S&P Global Ratings

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Summary:

Collin County, Texas; General Obligation

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Credit Profile		
US$212.0 mil ltd tax perm imp and rfdg bnds ser 2024 dtd 06/15/2024 due 02/15/2044		
Long Term Rating	AAA/Stable	New
Collin Cnty GO		
Long Term Rating	AAA/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AAA' rating to Collin County, Texas' approximately $212 million series 2024 limited-tax improvement and refunding bonds.
- At the same time, S&P Global Ratings affirmed its 'AAA' rating on the county's unlimited- and limited-tax general obligation (GO) debt.
- The outlook is stable.

Security

The 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, including the series 2024 bonds. The maximum allowable tax rate for Texas counties is 80 cents per $100 of assessed value (AV) for all purposes with the portion dedicated to debt service limited to 40 cents.

For fiscal 2024 (tax year 2023), the county's total levy is 14.9 cents with 4.1 cents for debt service. We rate the limited-tax bonds on par with our view of the county's general creditworthiness because the property tax base supporting the obligations is coterminous with the county and because we see no unusual risk regarding the county's willingness to support the debt or the fungibility of resources.

Officials intend to use series 2024 bond proceeds to fund capital projects related to the county's court-and-detention facilities, animal shelter, medical examiner's office, and road-and-bridge projects. They will also use a portion of bond proceeds to refund series 2014 unlimited-tax road bonds and series 2014 limited-tax refunding and improvement bonds for debt-service savings.

Credit overview

Collin County has a substantial and growing tax base, as well as very strong finances and strong financial-management practices. The county continues to experience significant population growth and local economic activity due to its favorable location within the Dallas-Fort Worth Metroplex. We expect AV growth to continue due to ongoing residential and commercial development.

The county has a history of solid finances; it maintains reserves in excess of 75% of expenditures, including transfers out, which we view as a credit positive and well in excess of the county's 120-day formal reserve policy. Increasing general fund expenditures could reduce this ratio to below 75% of expenditures; however, they would likely remain well in excess of a formal fund-balance policy and at levels we view as very strong.

Fiscal 2024 projections indicate at least breakeven general fund operations. Officials balanced the budget, so we expect reserves will likely remain at least stable nominally; however, compared with expenditures, reserves could decrease somewhat, depending on final operating expenditures. In our opinion, finances will likely continue to benefit from a growing economy and conservative budget assumptions, which should allow the county to maintain very strong finances.

While debt metrics remain very weak, in our view, they reflect strong growth in service-and-infrastructure demands the county faces; metrics will likely remain somewhat offset by tax base and budget growth. After this series 2024 issuance, the county will have $837 million of direct debt. The electorate authorized $702 million of debt for projects similar to what the county is funding with series 2024 bonds. The county expects to issue roughly $200 million of additional debt in 2025 and $80 million during the following three years.

The rating reflects our view of the county's:

- Growing, sizable tax base with access to the Dallas-Fort Worth Metroplex, leading to income and property wealth generally in-line with national peers;
- Very strong management with strong financial-management policies, practices under our Financial Management Assessment (FMA) methodology--highlighted by its robust budget and capital forecasting, conservative budgeting, and formal reserve policy--and strong Institutional Framework score;
- Very strong finances with generally stable operating performance recently, supported by growing primary revenue and conservative budget assumptions, and projections that show the maintenance or improvement of reserves during the next two fiscal years; and
- Very weak debt profile due to ongoing growth-related infrastructure needs, countered by a manageable pension and other postemployment benefit obligation.

Environmental, social, and governance

We view the county's environmental and governance factors as neutral in our credit-rating analysis. We view the county's strong population growth during the past 20 years as a social opportunity because it provides underlying economic strength to support employment opportunities compared with areas of the nation experiencing population stagnation or loss.

Outlook

The stable outlook reflects S&P Global Ratings' expectation that the county's economic metrics will likely continue to improve while budgetary performance and reserves will likely remain, at least, stable, supported by a growing tax base and very strong management.

Downside scenario

We could lower the rating if reserves were to decrease to levels we no longer consider in-line with a formal reserve policy or if the county's key economic or debt metrics were to weaken materially.

Rating above the sovereign

Collin County's GO bonds are eligible to be rated above the sovereign because we think the county can maintain better credit characteristics than the nation in a stress scenario. (For further information, see our criteria, titled "Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions," published Nov. 19, 2013, on RatingsDirect.) 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 general fund balance as a percent of expenditures; its primary revenue source is property taxes.

Collin County, Texas--key credit metrics				
	Most recent	**--Historical information--**		
		2023	**2022**	**2021**
Very strong economy				
Projected per capita effective buying income (EBI) (%) of U.S.	130.4			
Market value per capita ($)	203,935			
Population			1,105,764	1,072,295
County unemployment rate(%)			3.2	
Market value ($000)	225,503,440	196,328,209	167,755,086	
10 leading taxpayers as a % of taxable value	2.4			
Strong budgetary performance				
Operating fund result as a % of expenditures		2.1	(4.1)	13.8
Total governmental fund result as a % of expenditures		9.5	0.5	12.2
Very strong budgetary flexibility				
Available reserves as a % of operating expenditures		78.0	77.2	94.4
Total available reserves ($000)		199,846	182,578	185,873
Very strong liquidity				
Total government cash % of governmental fund expenditures		99.0	103.6	74.4
Total government cash % of governmental fund debt service		458.2	446.9	368.2
Very strong management				
Financial Management Assessment	Strong			
Very weak debt and long-term liabilities				
Debt service as a % of governmental fund expenditures		21.6	23.2	20.2
Net direct debt as a % of governmental fund revenue	195.0			
Overall net debt as a % of market value	5.6			
Direct debt 10-year amortization (%)	48.9			
Required pension contribution as a % of governmental fund expenditures		3.1		

Collin County, Texas--key credit metrics (cont.)				
	Most recent	--Historical information--		
		2023	2022	2021
Other postemployment benefits actual contribution as a % of governmental fund expenditures		0		
Strong Institutional Framework				

Data points and ratios may reflect analytical adjustments.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015
- 2023 Update Of Institutional Framework For U.S. Local Governments, Nov. 28, 2023
- 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 14, 2024)		
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.spglobal.com/ratings for further information. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.