Research Update:

Hays County, TX Series 2026 Certificates Of Obligation And Series 2026 Limited-Tax Refunding Bonds Assigned 'AA+' Rating

January 7, 2026

Overview

- S&P Global Ratings assigned its 'AA+' long-term rating to Hays County, Texas' estimated $100 million series 2026 combination tax and revenue certificates of obligation (COs) and $45.71 million series 2026 limited-tax refunding bonds.

- The outlook is stable.

Rationale

Security

The GOs and COs are a direct obligation of the county, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property in the county. The series 2026 COs are additionally secured by a limited amount of net revenues from the operation of the county's solid-waste management system. The county also has pass-through toll revenue bonds that are additionally payable from and secured by a lien on payments received by the county pursuant to a pass-through toll agreement between the county and the Texas Department of Transportation (TxDOT). Because of the limited nature of the additional pledged revenue, our ratings on these obligations reflect the county's ad valorem tax pledge.

Texas statutes limit the maximum ad valorem tax rate for counties to 80 cents per $100 of taxable assessed valuation (AV) for all county purposes. Administratively, Texas' attorney general will permit the allocation of 40 cents of the maximum tax rate for ad valorem tax debt service.

Series 2026 COs will fund various capital improvements, including an administrative building, an animal shelter, office buildings, and related drainage and utility costs. The series 2026 limited-tax refunding bonds will be used to refund a portion of the county's outstanding obligations for debt service savings.

Credit highlights

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The rating reflects our view of the county's incomes, which are similar to those of similarly rated peers, along with its strong economic growth and diversification due to its proximity to the Austin-Round Rock metropolitan statistical area (MSA), supporting solid operating results and the maintenance of sizable reserves.

Hays County is located in south-central Texas, with an economy centered on tourism, education, agriculture, manufacturing, and, more recently, retail establishments, underpinning rapid tax base expansion that we expect to continue. Notable economic developments include several thousand housing lots and various commercial properties. The county's positive operating results for the past several years are largely from increased property tax revenue from higher property values and substantial new development, in addition to sales taxes outperforming projections. Property taxes generated 61% of general fund revenue in fiscal 2024, followed by sales taxes at 23% and charges for services at 6%. We expect the county's tax base growth will generate sufficient revenue to maintain balanced financial performance and at least break-even results in the near term, outside of one-time cash-funding of capital projects. Management anticipates ending fiscal 2025 with an operational surplus and expects to add at least $6.5 million to fund balance. The county has adopted its fiscal 2026 budget with a modest deficit, which is a typical practice, and year-end operations typically outperform and end with a positive result. The county also receives toll revenue, supporting its pass-through road bonds; for fiscal 2024, it received $10.9 million within the debt service fund. The county has no plans to materially draw down current reserves in the near term.

Given the county's economic growth, it is likely to issue more debt within the next two years, though no definitive amounts are known at this time. While its carrying charges are elevated, we believe the county's costs are manageable, particularly as its economic growth will likely lead to additional resources to cover debt service. Further, we note that roughly $50 million of the debt outstanding consists of pass-through toll revenue bonds and reimbursements from TxDOT following the completion of specified projects that offset the debt service costs associated with these bonds. Because toll revenue is part of total governmental funds, we do not view the bonds as self-supporting; however, this revenue improves our view of the county's total governmental funds' operating results given the increased overall revenue.

The rating further reflects our view of the county's:

- Robust, fast-growing economy, which will likely spur growth in the county's demographics, underpinning its ability to fund service and infrastructure expansion. Wealth and incomes are in line with those of similarly rated peers, and we expect the significant tax base and population growth to continue.

- Multiyear surpluses, net of cash-funded capital, that the county expects to continue, and maintenance of above-average liquidity and reserves.

- Well-embedded policies and practices that management uses to guide budgeting and forecasting, including conservative budgeting and regular budget monitoring; formal policies for investment management and debt, as well as a reserve policy of three to six months' of expenditures; and cyber risk-mitigation efforts. The county lacks long-term planning but is actively working on establishing a long-term capital and financial plan.

- Elevated debt burden, with required infrastructure investment; the county is likely to issue additional debt within the next two years but this is offset, in our view, by its manageable pension and other postemployment benefits costs.

- For more information on our institutional framework assessment for Texas counties, see "Institutional Framework Assessment: Texas Local Governments," Sept. 9, 2024 on RatingsDirect.

Environmental, social, and governance

The rating incorporates our view of environmental, social, and governance factors relative to the county's economy, financial performance, management, and debt-and-liability profile, all of which we consider credit-neutral. The county has partnered with Texas State University to conduct various sustainability projects to conserve, mitigate, restore, and protect the county's natural resources.

Outlook

The stable outlook reflects S&P Global Ratings' opinion that the county's economic growth will continue and that it will maintain healthy reserves and manageable debt and liabilities.

Downside scenario

We could lower the rating if the county's financial performance were to weaken due to budgetary imbalance leading to a depletion of reserves, or if significant debt issuance were to result in fixed-cost pressures.

Upside scenario

We could raise the rating if the county's debt burden moderates, its incomes improve relative to those of higher-rated peers, and it implements more formalized policies and practices.

Hays County, Texas--Credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.13
Economy	2.0
Financial performance	2
Reserves and liquidity	1
Management	2.40
Debt and liabilities	3.25

Hays County, Texas--Key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	59	--	59	58
County PCPI % of U.S.	95	--	95	93
Market value ($000s)	52,196,932	45,330,370	37,635,252	29,379,332
Market value per capita ($)	182,123	158,164	140,463	117,264
Top 10 taxpayers % of taxable value	2.4	2.6	3.0	--
County unemployment rate (%)	3.4	3.4	3.3	3.1

Hays County, Texas--Key credit metrics

	Most recent	2024	2023	2022
Local median household EBI % of U.S.	108	108	110	--
Local per capita EBI % of U.S.	99	99	102	--
Local population	286,603	286,603	267,938	250,541
Financial performance				
Operating fund revenues ($000s)	--	144,369	129,021	116,535
Operating fund expenditures ($000s)	--	146,545	136,802	109,245
Net transfers and other adjustments ($000s)	--	3,262	5,706	(2,555)
Operating result ($000s)	--	1,086	(2,075)	4,735
Operating result % of revenues	--	0.8	(1.6)	4.1
Operating result three-year average %	--	1.1	4.1	6.9
Reserves and liquidity				
Available reserves % of operating revenues	--	41.5	41.6	46.6
Available reserves ($000s)	--	59,947	53,699	54,287
Debt and liabilities				
Debt service cost % of revenues	--	19.2	20.0	19.4
Net direct debt per capita ($)	2,741	1,850	2,065	2,106
Net direct debt ($000s)	785,524	530,218	553,242	527,646
Direct debt 10-year amortization (%)	40	59	--	--
Pension and OPEB cost % of revenues	--	4.0	4.0	4.0
NPLs per capita ($)	--	68	112	--
Combined NPLs ($000s)	--	19,355	30,103	--

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings List	
New Issue Ratings	
US$100,000,000 Hays County, Texas (A political subdivision of the State of Texas), Combination Tax and Revenue Certificates of Obligation, Series 2026, dated: February 12, 2026, due: February 15, 2051	
Long Term Rating	AA+/Stable
US$45,710,000 Hays County, Texas (A political subdivision of the State of Texas), Limited Tax Refunding Bonds, Series 2026, dated: February 12, 2026, due: February 15, 2035	
Long Term Rating	AA+/Stable