



**Rating Action: Moody's assigns Aaa to Harris County, TX's GOLT Series 2023A and GOULT Series 2023A; stable outlook**

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New York, July 13, 2023 – Moody's Investors Service has assigned Aaa ratings to Harris County, TX's Permanent Improvement Refunding Bonds, Series 2023A and Unlimited Tax Road Refunding Bonds, Series 2023A in the expected par amount of \$130 million and \$100 million respectively. Moody's maintains the Aaa issuer rating and Aaa rating on the district's outstanding general obligation unlimited and limited tax debt. Post-sale, the county will have about \$672.6 million in GOULT debt, and over \$1 billion in GOLT debt including the contract tax debt. The outlook is stable.

#### RATINGS RATIONALE

The Aaa issuer rating reflects a large and robust economy that has demonstrated resilience in various economic cycles including the most recent coronavirus pandemic, solid wealth levels even though income remains below the nation. Improved economic conditions have increased labor force participation even though economic growth has trailed the nation in the past five years. The rating additionally considers strong finances although reserves and liquidity fell in the past fiscal year due to a change in fiscal year end. The county's reserve position will improve based on year to date results for fiscal 2023 which are on track to see revenue exceed expenditures. Finally the rating considers the county's rising leverage due to expected debt issuance although costs should remain affordable supported by revenue growth.

The absence of a distinction between the issuer and GOULT ratings reflects the unlimited tax pledge for debt service.

The absence of a distinction between the issuer and GOLT ratings reflects the ample taxing headroom under the limited tax cap that provides sizeable margin relative to debt service.

#### 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 allow debt and pension levels to remain affordable over the next five years.

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

- Not applicable

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

- Substantial reduction in reserves
- Material economic contraction signified by weakening in key indicators
- Additional debt absent offsetting revenue growth

#### LEGAL SECURITY

The bonds are payable from a direct and continuing annual ad valorem tax, levied on all taxable property. The

unlimited tax road bonds are not subject to any limitation as to rate or amount while the permanent improvement bonds (PIBs) are subject to the limits prescribed by law.

## USE OF PROCEEDS

Proceeds from the PIBs will refund and defease outstanding Commercial Paper Notes Series B, D and D-2 while the road bonds will refund and defease outstanding Commercial Paper Notes Series C and D-3.

## 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, health care and life sciences and logistics and transportation. The county's total operations include governmental and business type activities which is largely dominated by the county's toll road.

## METHODOLOGY

The principal methodology used in these ratings was US Cities and Counties Methodology published in November 2022 and available at <https://ratings.moodys.com/mc-documents/386953>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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