

RatingsDirect®

Summary:

San Benito, Texas; General Obligation

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Summary:

San Benito, Texas; General Obligation

Credit Profile

San Benito GO

Unenhanced Rating

A(SPUR)/Stable

Affirmed

Rationale

Standard & Poor's Ratings Services affirmed its 'A' underlying rating (SPUR) on San Benito, Texas' general obligation (GO) bonds outstanding based on our local GO criteria released Sept. 12, 2013. The outlook is stable.

An ad valorem tax, levied within the limits prescribed by law, on all taxable property in the city secures the bonds.

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

- We consider San Benito's economy to be very weak, with its projected per capita effective buying income at 48.2% of the U.S. and per capita market value of \$21,144. The county unemployment rate for calendar year 2012 was 10.5%, which we consider high. The city is located about eight miles south of Harlingen and 20 miles north of Brownsville on U.S. Highway 83 in the Rio Grande Valley. The city acts as a commercial center for Cameron County's surrounding rural community. The city benefits from its participation in the broad and diverse Brownsville-Harlingen metropolitan statistical area.
- In our opinion, the city's budgetary flexibility is very strong, with available general fund reserves at over 20% of expenditures for the past few fiscal years, and no plans to significantly spend them down. Audited fiscal 2012 available reserves, which include those funds classified as committed but are available for operations, totaled about \$2.4 million, equal to about 25.1% of expenditures. Unaudited fiscal 2013 available general fund reserves were roughly \$2.98 million, or 29.5% of expenditures.
- The city's budgetary performance has been strong overall, in our view, with a slight deficit of 0.6% for the general fund in fiscal 2012 and a surplus of 3.2% of total governmental funds, after adjusting for certain recurring transfers from the enterprise fund into the operating fund. Unaudited results for fiscal 2013 indicate a surplus of about 5.7% in the general fund and a surplus of about 3.2% in the total governmental funds. The fiscal 2014 budget is balanced.
- Supporting the city's finances is liquidity we consider very strong, with total government available cash as a percentage of total governmental fund expenditures at about 59% and as a percentage of debt service at just under 500%. We believe the city has strong access to external liquidity.
- We view the city's management conditions as adequate with standard financial practices.
- In our opinion, the city's debt and contingent liabilities profile is adequate, with total governmental fund debt service as a percentage of total governmental fund expenditures at 11.9%, and with net direct debt as a percentage of total governmental fund revenue at about 148%. The city's debt burden is equal to roughly 7.6% of market value. In addition, the city's debt amortization schedule is rapid, in our view, with 77% of principal currently scheduled to retire within the next 10 years. Currently, the city has no plans to issue additional debt in the near term.
- San Benito provides pension benefits for all of its full-time employees through the statewide Texas Municipal Retirement System, a joint-contributory, hybrid-defined-benefit plan. For 2012, the city contributed \$259,217 to the employees' pension fund. The employees' pension plan is 87.8% funded as of the last actuarial study dated Dec. 31,

2012. City officials have historically contributed 100% of the annual required contribution. The city's pension contribution accounted for about 3.5% of expenditures in fiscal 2012.

- We consider the Institutional Framework score for Texas cities as strong. See Institutional Framework score for Texas.

Outlook

The stable outlook reflects our expectation that the city will continue to maintain its very strong budgetary flexibility, albeit with funds classified as committed, which we understand are available for the city's operations. While we do not expect to change the rating within the two-year outlook time frame, an improvement in the city's economic indicators could lead to a positive rating action. Conversely, a deterioration of the city's budgetary flexibility or performance could lead to a rating downgrade.

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

Ratings Detail (As Of March 7, 2014)

San Benito comb tax and ltd pledge rev certs of oblig

Long Term Rating

A/Stable

Affirmed

San Benito GO rfdg bnds

Long Term Rating

A/Stable

Affirmed

San Benito GO

Unenhanced Rating

A(SPUR)/Stable

Affirmed

Many issues are enhanced by bond insurance.

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