

Research Update:

Buda, TX Series 2026 Certificates Of Obligation And Series 2026 GO Refunding Bonds Assigned 'AA' Rating; Outlook Stable

February 19, 2026

Overview

- S&P Global Ratings assigned its 'AA' rating to Buda, Texas' \$28.1 million series 2026 combination tax and limited revenue certificates of obligation (COs) and \$28.1 million series 2026 general obligation (GO) refunding bonds.
- At the same time, S&P Global Ratings affirmed its 'AA' rating on the city's existing debt.
- The outlook is stable.

Rationale

Security

The bonds and COs are a direct obligation of Buda, payable from the proceeds of a continuing, direct annual ad valorem tax, within the limits prescribed by law, on all taxable property within its borders. The COs are additionally secured by a limited waterworks-and-sewer system surplus-revenue pledge, in an amount not to exceed \$1,000. Due to the additional pledge's limited nature, we rate the COs based on the city's ad valorem-tax pledge.

The maximum allowable ad valorem tax rate is \$2.50 per \$100 of assessed value (AV) for all purposes, with the portion dedicated to debt service limited to \$1.50. The city's total tax rate is well below the maximum for fiscal 2026 at 35.76 cents, with 25.94 cents for debt service. Despite state statutory tax-rate limitations, we view the limited-tax GO pledge on par with the city's general creditworthiness. Ad valorem taxes are not levied on a narrower or distinctly different property tax base, and there are no limitations on the fungibility of resources available for debt-service payments.

Officials intend to use GO bond proceeds to refund existing debt for net present value savings and CO proceeds to finance public-works and parks-facility expansion projects and sports-complex improvements.

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Credit highlights

Buda, a growing suburb between Austin and San Antonio, has realized substantial tax base growth, driving a need for large debt issuances to fund infrastructure; the city's debt metrics, despite certain debt supported by the water and sewer fund, continue to constrain the rating. The rating also reflects the city's credit strengths, including embedded financial policies and practices and the potential strengthening of local economic indicators, with significant residential and commercial growth on the horizon.

Buda has a city population of 17,000 and its extraterritorial jurisdiction is a much larger 40,000, contributing to strong sales tax revenues and providing a workforce for local businesses. The city expects to reach buildout in about 15 years given ongoing growth. New construction in the near term will add 2,300 residential units in the Persimmon development and 499 lots in the Colony project. Commercial development includes the relocation and expansion of the local HEB grocery store, the addition of several mixed-used buildings, and industrial space added throughout the city.

Buda has a history of maintaining what we consider balanced operations, with recurring revenues covering recurring expenditures. Management typically budgets conservatively for both revenues and expenditures, and excess revenues are used to fund one-time capital needs. Sales taxes continue to be the primary general fund revenue source and are increasing year over year and outpacing projections, which we consider commensurate with growth occurring in the city. The fiscal 2025 budget included some use of reserves for capital and the available fund balance will decrease slightly from \$14 million to \$11 million, although we recognize the reserve level will remain well above the city's reserve policy of three and half months of recurring operating expenditures. We believe that the city will maintain reserves at least equal to its formal policy and likely at a higher level given conservative budgeting.

We consider Buda's debt carrying charges elevated, which will remain a credit weakness given the city currently plans to issue new debt annually. However, the city has substantial flexibility to increase the interest-and-sinking portion of the tax rate if it were to experience budgetary pressure. It is also raising water-and-wastewater rates annually to help pay for increased debt service, which we view positively. Buda has several privately placed debt obligations outstanding, which are a small 3% of total direct debt and do not contain any unusual provisions, such as nonstandard events of default or acceleration, that we view as a liquidity risk.

The rating reflects our opinion of Buda's:

- Growing economy with ongoing development, bolstered by access to the Austin-Round Rock metropolitan statistical area; our economy score recognizes that the city's median household effective buying income is over 120% of that of both the U.S. and the county;
- Comprehensive financial policies and practices that include conservative budgeting, monthly monitoring of budget-to-actual results, formal reserves, debt and investment policies, and a long-term capital plan; also, the city has hired an outside consultant to assist with the development of a long-term financial plan and is taking steps to mitigate cyber risks;
- Mostly positive operating performance despite a few years of negative results due to strategic use of reserves to fund one-time capital needs; and
- Elevated debt profile, with significant additional debt financing needs to support growth. We currently view retiree benefits as manageable, with a pension funding ratio of just under 90% and a low net pension liability per capita. Other postemployment benefits include a health care

benefit and a supplemental death benefit. The supplemental death benefit is a lump-sum payment.

- For more information on our institutional framework assessment for Texas Municipalities, see "[Institutional Framework Assessment: Texas Local Governments](#)," Sept. 9, 2024 on RatingsDirect.

Environmental, social, and governance

We consider Buda's environmental, social, and governance factors neutral in our credit analysis.

Outlook

The stable outlook reflects S&P Global Ratings' view that Buda will continue to have at least stable operating performance and maintain large available reserves while navigating economic growth.

Downside scenario

We could lower the rating if substantial debt issuances were to outpace tax base growth or if increased fixed costs were to pressure the budget, decreasing reserves.

Upside scenario

We could raise the rating if debt burden were to decrease materially and if incomes and economic output were to increase to levels comparable with those of higher-rated peers.

Buda, Texas--Credit summary

| | |
|---------------------------------|------|
| Institutional framework (IF) | 1 |
| Individual credit profile (ICP) | 2.29 |
| Economy | 3.0 |
| Financial performance | 2 |
| Reserves and liquidity | 1 |
| Management | 1.70 |
| Debt and liabilities | 3.75 |

Buda, 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) | 3,113,945 | 2,935,872 | 2,664,188 | 2,131,564 |
| Market value per capita (\$) | 181,254 | 170,889 | 162,085 | 135,492 |
| Top 10 taxpayers % of taxable value | 12.5 | 10.4 | 11.6 | -- |
| County unemployment rate (%) | 3.1 | 3.4 | 3.3 | 3.0 |
| Local median household EBI % of U.S. | 137 | 137 | 136 | 134 |
| Local per capita EBI % of U.S. | 107 | 107 | 106 | 102 |

Buda, Texas--Key credit metrics

| | Most recent | 2024 | 2023 | 2022 |
|--|-------------|---------|---------|---------|
| Local population | 17,180 | 17,180 | 16,437 | 15,732 |
| Financial performance | | | | |
| Operating fund revenues (\$000s) | -- | 19,461 | 16,919 | 17,549 |
| Operating fund expenditures (\$000s) | -- | 18,149 | 15,800 | 14,033 |
| Net transfers and other adjustments (\$000s) | -- | (425) | 331 | (4,319) |
| Operating result (\$000s) | -- | 887 | 1,450 | (803) |
| Operating result % of revenues | -- | 4.6 | 8.6 | (4.6) |
| Operating result three-year average % | -- | 2.9 | 8.1 | 6.5 |
| Reserves and liquidity | | | | |
| Available reserves % of operating revenues | -- | 72.6 | 78.2 | 67.2 |
| Available reserves (\$000s) | -- | 14,124 | 13,229 | 11,788 |
| Debt and liabilities | | | | |
| Debt service cost % of revenues | -- | 20.2 | 23.0 | 21.6 |
| Net direct debt per capita (\$) | 10,050 | 7,775 | 8,514 | 9,215 |
| Net direct debt (\$000s) | 172,661 | 133,573 | 139,948 | 144,975 |
| Direct debt 10-year amortization (%) | 50 | 69 | -- | -- |
| Pension and OPEB cost % of revenues | -- | 4.0 | 4.0 | 5.0 |
| NPLs per capita (\$) | -- | 153 | 207 | 85 |
| Combined NPLs (\$000s) | -- | 2,631 | 3,397 | 1,334 |

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\$28,100,000 City of Buda, A political subdivision of the State of Texas located in Hays County, Texas, General Obligation Refunding Bonds, Series 2026, dated: April 16, 2026, due: August 15, 2038

Long Term Rating AA/Stable

US\$28,075,000 City of Buda, A political subdivision of the State of Texas located in Hays County, Texas, Combination Tax and Limited Revenue Certificates of Obligation, Series 2026, dated: March 26, 2026, due: August 15, 2051

Long Term Rating AA/Stable

Ratings Affirmed

Local Government

Buda, TX Limited Tax General Operating Pledge AA/Stable

Buda, TX Limited Tax General Operating Pledge and Water and Sewer System Subordinate Lien AA/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have

different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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