

RatingsDirect®

Summary:

Riverside County, California; Note

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Credit Profile

US\$360.0 mil 2023-2024 TRANs due 06/28/2024

Short Term Rating

SP-1+

New

Credit Highlights

- S&P Global Ratings assigned its 'SP-1+' short-term rating to Riverside County, Calif.'s anticipated pro forma \$360 million series 2023-2024 tax and revenue anticipation notes (TRANs).

Security

All legally available revenue of the county attributable to fiscal 2024 secures the notes, which mature on June 28, 2024.

Credit overview

The county's projections for fiscal 2024 are based on a budget that is due to be approved at the end of June 2023, and we note that the cash flow projections do not include significant federal stimulus funding, such as \$480 million of American Rescue Plan Act funds received in May 2021 and June 2022. The county conservatively estimates ending the year with a reduction in cash balances, but we expect that it will exceed these projections. The county has a strong revenue base in property taxes that we anticipate will continue to grow based on stored assessed valuation under Proposition 13. We expect the county's history of strong positive variance of projected ending cash balances to actual results will continue in fiscal 2024.

For more information on our view of the long-term rating, see our report published Sept. 16, 2021, on RatingsDirect.

The rating reflects our view of the county's:

- Very strong projected coverage of 1.7x at maturity;
- Available alternative liquidity that it can use for repayment during the life of the notes, boosting coverage to a very strong 7x at maturity;
- Broad and diverse economy and strong long-term creditworthiness; and
- History of conservative cash flow projections.

Environmental, social, and governance

We view the county as exposed to acute physical risks from earthquakes, but we believe that strong state building codes mitigate this risk in part. Although wildfires have broadly affected California, we do not consider them a significant risk for the county given the county's vast geographic area and the concentration of property values in urban areas with little combustible vegetation. We consider the county's social and governance risk neutral within our short-term credit analysis.

Credit Opinion

Note provisions

The county will deposit 60% of the note principal and principal into the note repayment fund on Jan. 31, 2024, and the remainder on May 31, 2024. According to the resolution and financing certificate, on and after the set-aside dates the county will deposit into the TRANs repayment fund the unrestricted taxes, income, revenue, cash receipts, and other money of the county attributable to fiscal 2024 and lawfully available for payment. The repayment fund will be held by the trustee.

Coverage

Based on the county's cash flow forecast, we calculate that coverage for the 2023-2024 TRANs at maturity will be a very strong 1.7x. The county's cash flows indicate payment set-asides in January and May, corresponding with property tax apportionment dates. Projected coverage at Jan. 31, 2024, and May 31, 2024, is very strong at 2.4x and 1.8x, respectively. The county also benefits from alternative liquidity that totals approximately \$2.3 billion, and reports that these amounts do not include any federal stimulus funds or any prior bond proceeds. These sources bring coverage at maturity to 7x, according to our calculation. Officials report that transfers of these alternative cash sources do not require board action.

Riverside County's cash flow assumes 5.7% growth in secured property tax revenue in fiscal 2024, consistent with the assessor's preliminary estimates. The county has conservatively estimated that its cash position will slightly increase in fiscal 2024, consistent with its trend of conservative cash and revenue projections. For expenditures, salary and postemployment benefit contribution increases are included in the cash flow estimates. Overall, projected cash flows indicate disbursements in excess of revenue by about \$89.9 million for fiscal 2024, but overall cash flow assumptions have had positive variations for the past several years, resulting in stronger-than-projected coverage. We expect the county will continue its trend of positive variance for fiscal 2024. Although we believe the individual revenue and expenditure line-item results may fluctuate, the general fund has historically maintained strong budgetary flexibility.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

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