S&P Global
Ratings

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Summary:

Tulsa County Industrial Authority, Oklahoma
Tulsa County Public Facilities Authority
Tulsa County; Appropriations

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Table Of Contents

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Credit Profile		
US$53.7 mil cap imp rev bnds ser 2017 due 12/01/2031		
Long Term Rating	AA-/Stable	New

Rationale

S&P Global Ratings assigned its 'AA-' long-term rating to the Tulsa County Industrial Authority, Okla.'s series 2017 capital improvement revenue bonds. At the same time, we affirmed our 'AA-' long-term rating and underlying rating (SPUR) on the authority's existing appropriation debt, supported by Tulsa County. In addition, we affirmed our 'AA-' long-term rating and SPUR on the Tulsa County Public Facilities Authority's appropriation debt. The outlook is stable.

A 0.05% sales tax and payments pledge under the project's agreement secures the series 2017 revenue bonds. The sales tax commenced on Jan. 1, 2017 and continues through the bonds' life with final maturity in 2031. The bonds are further secured by Tulsa County's agreement to appropriate the required debt service for the bonds in the annual budget. We rate the bonds according to our view of the appropriation pledge, as we view it as the stronger security.

Under the various project agreements associated with the different revenue bond issues, Tulsa County agrees to seek appropriation and appropriate the required debt service amount for all bonds in the annual budget. The agreements' terms are one year, and the involved parties can renew the agreements for successive one-year terms each July 1.

Officials will use series 2017 bond proceeds to fund a number of capital improvements throughout the county.

The rating reflects our opinion of the county's annual appropriation risks and our assessment of the county's:

- Strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Strong management, with good financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Adequate budgetary performance, with an operating deficit in the general fund but break-even operating results at the total governmental fund level in fiscal 2016;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2016 of 16% of operating expenditures;
- Very strong liquidity, with total government available cash at 31.8% of total governmental fund expenditures and 138.7% of governmental debt service, and access to external liquidity we consider strong;
- Strong debt and contingent liability position, with debt service carrying charges at 23.0% of expenditures and net direct debt that is 49.6% of total governmental fund revenue, as well as low overall net debt at less than 3.0% of market value and rapid amortization, with 71.0% of debt scheduled to be retired in 10 years; and
- Adequate institutional framework score.

Strong economy

We consider the county's economy strong. Tulsa County, with an estimated population of 639,893, is located in the Tulsa MSA, which we consider to be broad and diverse. The county has a projected per capita effective buying income of 99.7% of the national level and per capita market value of $82,821. Overall, the county's market value grew by 3.9% over the past year to $53 billion in 2018. The county unemployment rate was 4.7% in 2016.

The county is centrally located in Oklahoma's second-largest economic hub. Leading industries include aerospace (including aerospace manufacturing and aviation), health care, energy, machinery and electrical equipment manufacturing and transportation, distribution, and logistics. Despite the recent downturn in the energy industry stemming from low oil prices, the county saw stable AV growth and low unemployment rates. Management reports that county continues to see stable development and projects that AV will increase over the next few years, which we believe is reasonable given the historical trend.

Strong management

We view the county's management as strong, with good financial policies and practices under our FMA methodology, indicating our view that financial practices exist in most areas, but that governance officials might not formalize or monitor all of them on a regular basis.

Highlights of the city's financial management policies and practices include the use of historical data as well as consultations with a number of outside sources to develop budgetary forecasts, monthly reporting to the board on both budget-to-actual performance and investment holdings, maintenance of a formal investment management policy, adherence to a formal reserve policy to maintain a minimum of 5% to 10% of expenditures on hand, and maintenance of a detailed, five-year capital improvement plan. The county does not project operations beyond the current budget year and does not have a formal debt management policy that goes beyond state statutes.

Adequate budgetary performance

Tulsa County's budgetary performance is adequate, in our opinion. The county had deficit operating results in the general fund of 3.7% of expenditures, but a balanced result across all governmental funds of 0.4% in fiscal 2016.

We have made a number of adjustments to the county's financial data to better analyze its operations and facilitate comparisons with its peers. For instance, we have treated recurring transfers into and out of the general fund as revenue and expenditures, respectively.

Management largely attributes the county's recent modest draws on the general fund to operational imbalances associated with the Tulsa County Jail and corresponding transfers out from the general fund to support the institution. However, in 2016 the city placed a $2.4 million cap on the general fund's support of the jail. Additionally, management reports that new administrative staff have begun working at the jail and are seeking to balance operations. Consequently, management projects that the jail will pose far less of a burden on the general fund in the future.

For fiscal 2017, management estimates that the county posted a roughly $51,000 operating surplus in the general fund. Additionally, although the 2018 budget features a $7.2 million general fund deficit, management reports that its underlying assumptions are conservative and the county should finish the year with a stronger operating result. Given the county's strong track record of outperforming budgets, we believe that management's projections are reasonable and that the county will maintain largely balanced operations for the foreseeable future.

Very strong budgetary flexibility

Tulsa County's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2016 of 16% of operating expenditures, or $12.6 million.

We note that management has no plans to materially reduce the county's reserves within the next few years. Given this, as well as the county's financial projections, we anticipate that the county's budgetary flexibility will remain largely stable.

Very strong liquidity

In our opinion, Tulsa County's liquidity is very strong, with total government available cash at 31.8% of total governmental fund expenditures and 138.7% of governmental debt service in 2016. In our view, the county has strong access to external liquidity if necessary.

The county had $72.29 million in available cash and equivalents at the end of fiscal 2016. We have based our assessment of the county's access to external liquidity on its recent history of debt issuances, which include a number of sales tax and appropriation obligations. We have also confirmed that the county holds no privately placed debt or direct purchase agreements that could pose a significant risk to its liquidity. Additionally, we do not view the county's investment portfolio as aggressive, as it predominantly holds demand deposits and certificates of deposit. Given the county's projections and historical performance, we do not anticipate that its liquidity will change significantly within the two-year outlook horizon.

Strong debt and contingent liability profile

In our view, Tulsa County's debt and contingent liability profile is strong. Total governmental fund debt service is 23.0% of total governmental fund expenditures, and net direct debt is 49.6% of total governmental fund revenue. Overall net debt is low at 2.4% of market value, and approximately 71.0% of the direct debt is scheduled to be repaid within 10 years, which are in our view positive credit factors.

The county does not plan to issue additional debt within the next two years, and thus we do not anticipate that its debt burden will change materially within the foreseeable future. Additionally, we have verified that the county is not party to any direct purchase or privately placed obligations that would pose a risk to its finances or liquidity.

Tulsa County's combined required pension and actual other postemployment benefits (OPEB) contributions totaled 4.1% of total governmental fund expenditures in 2016. The county made its full annual required pension contribution.

Tulsa County provides retirement benefits through the Tulsa County Employees' Retirement System, a single-employer defined benefit retirement plan. Utilizing updated reporting standards in accordance with Governmental Accounting Standards Board Statement No. 68, the fiscal 2016 audit reported that the county's net pension liability was $33.3 million. The county also provides postemployment benefits to retirees under the age of 65, which creates an implicit subsidy for the county. The county has historically made its actuarially determined contribution. Costs are not expected to rise substantially in the near term.

Adequate institutional framework

The institutional framework score for Oklahoma counties is adequate.

Outlook

The stable outlook reflects our opinion of Tulsa County's very strong budgetary flexibility, strong performance, and strong management, which we expect will persist for the foreseeable future. Consequently, we do not expect to change the rating within the two-year outlook horizon.

Upside scenario

We could consider raising the rating if the county saw continued economic expansion and diversification that lead to materially improved market value per capita.

Downside scenario

The issuance of significant additional debt could lead us to lower the rating, as could a material deterioration of the county's budgetary performance and flexibility.

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
- 2017 Update Of Institutional Framework For U.S. Local Governments

Ratings Detail (As Of November 13, 2017)		
Tulsa Cnty Indl Auth sub cap imp rev bnds ser 2015 due 09/01/2029		
Long Term Rating	AA-/Stable	Affirmed
Tulsa Cnty Indl Auth APPROP		
Long Term Rating	AA-/Stable	Affirmed
Tulsa Cnty Pub Facs Auth APPROP		
Long Term Rating	AA-/Stable	Affirmed
Tulsa Cnty Indl Auth		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Tulsa Cnty Indl Auth, Oklahoma		
Tulsa Cnty, Oklahoma		
Tulsa Cnty Indl Auth (Tulsa Cnty) cap imp rev bnds		
Long Term Rating	AA-/Stable	Affirmed
Tulsa Cnty Indl Auth (Tulsa Cnty)		
Long Term Rating	AA-/Stable	Affirmed

Many issues are enhanced by bond insurance.

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.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.