



Rating Action: Moody's assigns Aaa to Harris County Flood Control District TX's GOLT Series 2023A; stable outlook

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New York, June 09, 2023 -- Moody's Investors Service has assigned a Aaa rating to Harris County Flood Control District, TX's \$225 million Improvement Refunding Bonds, Series 2023A (Sustainability Bonds). Moody's maintains the district's Aaa issuer rating and the Aaa rating on its outstanding general obligation limited tax (GOLT) debt. Post-sale, the district will have just over \$1 billion in outstanding debt. The outlook is stable.

RATINGS RATIONALE

The Aaa issuer rating reflects a large and global economy complemented by stable demographics that continue to drive Harris County's expansive and growing tax base. The rating also reflects a history of solid operating performance and a high level of reserves despite steady appropriations for capital over multiple years. In the most recent fiscal year (the seven month period that ended on September 30), the district closed the year with weaker reserves compared to its historical performance, owing to a change to the end of the fiscal year. This drove a reporting period that included costs, without fully realizing revenues. Even so, the stability afforded by stable and growing property taxes, will remain over the next two to three years, supported by the area's robust economy.

Additional considerations include the county's exposure to environmental considerations, offset in part by multi-level government funding for significant infrastructure investment to improve the area's resilience and mitigate its impact to future storms. Finally, the district's manageable debt and pension profile will increase as the district takes on additional debt for capital needs in line with its flood control mandate. Nevertheless, the debt profile should remain affordable given the size of the economy which drives revenue growth.

The absence of a distinction between the issuer and GOLT ratings reflect the district's ample headroom under its current taxing capacity providing significant margin on the district'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 stable, and 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 in key indicators
- Substantial additional debt that results in levels incompatible with peers

LEGAL SECURITY

The bonds are payable from a direct and continuing annual ad valorem tax, levied on all taxable property in the district within the limitations prescribed by law.

USE OF PROCEEDS

Proceeds will refund the district's outstanding commercial paper notes, Series H and Series H-2.

PROFILE

Harris County Flood Control District is a conservation and reclamation district created by the Texas Legislature in 1937 to control storm and floodwaters in the area. The district's taxing boundary is co-terminus with the county.

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 4.5 million people. The economy is driven by energy and resources, healthcare and life sciences, and logistics and transportation.

The district and county are governed by the Harris County's Commissioners' Court.

METHODOLOGY

The principal methodology used in this rating was US Special Purpose District General Obligation Debt Methodology published in November 2022 and available at <https://ratings.moodys.com/rmc-documents/394972>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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