STANDARD & POOR'S
RATINGS SERVICES

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Columbus, Ohio; General Obligation

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Columbus, Ohio; General Obligation

Credit Profile		
US$398.275 mil var purp unltd tax bnds ser 2012A due 02/15/2033		
Long Term Rating	AAA/Stable	New
US$40.89 mil var purp ltd tax bnds ser 2012B due 02/15/2028		
Long Term Rating	AAA/Stable	New
Columbus var purp unltd tax rfdg bnds		
Long Term Rating	AAA/Stable	Affirmed
Columbus GO adj rate 2006-1		
Long Term Rating	AAA/A-1+/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' long-term rating to Columbus, Ohio's approximately $439.2 million series 2012A unlimited-tax general obligation (GO) and 2012B limited-tax GO various purpose bonds. At the same time, Standard & Poor's affirmed its 'AAA' long-term rating and 'AAA/A-1+' rating on the city's previously issued debt. The outlook on all ratings is stable.

The 'A-1+' short-term component of the rating on the city's series 2006-1 bonds reflects our view that the city's treasury investment portfolio provides sufficient liquidity to cover that series of bonds.

The 'AAA' long-term rating reflects our view of the city's:

- Large, vibrant, and diverse economic base, including a significant public sector component, which provides stability and helps to protect against economic cycles;
- Strong positive operating result in 2011, coupled with the city's estimates for a balanced budget in 2012, which reflects management's efforts to rebuild and maintain reserves to strengthen the city'ss finances following a voter-approved income tax increase in 2009;
- Strong financial management policies and practices;
- Moderate overall debt burden, including a well-managed capital improvement program, which continues to address ongoing capital needs; and
- Low operational funding dependence on the federal government.

The city's unlimited-tax GO pledge secures the 2012A bonds, which will finance a variety of improvements, including water, sanitary sewer, transportation, health, and recreation, among others. The city's limited-tax GO pledge secures the 2012B bonds, which will also finance a variety of improvements, including construction management, economic development, and information services.

The city, the capital of Ohio, is located primarily in Franklin County, and has a diversified economy anchored by the government and services sectors. The Ohio State University, one of the nation's largest single-campus universities (with about 57,000 students and a hospital system), lends further economic stability. The estimated 2010 population of 787,033 represents 10.6% growth since 2000. The city's unemployment rate totaled 7.6% for 2011, below both the

state and national averages of 8.6% and 9.0%, respectively, showing an improvement for the city from the prior two years. Through April of 2012, the city's unemployment rate was only 6.9%.

In 2011, the city's assessed value (AV; based on property located in Franklin County, which accounts for 98% of the city limits) equaled $14.38 billion and reflected the complete phase-out of taxation on tangible personal property. The real portion (97.5% of total) had been growing steadily before a slight contraction of 0.7% in 2010 and a larger 7.3% decrease in 2011. Officials attribute the recent drop to the sexennial update, when the assessor brought many residential values down for the first time. The city's estimated market value of $41.09 billion translates to $52,203 per capita, which we consider adequate. We view the city's median household effective buying income as adequate, at 93% and 87% of the state and national levels, respectively, for 2011, but the area's incomes are most likely somewhat depressed due to the large student population at The Ohio State University.

Because the city derives much of its revenue from income taxes, the city's financial operations were negatively affected by the latest recession; however, management's actions to adjust costs and enhance revenues resulted in improved results for both fiscal years 2010 and 2011, which we believe demonstrates the city's financial strength and stability. Officials project that future budgets will likely preserve the city's reserve at levels similar to those in fiscal year 2011. For 2012, city officials estimate that the general fund reserve level will stay at least flat, and that the city's economic stabilization or "rainy day" portion of the general fund should reach nearly $40 million. While the city had budgeted for a 3.0% income tax growth rate, so far through 2012 the growth rate has been 4.9%, which officials attribute to rising incomes in the city.

Management estimates that in 2013 the city will lose nearly $19 million in state aid, primarily due to the state-wide elimination of the estate tax. However, officials believe that income tax revenue could continue to rise due to an increase in well-paying jobs in the city. The city could also begin receiving tax revenue from a casino set to open within city limits in October 2012; however, officials do not plan to include casino revenue in the budget due to the speculative nature of revenue estimates. Officials believe it is too early in the budget process to offer projections for a general fund balance at year-end 2013; however, it is our understanding that the city intends for the budget to be close to break-even with potentially a small use of reserves.

Prior to 2010, the city's liquidity weakened as income tax revenue softened with the general economic recession, considerably reducing the available fund balance; however, in fiscal 2010, largely due to a voter-approved income tax increase, the general fund grew by $37.2 million. An operating surplus of $25.9 million in 2011 further increased the total fund balance to $114.8 million. Of that amount, $95.1 million or 13.5% of expenditures and transfers, which we consider strong, was unassigned (having no explicit intended use, as defined under Governmental Accounting Standards Board Statement No. 54). The city depends heavily on income taxes for its general operations (71.3% of general fund revenue in 2011), followed by charges for services (8.2%), shared revenue (7.4%), and property taxes (6.9%).

In terms of self-liquidity, as of May 31, 2012, the city calculates that it had $594.77 million in discounted assets to cover $111.86 million of self-liquidity-backed debt, which Standard & Poor's deems sufficient.

We consider Columbus' management practices "strong" under our Financial Management Assessment (FMA)

methodology. An FMA of "strong" indicates our view that practices are strong, well embedded, and likely sustainable.

The city contributes to the Ohio Police and Fire Pension (OP&F) Fund as well as the Ohio Public Employees Retirement System (OPERS), and fulfills its annual required contributions to both. In 2011, the city's employer-share of pension payments totaled $93.1 million for all city employees, equivalent to 7.1% of total governmental expenditures. Other post-employment benefits (OPEB), including retiree healthcare, are provided through OPERS and OP&F, therefore the city has no direct OPEB liability.

Outlook

The stable outlook reflects our anticipation that management will continue to take the steps it deems necessary to maintain at least structural balance, supported by the additional revenue from its voted income tax increase in 2009. The city will likely be challenged by upcoming reductions in state aid, and we expect that officials will successfully manage the revenue cuts to maintain strong reserve and liquidity levels. Given the city's strong reserve levels, our view of management's strong financial practices, and the area's deep and diverse economic base, we do not anticipate changing the rating during the two-year outlook horizon.

Debt

Columbus' estimated overall net debt burden (excluding debt paid from self-supporting enterprise funds and including overlapping county and school district debt) is $3,079 per capita and 5.9% of estimated market value, which we consider moderate. We also view carrying charges as moderate, at 11.3% of total governmental fund expenditures less capital outlay in fiscal 2011.

The city pays for GO debt issued for general governmental purposes primarily from the dedicated 25% allocation of income tax collections and has not levied a debt service property tax since 1957.

The city is collaborating with Franklin County and the Franklin County Convention Facility Authority in the purchase of Nationwide Arena, home to the Columbus Blue Jackets, a National Hockey League team. We understand that the city's obligation will be limited to a pledge of a portion of anticipated annual casino revenue through 2039. (Officials project the casino, located within city limits, will be fully operational by the end of 2012 with tax revenues split between the city and the county.)

The city has voted authority remaining from 2004 and 2008 debt authorizations totaling more than $591 million. Of that amount, management intends to issue approximately 70% as enterprise-revenue-backed debt. We understand that in 2013, officials plan to issue approximately:

- $300.4 million in enterprise debt (including Ohio Water Development Authority loans),
- $74.6 million in voter-approved income-tax supported GO debt, and
- $41.7 million in unvoted debt within the 10-mill limitation.

We do not believe that the issuance of this additional debt will weaken the city's strong credit quality.

Economy: Diversity Aids Stability

The Columbus regional economy is deep and diverse. As the metropolitan area economy continues to diversify away from manufacturing, the city's population has increased 10.6% to an estimated 787,033 in 2000 through 2010. We note that many other Ohio cities experienced considerable population declines during this time period. As the state capital, the city has a large concentration of state and federal offices, which, along with the presence of The Ohio State University, helped stabilize the local economy during national economic downturns. Major leading area employers include:

- The Ohio State University (26,778);
- The state of Ohio (26,728 employees);
- JPMorgan Chase & Co. (18,000); and
- OhioHealth (13,217).

Aside from serving as an employer in higher education, The Ohio State University is also a leading employer in the health care sector. The city also serves as the corporate headquarters of Nationwide Insurance (11,668 employees), Limited Brands (7,300), and American Electric Power Co. Inc. (3,511).

The city has many development projects underway that illustrate its trend of shedding manufacturing jobs and replacing them with service-related jobs, particularly in health care. An expansion at Nationwide Children's Hospital has opened following $740 million in private investment; the city estimates 1,100 new jobs were created as a result. The Ohio State University is constructing a new medical center with estimated construction costs of $1 billion; city officials estimate the project will create up to 6,000 new jobs (including construction of the facility). Private investment in the city's downtown area for a hotel, office, and residential space should increase property values. In addition, a racetrack and casino recently re-opened in the city following renovation, creating about 700 new jobs, and a larger casino due to open in the fall of 2012 will likely hire 2,000 new employees, according to casino estimates.

Financial Management Assessment: 'Strong'

We consider Columbus' management practices "strong" under our FMA methodology. An FMA of "strong" indicates our view that practices are strong, well embedded, and likely sustainable. The city has long estimated revenue very conservatively and quickly adjusts its budget to account for unforeseen events. The city updates its capital improvement plan annually and includes capital spending annually in its capital improvement budget. GO bonds are both voted by the city's constituents and issued as limited-tax bonds within the 10-mill limitation. However, the city pays non-enterprise debt service, as a policy, from one-quarter of its 2.5% income tax. City ordinance codifies investment management policies.

Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Commercial Paper, VRDO, And Self-Liquidity, July 3, 2007

- State And Local Government Ratings Are Not Directly Constrained By That Of The U.S. Sovereign, Aug. 8, 2011

Ratings Detail (As Of July 2, 2012)		
Columbus GO		
Long Term Rating	AAA/Stable	Affirmed