

RatingsDirect®

Summary:

Cibolo, Texas; General Obligation

Primary Credit Analyst:

Calix Sholander, New York + 1 (303) 721 4255; calix.sholander@spglobal.com

Secondary Contact:

Alex Louie, Englewood + 1 (303) 721 4559; alex.louie@spglobal.com

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Credit Profile

US\$4.8 mil comb tax and ltd pledge rev certs of oblig ser 2023 dtd 01/15/2023 due 02/01/2043

Long Term Rating AA/Stable New

Cibolo certs of oblig

Long Term Rating AA/Stable Affirmed

Cibolo GO

Long Term Rating AA/Stable Affirmed

Cibolo GO rfdg bnds

Long Term Rating AA/Stable Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AA' long-term rating to the City of Cibolo, Texas' proposed \$4.8 million series 2023 combination tax and limited pledge revenue certificates of obligation (COs).
- At the same time, S&P Global Ratings affirmed its 'AA' long-term rating on the city's COs and general obligation (GO) debt outstanding.
- The outlook is stable.

Security

A limited ad valorem tax, levied on all taxable property within the city, secures the certificates as well as the GO bonds and certificates outstanding. The COs are additionally secured by a limited pledge of surplus revenues of the city's combined utility system in an amount not to exceed \$1,000. Given the limitation of the net utility system revenue pledge, the certificates are rated based on the city's ad valorem tax pledge. We do not differentiate between the city's limited-tax debt and its general creditworthiness since the ad valorem tax is not derived from a measurably narrower tax base and there are no limitations on the fungibility of resources. The COs will fund various capital projects.

Credit overview

The City of Cibolo experienced strong economic and population growth the past decade, benefiting from its location along Interstate 10 and 35 and about 13 miles northeast of downtown San Antonio. The city's property tax base is primarily residential, but commercial and industrial development increased as the population grew. City officials expect commercial development will remain strong over the next few years, while also anticipating a slowing of residential development, given rising interest rates. While we expect the U.S. economy will fall into recession within the next year (see, "Economic Outlook U.S. Q1 2023: Tipping Toward Recession," published Nov. 28, 2022, on RatingsDirect), we expect the city's assessed value (AV) will continue to show strong growth over the outlook period given the city's ongoing development and the lagging nature of AV.

Benefitting from double-digit AV growth and sales tax collections, the city experienced strong budgetary performance,

leading to available reserves increasing to more than double the city's minimum fund balance target of 28% of recurring operating expenditures. In order to bring available reserves closer to the policy target, the city increased one-time spending in fiscal years 2022 and 2023, primarily on capital projects. Accounting for this one-time spending, we expect the city will maintain balanced operations and very strong reserves over the outlook period.

We anticipate the city will likely issue additional debt over the next few years, given its growth-related needs, but we do not anticipate its debt profile will significantly change because of its rapid amortization and the city's desire for stability in its debt service tax rate (currently 17.93 cents per \$100 of AV). The city has a privately placed debt obligation equal to about 5% of its total direct debt, but we do not view this as a contingent liquidity risk. In addition, the city is subject to a lawsuit filed by a developer on Jan. 9, 2020, with a claim of \$15 million against the city. Cibolo disputes the claim, and the litigation is in the discovery phase. As a result, we do not view it as an immediate liquidity risk over the next 12 months.

The rating also reflects our view of the city's:

- Growing population and property tax base, with residents benefiting from the city's participation in the broad and diverse San Antonio-New Braunfels metropolitan statistical area;
- Strong budgetary performance and maintenance of very strong available reserves and liquidity, which we expect the city will continue, accounting for one-time spending;
- Good financial management policies and practices, highlighted by regular budget and investment monitoring, long-term capital and financial planning, formal investment and debt management policies, and a minimum available fund balance policy of 28% of operating expenditures. The institutional framework score is strong; and
- Weak debt profile, but in line with similarly fast-growing state peers. Pension and other postemployment benefits (OPEB) are not an immediate credit pressure given the well-funded status of the city's pension plans and the OPEB liability is limited. For more information, see "Pension Spotlight: Texas," published Feb. 25, 2020.

Environmental, social, and governance

The city's environmental, social, and governance (ESG) risks are neutral considerations in our credit rating analysis.

Outlook

The stable outlook reflects our view that the city will be balanced operationally, accounting for one-time spending, while maintaining very strong reserves and that the city's high debt burden will not significantly change. We, therefore, do not expect to change the rating over the two-year outlook period.

Downside scenario

We could lower the rating if the city's budget becomes operationally imbalanced leading to a material decline in available reserves, which are not replenished within a reasonable timeframe.

Upside scenario

We could raise the rating if economic expansion results in improved wealth and income indicators, compared with those of peers, or if the city's overall debt profile improves while it achieves strong financial performance.

Cibolo, Texas--Key Credit Metrics

	Most recent	Historical information		
		2021	2020	2019
Strong economy				
Projected per capita EBI % of U.S.	115.8			
Market value per capita (\$)	93,237			
Population		32,276		
County unemployment rate(%)		4.4		
Market value (\$000)	3,009,325	2,358,299		
Ten largest taxpayers % of taxable value	5.8			
Strong budgetary performance				
Operating fund result % of expenditures		10.6	6.3	3.1
Total governmental fund result % of expenditures		15.3	10.8	6.3
Very strong budgetary flexibility				
Available reserves % of operating expenditures		60.1	51.2	43.9
Total available reserves (\$000)		8,567	7,115	5,556
Very strong liquidity				
Total government cash % of governmental fund expenditures		134.5	110.0	72.3
Total government cash % of governmental fund debt service		490.8	432.1	307.7
Strong management				
Financial Management Assessment	Good			
Weak debt and long-term liabilities				
Debt service % of governmental fund expenditures		27.4	25.4	23.5
Net direct debt % of governmental fund revenue	270.4			
Overall net debt % of market value	7.0			
Direct debt 10-year amortization (%)	77.1			
Required pension contribution % of governmental fund expenditures		5.0		
OPEB actual contribution % of governmental fund expenditures		0.0		
Strong institutional framework				

Data points and ratios may reflect analytical adjustments. EBI--Effective buying income. OPEB--Other postemployment benefits.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Alternative Financing: Disclosure Is Critical To Credit Analysis In Public Finance, Feb. 18, 2014
- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022
- 2022 Update Of Institutional Framework For U.S. Local Governments

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