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Ratings

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Summary:

Collin County, Texas; General Obligation

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Credit Profile		
US$245.445 mil ltd tax perm imp bnds ser 2023 dtd 07/01/2023 due 02/15/2043		
Long Term Rating	AAA/Stable	New

Credit Highlights

- S&P Global Ratings assigned its 'AAA' long-term rating to Collin County, Texas' approximately $245.4 million series 2023 limited-tax improvement bonds.
- At the same time, we affirmed our 'AAA' long-term rating on the county's unlimited- and limited-tax general obligation (GO) debt outstanding.
- The outlook is stable.

Security

Collin County's unlimited-tax levy secures its unlimited-tax bonds outstanding. Its levy of a direct and continuing ad valorem tax, within the limits prescribed by law, secures the limited-tax bonds, which includes the series 2023 bonds. The maximum allowable tax rate in Texas is 80 cents per $100 of assessed value (AV) for all purposes, with the portion dedicated to debt service limited to 40 cents. The county's fiscal 2023 levy is well below the maximum, at 15.2 cents, 4.4 cents of which is dedicated to debt service. We rate the limited-tax bonds on par with our view of the county's general creditworthiness, as the tax base supporting the obligations is coterminous with the county, and we see no unusual risks regarding the county's willingness to support the debt or the fungibility of resources.

Proceeds of the 2023 bonds will be used to fund highway improvements and park projects. Including the bonds, the county has roughly $743 million in direct debt outstanding. To maintain a steady debt service tax rate, repayment on the 2023 bonds is front-loaded, but with fairly rapid amortization, we do not expect this to have a material impact on our view of the county's debt profile. The county is in preliminary stages of planning for a future bond election, and if successful , officials expect to issue an additional $260 million in the next two years to continue addressing ongoing capital needs associated with growth.

Credit overview

Benefiting from its favorable location in the Dallas-Fort Worth metroplex, Collin County continues to experience significant population growth and local economic activity, which has resulted in a 58% increase in AV since 2018, leading to higher property-tax revenues. We expect growth to continue, given ongoing commercial development. The county has a history of solid financial performance, which has led to a consistently strong available reserve, in excess of 75% for several years, well above the county's 120-day policy. While fiscal 2022 showed a slight deficit, this was primarily due to planned capital and a market adjustment on investments for the year. Fiscal 2023 budgetary projections are currently showing a draw on fund balance; however, based on current budget tracking, management expects a result closer in line with previous years, given on-track revenues and costs coming in less than the budget.

Even with any potential fluctuations in fund balance, we believe the county will continue to maintain a very strong financial profile.

Management, in our view, is solid and its budget assumptions are conservative. While the county's debt profile is very weak and the debt burden is high, they are somewhat reflective of the high growth in service and infrastructure demands that the county faces. Given historically strong performance, we expect the county will maintain steady operations and very strong reserves in the next few years.

Other credit factors include our view of the county's:

- Sizable $196 billion tax base and above-average incomes, with access to the Dallas-Fort Worth metropolitan area;
- Conservative management team, with a strong financial management assessment (FMA), highlighted by robust budget and capital forecasting and a solid reserve policy and a strong institutional framework score;
- Mostly steady operational performance in recent years, though with a very strong financial position that is expected to be sustained; and
- Very weak debt profile, given ongoing growth-related infrastructure needs, countered by a manageable pension and other postemployment benefits (OPEB) obligation.

Environmental, social, and governance

We have assessed the county's environmental factors and governance risks relative to the economy, financial management, and fiscal performance, as well as its debt and liability profile, and determined that all are neutral in our credit rating analysis. We view the county's strong population growth over the past 20 years as a social opportunity, as it provides underlying economic strength to drive employment opportunities when compared with areas of the country experiencing population stagnation or loss.

Outlook

The stable outlook reflects our expectation that Collin County's robust economic metrics will continue to improve, while the county sustains its very strong budgetary flexibility and liquidity levels, supported by steady operations and strong management practices.

Downside scenario

We could lower the rating in the unlikely event that a material reduction in the county's budgetary performance leads to reserves sustained at a level below its formal policy, or if the county's key economic indicators weaken.

Rating above the sovereign

Collin County's GO bonds are eligible to be rated above the sovereign because we believe the county can maintain better credit characteristics than the U.S. in a stress scenario. (See "Ratings Above The Sovereign: Corporate And Government Ratings--Methodology And Assumptions," published Nov. 19, 2013.) Under our criteria, U.S. local governments are considered moderately sensitive to country risk. The county's GO pledge is the primary source of security on the debt; this severely limits the possibility of negative sovereign intervention in the payment of the debt or in the county's operations. The institutional framework in the U.S. is predictable for local governments, allowing them significant autonomy, independent treasury management, and no history of government intervention. Collin County has considerable financial flexibility, as demonstrated by the very high fund general balance as a percent of expenditures, as well as by very strong liquidity.

Collin County -- Key Credit Metrics

	Most recent	Historical information		
		2022	2021	2020
Very strong economy				
Projected per capita EBI % of U.S.	150			
Market value per capita ($)	183,092			
Population			1,072,295	1,051,586
County unemployment rate(%)		3.2		
Market value ($000)	196,328,209	167,755,086	157,051,906	149,632,277
Ten largest taxpayers % of taxable value	2.7			
Strong budgetary performance				
Operating fund result % of expenditures		(4.1)	13.8	9.8
Total governmental fund result % of expenditures		0.5	12.2	5.6
Very strong budgetary flexibility				
Available reserves % of operating expenditures		77.2	94.4	80.6
Total available reserves ($000)		182,578	185,873	161,437
Very strong liquidity				
Total government cash % of governmental fund expenditures		104	74	118
Total government cash % of governmental fund debt service		447	368	651
Very strong management				
Financial Management Assessment	Strong			
Very weak debt & long-term liabilities				
Debt service % of governmental fund expenditures		23.2	20.2	18.2
Net direct debt % of governmental fund revenue	197			
Overall net debt % of market value	5.8			
Direct debt 10-year amortization (%)	51			
Required pension contribution % of governmental fund expenditures		3.0		
OPEB actual contribution % of governmental fund expenditures		0.0		
Strong institutional framework				

EBI--Effective buying income. OPEB--Other postemployment benefits. Data points and ratios may reflect analytical adjustments.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Ratings Detail (As Of June 16, 2023)

Ratings Detail (As Of June 16, 2023) (cont.)		
Collin Cnty GO		
Long Term Rating	AAA/Stable	Affirmed
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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.