold, further reforms may be necessary, exposing counties to potential increases in their required contribution rates.

Management and Governance: Moderate Institutional Framework; Available Revenue Raising Flexibility and Strong Financial Management Practices

Ohio counties have an institutional framework score of "A," or moderate. County revenues are moderately predictable as sales taxes tend to dominate General Fund revenue, but more diversified streams fund overall operations. Local sales tax rates are capped at 1.5% absent voter approval, providing moderate revenue raising flexibility for some counties. Increased sales tax rates are subject to repeal by referendum and raising property tax rates requires voter approval. Personnel costs, which are moderately predictable, account for a large share of expenditures. Expenditure reduction ability is moderate due to labor agreements. Fixed costs are manageable given modest debt burdens and retirement contributions that are less than 10% of revenues.

The county currently levies a sales tax of 1.25% and the County Commission has statutory authority to levy a local sales tax of up to 1.5% without voter approval. However, an unvoted increase in the sales tax rate would be subject to repeal by voter referendum. Health and human service operations are supported by a combination of state/federal grants and property taxes. Any new property tax levies to support these operations would require voter approval.

The county's management and planning is above average as officials have begun producing annual five year financial forecasts and plan to produce detailed monthly reports in the near term as well. The county maintains a five year capital plan and is in the process of creating both economic development and sanitary sewer master plans. The county has a draft fund balance, debt management and post-issuance compliance policies that are expected to be approved by the county commissioners in the next quarter. The draft fund balance policy is robust in that it requires the county maintain monthly General Fund reserves above 25% of the prior year's annual revenues. The county's elected officials have been in place for several years; however, the county's appointed management team is relatively new. The county administrator and director of sanitary engineering were both hired in 2016, and the economic development director began in the summer of 2015.

Legal Security

The Series 2016 bonds and county's outstanding GOLT bonds are secured by the county's pledge and authority to levy property taxes within the State of Ohio's statutory 10 mill limitation.

The county's GOULT bonds are secured by the county's pledge and authorization to levy property taxes unlimited as to rate or amount to pay debt service. The county's sales tax bonds are secured by a senior lien on revenues collected pursuant to a 0.75% countywide sales tax.

Use of Proceeds

Approximately $32 million of the Series 2016 bonds will be used for the purposes of constructing a county courthouse, while $3.6 million will be used to advance refund the county's Series 2007 bonds for interest savings.

Obligor Profile

Delaware County is located along the northern border of Franklin County (Aaa stable) 25 miles north of the City of Columbus. The county encompasses approximately 459 square miles, and its 2014 population was 181,821 according to American Community Survey estimates.

Methodology

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Ratings Methodologies page on www.moodys.com for a copy of this methodology.

Ratings

Exhibit 2

Delaware (County of) OH

Issue	Rating
General Obligation (Limited Tax) Various Purpose Improvement and Refunding Bonds, Series 2016	Aaa
Rating Type	Underlying LT
Sale Amount	$35,625,000
Expected Sale Date	05/02/2016
Rating Description	General Obligation Limited Tax

Source: Moody's Investors Service

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