

# RatingsDirect®

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## Summary:

# Calhoun County, Texas; General Obligation

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## Summary:

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### Credit Profile

Calhoun Cnty GO		
<i>Long Term Rating</i>	AA/Stable	Upgraded
<b>Calhoun Cnty certs of oblig</b>		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Upgraded

Many issues are enhanced by bond insurance.

## Rationale

Standard & Poor's Ratings Services has raised its rating on Calhoun County, Texas' general obligation (GO) bonds one notch to 'AA' from 'AA-' based on its local GO criteria released Sept. 12, 2013. The outlook is stable.

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

- We consider Calhoun County's economy to be very weak, with its projected per capita effective buying income at 81.7% of the U.S. and per capita market value of \$166,430. The county's tax base is concentrated, with the 10 leading taxpayers accounting for 57.2% of fiscal 2014 assessed value.
- In our opinion, Calhoun County's budgetary flexibility remains very strong, and we expect reserves to be greater than 75% of expenditures in the next two fiscal years. Audited fiscal 2012 reserves were \$18.4 million or 101.5% of expenditures.
- The county's budgetary performance has been adequate overall, in our view, with 2012 audited figures depicting a surplus of 4.0% for the general fund and a surplus of 2.6% of total governmental funds. Based on conservative budget estimates, we project deficits in net performance in 2014. The majority of the county's revenues are closely tied to its taxable property base, which is concentrated in the petrochemical industry.
- Supporting Calhoun County's finances is liquidity that we consider very strong, with total government available cash as a percent of total governmental fund expenditures greater than 90% in 2012 and, as a percent of debt service, above 100%. We believe the county has strong access to external liquidity.
- We view the county's management conditions as strong, with good financial practices.
- In our opinion, Calhoun County's debt and contingent liability profile is very strong, with total governmental fund debt service at 5.4% of total governmental fund expenditures, and with net direct debt at 39.5% of total governmental fund revenue. Amortization is what we view as rapid, with 100% of all debt to be retired by 2014, and overall net debt as a percent of market value is less than 3%. The county does not have any plans to issue any additional debt within the next two years.
- The county participates in the Texas County and District Retirement System to provide pension benefits for employees. It has contributed 100% of the annual required contribution in each of the past three years. Pension costs for fiscal 2012 were less than 4% of expenditures, and we do not expect these costs to increase substantially in the near term.
- We consider the Institutional Framework score for Texas cities and counties as strong. See Institutional Framework score for Texas, published Sept. 12, 2013, on RatingsDirect on the Global Credit Portal.

## **Outlook**

The stable outlook reflects Standard & Poor's expectation that Calhoun County will maintain its very strong budgetary flexibility position despite its concentrated tax base. We do not expect to change the rating in the next two years given that the county's available general fund balance is expected to remain above 75% of general fund expenditures in future years. While we do not view it as likely to occur in within the outlook horizon, a reduction of general fund reserves coupled with a deterioration in budgetary performance could lead us to lower 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
- Institutional Framework Overview: Texas Local Governments, Sept. 12, 2013

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