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## Summary:
# Haslet, Texas; General Obligation


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## Summary:

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| Credit Profile | | |
|---|---|---|
| US$4.2 mil Comb Tax & Rev Certs of Oblig ser 2015 dtd 04/01/2015 due 09/15/2035 | | |
| *Long Term Rating* | AA/Stable | New |
| **Haslet GO** | | |
| *Unenhanced Rating* | AA(SPUR)/Stable | Affirmed |

Many issues are enhanced by bond insurance.

## Rationale

Standard & Poor's Ratings Services assigned its 'AA' long-term rating on Haslet, Texas' series 2015 combination tax and revenue certificates of obligation. At the same time, Standard & Poor's affirmed its 'AA' long-term rating and underlying rating on the city's existing general obligation (GO) bonds. The outlook is stable.

An ad valorem tax, limited to $1.50 per $100 of assessed value (AV) by state law, on all taxable property secures the bonds. In our opinion, the city has ample taxing flexibility under the cap with the current tax rate at 29.28 cents per $100 of AV.

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

- Strong economy with access to the broad and diverse Dallas-Fort Worth MSA;
- Strong management conditions, with good financial practices and policies in place;
- Very strong budget flexibility, with 91% of expenditures in reserve for fiscal 2014;
- Strong budgetary performance;
- Very strong liquidity, with strong capital market access;
- Very weak debt and contingent liability profile; and
- Strong institutional framework.

### Strong economy

We consider Haslet's economy strong, with its projected per-capita effective buying income at 136.6% of the U.S. and per-capita market value of $346,159. The city's economy primarily centers on industrial and energy activities and residents have access to jobs throughout the Dallas-Fort Worth metropolitan statistical area (MSA), located just 16 miles outside of Fort Worth. The county's unemployment rate for calendar year 2013 was 6.1%. The tax base is concentrated, but has diversified since 2013 with the top 10 taxpayers concentration declining from 46% to 43% of the fiscal 2015 market value. The leading taxpayers are made up of industrial and oil and gas companies with AT Industrial Owner LLC, 9%; Texas Alliance ILP LLC representing 8% of market value; and Kraft foods Inc. representing 4% of the taxable value.

The city's total taxable value declined 8% in 2012, declined 6% in 2013, but increased 26% in 2014. In addition distributors and manufacturers make up the majority of the city's leading employers, which include: Amazon.com



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(550); Schenker, Inc./Kraft (238); and Michaels (190). Management anticipates the tax base will continue to increase at a healthy rate during the next two years due to expansions planned for some of the leading employers, continued residential development, and significant road improvements underway with prime frontage property available for commercial development.

### Very strong budgetary flexibility

In our opinion, the city's budgetary flexibility is very strong, with reserves greater than 75% of expenditures for the past several years and no plans to significantly spend them down. While the fiscal year-end 2014 budget reflected a drawdown to $1.9 million or 71% of expenditures, actual audited results reflect stronger reserves than the prior year with an available general fund balance of $2.58 million, which equaled 90% of expenditures. Furthermore, the 2015 budget indicates a drawdown to $1.74 million or an estimated 65% of expenditures due to conservative budgeting assumptions; however, based on year-to date revenue and expenditure performance, management ultimately expects to maintain reserves if not add to them.

### Strong budget performance

Haslet's budgetary performance has been adequate overall, in our view, with a surplus of 3.7% for the general fund and 16.2% governmental fund surplus in fiscal 2014. Audited results performed much better than budgeted performance which indicated a 14% deficit for the general fund in 2014 and 32% deficit for the total governmental funds. For the fiscal 2015 budget, the general fund performance is budgeted for a 30% drawdown due to conservative budget assumptions. Management has historically spent excess reserves above the informal 25% reserve goal on one-time capital projects, but has not drawn down all the way to the policy level in at least seven fiscal years.

### Very strong liquidity

Supporting the city's finances is liquidity we consider very strong, with total governmental cash as above 100% of both total governmental fund expenditures and debt service. We believe the city has strong access to external liquidity, having issued GO and combination tax and revenue bonds, and capital leases within the past 15 years. In addition, the city does not have any contingent liabilities that would result in deterioration of its very strong liquidity position.

### Strong management conditions

We view Haslet's management conditions as strong with good financial practices. Its informal general fund reserve policy is to maintain at least 25% of operations in reserve. Management uses historical property tax revenue receipts, AV growth, sales tax trends, and personnel costs to calculate revenue and expenditure estimates. Haslet performs budget amendments, as needed, to address expenditure reclassifications and additional expenses; the city council approves these amendments based on management's recommendation. Management's formal investment policy has staff monitoring investments and reporting results to the city council at least quarterly. Management discusses its formal 10-year capital improvement plan (CIP) with the city council every six months. The city is in the process of drafting a formal long-term financial plan.

### Very weak debt and contingent liabilities

In our opinion, the city's debt and contingent liabilities profile is very weak, with total governmental fund debt service at 8.5% of total governmental fund expenditures and with net direct debt at 224% of total governmental fund revenue. The city does not have plans to issue additional debt within the next two years. The overall net debt burden is 8.5% of market value and the city's amortization schedule is average, with 47% of principal due to be retired in 10 years. The city receives partial self-support from the utility fund for tax secured debt per the debt statement analysis criteria.

The city participates in Texas Municipal Retirement System to provide pension benefits for employees. It has contributed 100% of the annual required contribution (ARC) in each of the past three years and as of Dec. 31, 2013, the plan was 90% funded. The pension costs for fiscal 2014 were less than 2% of expenditures and we do not anticipate that these cost will increase substantially in the near term. The city does not provide other postemployment benefits to its employees.

### Strong Institutional Framework

We consider the Institutional Framework score for Texas municipalities strong.

## Outlook

The stable outlook reflects our view of Haslet's consistent financial performance and economy, which is supported by good management. We do not expect to revise the rating in the next two years because we believe the city's budgetary flexibility will remain very strong despite plans to spend down excess reserves on one-time capital projects, and its ongoing participation in the broad and diverse Dallas-Fort Worth MSA.

Deterioration in the city's reserve levels below 75% of expenditures, budgetary performance, or economic profile could result in a lower rating. In addition, further diversification of the tax base, stronger management policies, and maintenance of the city's financial strengths could lead to a raised rating.

## Related Criteria And Research

### Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Financial Management Assessment, June 27, 2006
- USPF Criteria: Debt Statement Analysis, Aug. 22, 2006

### 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

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