

CREDIT OPINION

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Collin County, TX

Update to credit analysis

Summary

The credit profile of [Collin County, TX](#) (Aaa stable) benefits from the county's very large, dynamic, and rapidly expanding economy supported by the presence of several large national and regional corporate headquarters which is fueling population growth and strong resident income and full value per capita. The county's financial management is very conservative, evidenced by a long-term trend of maintaining operating reserves well in excess of 35% of revenue. The county's leverage, while slightly above Aaa medians, remains manageable given strong operating revenue growth.

Credit strengths

- » Large, affluent and rapidly expanding economy driving strong revenue growth
- » Conservative financial management and long-term trend of operating reserves in excess of 35% of revenue

Credit challenges

- » Slightly elevated leverage to remain given growth-driven capital needs

Rating outlook

The stable outlook reflects the likelihood of continued economic expansion that will support operating revenue growth and maintain the county's strong operating reserves and manageable leverage profile. These factors, coupled with the county's conservative budgeting and operating practices provide a strong foundation for a stable operating profile over the longer term.

Factors that could lead to an upgrade

- » Not applicable

Factors that could lead to a downgrade

- » Increased leverage ratio that surpasses 350%
- » Erosion of operating reserves below 35% or revenue

Key indicators

Exhibit 1

Collin (County of) TX

| | 2020 | 2021 | 2022 | 2023 | Aaa Medians |
|---|---------------|---------------|---------------|---------------|--------------|
| Economy | | | | | |
| Resident income ratio (%) | 147.9% | 145.2% | 145.6% | N/A | 121.7% |
| Full Value (\$000) | \$149,632,277 | \$157,051,906 | \$167,755,086 | \$196,328,281 | \$57,894,231 |
| Population | 1,006,038 | 1,039,812 | 1,079,153 | N/A | 413,574 |
| Full value per capita (\$) | \$148,734 | \$151,039 | \$155,451 | N/A | N/A |
| Annual Growth in Real GDP | -1.2% | 7.9% | 5.7% | N/A | 5.5% |
| Financial Performance | | | | | |
| Revenue (\$000) | \$445,731 | \$451,101 | \$370,598 | \$438,199 | \$521,116 |
| Available fund balance (\$000) | \$216,190 | \$295,999 | \$288,109 | \$294,151 | \$214,469 |
| Net unrestricted cash (\$000) | \$862,556 | \$1,002,828 | \$1,103,776 | \$1,331,733 | \$373,309 |
| Available fund balance ratio (%) | 48.5% | 65.6% | 77.7% | 67.1% | 43.4% |
| Liquidity ratio (%) | 193.5% | 222.3% | 297.8% | 303.9% | 74.3% |
| Leverage | | | | | |
| Debt (\$000) | \$537,131 | \$580,408 | \$597,500 | \$797,090 | \$381,517 |
| Adjusted net pension liabilities (\$000) | \$457,558 | \$594,658 | \$486,800 | \$265,341 | \$594,658 |
| Adjusted net OPEB liabilities (\$000) | \$0 | \$0 | \$0 | \$0 | \$80,385 |
| Other long-term liabilities (\$000) | \$101,975 | \$121,508 | \$142,104 | \$153,542 | \$27,745 |
| Long-term liabilities ratio (%) | 246.0% | 287.4% | 330.9% | 277.5% | 201.7% |
| Fixed costs | | | | | |
| Implied debt service (\$000) | \$28,622 | \$38,465 | \$40,710 | \$41,729 | \$28,447 |
| Pension tread water contribution (\$000) | \$8,983 | \$4,195 | \$9,770 | -\$1,332 | \$15,447 |
| OPEB contributions (\$000) | \$0 | \$0 | \$0 | \$0 | \$3,063 |
| Implied cost of other long-term liabilities (\$000) | \$870 | \$7,303 | \$8,523 | \$9,924 | \$1,999 |
| Fixed-costs ratio (%) | 8.6% | 11.1% | 15.9% | 11.5% | 8.9% |

For definitions of the metrics in the table above please refer to the [US Cities and Counties Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [US Cities and Counties Median Report](#).

The real GDP annual growth metric cited above is for the Dallas-Fort Worth-Arlington, TX Metropolitan Statistical Area Metropolitan Statistical Area.

Sources: US Census Bureau, Collin (County of) TX's financial statements and Moody's Ratings, US Bureau of Economic Analysis

Profile

Collin County is located directly north of [Dallas County](#) (Aaa stable), with multiple employment centers in cities including [McKinney](#) (Aaa stable; the county seat), [Plano](#) (Aaa stable), and [Frisco](#) (Aaa stable). As of 2024, the county's population is estimated at 1.2 million residents.

Detailed credit considerations

Economy: rapid economic expansion expected to continue for several years

Collin County's large and affluent economic base is likely to continue expanding rapidly given the presence of several regional and national corporate headquarters and the high demand for residential housing in the North Texas area. The county's substantial employment base includes the North American headquarters of [Toyota](#) (A1 positive) and the substantial regional presence of [JPMorgan Chase](#) (A1 stable), [State Farm](#) (Aa1 stable), [Bank of America](#) (A1 stable), [Liberty Mutual Group](#) (Baa2 stable), and Raytheon. The county has thousands of homes under development throughout the county that will support the significant population growth, which is projected to grow to about 2.2 million residents over the next 20 years; the county has about 55% of developable land remaining.

The rapid development is likely to continue driving improved full value per capita, which now stands at more than \$225,000, a 63% increase from 2019. The strong employment base, which also includes numerous large scale hospitals, school districts and other government employment opportunities, will maintain the county's strong resident income.

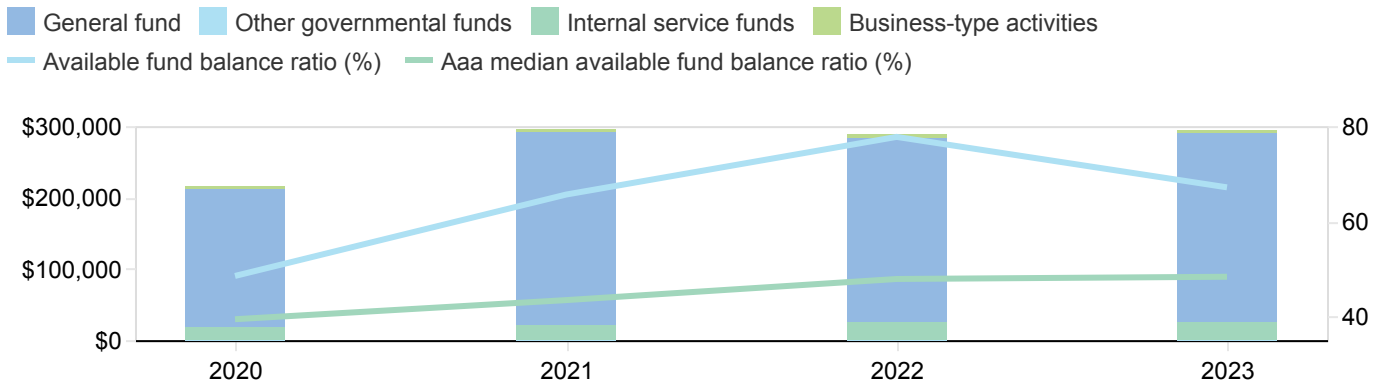
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Financial operations: conservative fiscal management to preserve strong operating reserves

The county's conservative fiscal management and rapidly increasing revenue base will allow it to maintain a very strong balance sheet over the coming years. The county adheres to an informal policy to maintain reserves equal to 50% of expenditures. The county adopted a balanced general fund budget for fiscal 2024 (September 30 fiscal year end) and expects to exceed budgeted projections.

The county's primary revenue stream is property tax revenue, which comprised about 68% of total revenue in fiscal 2023. Property tax revenue has increased a little more than 4% annually since 2019 and is expected to continue strong annual growth. The fiscal 2025 budget is in its early stages, but management anticipates it will benefit from ongoing new construction growth and increases to existing property. Expenditures will increase moderately as the county opens the jail expansion (being constructed with the current bond proceeds) and adds jail staff. Still, management anticipates maintaining reserves at existing levels.

Exhibit 2
Fund Balance



Source: Moody's Ratings

Liquidity

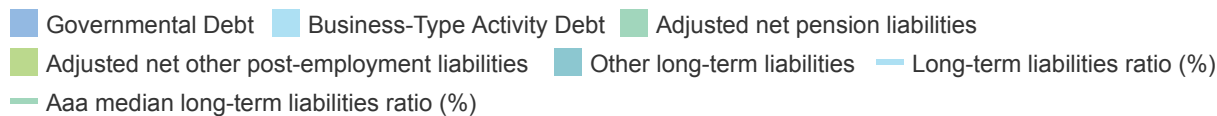
The county's cash and investments totaled \$1.3 billion at the close of fiscal 2023, representing more than 300% of revenue. The difference between the county's liquidity and operating reserves is largely unspent bond proceeds (about \$565.6 million) that will support the county's growth-driven capital needs. When removing the bond proceeds, the county's liquidity is still exceptionally strong at more than \$174% of revenue.

Leverage: growing revenue to maintain debt affordability

The county's rapid development comes with significant growth-driven capital needs, resulting in leverage that is about 40% higher than Aaa medians. However, the county's leverage will remain affordable given continued revenue growth and a favorable leverage mix; about 75% of the county's leverage profile is attributable to debt. Inclusive of the Series 2024 bonds, the county's leverage will decrease slightly to an estimated 262% of budgeted fiscal 2024 revenue. The county will have approximately \$480 million in unissued authorization post-sale, which management anticipates issuing over the next five years. The county's fixed costs are very manageable at about 11.5% of revenue and are not anticipated to change materially with the current issuance.

Exhibit 3

Total Primary Government - Long Term Liabilities



Source: Moody's Ratings

Legal security

The bonds constitute direct obligations of the county, payable from the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the county.

Debt structure

All of the county's debt is fixed rate and roughly 52% of principal is repaid within 10 years. The county's debt is front-loaded with a descending amortization schedule which takes advantage of the current economic growth to pay for infrastructure needs.

Debt-related derivatives

The county is not party to any interest rate swaps or other derivate agreements.

Pensions and OPEB

The county participates in the Texas County and District Retirement System (TCDRS), a multi-employer defined benefit agent plan. Positively, the county has made sizable pensions contributions in recent years far exceeding tread water. As a result, the county reported a pension asset in fiscal 2023 of about \$1.3 million based on an 7.60% discount rate. Comparatively, the Moody's adjusted net pension liability (ANPL) based on a 5.02% discount rate was \$265.3 million.

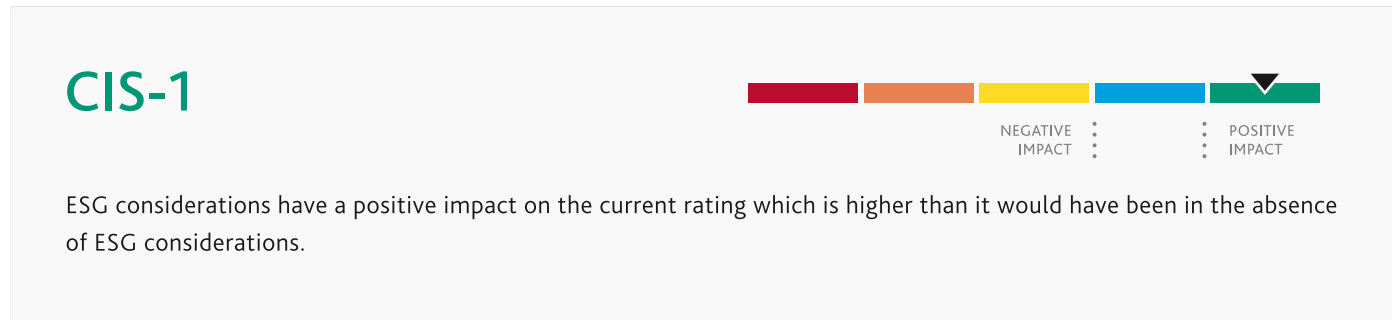
In fiscal 2023, the county made about \$26 million in pension contributions, well in excess of Moody's calculated "tread water" level of \$1.3 million. Since 2019, the county has contributed nearly \$70 million more than the calculated "tread water" level. The county offers health benefits at actuarial cost with no supplements as a post-employment benefit to retired employees. As such, the county does not record any outstanding OPEB obligations.

ESG considerations

Collin (County of) TX's ESG credit impact score is CIS-1

Exhibit 4

ESG credit impact score

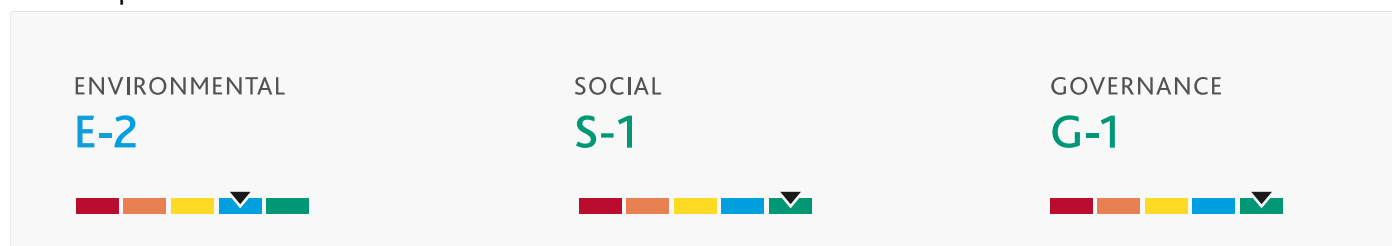


Source: Moody's Ratings

Collin County's ESG Credit Impact Score is positive (**CIS-1**), reflecting minimal exposure to environmental risks and positive exposure to social and governance considerations.

Exhibit 5

ESG issuer profile scores



Source: Moody's Ratings

Environmental

The county's overall E issuer profile score is (**E-2**) reflecting low exposure to all categories including physical climate risks, carbon transition, water management, waste and pollution and natural capital.

Social

The county's S issuer profile score of (**S-1**) reflects positive demographic trends supported by a young populace and high organic growth and net migration into the county. Labor and income, education, health and safety, and housing are all positive factors for Collin County.

Governance

The county's G issuer profile score of (**G-1**) reflects a solid institutional framework, policy effectiveness and budget management evidenced in budget outcomes that typically outpace expectations. Transparency and disclosure is better than many peers and is supported by a history of timely audit releases, public disclosure of interim financial information, and prompt budget adoption.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The US Cities and Counties Methodology includes a scorecard, which summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 6

Collin (County of) TX

| | Measure | Weight | Score |
|--------------------------------|---------|--------|------------|
| Economy | | | |
| Resident income ratio | 145.6% | 10.0% | Aaa |
| Full value per capita | 208,963 | 10.0% | Aaa |
| Economic growth metric | 2.0% | 10.0% | Aaa |
| Financial Performance | | | |
| Available fund balance ratio | 67.1% | 20.0% | Aaa |
| Liquidity ratio | 303.9% | 10.0% | Aaa |
| Institutional Framework | | | |
| Institutional Framework | Aa | 10.0% | Aa |
| Leverage | | | |
| Long-term liabilities ratio | 277.5% | 20.0% | A |
| Fixed-costs ratio | 11.5% | 10.0% | Aa |
| Notching factors | | | |
| No notchings applied | | | |
| Scorecard-Indicated Outcome | | | Aa1 |
| Assigned Rating | | | Aaa |

The Economic Growth metric cited above compares the five-year CAGR of real GDP for Dallas-Fort Worth-Arlington, TX Metropolitan Statistical Area Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.

Sources: US Census Bureau, Collin (County of) TX's financial statements and Moody's Ratings

Appendix

Exhibit 7

Key Indicators Glossary

| | Definition | Typical Source* |
|---|---|---|
| Economy | | |
| Resident income ratio | Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI | MHI: US Census Bureau - American Community Survey 5-Year Estimates RPP: US Bureau of Economic Analysis |
| Full value | Estimated market value of taxable property in the city or county | State repositories; audited financial statements; continuing disclosures |
| Population | Population of the city or county | US Census Bureau - American Community Survey 5-Year Estimates |
| Full value per capita | Full value / population | |
| Economic growth metric | Five year CAGR of real GDP for Metropolitan Statistical Area or county minus the five-year CAGR of real GDP for the US | Real GDP: US Bureau of Economic Analysis |
| Financial performance | | |
| Revenue | Sum of revenue from total governmental funds, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services funds, excluding transfers and one-time revenue, e.g., bond proceeds or capital contributions | Audited financial statements |
| Available fund balance | Sum of all fund balances that are classified as unassigned, assigned or committed in the total governmental funds, plus unrestricted current assets minus current liabilities from the city's or county's business-type activities and internal services funds | Audited financial statements |
| Net unrestricted cash | Sum of unrestricted cash in governmental activities, business type activities and internal services fund, net of short-term debt | Audited financial statements |
| Available fund balance ratio | Available fund balance (including net current assets from business-type activities and internal services funds) / Revenue | |
| Liquidity ratio | Net unrestricted cash / Revenue | |
| Leverage | | |
| Debt | Outstanding long-term bonds and all other forms of long-term debt across the governmental and business-type activities, including debt of another entity for which it has provided a guarantee disclosed in its financial statements | Audited financial statements; official statements |
| Adjusted net pension liabilities (ANPL) | Total primary government's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits | Audited financial statements; Moody's Investors Service |
| Adjusted net OPEB liabilities (ANOL) | Total primary government's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits | Audited financial statements; Moody's Investors Service |
| Other long-term liabilities (OLTL) | Miscellaneous long-term liabilities reported under the governmental and business-type activities entries | Audited financial statements |
| Long-term liabilities ratio | Debt + ANPL + ANOL + OLTL / Revenue | |
| Fixed costs | | |
| Implied debt service | Annual cost to amortize city or county's long-term debt over 20 years with level payments | Audited financial statements; official statements; Moody's Investors Service |
| Pension tread water contribution | Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met | Audited financial statements; Moody's Investors Service |
| OPEB contribution | City or county's actual contribution in a given period | Audited financial statements |
| Implied cost of OLTL | Annual cost to amortize city or county's other long-term liabilities over 20 years with level payments | Audited financial statements; Moody's Investors Service |
| Fixed-costs ratio | Implied debt service + Pension tread water + OPEB contributions + Implied cost of OLTL / Revenue | |

*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US Cities and Counties Methodology](#).

Source: Moody's Ratings

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