Bond Case Briefs

Municipal Finance Law Since 1971

S&P U.S. Local Governments Credit Brief: Texas State Counties And Municipalities Means And Medians

Overview

Texas counties and municipalities continue to demonstrate stable credit quality, supported by increasing economic activity that has resulted in growing revenue trends, strong operating performance, and generally stable or increasing reserves. Despite macroeconomic risks, S&P Global Ratings expects overall credit quality for Texas local governments will likely remain stable during the next few years; however, escalating service and infrastructure needs could pressure rapidly growing communities. Several factors that are common across most of the portfolio–including ongoing economic development, strong reserves averaging more than 60% of operating expenditures, and conservative budgeting–support this view. Collectively, we think Texas municipalities and counties are well positioned to manage through evolving economic conditions.

The state's population growth, leading all states with an additional 470,000 individuals in 2022, has created opportunities and challenges for municipal issuers. Across the state's principal metropolitan areas, growing constituencies have correspondingly added demands on services and the need for debt issuance to fund new or improved infrastructure. Therefore, we expect some local governments will likely maintain higher-than-average debt and fixed-cost burdens compared with national medians.

S&P Global Ratings maintains ratings on roughly 400 Texas cities and 100 counties. Overall credit quality slightly improved in 2022 with 28 upgrades, slightly less than 6% of combined portfolios, and seven downgrades, slightly more than 1% of combined portfolios. In general, increasing property values led to improved market value per capita, even with population growth. In addition, median available general fund balance increased for many rating levels. Relative to 2021, certain key credit factors–such as income, carrying charges, and pension costs–were largely unchanged.

Continue reading.

3 Apr, 2023