

**Summary:**

**Genoa Township, Ohio; General  
Obligation**

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## Summary:

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### Credit Profile

US\$7.0 mil police station bonds ser 2019 due 12/01/2028

*Long Term Rating*

AAA/Stable

New

## Rationale

S&P Global Ratings assigned its 'AAA' rating and stable outlook to Genoa Township, Ohio's series 2019 unlimited-tax general obligation (GO) police-station bonds.

The bonds are a voted GO debt of the township, secured by its full-faith-and-credit pledge.

We understand officials intend to use series 2019 bond proceeds to fund the new police station's construction and equipping.

Genoa is an affluent, residential community that benefits from access to the larger Columbus area economy, supporting growth. Since property taxes generate more than 80% of operating revenue, we expect Genoa's economic growth; history of strong voter support; and, what we consider, good financial management practices under our Financial Management Assessment (FMA) methodology will allow management to maintain overall strong finances during the next few fiscal years.

The rating further reflects our opinion of the township's:

- Very strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Strong management, with good financial policies and practices under our FMA methodology;
- Strong budgetary performance, with operating surpluses in the general fund and at the total governmental-fund level in fiscal 2017;
- Very strong budgetary flexibility, with high available cash-based reserves in fiscal 2017 at 126% of operating expenditures;
- Very strong liquidity, with total government available cash at 39.7% of total governmental-fund expenditures and 5.7x governmental debt service;
- Very strong debt-and-contingent-liability position, with debt service carrying charges at 7% of expenditures and net direct debt that is 45.6% of total governmental-fund revenue, as well as low overall net debt at less than 3% of market value and rapid amortization, with all debt scheduled to be retired within 10 years; and
- Strong institutional framework score.

### **Very strong economy**

We consider Genoa's economy very strong. The township, with an estimated population of 26,225, is in Delaware County in the Columbus MSA, which we consider broad and diverse. The township has a projected per capita effective buying income at 176% of the national level and per capita market value of \$117,894. Overall, market value grew by 1.4% during the past year to \$3.1 billion in fiscal 2018. County unemployment was 3.5% in 2017.

The township is an affluent, bedroom community to Columbus, just 20 miles away. Its access to Columbus and other parts of the metropolitan area has made Genoa one of the most desirable areas in central Ohio, contributing to ongoing residential growth. Average population growth outpaced the county during the past five years, and officials are projecting this to continue during the next few years. Roughly 50 new high-end subdivisions and condominiums are currently under development, which will continue to support a growing property tax base. The taxpayer base is diverse with the 10 leading taxpayers accounting for 2.4% of assessed value.

Residents have ample employment opportunities in Columbus and other parts of the Columbus MSA. Leading county employers include JP Morgan Chase & Co., The Kroger Co., and Olentangy Local School District. Leading area employers include Ohio State University, OhioHealth, and Wal-Mart Stores Inc.

### **Strong management**

We view the township's management as strong, with good financial policies and practices under our FMA methodology, indicating that financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them.

What we consider conservative budget assumptions based on current and projected trends support our view of management. Once adopted, officials can amend the budget as needed; management provides the township board monthly reports on budget-to-actual results. Although the township does not maintain a formal reserve policy, management targets keeping, at least, six months' expenditures in reserve for sufficient cash flow.

In addition, management annually performs detailed, five-year financial forecasts for each operating revenue and expenditure. Since the township is not a frequent debt issuer, capital needs are also forecast out five years based on funding provided from the general fund, police-and-fire, or road-and-bridge levies. Investments follow a formal investment-management policy with monthly reports to the board on investment holdings and earnings. The township does not maintain a debt-management policy.

### **Strong budgetary performance**

Genoa's budgetary performance is strong, in our opinion. The township had operating surpluses of 12.5% of expenditures in the general fund and 12.6% of expenditures across all governmental funds in fiscal 2017.

Our view of operating funds includes the general and special-revenue funds since the special-revenue fund captures police, fire, and road-and-bridge operations.

Operating surpluses in two of the past three fiscal years and our expectation that management will likely maintain this, at least, during the next few fiscal years support our assessment of budgetary performance. Following a small operating deficit in fiscal 2015, the township renewed and increased its police-and-fire levies that contributed to operating surpluses reported in fiscal years 2016 and 2017, further supported by lower-than-expected personnel and

health-care spending; this contributed to an unaudited surplus of about \$1.8 million for fiscal 2018.

Tax revenue generates more than 84% of total governmental-fund revenue. The township has a strong election history with respect to fire; police; and road-and-bridge levies, which we consider a credit strength.

Based on fiscal years 2019 and 2020 projections, management does not expect any significant operating or capital pressure. While officials are projecting to post additional surpluses during the next two fiscal years, we conservatively believe management can maintain the size of the surpluses from the past three fiscal years. However, we think operating performance will likely remain strong during the next two fiscal years.

### **Very strong budgetary flexibility**

Genoa's budgetary flexibility is very strong, in our view, with high available cash-based reserves in fiscal 2017 at 126% of operating expenditures, or \$16.3 million. We expect available cash-based reserves to remain above 75% of expenditures for the current and next fiscal years, which we view as a positive credit factor. Cash-based reserves include \$2.3 million, or 17.5% of expenditures, in the general fund and \$14.1 million, or 109%, outside the general fund but legally available for operations. Genoa's use of cash accounting, which reduces the clarity about the amount of funds truly available, negatively affects our view of budgetary flexibility.

We note our view of budgetary flexibility incorporates available general fund and special-revenue fund balances, as well as committed balances in the capital-projects fund, which management indicates it could uncommit to funding fire-and-police operations.

In our opinion, management will likely sustain very strong reserves during the next few fiscal years due to limited budgetary pressure and no planned use of reserves.

### **Very strong liquidity**

In our opinion, Genoa's liquidity is very strong, with total government available cash at 39.7% of total governmental-fund expenditures and 5.7x governmental debt service in fiscal 2017. In our view, the township has satisfactory access to external liquidity if necessary.

Although the state allows for, what we view as, permissive investments, we believe Genoa does not currently have aggressive investments, with the majority in demand or certificates of deposits. In addition, the township does not have a history of issuing cash-flow notes. Therefore, it does not currently have contingent-liability-risk exposure. As a result, we expect liquidity will likely remain very strong.

### **Very strong debt-and-contingent-liability profile**

In our view, Genoa's debt-and-contingent-liability profile is very strong. Net direct debt is 45.6% of total governmental-fund revenue and overall net debt is low at 2% of market value.

Since the township is not a frequent debt issuer, the series 2019 bonds will be its only debt. Estimated debt-service costs represent about 7% of expenditures, which we consider low. Rapid debt amortization, with the bonds maturing by 2028, further supports our view of the township's debt profile. With management planning to fund additional capital needs from available reserves, there are currently no plans to issue additional debt during the next few years.

The township made its full annual required pension contribution of \$1.3 million in fiscal 2018, which represented about

9.6% of expenditures. The township's OPEB contribution is in the required contributions for each pension plan.

Genoa participates in Ohio Public Employees' Retirement System (OPERS) for pension and other postemployment benefits (OPEB). OPERS administers three separate pension plans: traditional, combined, and member directed. The traditional pension plan is a cost-sharing, multiple-employer, defined-benefit pension plan. The member-directed plan is a defined-contribution plan. The combined plan is a cost-sharing, multiple-employer, defined-benefit pension plan with defined-contribution features. Substantially all township employees are part of the traditional pension plan.

On an accrual basis, the township annually pays 100% of its annually determined contribution for these plans; it has done so the past three fiscal years. The traditional OPERS plan, for the Dec. 31, 2017, valuation, was 84.9% funded.

Genoa also participates in Ohio Police & Fire Pension Fund (OP&F), a cost-sharing, multiple-employer, defined-benefit pension plan. The OP&F plan, for the Dec. 31, 2017, valuation, was 70.9% funded.

### **Strong institutional framework**

The institutional framework score for Ohio townships and villages is strong.

## **Outlook**

The stable outlook reflects S&P Global Ratings' opinion Genoa will likely maintain strong budgetary performance and very strong budgetary flexibility and liquidity. We believe Genoa's very strong economy and voter history provide additional rating stability. Therefore, we do not expect to change the rating within the two-year outlook period.

Holding all other credit factors equal, although unlikely during the outlook period, if any budget or capital pressure were to occur that weakens budgetary performance and results in significantly deteriorated reserves, with no plans to address them, we could lower the rating.

## **Related Research**

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015
- Credit FAQ: Financial Management Assessment In U.S. Public Finance, June 27, 2006
- Local Government Pension And Other Postemployment Benefits Analysis: A Closer Look, Nov. 8, 2017
- Looking Forward: The Application Of The Discount Rate In Funding U.S. Government Pensions, Sept. 13, 2018
- The Increasing Cost Of Governmental Pensions: Discount Rate And Contribution Practices, Sept. 27, 2018
- 2018 Update Of Institutional Framework For U.S. Local Governments

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.



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