STANDARD & POOR'S RATINGS SERVICES
McGRAW HILL FINANCIAL

RatingsDirect®

Summary:

Bexar County, Texas; Miscellaneous Tax

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Summary:

Bexar County, Texas; Miscellaneous Tax

Credit Profile		
US$78.675 mil tax-exempt venue proj rev rfdg bnds (comb venue tax) ser 2015 dtd 11/01/2015 due 08/15/2051		
Long Term Rating	A/Stable	New
Bexar Cnty misc tax		
Long Term Rating	A/Stable	Affirmed
Bexar Cnty misc tax (BHAC)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

Rationale

Standard & Poor's Ratings Services assigned its 'A' long-term rating to Bexar County, Texas' series 2015 tax-exempt venue project revenue refunding bonds (combined venue tax). At the same time, Standard & Poor's affirmed its 'A' long-term rating and underlying rating (SPUR) on the county's combined venue tax project revenue bonds outstanding. The outlook is stable.

The ratings reflect our view of the county's:

- Strong regional business and convention and tourism base;
- Adequate debt service coverage (DSC) levels, with consistent growth in revenues in recent years; and
- Additional liquidity provided by the capital improvement & coverage account (CICA), along with $1.3 million received annually from the San Antonio Spurs that can be used to support the obligations.

In our view, the preceding credit strengths are partly offset by:

- Permissive legal provisions, which include an additional bonds test (ABT) of 1.25x average annual debt service, and a debt service reserve funded at 1x average annual debt service. However, the total amount of bonds issued cannot exceed the $415 million of motor vehicle rental tax (MVRT) and venue tax bonds authorized by the voters;
- Credit risks associated with revenues derived from taxes on discretionary and potentially cyclical items, such as hotel rooms and rental cars; and
- Slower-than-average debt amortization schedule, with a final maturity of 2051.

The combined venue tax refunding bonds are secured by a first lien on a 1.75% hotel occupancy tax (HOT) and a junior lien on revenues generated by a 5% MVRT levied within the county. County officials will use proceeds from the combined venue tax bonds to refund a portion of the county's currently outstanding debt obligations. The refunded obligations were originally issued to provide short-term, interim financing for authorized 2008 combined venue tax projects, including youth athletic facilities, river improvements, rodeo and arena enhancements, and a performing arts center, and are now being refunded into long-term financing to take advantage of low costs of borrowing resulting from historically low long-term interest rates currently available in the tax-exempt market. County officials will also use bond proceeds to fund a debt service reserve fund.

Bexar County, with an estimated population of 1.8 million, is located in south-central Texas, in the San Antonio-New Braunfels metropolitan statistical area. Although military and tourism have long been the county economy's anchors, medical and biomedical companies are now a leading force in the area economy. In addition, the Toyota Motor Corp. truck manufacturing facility (brought to San Antonio in late 2006) continues to provide a substantial amount of jobs to the area economy. In recent years, oil and gas activities in the Eagle Ford Shale have added a significant number of jobs and helped stimulate 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.

Pledged HOT revenues are highly susceptible to fluctuations during periods of economic decline. During fiscal 2009, amid the most recent recession, pledged HOT revenues declined by about 18.3% over the prior year. In our opinion, however, the San Antonio tourism and convention market remains one of the most competitive in the nation. As such, growth over the most five recent audited years has boosted HOT revenues to an all-time high for the county, approximately $16.3 million for fiscal 2014. Despite revenue growth, coverage of the county's maximum annual debt service (MADS) requirement actually has reduced with the current issue due to a reconfiguration of the debt service schedule (MADS increased to about $20.2 million from about $16.1 million).

Based on audited fiscal 2014 revenues, HOT revenues alone provide less than 1x projected MADS (currently scheduled to occur in 2028), at roughly 0.81x. When MVRT available pledged revenues are included, coverage of the projected MADS is stronger, at 0.99x. In addition, the county continues to receive approximately $1.3 million annually from the San Antonio Spurs, which can be used for the debt service of the combined venue tax or MVRT bonds; the annual payment boosts coverage to an estimated 1.05x MADS. Based on estimates provided by the county, fiscal 2015 estimated revenues provide slightly stronger coverage, at 1.04x, when factoring in HOT revenues and MVRT available pledged revenues, and about 1.11x when including the annual Spurs payment. The county has conservatively budgeted for combined HOT and available MVRT revenues for fiscal 2016 of about $24.5 million, which would provide about 0.94x coverage of MADS, and about 1.00x inclusive of the Spurs payment.

While the permissive ABT could result in a decline in DSC, bondholders benefit from a closed flow of funds, which requires excess collections to be deposited in a CICA. Funds deposited in the CICA must be used first to cure any deficiency in the debt service account and the debt service reserve account, which provides additional protection against unexpected declines in pledged revenues. Furthermore, the funds in the CICA can be used only to fund the projects authorized by the voters in the 2008 election, or to make debt service payments on the bonds issued to fund those projects, which provides county officials with a significant degree of flexibility to manage the sizable capital program. As of October 2015, the CICA has a balance of approximately $76 million from accumulated excess collections, which exceeds the projected MADS. The county reports that it has delivered all the projects as defined under the 2008 venue projects bond referendum and that the county currently has no intention to issue any further bonds under this authorization. The amortization schedule is slower than average, with a final maturity of 2051.

Outlook

The stable outlook reflects our anticipation that, during the two-year outlook time frame, regional convention and tourism activity will continue to provide an overall strong and growing pledged revenue base, despite recurring fluctuations due to changes in the economic cycle. The outlook also reflects our opinion that continued collections at historical levels will likely allow for the maintenance of at least adequate MADS coverage during the next two years, despite the permissive ABT.

Upside scenario

A significant improvement of DSC, coupled with strengthened bond provisions, could lead to a positive rating action.

Downside scenario

If coverage declines for any reason, there could be downward pressure on the ratings.

Related Criteria And Research

Related Criteria

- USPF Criteria: Special Tax Bonds, June 13, 2007
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

Special Tax Bonds: U.S. Recovery Underpins The Sector's Stability, Sept. 14, 2015

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

FITCH RATES BEXAR COUNTY, TEXAS' VENUE PROJECT REV BONDS 'A+'; OUTLOOK STABLE

Fitch Ratings-Austin-21 October 2015: Fitch Ratings has assigned an 'A+' rating to the following Bexar County, Texas (the county) obligations:

--$78.7 million venue project revenue bonds (combined venue tax) series 2015.

The bonds are scheduled to sell via negotiation during the week of Oct. 26. Bond proceeds will be used to refund short-term debt issued for the purpose of improving the county-owned AT&T Center.

In addition, Fitch affirms the ratings on the following outstanding bonds for the county:

--$237.7 million venue project revenue bonds (combined venue tax) at 'A+';
--$83.6 million venue project revenue bonds (motor vehicle tax) at 'A+';
--$27.9 million unlimited tax (ULT) bonds at 'AAA';
--$1.45 billion limited tax (LT) bonds at 'AAA'.

The Rating Outlook is Stable.

SECURITY

Motor vehicle rental tax bonds are payable from a first lien on the county's 5% motor vehicle rental tax (MVRT). Combined venue tax bonds are payable from a first lien on the county's 1.75% hotel occupancy tax (HOT), a junior lien on the county's 5% MVRT, and a $1.3 million annual license payment from the NBA Spurs (for the 2009 taxable bonds only). ULT bonds are payable from an unlimited annual property tax levied against all taxable property within the county. The LT bonds are payable from an annual property tax levied against all taxable property within the county, limited to $0.80 per $100 taxable assessed valuation (TAV) for operations and debt service.

KEY RATING DRIVERS

LARGE, MATURE HOSPITALITY SECTOR: Pledged revenues for the venue project revenue bonds benefit from the county's position as the top tourist destination in Texas. MVRTs and HOTs are subject to economic volatility but benefit from the county's large convention and visitor industry which markets to both regional and national audiences.

LOW COVERAGE; NO ADDITIONAL BONDS AUTHORIZED: Annual debt service coverage (DSC) for the combined venue tax bonds has thinned to only 1.06x with the current offering. DSC for the MVRT bonds is projected to remain sound. Both pledged revenue sources require voter approval for additional leveraging.

LARGE ACCUMULATED RESERVES: Fitch considers accumulated venue taxes in the capital improvement and coverage fund (CICF), which are restricted for debt service, capital improvements, or bond redemption, as a key mitigating credit factor. The rating assumes reserves will remain significant net of the current $10 million allocation for improvements to the AT&T Center. The bonds have cash-funded debt service reserves equal to average annual debt service (AADS).

SOUND FINANCIAL MANAGEMENT: The county's solid financial position has benefited from prudent stewardship during the last economic slowdown as evidenced by a multi-year approach to controlling expenditure growth and limiting the scale of structural imbalances.

WEAK DEBT PROFILE, SATISFACTORY PENSION POSITION: The long-term liability profile is characterized by a high overall debt burden, growing carrying costs, and slow principal amortization. However, the county fully funds the annual pension contribution requirement and its debt service tax rate is modest.

STABLE ECONOMY: Population growth remains rapid. The military remains a major economic factor although the local economy has diversified notably. The county is benefitting from rapid employment gains, enabling the unemployment rate to remain well below state and national averages despite the contraction of the energy sector.

TAX BASE STABILIZED: Recent solid tax-base growth has been aided by the area's strong housing market, ample developable land, and previously surging oil and gas activity at the nearby Eagle Ford Shale. Contraction of the county's emerging energy sector may dampen future tax base gains.

GO RATING PARITY: The LT bonds are rated on par with the ULT bonds due to the significant rate-raising flexibility under the rate limitation supporting the LT bonds. The county currently levies a combined $0.28 operations and debt service tax rate compared to the limit of $0.80.

RATING SENSITIVITIES

WEAKER COVERAGE: It's Fitch's expectation that coverage of the combined venue tax bonds will improve via continued moderate pledged revenue growth. Conversely, a decline in coverage for these bonds beyond already thin levels would pressure the rating. There is more tolerance for pledged revenue declines for motor vehicle tax bonds.

FURTHER CICF UTILIZATION: A reduction in the CICF to near or below AADS may result in negative rating action for the combined venue tax bonds.

GROWING DEBT BURDEN: A sustained trend of rising debt and carrying costs beyond current expectations would pressure the LT and ULT bond ratings.

CREDIT PROFILE

Bexar County, with an estimated 2015 population of 1.7 million, is home to San Antonio (general obligation bonds rated 'AAA' with a Stable Outlook by Fitch), the seventh largest city in the U.S.

VOTER-APPROVED VENUE TAXES

In May 2008, county voters approved the extension of the existing 1.75% HOT and 5% MVRT, originally approved in 1999 to finance the construction of the AT&T Center, home of the NBA Spurs. The extended venue taxes will finance $415 million in new tourism projects, including San Antonio River projects ($125 million), amateur sports projects ($80 million), rodeo and arena enhancements ($100 million), and cultural arts projects ($110 million). The four extension propositions received high voter approval rates ranging from 57% to 75%.

The commissioners' court later revised the plan and funded all San Antonio River projects with flood control COs payable from the county's flood control property tax. The county retains the legal authority to issue venue project revenue bonds to refund these COs although there are no such plans.

The current offering will finance improvements to the AT&T Center, the last remaining venue project. The venue taxes will remain in effect until the final maturity of the bonds.

LARGE HOSPITALITY SECTOR BENEFITS PLEDGED REVENUE BASE

The sources of pledged revenues are considered narrow by Fitch but are supported by the presence of five of the state's top 10 tourist attractions, including the Alamo, the San Antonio Riverwalk, Sea World, Six Flags over Texas, and the San Antonio Zoo. After strong growth through fiscal 2008, HOT and MVRT revenues declined by an aggregate 12.4% in fiscal 2009, before rebounding by a compound annual average of 6.6% through fiscal 2014. Combined HOT and MVRT receipts for the first 10 months of fiscal 2015 are up 5.6% over the same period a year prior.

The county's inventory of hotel rooms totals a large 43,928 rooms across over 400 hotels, motels, and bed/breakfasts. In 2014, the occupancy rate registered at 65% but is higher for downtown hotels. No major hotel projects are underway or currently planned. The county's forecast assumes flat pledged revenue performance which Fitch views favorably.

The combined HOT within the county totals an above-average 16.75%, comprised of the 1.75% pledged HOT, a 6.0% state HOT, and a 9.0% city HOT. The taxes are collected by the city of San Antonio pursuant to a contract with the county. The combined MVRT totals 15.0% on short-term rentals, comprising the 5.0% pledged MVRT and a 10.0% state MVRT, both of which are collected by the state comptroller.

ADEQUATE COVERAGE OF MVRT BONDS; NO FURTHER LEVERAGING

Maximum annual debt service (MADS) coverage totals 1.6x for the MVRT bonds based on audited fiscal 2014 revenues, which Fitch considers adequate for the rating level. Debt service is level but only 22% of principal matures in 10 years. All of the voter-approved amateur sports projects have been funded and no additional leveraging of this revenue stream is authorized.

THINNER COVERAGE OF COMBINED VENUE TAX BONDS; NO ADDITIONAL DEBT AUTHORIZED

The current offering will reduce MADS coverage of the combined venue tax bonds to a very thin 1.06x based on audited fiscal 2014 revenues. No additional bonds are authorized (except for the refunding of the previously mentioned flood control COs) without a popular vote. With voter approval and substantial pledged revenue growth, the county could issue additional debt as long as it meets a below-average 1.25x ABT. The county was able to issue the current offering although coverage will be far lower than the ABT because a portion ($2 million) of the unrestricted balance of the CICA was used in the ABT calculation as allowed by ordinance. The bonds are structured with level debt service but also mature very slowly (18% in 10 years).

LARGE RESERVES BUFFER THIN COVERAGE

The CICF totaled $75.6 million in fiscal 2014, equal to over five years of AADS at the time for the combined venue tax bond debt service payments. The CICF can only be used for debt service, capital improvements, and bond redemption, which Fitch's considers a key offsetting credit strength to thin coverage levels of the combined venue tax bonds. The CICF reserves are especially important under Fitch's stress scenarios in which revenues experience declines equal to those posted during the 2009 recession.

The county will use $10 million of the CICF to supplement its current offering for the $111 million arena improvement project. The remaining $65 million CICF is equal to 3.6x AADS including the new bonds. A reduction in the CICF balance to close to or below AADS may result in negative rating action for the combined venue tax bonds.

NO OPERATING IMPACT ON COUNTY

Fitch expects any county responsibility for operations and maintenance (O&M) costs of the numerous venue project bond-financed projects to be manageable. The county currently makes no O&M contributions, as costs are addressed through negotiated memorandums of understanding with third parties. In the event these third parties fail to meet the duties of maintaining and operating each venue, provisions are in place that state which organizations or entities are ultimately responsible for the venues. Under this scenario, the county's responsibility is limited to one amateur sports complex.

MILITARY STILL IMPORTANT WITHIN DIVERSE ECONOMY

The military and government sectors are prominent with four large military installations located within the county. Fitch views such military reliance cautiously, although the county has benefitted substantially from past realignment and base closure decisions. Other leading employment sectors include domestic and international trade, convention and tourism, medical and health care, financial services, and telecommunications.

EAGLE FORD SHALE IMPACTS EMPLOYMENT BASE

The ongoing recovery from the last recession was aided by employment hikes in the trade/transportation/utilities, leisure/hospitality and construction/mining sectors, fueled in part by surging oil and gas activity within the nearby Eagle Ford Shale. Due to the decline in oil prices, such activity has contracted substantially as evidenced by a large 64% drop in the Eagle Ford Shale rig count over the last 12 months per the Baker Hughes rotary rig count. The impact to the county's overall employment base has been muted so far by its diverse mix of sectors.

Notably, the county's unemployment rate declined to a low 3.7% in August 2015 from the 4.8% rate posted a year prior and compares favorably to state and national averages of 4.4% and 5.2%, respectively, for the same period. Nevertheless, the inherent volatility of oil and gas prices remains a source of some uncertainty for the local economy.

TAX BASE STABILIZED

The county's tax base has returned to a steady growth mode after declining modestly in fiscal 2012 due to the steep building downturn and falling base values of the last recession. TAV grew by 7.5% and 14.5% in fiscal years 2015 and 2016, respectively, mostly due to reappraisal gains. County officials are conservatively projecting modest rates of TAV growth beyond fiscal 2016 which Fitch considers reasonable given the ongoing contraction of the energy sector. About 70% of general fund revenue is derived from ad valorem taxes.

STRONG FINANCIAL PROFILE

The county's financial position remains strong and posted its fifth consecutive net operating surplus in fiscal 2014. The surplus equaled $8.5 million (2.4% of general fund spending) and increased the unrestricted general fund balance to $75.4 million or a high 21.5% of spending. Fiscal 2014 results were aided by the county's practice of budgeting for contingencies which helped offset a budgeted $11.7 million net deficit. Preliminary estimates for fiscal 2015 point to a $9.6 million (3.2% of spending) net deficit although the county typically outperforms its fiscal year end projections.

Funded by the large TAV gain, the adopted fiscal 2016 budget includes a moderately high 7% increase over estimated fiscal 2015 spending. The budget again includes both a draw on fund balance ($11 million or 2.7% of spending) and sizeable contingencies ($21 million or 5% of appropriations) which Fitch expects will support balanced results.

HIGH DEBT BUT MODEST PLANS

The county's overall debt burden is high at $6,028 per capita and 7.7% of market value. Direct debt includes a rising level of bonds secured by HOT and MVRT receipts which now make up 19.5% of the county's debt portfolio. However, overall debt levels have risen mostly from substantial debt issuances by the county's large number of overlapping jurisdictions, which include 15 school districts. The principal amortization of direct property-tax-supported debt remains well below average at 23% in 10 years. The county's combined debt service and flood control tax rate is modest at $0.069 per $100 AV.

The county's future property tax-supported debt plans are modest, comprised of $85 million of COs for road improvements and numerous facility improvements scheduled for issuance in fiscal 2016. The issuance of up to $55 million in pass-through toll road and limited tax bonds is planned in fiscal 2017. Continued large debt issuances beyond these expectations, without offsetting tax base growth, could result in negative rating pressure given the county's high overall debt burden.

MANAGEABLE PENSION AND OPEB COSTS

The county and all of its full-time employees contribute to a statewide agent multiple-employer defined benefit pension plan administered by the Texas County and District Retirement System (TCDRS). The county fully funds the annual required contribution (ARC), leading to a solid 82.6% funded position as of Dec. 31, 2013. Adjusted to reflect Fitch's assumption of a 7% rate of return, the funded position is still adequate at an estimated 74.4%. The county's other post-employment benefits (OPEB) are modest and funded on a pay-as-you-go basis. Carrying costs for the county's debt service, pension ARC and OPEB payments are sizable at 20.1% of total fiscal 2014 governmental spending. The combined pension and OPEB UAAL of $314.3 million represents a modest 0.2% of fiscal 2016 market value.

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Additional information is available at 'www.fitchratings.com'.

Fitch recently published an exposure draft of state and local government tax-supported criteria (Exposure Draft: U.S. Tax-Supported Rating Criteria, dated Sept. 10, 2015). The draft includes a number of proposed revisions to existing criteria. If applied in the proposed form, Fitch estimates the revised criteria would result in changes to fewer than 10% of existing tax-supported ratings. Fitch expects that final criteria will be approved and published by Jan. 20, 2016. Once approved, the criteria will be applied immediately to any new issue and surveillance rating review. Fitch anticipates the criteria to be applied to all ratings that fall under the criteria within a 12-month period from the final approval date.

In addition to the sources of information identified in the applicable criteria specified below, this action was informed by information from CreditScope, IHS Global Insight, and Zillow Group.

Applicable Criteria
Exposure Draft: U.S. Tax-Supported Rating Criteria (pub. 10 Sep 2015)
https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=869942
Tax-Supported Rating Criteria (pub. 14 Aug 2012)
https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686015
U.S. Local Government Tax-Supported Rating Criteria (pub. 14 Aug 2012)
https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=685314

MOODY'S INVESTORS SERVICE

New Issue: Moody's downgrades to A2 the rating on Bexar County's, TX Combined Venue Tax Bonds; revises outlook to stable

Global Credit Research - 21 Oct 2015

Assigns A2 to $78.7M Ser 2015; affirms A1 on $83.6M of MVRT

BEXAR (COUNTY OF) TX
Counties
TX

Moody's Rating

ISSUE	RATING
Tax-Exempt Venue Project Revenue Refunding Bonds (Combined Venue Tax), Series 2015	A2

Sale Amount	$78,675,000
Expected Sale Date	10/27/15
Rating Description	Special Tax: Non-Sales/Non-Transportation

Moody's Outlook STA

NEW YORK, October 21, 2015 --Moody's Investors Service has downgraded Bexar County's outstanding Combined Venue Tax debt rating to A2 from A1, affecting $237.7 million in debt. At the same time Moody's assigns an A2 rating to Bexar County's, TX $78.7 million Tax-Exempt Venue Project Revenue Refunding Bonds (Combined Venue Tax (CVT), Series 2015. At the same time, the outlook on the CVT bonds has been revised to stable. In addition, Moody's affirms the A1 rating on the Motor Vehicle Rental Tax (MVRT) Bonds outstanding bonds totaling $83.6 million. The outlook on the MVRT bonds are stable.

SUMMARY RATING RATIONALE

The downgrade reflects materially weakened debt service coverage after the current leveraging, warranting a rating distinction between the CVT and the MVRT.

The ratings also reflects the county's regional economic strength and diversity, as well as its continuing trend of increasing revenues for both the HOT (Hotel Occupancy Tax) and MVRT. In addition, the ratings also incorporate additional liquidity in the Capital Improvement and Coverage funds, though not legally pledged but available, provides a cushion to account for seasonality and volatility in the revenue streams.

OUTLOOK

The stable outlooks for both the MVRT and CVT reflect the county's regional economic strength, strong management team, and increasing revenue trends for the combined venue tax.

WHAT COULD MAKE THE RATING GO UP

- Trend of significant pledged revenue growth leading to improvement in debt service coverage

- Strengthening in legal provisions

WHAT COULD MAKE THE RATING GO DOWN

- Weakening of pledge revenues resulting in declining debt service coverage

- Additional leverage

- Weakening in legal provisions

STRENGTHS

- Strong management team in Aaa rated county

- Large and healthy economy supporting pledged revenues

- Favorable revenue trends

CHALLENGES

- Weakened maximum annual debt service coverage on the CVT bonds following current issuance

RECENT DEVELOPMENTS

Recent developments are incorporated in the Detailed Rating Rationale.

DETAILED RATING RATIONALE

TAX BASE AND NATURE OF PLEDGE: STRONG LOCAL ECONOMY THAT BENEFITS FROM TOURISM

Bexar County is home to San Antonio (Aaa stable), which is the regional economic center for the region. The local economy is diverse and growing anchored by sectors including military, government, tourism and financial institutions. Revenues from the combined venue tax (CVT) are collected from a 1.75% hotel occupancy tax and a 5% motor vehicle rental tax. Existing attractions in the city of San Antonio such as The Alamo, Riverwalk, Sea World, Six Flags, and others continue to drive tourism. Despite increasing the number of rooms available over the last ten years, the occupancy rate has remained consistent averaging 64%. The consistent occupancy rate, despite increased rooms, reflects the increased demand for rooms related to increased tourism. Additions to the convention center are also currently underway, which County officials believe will put San Antonio in the top five in the nation in terms of total convention center space.

The economic variety and development has contributed to an expansive tax base that has grown an annual average of 4.3% over the past five years. In fiscal year 2016, taxable values grew 12% over the prior year to approximately $121.5 billion. Similar values are expected over the near to medium term as the county continues to enjoy residential and commercial development. In July 2015, Moody's Analytics reported that above average population gains, low costs of doing business, relatively high housing affordability, median household income rising faster than the national average, and an expanding manufacturing presence should contribute to above-average overall performance.

DEBT SERVICE COVERAGE AND REVENUE METRICS: NARROWING DEBT SERVICE WITH NO PLANS FOR ADDITIONAL DEBT

Overall, HOT and MVT collection trends have been positive for the district, with only one decline in the past ten years, which came during the recession in 2009. MVRT revenues declined a moderate 6.35% to $6.2 million and HOT revenues declined a significant 15.5% to $11.6 million in 2009. Since the declines in 2009, both HOT and MVRT have realized five consecutive years of growth.

In fiscal 2014, HOT revenues and MVRT revenues were $16.2 million and $8.6 million respectively. After paying debt service on the MVRT bonds, approximately $3.6 million remained for debt service on the CVT bonds. Including $1.3 million in yearly license fees from the Spurs (pledged only to the 2008B taxable MVRT bonds maturing in 2032), total revenues to pay debt service equaled $21.2 million, giving it a coverage of 1.32 times. Both the HOT and MVRT revenues have increased every year, since declines for each revenue source in fiscal 2009. MVRT revenue has grown at an average yearly rate of 5.4% since declining 6.4% in fiscal 2009. HOT collection have grown at an average yearly rate of 7% since a sizable 15.5% decline in fiscal 2009. We expect both the MVRT revenues and HOT revenues to continue to increase as the economy in the county continues to improve and the convention center continues to expand its capacity.

Fiscal 2015 year to date results are strong and revenues are up 5% for HOT and 7% for MVT. The county projects 3% growth for HOT tax and 2% growth for MVT over the long-term, but uses a zero growth model when budgeting. Despite the HOT and MVRT trend of revenue growth, both revenue streams are volatile and subject to the business cycle. Under stressed scenarios (using 2014 actuals), a HOT decline in excess of 3% would bring MADS coverage below sum sufficient.

Debt service coverage has declined gradually over the past few years. The additional debt weakens debt service coverage for the CVT bonds. MADS was 1.11 times in fiscal 2012 (August 24, 2012 report) when the outlook for CVT bonds was changed to negative. Using 2014 actuals as a base line, coverage is projected to be below 1.05 times from 2016 through 2037. MADS comes in 2028 and is a very narrow 1.02 times when including the $1.3 million per year revenue from the Spurs. The Spurs revenue stream ends in 2032, and using a zero growth model, debt service coverage would be a very narrow 1.04 times in 2033. Using the County's CVT projections that include 11 months of actual revenues and 1 month of projections for fiscal 2015, MADS is anticipated to be 1.09 times. No additional debt is planned. While debt service coverage is narrow we believe county officials will be able to manage the debt adequately based on the strength of the economy and proceeds available in the Capital Improvement and Coverage account.

While not pledged to bondholders, the county has a Capital Improvement & Coverage Fund (CICF) which accumulates excess venue tax revenues and totaled $76.1 million as of September 30, 2015. The county is expected to draw down $10 million of this account balance as a part of this issuance. The CICF holds the excess revenues and while not pledged to bondholders, should remain a source of repayment. Finally, the county's General Fund balance had reserves that totaled $75.4 million in fiscal 2014 which provides additional financial flexibility, although the county has never had to access capital from the General Fund for this pledge.

DEBT AND LEGAL COVENANTS

The capital improvement plan (CIP) was approved on May 10, 2008 by voters and officials report it will be finished with this issuance. Projects for the CIP included various special improvements including arena and ground improvements, amateur sports facilities and performing arts and cultural facilities. This issuance will be used for improvements of the arena that hosts the NBA Spurs. The other improvements that are part of the CIP are intended to aid in the growth and vitality of the downtown area.

The county has roughly $316.3 million in outstanding Combined Venue Tax bonds, as well as an additional $83.6 million outstanding in Motor Vehicle Rental Tax Bonds, inclusive of the current refunding. Officials do not anticipate to further leverage the pledged revenue stream.

The legal provisions associated with the bonds are considered average. The additional bonds test (ABT) is 1.25 times average annual debt service and the debt service reserve is equal to the lesser of the standard three-prong test, and is funded with cash.

Debt Structure

The debt structure is fairly level with debt service costs of approximately $20 million through 2032. After 2032 debt service declines gradually until the last two years of payments in which it is $4.4 million in both 2050 and 2051.

Debt-Related Derivatives

All outstanding debt is fixed rate and the city is not party to any debt related derivatives.

MANAGEMENT AND GOVERNANCE

Texas counties have an institutional framework score of "Aaa", or very strong. Counties rely on property taxes to fund operations, and have the ability to increase revenues as all counties remain well below the state cap. Additionally, the size of the tax base, with minimal declines noted during the last recession, and recovery since then, also strengthens the stable revenue source. Expenditures, which are primarily for roads and jails, tend to be generally predictable and counties have the ability to reduce expenditures as necessary, given the lack of union presence within the state. The management team is strong evidenced by the County's Aaa GOLT rating.

KEY STATISTICS

- 2014 1.75% Hotel Occupancy Tax revenues: $16.2 million

- 2014 5% Motor Vehicle Rental Tax revenues: $8.6 million

- HOT five year average growth: 7.0%

- Motor Vehicle Rental Tax MADS coverage including Spurs payment: 1.48x

- Combined Venue Tax MADS coverage including Spurs payment: 1.02x

OBLIGOR PROFILE

The county is located in south central Texas and is a component of the Metropolitan Statistical Area (MSA) of San Antonio, which is the county seat. The City's 2010 census population of 1,327,407 makes it the second largest city in Texas and the seventh largest in the United States.

LEGAL SECURITY

The Current issuance is secured by a senior lien on pledged revenues from the Hotel Occupancy Tax and a subordinate lien on revenues derived from the Motor Vehicle Rental Tax after priority payments to the outstanding Motor Vehicle Rental Tax bonds.

USE OF PROCEEDS

Proceeds from the current offerings will be used to redeem the county's short term CVT bonds.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was US Public Finance Special Tax Methodology published in January 2014. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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