

RatingsDirect®

Summary:

Helotes, Texas; General Obligation

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Credit Profile

Helotes GO

Unenhanced Rating

AA(SPUR)/Stable

Upgraded

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services raised its long-term and underlying rating (SPUR) to 'AA' from 'A+' on Helotes, Texas' existing general obligation (GO) bonds based on our recently released local GO criteria. The outlook is stable.

The bonds are secured by a full faith and credit pledge of the city.

The rating reflects our assessment of the following factors for the city:

- Very strong economy, with projected per capita estimated buying income (EBI) as a percent of nation at 137.8% and per capita market value of \$103,609. Helotes, with an estimated population of 7,060, is in Bexar County roughly 20 miles northwest of downtown San Antonio, affording residents direct access to the broad and diverse San Antonio MSA.
- Very strong budgetary flexibility, with audited available reserves equal to 63.7% of expenditures in 2012. For fiscal 2013, the city projects reserves will increase by \$612,000 due to conservative budgeting. For fiscal 2014, the city adopted a balanced general fund budget without the use of reserves.
- Very strong overall budgetary performance, with a surplus of 6.6% for the general fund in fiscal 2012, and a slight 3.1% deficit for the total governmental funds. Fiscal 2013 estimated numbers indicate a 0.5% and an 11.5% surplus for the general fund and total governmental funds, respectively. For fiscal 2014, the total governmental funds budget indicates an overall 9.4% surplus.
- Very strong liquidity, with total government available cash as a percent of total governmental fund expenditures at 28.8% and total government available cash as a percent of debt service is 150.2%. We believe the city has strong access to external liquidity.
- Adequate management conditions, with standard financial practices. In addition, the city has not experienced any recent political instability, turnover or gridlock, is not actively considering bankruptcy, and has not demonstrated an unwillingness to support its obligations.
- Very weak debt and contingent liabilities profile, with total governmental funds debt service as a percent of total governmental funds expenditures at 18.5% and with net direct debt as a percent of total governmental funds revenue at 135%. The city's debt amortizes rapidly, with 73% of principal due to be retired in 10 years, and the overall net debt burden is a low 1.2% of market value. The city does not expect to issue additional debt within the next two years.
- The city participates in the Texas Municipal Retirement System to provide pension benefits for employees. It has contributed 100% of the annual required contribution (ARC) in each of the past three years. The combined ARC pension costs and other postemployment benefit pay-as-you-go contributions for fiscal 2012 were 2.3% of expenditures and we do not anticipate that these costs will increase substantially in the near term.

- We consider the Institutional framework score for Texas cities as strong. See Institutional Framework score for Texas.

Outlook

The stable outlook reflects our view that the city will maintain its very strong budgetary flexibility, liquidity, and performance. While we do not anticipate changing the rating within the two-year outlook horizon, an improvement in the city's debt and contingent liabilities profile and its management could place upward pressure on the rating.

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

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