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Summary:

Tom Green County, Texas; General Obligation

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Credit Profile		
Tom Green Cnty tax nts ser 2009		
Long Term Rating	AA/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services affirmed its 'AA' long-term rating on Tom Green County, Texas' series 2009 tax notes. The outlook is stable.

The rating reflects our view of the county's:

- Stable local economy, which is tied to military services, education, and agribusiness;
- Very strong financial position and reserves;
- Good financial management practices and policies; and
- Moderate debt burden, coupled with rapid debt amortization and no additional debt plans.

Located in west of Texas, Tom Green County provides services to an estimated population of 108,000. The county has a diverse economy that includes a significant presence of health care, education, retail, manufacturing, and agriculture employers. Goodfellow Airforce Base is still a large and vital part of the community, which has not been effected by federal funding cuts. The county's property tax base has grown in each of the past three fiscal years, and assessed value (AV) grew 11.7% from 2010 to $4.7 billion in 2013. County officials report that recent developments in the oil field and expected personnel increases at Goodfellow Airforce Base are expected to boost mineral values and will contribute to increases in AV during the next few years.

We believe wealth and income levels are adequate: Per capita effective buying income indicators are about 83% of national levels, and the median household income indicator is also adequate at 82% of the national level. Property market value, another wealth indicator, is adequate in our opinion at roughly $43,000 per capita.

In our opinion, the county has maintained its historically very strong financial position. The county ended fiscal 2011 with a total available general fund balance (a combination of the county's unassigned and assigned general fund balances) of approximately $9.96 million or 31% of operational expenditures, which we consider very strong, following a surplus of about $312,000. Management is expecting to end fiscal 2012 with a surplus of $2 million, mainly due to large gains in sales tax revenue than anticipated and final receipt of disaster funds from FEMA for wildfires in 2011. The fiscal 2013 budget is structurally balanced, but includes the use of $3.4 million from the general fund for additional capital purchases. The county's tax rate stands at 52.5 cents per $100 of AV for fiscal 2013.

Standard & Poor's revised its assessment of the county's management practices to "good" from "standard" under its financial management assessment (FMA) methodology since the management has now a formalized reserve policy of 2.4 months general fund expenditures. The county has historically stable revenue streams and expenditure growth rates, with conservatively budgets revenues and expenditures. Officials report budget results to the county commission, and they can amend the budget at any time throughout the year. The county's formal investment policy follows guidelines outlined by state statutes, with formal updates given at least quarterly to the governing body. The county has a five-year financial plan. Capital planning is currently limited, and there are no formal debt management policies.

The county provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The county contributed to the plan using an actuarially determined rate of 7.46% in fiscal 2011. For fiscal 2011, the county contributed 100% of its annual required contribution of $1.6 million or about 5% of total governmental expenditures. The net other post-employment benefit (OPEB) obligation for fiscal year 2011 was $235,028. This is an unfunded liability and the county continues on a pay-as-you-go basis.

After accounting for state support of overlapping school districts, overall net debt is, in our opinion, a moderate 5.6% of market value or $2,400 per capita. Debt service carrying charges are, in our view, a low 7.4% of governmental fund expenditures. We consider debt amortization rapid with officials planning to retire 100% of principal by 2021. Officials indicate they do not plan to issue additional debt within the next 12 to 18 months.

Outlook

The stable outlook reflects Standard & Poor's opinion that the county's economy will likely remain stable due to presence of Goodfellow Airforce Base and that it will maintain its very strong reserves during the outlook's two-year timeframe. While we do not expect to change the rating within the outlook's two-year period, a significant decrease in reserves could negatively affect the rating.

Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

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