

## CREDIT OPINION

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## San Antonio (City of) TX

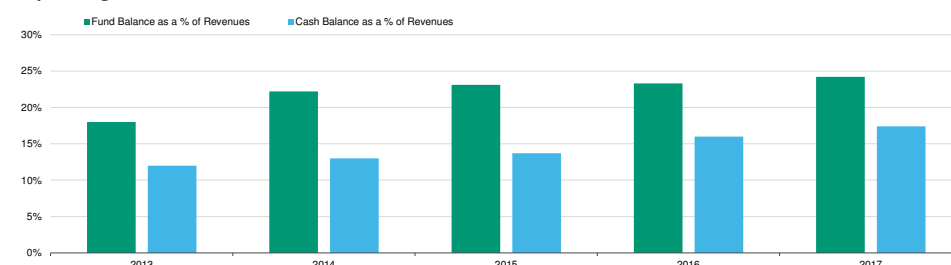
### Update to credit analysis

#### Summary

The [City of San Antonio's, TX](#) (Aaa stable) credit profile is supported by a growing and vibrant economy, anchored by dynamic sectors that have spurred stable employment trends. The city also benefits from a solid financial profile (see Exhibit 1) stemming from steady operating performance, and significant revenue raising flexibility. Income levels in the city are low, reflective of its expansive urban nature and also consistent with areas that have high institutional presence. The credit profile is constrained by high debt loads, driven by increasing demand for goods and services, a byproduct of strong population performance. The elevated debt profile is a large contributor to fixed cost levels that are higher than the Aaa median. Favorably, the pension burden is affordable and not expected to be a source of negative pressure within the next three to five years.

Exhibit 1

**Operating fund balances remain above 20% over the past four years; cash balances steadily improving**



Source: City of San Antonio, TX Comprehensive Annual Financial Reports FY 2013 - 2017

#### Credit strengths

- » Large and robust economy; regionally important economic center with defense, finance and tourism supporting professional and technical jobs
- » Strong employment growth reflects investments in metropolitan area
- » Positive demographic trends drive residential demand, contributing to assessed valuation growth
- » Stabilized financial performance and conservative budgeting yielding an improved financial position
- » Sophisticated financial management includes monthly monitoring and multiyear budgeting with five year forecast indicating balanced operations

## Credit challenges

- » High fixed costs
- » Low income indices
- » Population growth drives increased demand for services
- » Dependence on potentially volatile revenue streams such as utility transfers and sales taxes

## Rating outlook

The stable outlook reflects the expectation that strong financial management practices, stabilized operating performance, and a growing local economy will continue to support stable credit fundamentals and keep long term liabilities manageable.

## Factors that could lead to an upgrade

- » Not applicable

## Factors that could lead to a downgrade

- » Negative trends in operating performance
- » Weakened economic profile; contraction in assessed valuation
- » Growth in unfunded pension liability resulting in budgetary pressure
- » Increasing debt levels absent corresponding taxable value growth

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