



## **Bexar County Commissioners Court**

San Antonio, Texas 78205-3036

210.335.2555

210.335.2926/fax

**FOR IMMEDIATE RELEASE: May 11, 2015**

**Contact: Laura Jesse**

210.335.0073/o

210.787.9038/m

### **Strong economy, financial policies contribute to upgraded debt rating**

Standard & Poor's Rating Services upgraded the long term debt rating for Bexar County from AA+ to AAA, the rating agency's highest level. The upgrade from S&P, which was based on the County's strong economy, strong management and financial policies, and other factors, will result in lower borrowing costs and taxpayer savings on future debt issuances.

"This is proof that the financial policies this Commissioners Court put in place have paid off for the taxpayers and for the County," Commissioner Paul Elizondo said. "And we accomplished this while lowering the County's property tax rate over the past 20 years, including this current fiscal year."

The announcement (attached) stated the upgrade is "due primarily to our view of the County's consistent trend of improved budgetary performance," and the diversity of the region's economic base. The report noted that the County's economy has grown from relying heavily on the military and tourism sectors to including growing medical and biomedical, finance, and oil and gas industries. The report noted the County's tax base has grown steadily since 2012, with an average increase in assessed value of 4 percent.

S&P's report also points out that Bexar County has "very strong" county management and "strong" financial policies and practices that are sustainable. Those policies and practices include conservative estimates based on analysis of historical trends, and making budget assumptions based on economic studies. Bexar County's budget office also produces long-range financial outlooks, capital plans and monthly budget reports.

"Commissioners Court's sound fiscal policies helped us weather the economic downturn the past few years and put us in a position to really grow as the economy turned around," County Judge Nelson Wolff said. "We will continue to look for efficiencies and innovations that will only keep our financial outlook strong."

###

# RatingsDirect®

---

## Summary:

# Bexar County, Texas; General Obligation

### Primary Credit Analyst:

Lauren H Spalten, Dallas (1) 214-871-1421; lauren.spalten@standardandpoors.com

### Secondary Contact:

Jim Tchou, New York (1) 212-438-3821; jim.tchou@standardandpoors.com

## Table Of Contents

---

Rationale

Outlook

Related Criteria And Research

## Summary:

# Bexar County, Texas; General Obligation

### Credit Profile

US\$31.425 mil Pass-Through Rev & and Ltd Tax Bnds (1604 East Project) ser 2015B dtd 05/01/2015 due 06/15/2045

*Long Term Rating* AAA/Stable New

US\$18.615 mil Pass-Through Rev & and Ltd Tax Bnds (Fm 471 Project) ser 2015A dtd 05/01/2015 due 06/15/2045

*Long Term Rating* AAA/Stable New

#### **Bexar Cnty GO**

*Long Term Rating* AAA/Stable Upgraded

## Rationale

Standard & Poor's Ratings Services raised its long-term rating and underlying rating (SPUR) to 'AAA' from 'AA+' on Bexar County, Texas' general obligation debt outstanding. The outlook is stable. The upgrade is due primarily to our view of the county's consistent trend of improved budgetary performance and of the continued growth in and diversification of the county's economic base. At the same time, Standard & Poor's assigned its 'AAA' long-term rating to the county's series 2015A and series 2015B pass-through revenue and limited-tax bonds.

The county's levy of a direct and continuing ad valorem tax, within the limits prescribed by law, and revenue from a pass-through toll agreement with the Texas Department of Transportation (TxDOT) secure the series 2015A and 2015B pass-through revenue and limited-tax bonds. Although we do not initially consider this debt self-supporting, we will once the related project is complete and the county starts to receive revenue from TxDOT for at least three fiscal years.

The ratings reflect our opinion of the county's:

- Strong economy, with access to a broad and diverse metropolitan statistical area (MSA) and a local stabilizing institutional influence;
- Very strong management, with "strong" financial policies;
- Strong budgetary performance, with operating results that we expect could deteriorate in the near term relative to fiscal 2014, which closed with operating surpluses in the general fund and at the total governmental fund level;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2014 of 23% of operating expenditures;
- Very strong liquidity, with total government available cash of 37.5% of total governmental fund expenditures and 1.9x governmental debt service, and access to external liquidity we consider exceptional;
- Very weak debt and contingent liability position, with debt service carrying charges of 20.2% and net direct debt that is 291.5% of total governmental fund revenue; and
- Strong institutional framework score.

### **Strong economy**

We consider Bexar County's economy strong. Bexar County, with an estimated population of 1.9 million, is located in the San Antonio-New Braunfels, Texas MSA, which we consider to be broad and diverse. The county also benefits, in

our view, from a stabilizing institutional influence. The county has a projected per capita effective buying income of 91.5% of the U.S. level and per capita market value of \$60,433. Overall, the county's market value grew by 0.5% over the past year to \$112.2 billion in 2015. The county unemployment rate was 4.6% in 2014.

The major military installations in the county continue to provide a stabilizing presence for the economy. Tourism also thrives in the county, with attractions (such as the San Antonio Riverwalk) that draw millions of visitors each year. The growing presence of medical and biomedical companies has helped to diversify the area economy, which was historically anchored primarily by the military and tourism sectors. According to the county, the medical and biomedical industry is now the county's leading economic generator, with an estimated economic impact of more than \$29 billion. County officials report that the finance industry has become an important component of the county's economy as well, with an annual impact of roughly \$21 billion. Eight financial institutions are headquartered in San Antonio, as are four regional headquarters. In addition, Toyota Motor Corp. operates a truck manufacturing facility in San Antonio with about 2,900 employees. In recent years, oil and gas activities in the Eagle Ford Shale have added a significant number of jobs and helped stimulated the county's economy. With oil prices dropping, activities have slowed; however, county officials report that they have no concerns at this point with the large related taxpayers and employers.

The county's tax base has increased steadily since fiscal 2012 with assessed value (AV) increasing by an average average rate of about 4% to reach its current level. County officials report that, given a significant amount of new construction and an active revaluation process of existing properties, continued tax base growth is expected.

### **Very strong management**

We view the county's management as very strong, with "strong" financial policies and practices under our Financial Management Assessment methodology, indicating financial practices are strong, well embedded, and likely sustainable.

County management has a comprehensive set of financial policies that include budget assumptions based on external economic studies and a conservative estimation of historical trend analysis. In addition, management develops long-range financial and capital plans, and provides monthly budget reports to the commissioner's court. The county's formal general fund balance policy requires the maintenance of general fund reserves of at least 10% of expenditures. In addition, the county has a formally adopted debt management policy.

### **Strong budgetary performance**

Bexar County's budgetary performance is strong in our opinion, with operating surpluses of 5.6% in the general fund and 10.9% across all governmental funds in fiscal 2014. Our assessment accounts for the fact that we expect budgetary results could deteriorate somewhat from 2014 results in the near term.

Our calculations include adjustments for nonrecurring expenditures such as the spending-down of bond proceeds and other large one-time items. Net of those adjustments, the county's financial performance has been stable and the county has demonstrated a trend of operational balance. The county's general fund revenues are derived primarily from property tax collections (72% of fiscal 2014 general fund revenues). Property tax collections remain healthy, with annual collections exceeding 98% for the past 10 years. The county's limited tax rate includes 24.4737 levied for maintenance and operations and 3.9084 cents dedicated for debt service, for a combined rate of 28.3821 cents per

\$100 of AV. The county's rate is well below the state cap of 80 cents per \$100 of AV. From the county's additional authorization, the county also levies 3.0679 cents on its flood control special tax, which is discussed in further detail regarding the county's debt and contingent liabilities profile. At the end of fiscal 2014, the county had negative unrestricted assets of about \$383 million in governmental activities. However, this is due to the way to county partners with the city of San Antonio for joint projects, wherein the county assumes the liability but then transfers the asset and the city then assumes responsibility for maintenance of the asset going forward, and in time, the booked liability is reduced. For fiscal 2015, the county projected a deficit of about 2% in the general fund and net of nonrecurring expenditures the total governmental budget included a surplus. County officials report that the budget is trending positively for the year so far, and they expect to end about \$13 million better than initially budgeted. Fiscal 2014 performance was at a very strong level, while fiscal 2015 is projected to be strong. Based on this information and the county's historical trend of conservative budgeting, we expect the county's budgetary performance to remain at least strong.

#### **Very strong budgetary flexibility**

Bexar County's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2014 of 23% of operating expenditures, or \$75.4 million.

For fiscal 2015, the county budgeted for an ending available general fund balance of about \$60.2 million, or about 17% of expenditures. However, county officials report that, based on year-to-date information, the county's fund balance will likely be about \$73.5 million, if not higher. County officials have no plans to draw down below the county's formalized 10% reserve policy.

#### **Very strong liquidity**

In our opinion, Bexar County's liquidity is very strong, with total government available cash of 37.5% of total governmental fund expenditures and 1.9x governmental debt service in 2014. In our view, the county has exceptional access to external liquidity if necessary.

#### **Very weak debt and contingent liability profile**

In our view, Bexar County's debt and contingent liability profile is very weak. Total governmental fund debt service is 20.2% of total governmental fund expenditures, and net direct debt is 291.5% of total governmental fund revenue.

While the county's debt burden has been adjusted to reflect a portion of the debt we consider to be self-supporting, the county has a substantial amount of debt outstanding that our criteria does not consider to be from a self-supporting source, but is in fact supported by additional revenues. The county levies a flood control tax that supports more than \$300 million of its outstanding debt. The county's ad valorem tax levy under its Flood Control Bond Order authorizes the 15-cent flood control tax rate (of which the county levies 3.0679 cents). Given that this is a property tax pledge, we do not in fact consider this to be self-supporting; however, the county does use this additional levy (over and above its traditional ad valorem rate) to provide payment for its debt. In addition, the county has a significant amount of debt that it pays from revenues collected from one-quarter of a one-quarter-cent sales tax collected by the Advanced Transportation District, as well as several pass-through toll revenue financed road projects which will be reimbursed through the state. We do not consider sales tax debt to be self-supporting. We have given credit for self-support for the pass-through toll revenue bond projects where at least three years of payment from the state is evidenced in the

audited financial statements; however, there are several additional issuances that do not have that payment history yet and therefore have not been offset through self-support. In our opinion, the debt burden is likely to decline as reimbursements continue to flow in from the state.

Bexar County's combined pension and other postemployment benefits (OPEBs) contributions totaled 6.8% of total governmental fund expenditures in 2014. Of that amount, 6.0% represented contributions to pension obligations and 0.8% represented OPEB payments. The county made its full annual required pension contribution in 2014.

The county participates in the Texas County & District Retirement System to provide pension benefits for employees. The county offers a postemployment health care plan for full-time regular employees.

### Strong institutional framework

The institutional framework score for Texas counties is strong. See the institutional framework score for Texas.

## Outlook

The stable outlook reflects our expectation that the county will continue to maintain its very strong reserves and that, although the debt and contingent liabilities profile will remain very weak, a significant portion of its direct debt will be paid for through sources the county considers to be self-supporting and state funds. While we do not expect to change the ratings within the two-year horizon of the outlook, a material reduction in the county's budgetary performance or a weakening of the key economic indicators could place downward pressure on the ratings.

## Related Criteria And Research

### Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013

### Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Texas Local Governments

### Ratings Detail (As Of May 8, 2015)

|   |                  |          |
|---|------------------|----------|
| Bexar Cnty ltd tax rfdg bnds  |                  |          |
| <i>Long Term Rating</i>   | AAA/Stable       | Upgraded |
| Bexar Cnty pass-through rev and ltd tax rfdg bnds (Blanco Rd Proj)              |                  |          |
| <i>Long Term Rating</i>   | AAA/Stable       | Upgraded |
| Bexar Cnty pass-through rev and ltd tax rfdg bnds (Culebra Rd Proj)             |                  |          |
| <i>Long Term Rating</i>   | AAA/Stable       | Upgraded |
| Bexar Cnty Comb Tax & Rev Certs of Oblig ser 2014 dtd 12/15/2014 due 06/15/2044 |                  |          |
| <i>Long Term Rating</i>   | AAA/Stable       | Upgraded |
| <b>Bexar Cnty GO</b>  |                  |          |
| <i>Unenhanced Rating</i>  | AAA(SPUR)/Stable | Upgraded |

Ratings Detail (As Of May 8, 2015) (cont.)

**San Antonio River Auth GO**

|                          |                  |          |
|--------------------------|------------------|----------|
| <i>Unenhanced Rating</i> | AAA(SPUR)/Stable | Upgraded |
|--------------------------|------------------|----------|

**San Antonio River Auth, Texas**

Bexar Cnty, Texas

**San Antonio River Auth (Bexar Cnty) GO**

|                          |                  |          |
|--------------------------|------------------|----------|
| <i>Unenhanced Rating</i> | AAA(SPUR)/Stable | Upgraded |
|--------------------------|------------------|----------|

|                         |            |          |
|-------------------------|------------|----------|
| <i>Long Term Rating</i> | AAA/Stable | Upgraded |
|-------------------------|------------|----------|

Many issues are enhanced by bond insurance.

Complete ratings information is available to subscribers of RatingsDirect at [www.globalcreditportal.com](http://www.globalcreditportal.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

Copyright © 2015 Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) and [www.globalcreditportal.com](http://www.globalcreditportal.com) (subscription) and [www.spcapitaliq.com](http://www.spcapitaliq.com) (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).