

# RatingsDirect®

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## Summary:

# Oklahoma City, Oklahoma; Appropriations; General Obligation; Moral Obligation

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## Summary:

# Oklahoma City, Oklahoma; Appropriations; General Obligation; Moral Obligation

### Credit Profile

US\$110.22 mil GO bnds ser 2024 dtd 05/15/2024 due 03/01/2044		
<i>Long Term Rating</i>	AAA/Stable	New
US\$10.28 mil GO bnds ser 2024 due 03/01/2044		
<i>Long Term Rating</i>	AAA/Stable	New
Oklahoma City GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

### Credit Highlights

- S&P Global Ratings assigned its 'AAA' long-term rating to Oklahoma City, Okla.'s proposed \$110 million series 2024 general obligation (GO) bonds and \$10 million taxable series 2024 GO bonds.
- At the same time, S&P Global Ratings affirmed its 'AAA' long-term rating on the city's existing unlimited-tax and limited-tax GO debt and its 'AA+' long-term rating on the Oklahoma City Economic Development Trust's, Central Oklahoma Transportation & Parking Authority's, and Oklahoma City Public Property Authority's various appropriation issues, supported by the city.
- The outlook is stable.

### Security

An unlimited ad valorem tax on all taxable property within the city supports the GO bonds. The bond proceeds will fund various capital projects.

The city's limited-tax bonds are payable from revenue from a limited ad valorem tax not to exceed 5 mills. With a debt service levy on its limited-tax GO debt at 1.21 mills, the city has significant revenue-raising flexibility. Because limited-tax revenue is derived neither from a narrower property tax base than the obligor nor a tax base with different or disproportionate risks, and due to resource fungibility and a proven commitment to support obligations, we rate the city's limited-tax obligations to be equal to its unlimited-tax GO pledge.

The ratings on the various debt series outstanding issued by the Oklahoma City Economic Development Trust, Central Oklahoma Transportation & Parking Authority, and Oklahoma City Public Property Authority are one notch off our view of the city's general creditworthiness, reflecting our view of legally available funds, subject to appropriation. Those ratings reflect our view of an Oklahoma City Council-adopted support agreement, under which the city will transfer legally available funds to support annual bond debt service if the primary pledged revenue is insufficient. Various revenue sources primarily secure all these series. Pursuant to our, "Rating Approach To Obligations With Multiple Revenue Streams," published Nov. 29, 2011, however, we view legally available funds subject to appropriation as the stronger pledge for all the bond series.

For more information, please see our analysis, published Feb. 28, 2023, on RatingsDirect.

### **Credit overview**

Oklahoma City, the state capital and most-populous city, is a growing and diverse city that acts as Oklahoma's primary employment and economic center. The economy continues to diversify, moving further from its historical focus on the energy sector, specifically oil and gas production, storage, and transportation. Recent economic development has accelerated assessed value (AV) growth, with AV averaging 8% growth over the past two years, compared with 4.3% average annual growth from 2018-2022. With a mix of ongoing residential and commercial development, we expect the city's AV growth will remain strong over the outlook period.

Oklahoma City continues to exhibit strong budgetary performance, supported by steady sales and use tax growth and conservative budgeting practices. For fiscal 2024, the city adopted a balanced general fund budget, with year-to-date figures trending towards another year of positive operations. The city has been intentional in increasing its available reserves and maintaining a very strong general fund balance to offset potential volatility in sales and use tax collections, which comprised 77% of general fund revenue in fiscal 2023 (with a portion dedicated to capital projects). While city officials anticipate sales and use tax collections growth will slow in fiscal 2025, we expect the city's budgetary performance will remain strong over the outlook period given management's track record of conservative budgeting, and with the city's very strong reserves providing budgetary flexibility to weather any potential declines in sales and use tax revenue.

After this issuance the city will have \$226 million of GO bond authorization remaining. The city plans to issue GO debt annually until this authorization is exhausted. However, we do not expect additional debt issuance will affect the city's debt and contingent liability profile. We understand the city does not have any contingent liabilities that could cause immediate or future liquidity pressure.

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

- Growing economy within a broad and diverse metropolitan statistical area (MSA), which also benefits from the stabilizing influence of a large government sector spanning federal, state, and local agencies, including Tinker Air Force Base and the Oklahoma City Air Logistics Center;
- Very strong financial management policies and practices, highlighted by conservative budgeting practices and close monitoring of year-to-date financial performance, long-term capital and financial planning, robust investment and debt management policies, and a general fund reserve policy to maintain 17%-22% of expenditures in available fund balance on a budgetary basis. The institutional framework score is strong;
- Strong budgetary performance and very strong budgetary flexibility, supported by growing operating revenues and comprehensive financial management practices; and
- Manageable debt service carrying charges, with rapid amortization. We do not view pension and other postemployment benefits costs as an immediate source of budgetary pressure, as the city's pension plans are generally well-funded and annual costs are a small percentage of the overall budget.

### **Environmental, social, and governance**

Although much of Oklahoma is in "Tornado Alley" and has elevated physical risk due to tornadoes, the city has not experienced a significant event in recent years. We believe the city's strong management practices and policies

provide a framework that would maintain stable credit quality should such a storm hit. Its available general fund balance has increased in recent years, and management plans to use this increased budgetary flexibility to insulate its financial position against future extreme weather events. We also analyzed social and governance factors relative to the city's economy, financial management, budgetary performance, budgetary flexibility, and debt and liability profile and view these as neutral in our credit analysis.

## Outlook

The stable outlook reflects our expectation that the city will continue to maintain very strong available reserves and strong budgetary performance, supported by ongoing economic development and very strong management.

### Downside scenario

We could lower the rating if the city's budgetary performance or budgetary flexibility weakens materially, whether due to a softening of key revenue streams from a continued economic contraction or material growth in expenditures that outpaced revenue.

### The rating above the sovereign

Oklahoma City's GO debt is eligible to be rated above the sovereign because we think the city can maintain better credit characteristics than the nation in a stress scenario. Under our criteria, "Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions," published Nov. 19, 2013, we consider U.S. local governments to have moderate sensitivity to national risk. The city's ad valorem tax pledge is the primary source of debt security, which severely limits the possibility of negative sovereign intervention in debt repayment or city operations. The U.S. institutional framework for local governments is predictable, allowing the city significant autonomy and independent treasury management. In addition, there is no history of government intervention.

Oklahoma City, Okla.--key credit metrics				
	Most recent	Historical information		
		2023	2022	2021
<b>Very strong economy</b>				
Projected per capita EBI % of U.S.	86.5			
Market value per capita (\$)	103,299			
Population		681,428	676,039	
County unemployment rate(%)		2.8		
Market value (\$000)	70,390,726	65,280,622	60,542,375	
Ten largest taxpayers % of taxable value	5.5			
<b>Strong budgetary performance</b>				
Operating fund result % of expenditures		1.7	3.3	5.8
Total governmental fund result % of expenditures		8.0	7.2	7.7
<b>Very strong budgetary flexibility</b>				
Available reserves % of operating expenditures		40.2	42.7	44.7
Total available reserves (\$000)		208,337	197,951	184,430

**Oklahoma City, Okla.--key credit metrics (cont.)**

	Most recent	Historical information		
		2023	2022	2021
<b>Very strong liquidity</b>				
Total government cash % of governmental fund expenditures		45.6	46.3	37.0
Total government cash % of governmental fund debt service		403.9	401.8	341.8
<b>Very strong management</b>				
Financial Management Assessment	Strong			
<b>Strong debt and long-term liabilities</b>				
Debt service % of governmental fund expenditures		11.3	11.5	10.8
Net direct debt % of governmental fund revenue	105.4			
Overall net debt % of market value	2.4			
Direct debt 10-year amortization (%)	66.0			
Required pension contribution % of governmental fund expenditures		3.5		
OPEB actual contribution % of governmental fund expenditures		1.2		
<b>Strong institutional framework</b>				

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

**Related Research**

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022
- 2023 Update Of Institutional Framework For U.S. Local Governments

**Ratings Detail (As Of March 11, 2024)**

Oklahoma City GO		
Long Term Rating	AAA/Stable	Affirmed
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Long Term Rating	AAA/Stable	Affirmed
Oklahoma City GO		
Long Term Rating	AAA/Stable	Affirmed

**Ratings Detail (As Of March 11, 2024) (cont.)**

Oklahoma City GO rfdg bnds		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Oklahoma City Pub Prop Auth MORALOB		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
<b>Central Oklahoma Transportation &amp; Parking Authority, Oklahoma</b>		
Oklahoma City, Oklahoma		
Central Oklahoma Transp & Pkg Auth (Oklahoma City) MORALOB		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
<b>Oklahoma City Economic Development Trust, Oklahoma</b>		
Oklahoma City, Oklahoma		
Oklahoma City Econ Dev Trust (Oklahoma City) tax apportionment rfdg bnds (increment dist #8)		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Oklahoma City Econ Dev Trust (Oklahoma City) tax apportionment rfdg bnds (increment dist #8)		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Oklahoma City Econ Dev Trust (Oklahoma City) APPROP		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
Oklahoma City Econ Dev Trust (Oklahoma City) APPROP		
<i>Long Term Rating</i>	AA+/Stable	Affirmed

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.spglobal.com/ratings](http://www.spglobal.com/ratings) for further information. Complete ratings information is available to RatingsDirect subscribers at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.spglobal.com/ratings](http://www.spglobal.com/ratings).

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