

RatingsDirect®

Summary:

Tarrant County, Texas; General Obligation

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Summary:

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Credit Profile

Tarrant Cnty GO

Long Term Rating

AAA/Stable

Affirmed

Rationale

Standard & Poor's Ratings Services affirmed its 'AAA' long-term rating on Tarrant County, Texas' existing general obligation (GO) debt. The outlook is stable.

The county's full faith and credit pledge secures the bonds.

The rating reflects our assessment of the following factors:

- We believe Tarrant County's economy is strong, as it continues to see significant economic development, as well as its participation in the Dallas-Fort Worth, Texas economy. Tarrant County consists of 40 cities and towns, including Fort Worth and Arlington. The county also consists of several smaller but rapidly growing communities such as Keller, Southlake, Colleyville, Grapevine, and Mansfield. In our view, a significant corporate presence and independent employment base remain a cornerstone of the county's economic and employment base. Per-capita effective buying income is what we consider strong at 103.0% of the national level and a per-capita market value of \$69,000. The county serves a population over 1.8 million. The economy continues to exhibit growth, with the county's unemployment rate for calendar year 2012 of 6.6%, which is below both the state and national levels.
- The county's budgetary flexibility is what we consider very strong, with the county maintaining fund balances above 18% of expenditures over the past five years. The adjusted available fund balance for fiscal 2012 was \$61.8 million, or what we believe is very strong at 20.2% of expenditures. The unaudited results for fiscal 2013 reflect a drawdown, with an available fund balance of \$43.1 million, or 12.5% of expenditures. The fiscal 2014 budget is balanced with year-end reserves near fiscal 2013 projected closing levels. Historically the county has ended with better-than-budgeted results.
- In our view, the county's budgetary performance is adequate; it reported a surplus of 18.0% for the general fund and a deficit of 5.7% of total governmental funds in fiscal 2012. Property taxes are the primary revenue source for the county. The ad valorem tax levy, at the very competitive rate of 26.4 cents per \$100 of assessed value, generates the majority of the county's revenues; the current collection rate is more than 98%. Management expects property tax collections to remain above 95% over the next several fiscal years.
- Tarrant County's liquidity is what we consider very strong, with total government cash at 59.7% of total governmental fund expenditures and total governmental cash at 982.9% of total governmental funds debt service. We believe the county has access to external liquidity, due to annual GO debt issuances.
- We believe Tarrant County's management conditions are strong with good financial management policies and practices.
- The county's debt and contingent liabilities is strong, in our opinion, with total governmental funds debt service at 6.1% of total governmental funds expenditures. The overall net debt burden is weak at 6.1% of market value. Amortization is rapid with 63.8% of principal to be retired over 10 years. We anticipate that the debt profile will

remain largely unchanged during the next two years as management has no plans to issue additional debt within the next year.

- The county provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined-benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). For fiscal 2012, the county contributed 100% of its annual pension cost, which totaled about 5.0% of total governmental expenditures. Currently, the retirement is 80.4% funded. Retirees cover the cost of their postemployment benefits.
- We consider the institutional framework score for Texas counties strong. (See the Institutional Framework score for Texas.)

Outlook

The stable outlook reflects Standard & Poor's view of Tarrant County's strong and expanding economy and our opinion that the county will likely sustain its strong management profile. The outlook also reflects our view that Tarrant County will continue to experience a growing economy and tax base.

We do not expect to change the rating within the stable outlook's two-year period because we believe management will likely maintain what we consider its consistently very strong budget flexibility and liquidity. We also believe that management's will continue to demonstrate strong budgetary performance and maintain reserves well above policy levels.

Related Criteria And Research

Related Criteria

USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 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

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