



500 North Akard Street  
Lincoln Plaza, Suite 3200  
Dallas, TX 75201  
tel (214) 871-1400  
reference no.: 1402005

July 16, 2015

City of Helotes  
12951 Bandera Road  
P.O. Box 507  
Helotes, TX 78023  
Attention: Mr. Rick Schroder, City Administrator

**Re: *US\$4,290,000 City of Helotes, Texas, Combined Tax And Limited Pledge Revenue  
Certificates Of Obligation, Series 2015, dated: August 01, 2015, due: February 01, 2035***

Dear Mr. Schroder:

Pursuant to your request for a Standard & Poor's Ratings Services ("Ratings Services") rating on the above-referenced obligations, Ratings Services has assigned a rating of "AA". Standard & Poor's views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

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Please send hard copies to:  
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Public Finance Department

55 Water Street  
New York, NY 10041-0003

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Sincerely yours,

The image shows a handwritten signature in black ink that reads "Standard & Poor's". The signature is written in a cursive, flowing style.

Standard & Poor's Ratings Services

am  
enclosures

cc: Ms. Ginger Mann, Financial Advisor  
First Southwest Company



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## Summary:

# Helotes, Texas; General Obligation

### Primary Credit Analyst:

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## Summary:

# Helotes, Texas; General Obligation

### Credit Profile

US\$4.29 mil comb tax and ltd pledge rev certs of oblig ser 2015 dtd 08/01/2015 due 02/01/2035

<i>Long Term Rating</i>	AA/Stable	New
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#### Helotes GO

<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
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Many issues are enhanced by bond insurance.

## Rationale

Standard & Poor's Ratings Services assigned its 'AA' long-term rating to Helotes, Texas' series 2015 combination tax and limited pledge revenue certificates of obligation. At the same time, Standard & Poor's affirmed its 'AA' underlying rating (SPUR) on the city's general obligation debt outstanding. The outlook is stable.

The certificates are secured by the city's levy of a direct and continuing ad valorem tax on all taxable property within the city. Additional security is provided by the city's limited pledge of surplus revenues of the city's solid waste management system, not to exceed \$1,000. Certificate proceeds will be used to fund various capital projects.

The ratings reflect our assessment of the following factors of the city:

- Very strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Adequate management, with "standard" financial policies and practices under our Financial Management Assessment (FMA) methodology;
- 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 a high available fund balance in fiscal 2014 of 82% of operating expenditures;
- Very strong liquidity, with total government available cash of 38.3% of total governmental fund expenditures and 2.3x governmental debt service, and access to external liquidity we consider strong;
- Very weak debt and contingent liability position, with debt service carrying charges of 16.9% of expenditures and net direct debt that is 196.5% of total governmental fund revenue, as well as overall net debt we consider high because sufficiently current overlapping debt figures are not available; and
- Strong institutional framework score.

### Very strong economy

We consider Helotes' economy very strong. The city, with an estimated population of 8,104, is located in Bexar County in the San Antonio-New Braunfels, Texas MSA, which we consider to be broad and diverse. The city has a projected per capita effective buying income of 141% of the national level and per capita market value of \$102,202. Overall, the city's market value grew by 7.6% over the past year to \$828.2 million in 2015. The county unemployment rate was 4.6% in 2014.

Helotes encompasses about 6.71 square miles in Bexar County, Texas, about 20 miles northwest of downtown San Antonio. City officials report that the local taxpayers and employers remain very stable, and that several new businesses have recently come into the city.

### **Adequate management**

We view the city's management as adequate, with "standard" financial policies and practices under our FMA methodology, indicating the finance department maintains adequate policies in some but not all key areas.

The city utilizes historical data in formulating its budget assumptions. Once the budget is in place, the city has the ability to amend the budget as needed, and provides monthly budget-to-actual updates to the city council. The city also has a formal investment policy that it reviews annually, with updates provided monthly. In addition, the city has an informal policy of maintaining general fund reserves of at least five months of operating expenditures. The city currently lacks formalized policies in the areas of debt management, long-term financial planning, and long-term capital planning.

### **Strong budgetary performance**

Helotes' budgetary performance is strong in our opinion. The city had operating surpluses of 14.0% in the general fund and 7.9% 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.

For fiscal 2015, the city anticipates closing the year with at least break-even performance in the general fund, if not a slight surplus. Results are down slightly from recent years' significant operating surpluses but remain strong, in our view. City officials don't anticipate any significant change to total governmental performance. The city plans to adopt a balanced budget for fiscal 2016. As such, we expect the city's budgetary performance to remain strong.

### **Very strong budgetary flexibility**

Helotes' budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2014 of 82% of operating expenditures, or \$3.8 million. We expect the available fund balance will remain above 30% of expenditures for the current and next fiscal years, which we view as a positive credit factor.

For fiscal 2015, the city expects to end the year with at least the same level of general fund reserves, if not a slight increase. For fiscal 2016, the city has no plans for a significant use of reserves. As such, we expect the city's budgetary flexibility to remain very strong.

### **Very strong liquidity**

In our opinion, Helotes' liquidity is very strong, with total government available cash of 38.3% of total governmental fund expenditures and 2.3x governmental debt service in 2014. In our view, the city has strong access to external liquidity if necessary.

We expect the city's liquidity to remain very strong, based on the city's lack of plans to spend down cash and cash equivalents. While the state does allow for investments that we consider to be somewhat permissive, the city's investments are in certificates of deposit, which we view as conservative. Finally, we note that the city has accessed the debt markets within the past 20 years.

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

In our view, Helotes' debt and contingent liability profile is very weak. Total governmental fund debt service is 16.9% of total governmental fund expenditures, and net direct debt is 196.5% of total governmental fund revenue. Negatively affecting our view of the city's debt profile is its overall net debt burden we consider high because sufficiently current overlapping debt figures are not available.

Currently, the city has no plans to issue additional debt for at least the next few years.

Helotes' combined pension and other postemployment benefits contributions totaled 2.4% of total governmental fund expenditures in 2014. The city made its full annual required pension contribution in 2014.

The city participates in the Texas Municipal Retirement System, which is administered by the state. As of the most recent actuarial study, the city's pension plan was 88.6% funded.

### **Strong institutional framework**

The institutional framework score for Texas municipalities is strong.

## **Outlook**

The stable outlook reflects our expectation that the city will maintain its very strong budgetary flexibility and will continue to benefit from its participation in the broad and diverse San Antonio-New Braunfels MSA. While we do not expect to change the ratings within the two-year horizon of the outlook, a significant improvement in the city's debt and contingent liabilities profile, coupled with continued growth in the economic indicators, could lead to a positive rating action. Conversely, an unexpected deterioration in the city's budgetary performance and flexibility 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
- USPF Criteria: Financial Management Assessment, June 27, 2006
- USPF Criteria: Debt Statement Analysis, Aug. 22, 2006
- USPF Criteria: Limited-Tax GO Debt, Jan. 10, 2002
- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

### **Related Research**

Institutional Framework Overview: Texas Local Governments

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