

Summary:
Green, Ohio; General Obligation;
Note

Primary Credit Analyst:

Steffanie Dyer, Chicago (1) 312-233-7007; steffanie_dyer@standardandpoors.com

Secondary Contact:

Carol Hendrickson, Chicago (1) 312-233-7062; carol_hendrickson@standardandpoors.com

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Credit Profile

US\$5.855 mil various purp (GO ltd tax) BANS ser 2012B dtd 06/20/2012 due 06/19/2013		
<i>Short Term Rating</i>	SP-1+	New
US\$4.385 mil street imp GO tax incre bnds ser 2012 due 12/01/2032		
<i>Long Term Rating</i>	AA+/Stable	New
US\$0.312 mil various purp (GO ltd tax) BANS ser 2012A dtd 06/20/2012 due 06/19/2013		
<i>Short Term Rating</i>	SP-1+	New
Green City GO		
<i>Long Term Rating</i>	AA+/Stable	Upgraded
Green City ICR		
<i>Long Term Rating</i>	AA+/Stable	Upgraded

Rationale

Standard & Poor's Ratings Services has raised its issuer credit rating (ICR) on the city of Green, Ohio and its long-term rating on the city's general obligation (GO) bonds to 'AA+' from 'AA' based on the city's maintenance of very strong reserves and continued economic growth that directly affects the city's revenue stream given its reliance on income taxes. At the same time, Standard & Poor's assigned its 'AA+' long-term rating to the city's street improvement GO tax increment bonds, series 2012. The outlook on the ratings is stable. The ratings reflect our opinion of the city's:

- Access to the diverse Akron and Canton, Ohio economies;
- Strong wealth and income levels;
- Stable financial operations supported by very strong reserves; and
- Moderate overall debt burden.

Standard & Poor's also assigned its 'SP-1+' short-term rating to the city's limited-tax GO various purpose bond anticipation notes (BANs), series 2012A and series 2012B due June 19, 2013, reflecting our opinion of the city's:

- Long-term investment-grade ICR (AA+/Stable);
- GO security for the BANs; and
- Low market risk profile, indicating strong legal authority to take out the notes with bonds before maturity, adequate market access, and strong information availability.

The city's limited-tax GO pledge secures the bonds and notes. The city will use series 2012 bond and note proceeds to refund previously issued notes. In addition, a portion of the series 2012B BANs will fund a street extension project.

Green spans approximately 33.5 square miles and is located midway between Akron (AA-/Stable) and Canton (A+/Stable), along Interstate 77 in Summit County (AA/Stable). The city had a 2010 population of 25,699, a 12.6%

increase over 2000 and a 34% increase since 1990. Because of its close proximity to Akron and Canton, residents have access to a large employment base. The city has five commercial/industrial parks and a foreign trade zone designation, and the Akron-Canton Regional Airport is located in the city. Leading employers in the city include Diebold Inc. (sales and service of ATMs, security products, and voting equipment, 1,825 employees), FedEx Corp. (850), Harry London (candy and confections manufacturer, 500), and Infocision Management (telemarketing, 450). The city's 2011 unemployment rate of 7.5% was lower than the state (8.6%) and national (8.9%) averages.

The city has more than 900 acres of land left available for development, with an estimated 260-360 acres available for commercial/industrial development. The city has two major retail corridors along the interstate within the city's two tax increment financing (TIF) areas. Several construction projects are occurring in the city, including a Summa emergency department and the Akron General Health and Wellness Center. Diebold Inc. which currently has a presence in the city, announced that it will construct its new global headquarters there. Completion of the new facility is estimated in 2016. Factoring a 7.9% decrease in 2012 due to a revaluation year and focusing only on the real portion (98% of the total), the city's assessed value (AV) dropped at an average annual rate of 2.4% between 2009 and 2012 to \$650.7 million. The tax base is very diverse, in our opinion, as the 10 leading property taxpayers accounted for only 6.7% of the city's total 2012 AV. The estimated market value was equal to a strong \$74,073 per capita, or \$1.9 billion total. The city's 2011 median household effective buying income was strong at 128% and 120% of the state and national levels, respectively.

We believe Green's general fund position is very strong. Income taxes were by far the largest source of revenue in the general fund in fiscal 2010 (Dec. 31) at 79%. By a vote of the electorate, effective Jan. 1, 2004, the income tax rate increased to 2% from 1%. Out of the total income tax collections, 7% is to be deposited into the parks capital projects reserve fund and the remainder into the general fund. Total income tax collections increased at an average annual rate of 2% from 2006-2010, including a 5.6% decrease in 2009 but a subsequent increase of 4.1% in 2010. Estimated income tax revenue for 2011 increased by 6.3% compared with 2010 to \$18.2 million.

The city had general fund surpluses each year from 2003-2009, but had a slight drawdown of \$184,897 in fiscal 2010. The unreserved general fund balance was \$24.4 million (a very strong 111.1% of expenditures plus net transfers) in fiscal 2010 compared with \$3.3 million (37.5%) in 2003. The city annually makes transfers out of the general fund to support other programs, including fire and emergency medical services.

On a cash basis of accounting, the city estimates that fiscal 2011 ended with general fund revenues exceeding expenditures after transfers by \$4 million. For fiscal 2012, management currently conservatively projects the ending general fund cash balance could decrease to \$22 million from \$24 million in fiscal 2011 due to spending on capital projects.

The city's overall debt burden is moderate, in our view, at 4.8% of estimated market value and \$3,551 per capita. In fiscal 2010, carrying charges were moderate at 13.8% of total governmental funds expenditures less capital outlay. The current capital improvement plan (CIP, 2012-2016) contains \$43.6 million of projects with funding sources including local funds and grants. The city expects to convert its BANs to be paid from payments in lieu of taxes into long-term GO debt once sufficient revenues from the TIF districts are available to pay debt service. Future new money debt plans for the city depend on the demand for infrastructure related to commercial and industrial development; as a result, the amount and timing of the bonds has not been determined at this time.

The city contributes to the Ohio Public Employees Retirement System (OPERS) and the Ohio Police and Fire

Pension Fund (OP&F), both cost-sharing multiple-employer defined benefit pension plans administered by the state. The city contributes the required amounts to these plans annually, which totaled approximately \$904,000 in fiscal 2010, or 3.5% of total governmental funds expenditures. Other postemployment benefits (OPEB), including retiree health care, are provided through OPERS and OP&F, therefore, the city has no direct OPEB liability.

Outlook

The stable outlook on the long-term rating reflects Standard & Poor's expectation that Green will maintain very strong financial reserves as it continues to grow despite spending on capital projects. Given the city's historical commitment to maintain very strong reserves, we do not anticipate the rating to change in the two-year time frame of the outlook. The city's proximity to both the Canton and Akron economic bases also lends stability to the rating.

Financial Management Assessment: 'Good'

The city's management practices are considered "good" under Standard & Poor's Financial Management Assessment (FMA). An FMA of good indicates that practices exist in most areas, although not all might be formalized or regularly monitored by governance officials. The city uses historical analysis in the budgeting process and reports to the city council on budget performance and investments monthly. Although the city does not perform long-term financial planning, it has a goal to keep a six-month carryover general fund operating balance. The city does not have a formal debt management policy, but updates its formal CIP annually, which includes funding sources and estimated costs.

Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Short-Term Debt, June 15, 2007
- State And Local Government Ratings Are Not Directly Constrained By That Of The U.S. Sovereign, Aug. 8, 2011

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