

# MOODY'S

## INVESTORS SERVICE

### **Rating Action: Moody's assigns Aaa to Harris County, TX's Permanent Improvement Refunding Bonds, Series 2021A (GOLT); stable outlook**

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11 Nov 2021

New York, November 11, 2021 -- Moody's Investors Service has assigned a Aaa rating to Harris County, TX's \$120 million Permanent Improvement Refunding Bonds, Series 2021A. Moody's also maintains the county's Aaa rating on its general obligation unlimited tax (GOULT) and general obligation limited tax (GOLT) bonds. Post sale, the county will have \$530.8 million in GOULT and about \$1.2 billion in GOLT debt (including the flood control contract tax bonds). The outlook is stable.

#### RATINGS RATIONALE

The Aaa ratings reflect a large and global economy complemented by stable demographics that continue to drive the county's expansive and growing tax base. The rating also reflects the county's history of solid operating performance and a high level of reserves that significantly outpaces peers. The county will maintain its healthy reserve position because it's revenue mix is highly dependent on relatively stable property tax revenues. Plus coronavirus pandemic related costs have been manageable and will be offset by federal funding. The rating further considers the county's exposure to environmental considerations, which are partially offset by its available resources in combination with multi-level government funding to significant infrastructure investment to improve the area's resiliency and mitigate its impact to future storms. Finally, the rating incorporates the county's debt and pension profile that should remain affordable over the next three to five years.

The lack of distinction between the GOULT and GOLT ratings reflect the county's ample headroom under its current taxing capacity providing more than 8.8 times debt service on the county's limited tax bonds. The headroom offsets the limitation under existing property tax caps, and the inability of Commissioners' Court to override the statutory cap.

#### RATING OUTLOOK

The stable outlook reflects the county's important and expansive economy which will sustain its tax base and support property taxes, the largest source of operating revenue. This coupled with prudent fiscal practices will allow ample reserves to remain and allow debt and pension levels to remain affordable over the next five years.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Not applicable

#### FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Substantial reduction in reserves
- Material economic contraction signified by weakening key indicators

#### LEGAL SECURITY

The permanent improvement bonds are secured by and payable from a direct and continuing annual ad valorem tax levied against all taxable property within the limits prescribed by law. The county is legally allowed an \$8 per \$1,000 of assessed value tax rate for all purposes and the Attorney General's office will not permit more than \$4 to be allocated for debt.

#### USE OF PROCEEDS

Proceeds will refund a portion of the county's outstanding commercial paper notes.

#### PROFILE

Harris County, home to the City of Houston (Aa3 stable), is the third most populous county in the nation with a total population of over 4.6 million people. The economy is largely driven by energy and resources, manufacturing and logistics, and healthcare.

#### METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2021 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM\\_1260094](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1260094). Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

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