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Deer Park, TX GO Debt Rating Raised To 'AAA' On Very Strong Reserves

Primary Credit Analyst:

Edward R McGlade, New York (1) 212-438-2061; edward.mcglade@standardandpoors.com

Secondary Contact:

Jennifer K Garza (Mann), Dallas (1) 214-871-1422; jennifer.garza@standardandpoors.com

NEW YORK (Standard & Poor's) Aug. 17, 2015--Standard & Poor's Ratings Services said that it raised its long-term rating on Deer Park, Texas' existing general obligation (GO) debt to 'AAA' from 'AA+'. At the same time, we assigned our 'AAA' long-term rating to the city's series 2015 certificates of obligation. The outlook on these ratings is stable.

"The upgrade reflects management's commitment to maintain very strong reserves, which are currently above 75% of annual expenditures," said Standard & Poor's credit analyst Edward McGlade, "and a general improvement in the city's wealth and income indicators."

A pledge of the city's full faith credit and resources and an agreement to levy ad valorem property taxes without limitations as to rate or amount to secure these certificates. In addition, the certificates are further secured by a limited pledge of a subordinate lien on the net revenues of the city's waterworks and sanitary sewer system in an amount not to exceed \$1,000. Officials plan to use certificate proceeds for the construction and equipment of an animal shelter and improvements to streets, sidewalks, and drainage facilities.

"The rating reflects our assessment of the city's very strong budgetary performance and flexibility and liquidity," said Mr. McGlade. Other factors include its:

- Very strong economy, with access to a broad and diverse metropolitan statistical area (MSA) and a local stabilizing institutional influence;
- Strong management, with "good" financial policies and practices under our

Financial Management Assessment methodology;

- Weak debt and contingent liability position, with debt service carrying charges of 10.7% of expenditures and net direct debt that is 86.9% of total governmental fund revenue; and
- Strong institutional framework score.

Deer Park, with an estimated population of 33,600, is in Harris County.

"The stable outlook reflects our view of Deer Park's continued economic and tax base growth," added Mr. McGlade, "as well as the success of the renewed PILOTs, providing revenue stability." We also believe the outlook reflects management's historical commitment to maintaining very strong reserves. However, if debt levels remain high and the city experiences any significant operating declines, we could lower the 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
- USPF Criteria: Limited-Tax GO Debt, Jan. 10, 2002
- USPF Criteria: Methodology: Rating Approach To Obligations With Multiple Revenue Streams, Nov. 29, 2011
- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- Ratings Above The Sovereign: Corporate And Government Ratings–Methodology And Assumptions, Nov. 19, 2013
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Institutional Framework Overview: Texas Local Governments

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