

## CREDIT OPINION

14 July 2025



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# Harris County, TX

## Update to credit analysis

### Summary

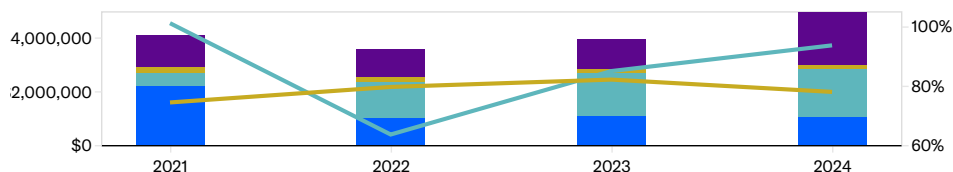
[Harris County, TX's](#) (Aaa stable) credit profile reflects a superior economy anchored by the City of Houston, that continues its steady post pandemic recovery with positive employment performance, driven by the desirability of the area. The economic output with GDP of around \$700 billion is significant, and will continue to dominate in its contribution to the State of Texas' economy, currently estimated at 25%. Economic output has averaged 3.6% over the last four years and its pace of growth is in line with the nation, per the Bureau of Economic Analysis.

Desirability for the area and strong performance in its main sectors will continue to drive tax base growth over the next 18 – 24 months, improving an already high full value per capita; estimated at \$139,000. Even still, resident income of just under 93%, remains lower than peers. The profile also considers the strength of the experienced management team that will continue to sustain the county's long history of strong operating performance that have driven robust reserves. Reserves are on track to remain stable at fiscal year end 2025 (Sept. 30 year end) as revenues have surpassed expenditures by about \$760 million as of the county's April 2025 monthly financial report. Reserves closed at about 38.5% of revenue at fiscal year-end 2024, a figure that understates the county's fiscal strength because of restrictions that tie funds to certain costs.

Exhibit 1

### Liquidity remains solid in comparison to operating revenue

General fund Other governmental funds Internal service funds Business-type activities  
Liquidity ratio (%) Aaa median liquidity ratio (%)



Source: Harris (County of) TX's financial statements and Moody's Ratings

The county's long-term leverage will remain a moderate 270% of operating revenue, and benefit from robust revenue growth driven by ongoing development. The area remains exposed to weather events which creates the need for significant flood control initiatives. As such, additional investment will be necessary to continue to improve the area's resiliency to future storms.

### Credit strengths

» Regionally and globally important economy

- » Experienced management team drives solid and consistent operating results
- » Ample reserves

### Credit challenges

- » Area has high exposure to environmental events especially hurricanes and flooding
- » Sizable debt issuance expected in the next few years, particularly for flood control projects

### 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 its ample reserves to remain stable and allow leverage and fixed costs to remain affordable over the next two to three years.

### Factors that could lead to an upgrade

- » Not applicable

### Factors that could lead to a downgrade

- » Uncontrolled expenditures that significantly surpass revenues pushing reserves to well below 35%
- » Economic weakness such as a significant slowing of GDP relative to the nation and meaningful tax base declines which dampen property tax receipts
- » Additional debt absent offsetting revenue growth which increases leverage beyond 350% of revenue

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

## Key indicators

Exhibit 2

### Harris (County of) TX

	2021	2022	2023	2024	Aaa Medians
<b>Economy</b>					
Resident income ratio (%)	95.6%	95.3%	92.9%	N/A	121.1%
Full Value (\$000)	\$504,850,540	\$511,186,361	\$578,808,817	\$643,583,023	\$60,715,203
Population	4,697,957	4,726,177	4,758,579	N/A	413,001
Full value per capita (\$)	\$107,462	\$108,161	\$121,635	N/A	\$150,347
Annual Growth in Real GDP	4.8%	4.3%	5.4%	N/A	2.2%
<b>Financial Performance</b>					
Revenue (\$000)	\$4,059,598	\$5,626,633	\$4,674,201	\$5,306,676	\$556,827
Available fund balance (\$000)	\$2,570,402	\$1,456,069	\$1,612,989	\$2,037,426	\$251,309
Net unrestricted cash (\$000)	\$4,099,150	\$3,574,670	\$3,967,226	\$4,963,031	\$420,472
Available fund balance ratio (%)	63.3%	25.9%	34.5%	38.4%	47.7%
Liquidity ratio (%)	101.0%	63.5%	84.9%	93.5%	79.5%
<b>Leverage</b>					
Debt (\$000)	\$5,218,249	\$5,448,574	\$5,914,975	\$7,285,759	\$425,678
Adjusted net pension liabilities (\$000)	\$7,609,189	\$6,320,939	\$3,814,127	\$3,936,432	\$492,825
Adjusted net OPEB liabilities (\$000)	\$3,158,486	\$2,451,811	\$2,400,221	\$3,126,015	\$62,594
Other long-term liabilities (\$000)	\$56,814	\$77,410	\$69,117	\$82,389	\$27,845
Long-term liabilities ratio (%)	395.2%	254.1%	261.0%	271.9%	178.9%
<b>Fixed costs</b>					
Implied debt service (\$000)	\$359,889	\$366,007	\$380,527	\$410,888	\$27,654
Pension tread water contribution (\$000)	\$117,689	\$164,080	\$91,704	\$155,394	\$10,470
OPEB contributions (\$000)	\$61,703	\$107,967	\$73,177	\$79,084	\$3,449
Implied cost of other long-term liabilities (\$000)	\$4,072	\$3,985	\$5,406	\$4,801	\$1,961
Fixed-costs ratio (%)	13.4%	11.4%	11.8%	12.3%	7.5%

For definitions of the metrics in the table above please refer to the [US Cities and Counties Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [US Cities and Counties Median Report](#).

The real GDP annual growth metric cited above is for the Houston-The Woodlands-Sugar Land, TX Metropolitan Statistical Area.

Sources: US Census Bureau, Harris (County of) TX's financial statements and Moody's Ratings, US Bureau of Economic Analysis

## 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 4.5 million people. The economy is driven by energy and resources, healthcare and life sciences, logistics and transportation and tourism. The county's total operations include governmental and business type activities which is largely dominated by the county's toll road.

## Detailed credit considerations

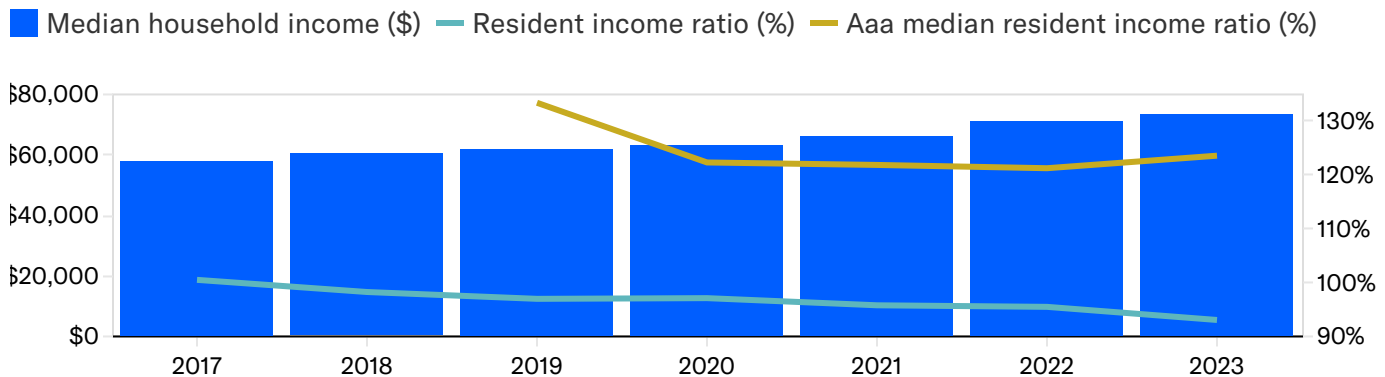
### Economy: massive globally important economy, economic trends for Houston are in line with large city peers

This diversity has served as a catalyst to boost the economy because it is an attractive option for an array of employers while at the same time remaining a draw for employment prospects, ultimately contributing to population growth. As such, the county's unemployment levels have strengthened, reaching 4% as of April 2025, well under the pandemic high of 9% reported in 2020 per the Bureau of Labor Statistics. Demand for the area has sustained construction activity as shown by a well over 30% increase in full value in the past five years through fiscal 2025, keeping the full value per capita solid at almost \$139,000.

Real property accounts for almost 90% of the county's tax base with the rest from personal property. Occupancy rates in the Houston area, the largest city in the county, remained relatively unchanged through and post the pandemic significantly reducing the risk that a high concentration of workers on a hybrid/work from home schedule will disrupt property tax receipts, the county's largest revenue source.

The area's economic output remains substantial with real GDP exceeding \$500 billion in 2024, a figure that is in line with peers with a pace of growth comparable to the nation according to the Bureau of Economic Analysis.

Exhibit 3

**Resident Income**

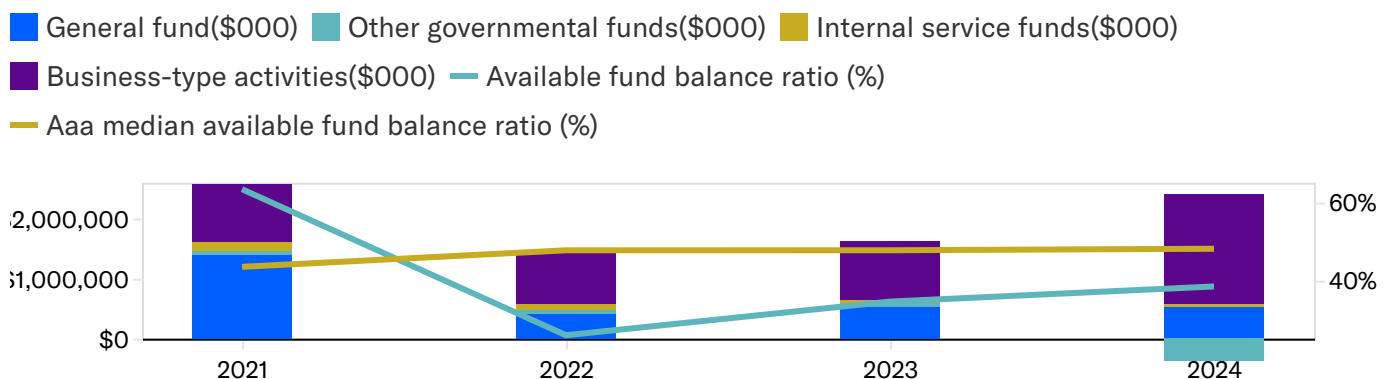
Source: Moody's Ratings

**Financial operations: financial history has long record of strong operating performance**

The county's finances will remain favorable for the next 18 to 24 months supported by a management team with a long history of good fiscal practices that continue to drive strong operating performance. As of the April 2025 monthly reporting, revenues surpassed expenditures by over \$673 million across governmental funds. While this performance is impressive, expected costs will reduce the positive variance but year-end results will likely keep reserves relatively stable compared with the prior year.

As of fiscal 2024, the Moody's adjusted available fund balance and business activities' net current assets topped \$2 billion, 38.4% of revenue. This number significantly understates the county's reserves because it excludes a large portion of the county's governmental funds which are classified as restricted because they are derived from special revenue for a specific purpose, grants or local property taxes for roads and bridges. Nevertheless, these funds are available for general county purposes. When considering the restricted funds, the total resources are almost two times stronger.

Exhibit 4

**Fund Balance**

Source: Moody's Ratings

**Liquidity**

The county's liquidity remains robust providing significant buffer to absorb any unforeseen challenges. As of the April 2025 monthly financial report, cash and investments across all governmental funds was over \$3 billion. There is no of borrowing to meet cash flow needs, consistent with the county's history over the prior decade.

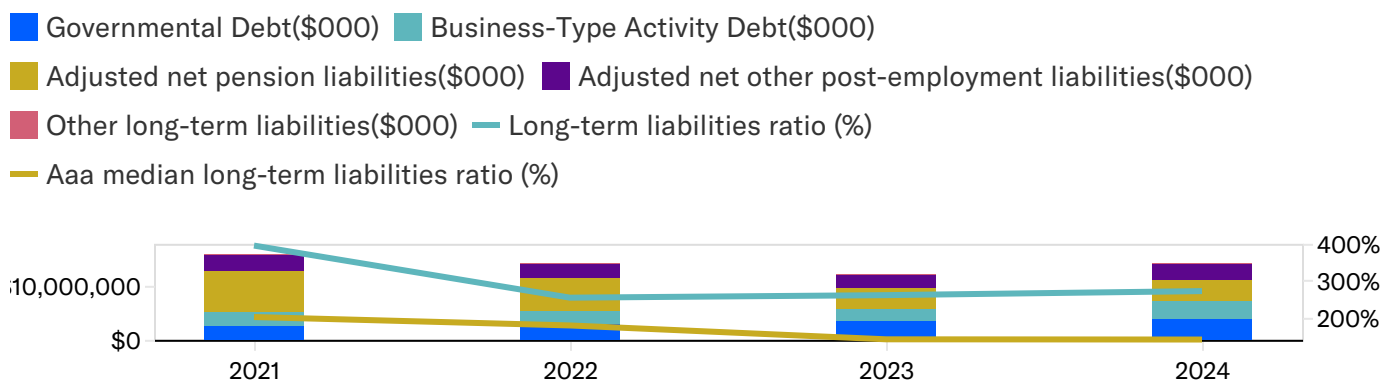
### Leverage: leverage should remain moderate despite expected debt issuance

Harris County's leverage will remain moderate over the next several years because growing property tax revenue will absorb needed investment in infrastructure and other needs to serve its populace. Long term liabilities reached about 272% of revenue in fiscal 2024 and these numbers are relatively unchanged including the Series 2025 issuance. Most of the liabilities are derived from governmental activities and more than 50% is attributed to debt.

As of the most recent capital improvement plan, the county has a total of about \$8.8 billion in capital needs slated for the next five years. Over \$5 billion will address flood control needs and another \$3.8 billion will be used for transportation. The balance will address a variety of other needs that range from justice and safety to economic opportunity and housing. Funding will come from a variety of sources including the toll road authority and property taxes even as the county will benefit from partners. Current authorized unissued debt is about \$1.6 billion.

Exhibit 5

#### Total Primary Government - Long Term Liabilities



Source: Moody's Ratings

#### Hotel occupancy debt

The county's hotel occupancy tax collection trends have been favorable and fiscal year 2024 collections provided very strong coverage of nearly 17 times maximum annual debt service. The county's HOT collections experienced significant volatility during the pandemic, in which pledged revenues declined by over 40% in fiscal 2021, but surged and outpaced pre-pandemic levels in fiscal 2023. HOT collections have grown favorably at an average of roughly 4.6% annually over the past 10 years through fiscal year-end 2024 on an accrual basis, with similar growth in fiscal 2024 which is expected to flatten out in fiscal 2025.

#### Debt structure

All of the county's general obligation debt is fixed rate with final maturity scheduled for 2054.

The county's debt portfolio includes a \$2.1 billion commercial paper (CP) program (about \$142.2 million outstanding as of fiscal year end 2024 excluding the program secured by toll revenue, making up about 4% of the county's total debt. Commercial paper is used for capital purposes, in anticipation of periodic long-term bond issues. External liquidity for the program is provided by several banks with staggered expiration dates; all have short term ratings of P-1.

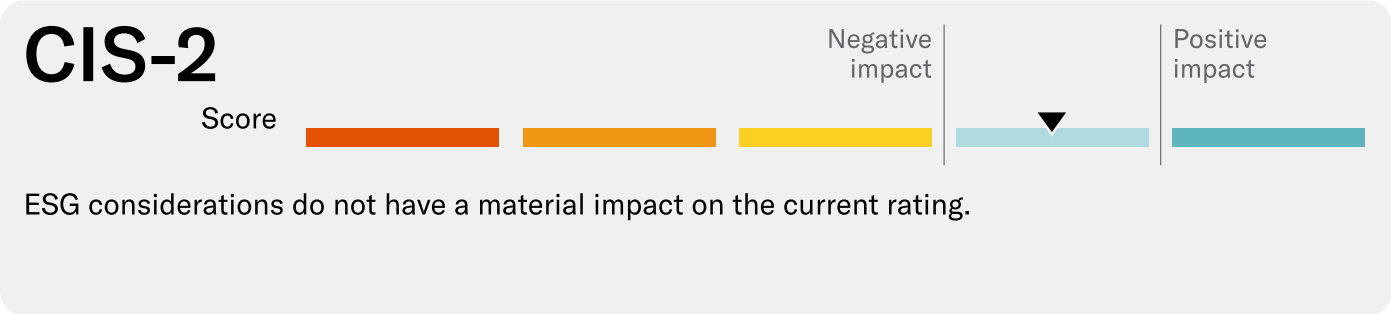
#### Pensions and OPEB

The county has substantial pension and other post-employment benefits (OPEB) liabilities. However, contributions have been strong and puts the county on track to pay down its liabilities over time, on a reported basis. Notably, the county's high 7.6% discount rate makes it vulnerable to higher contributions should the market confront lower interest rates. Even still, contributions will likely remain a manageable portion of the county's debt. Adjusted fixed costs including implied debt service, pension tread water and OPEB was moderate at under 13% of revenue in fiscal 2024.

ESG considerations

Harris (County of) TX's ESG credit impact score is CIS-2

Exhibit 6  
ESG credit impact score



Source: Moody's Ratings

Harris County's ESG Credit Impact Score is **CIS-2** incorporates exposure to environmental risks that is mitigated in part by the county's extensive infrastructure development and planning, low exposure to social risks and a very strong governance profile. These factors as well as an exceptionally strong balance sheet and external financial and capital investment from higher levels of government to combat environmental challenges support the county's rating, resilience and capacity to respond to shocks.

Exhibit 7  
ESG issuer profile scores



Source: Moody's Ratings

Environmental

Harris County's overall E issuer profile score is **E-3** reflecting some exposure to environmental risks particularly physical climate risks, and carbon transition, even though risks across all other categories including water management, waste and pollution and natural capital is low. The county has developed extensive flood control infrastructure and undergoes multiyear capital planning for future infrastructure development. These practices supported by voter approved funding and policies that govern building codes and development will increase the county's resiliency. Absent these mitigating initiatives or if the county fails to continue pursuing similar initiatives, the E IPS score will weaken. Exposure to carbon transition risks is inherent in the area's role as a global energy leader. Sustained demand for green alternatives will weigh on the county but its effects will play out over a much longer period.

Social

The county's S issuer profile score is **S-2** reflecting positive exposure to demographics supported by a young populace and high net migration and low housing exposure. Exposure to risks from labor and income, education, health and safety and access to basic services are low.

Governance

Harris County's strong governance profile is captured in a G issuer profile score of **G-1**. This reflects a strong institutional framework and policy credibility and effectiveness demonstrated by solid budget management evidenced in budget outcomes that are significantly favorable compared to expectations. The county's commitment to transparency and disclosure is also evident in monthly

reporting of key financial information. The county also produces long range financial forecasts and capital planning that encompass population projections to guide a forward planning view for its resources.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Rating methodology and scorecard factors

The US Cities and Counties Methodology includes a scorecard, which summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

The final rating is higher than the scorecard-indicated outcome because the scorecard does not fully capture the magnitude of the county's available reserves given that a significant portion is restricted in the audit, the strength and effect of the county's economy and its strong management.

Exhibit 8

### Harris (County of) TX

	Measure	Weight	Score
<b>Economy</b>			
Resident income ratio	92.9%	10.0%	A
Full value per capita	138,593	10.0%	Aa
Economic growth metric	0.0%	10.0%	Aa
<b>Financial Performance</b>			
Available fund balance ratio	38.4%	20.0%	Aaa
Liquidity ratio	93.5%	10.0%	Aaa
<b>Institutional Framework</b>			
Institutional Framework	Aa	10.0%	Aa
<b>Leverage</b>			
Long-term liabilities ratio	271.9%	20.0%	A
Fixed-costs ratio	12.3%	10.0%	Aa
<b>Notching factors</b>			
No notchings applied			
Scorecard-Indicated Outcome			Aa2
<b>Assigned Rating</b>			<b>Aaa</b>

The Economic Growth metric cited above compares the five-year CAGR of real GDP for Houston-The Woodlands-Sugar Land, TX Metropolitan Statistical Area Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.

Sources: US Census Bureau, Harris (County of) TX's financial statements and Moody's Ratings



## Appendix

Exhibit 9

### Key Indicators Glossary

	Definition	Typical Source*
<b>Economy</b>		
Resident income ratio	Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI	MHI: US Census Bureau - American Community Survey 5-Year Estimates RPP: US Bureau of Economic Analysis
Full value	Estimated market value of taxable property in the city or county	State repositories; audited financial statements; continuing disclosures
Population	Population of the city or county	US Census Bureau - American Community Survey 5-Year Estimates
Full value per capita	Full value / population	
Economic growth metric	Five year CAGR of real GDP for Metropolitan Statistical Area or county minus the five-year CAGR of real GDP for the US	Real GDP: US Bureau of Economic Analysis
<b>Financial performance</b>		
Revenue	Sum of revenue from total governmental funds, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services funds, excluding transfers and one-time revenue, e.g., bond proceeds or capital contributions	Audited financial statements
Available fund balance	Sum of all fund balances that are classified as unassigned, assigned or committed in the total governmental funds, plus unrestricted current assets minus current liabilities from the city's or county's business-type activities and internal services funds	Audited financial statements
Net unrestricted cash	Sum of unrestricted cash in governmental activities, business type activities and internal services fund, net of short-term debt	Audited financial statements
Available fund balance ratio	Available fund balance (including net current assets from business-type activities and internal services funds) / Revenue	
Liquidity ratio	Net unrestricted cash / Revenue	
<b>Leverage</b>		
Debt	Outstanding long-term bonds and all other forms of long-term debt across the governmental and business-type activities, including debt of another entity for which it has provided a guarantee disclosed in its financial statements	Audited financial statements; official statements
Adjusted net pension liabilities (ANPL)	Total primary government's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
Adjusted net OPEB liabilities (ANOL)	Total primary government's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
Other long-term liabilities (OLTL)	Miscellaneous long-term liabilities reported under the governmental and business-type activities entries	Audited financial statements
Long-term liabilities ratio	Debt + ANPL + ANOL + OLTL / Revenue	
<b>Fixed costs</b>		
Implied debt service	Annual cost to amortize city or county's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Ratings
Pension tread water contribution	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Ratings
OPEB contribution	City or county's actual contribution in a given period	Audited financial statements
Implied cost of OLTL	Annual cost to amortize city or county's other long-term liabilities over 20 years with level payments	Audited financial statements; Moody's Ratings
Fixed-costs ratio	Implied debt service + Pension tread water + OPEB contributions + Implied cost of OLTL / Revenue	

\*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US Cities and Counties Methodology](#).

Source: Moody's Ratings

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