

Research Update:

Horseshoe Bay, TX Series 2026 Combination Tax And Revenue Certificates of Obligation Rated 'AA+'; Outlook Stable

April 6, 2026

Overview

- S&P Global Ratings assigned its 'AA+' long-term rating to the City of [Horseshoe Bay](#), Texas' \$8.4 million series 2026 combination tax and revenue certificates of obligation (COs).
- We also affirmed our 'AA+' long-term rating on the city's general obligation (GO) bonds and COs outstanding.
- The outlook is stable.

Rationale

Security

The GO bonds and COs are payable from an ad valorem tax levied on all taxable property in the city, within the limits prescribed by law. The COs are additionally secured by a limited pledge not to exceed \$1,000 of surplus water and wastewater system revenue. Given the de minimis revenue pledge, we rate the certificates based on Horseshoe Bay's ad valorem pledge. 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 payment. Therefore, we view the limited-tax pledge to be on par with the city's general creditworthiness.

The maximum allowable ad valorem tax rate for Texas home-rule cities is \$2.50 per \$100 of assessed value (AV) for all purposes, with the dedicated debt service portion limited to \$1.50. Horseshoe Bay's levy is well below the maximum at 26.8 cents per \$100 of AV, including 7.4 cents for debt service.

CO proceeds will fund the construction and improvements of city streets, the acquisition of land as well as the cost of acquiring, constructing, and improving the city's waterworks system, facilities, and sanitary sewer system.

Credit highlights

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The rating reflects Horseshoe Bay's wealthy and growing economy, stable finances supported by robust management practices, and elevated debt metrics.

Horseshoe Bay, about 55 miles northwest of Austin, benefits from its location and wealthy base, supporting healthy revenue growth. The city is in a scenic part of the state that attracts retirees with high wealth and income levels, and the tax base continues to expand steadily from new high-end residential construction. Horseshoe Bay has approximately 700 new residential homes planned with two commercial areas. In addition, the Silver Rock independent/assisted-living community anticipates having approximately 300 units once completed to help aid its aging community. Horseshoe Bay currently projects a 6% AV growth over the next few years, which is consistent with the recent trend.

The city has realized four years of positive operating performance. Conservative budgeting practices, as well as property and sales tax growth, fueled the favorable fiscal 2025 surplus results and contributed 52% and 20%, respectively, to general fund revenue. Horseshoe Bay has adopted a fiscal 2026 budget that includes the planned use of reserves of approximately \$3.3 million. It plans to use these funds to support the completion of a new city center and a second fire station. We expect fund balance will remain in line with its formal fund balance policy, despite the planned draw for capital expenses.

Debt service costs will increase with this issuance, but we do not anticipate material pressures given ongoing budget growth. Management anticipates issuing additional debt over the next three-to-four years to support ongoing infrastructure needs, including streets, drainage, and utilities.

The rating also reflects our opinion of Horseshoe Bay's:

- Expanding local tax base with gross county product and county per capita personal income that lag those of peers but local incomes that are greater than those of the county;
- Robust available general fund balance that has increased to \$10 million, or 70.9%, as of fiscal 2025 and we anticipate it will remain at about 46%, despite a planned drawdown in fiscal 2026, which is well above the formal policy;
- Comprehensive financial policies and practices that include revenue and expenditure assumptions based on five years of historical trends and the use of outside sources to assist with forecasting. Monthly budget-to-actual results are provided to the city council. A five-year capital plan is updated annually with funding to come from either debt issuance, cash on hand, fund balances, grants, contributions, or utility revenues depending on the project. A long-term financial plan is included in the annual budget and extends four years beyond the budget year. The city has a formal investment management policy that follows state guidelines, with quarterly holdings and performance provided to the council. A formal reserve policy requires a fund balance equal to the greater of \$2.5 million or three months' total operating expenses. Horseshoe Bay does not have a formal debt policy at present, but management indicates it's working on formalizing one. The city is taking steps to protect its assets against cyber incidents.
- Elevated debt metrics, with net debt per a capita higher than that of higher-rated peers. Debt service costs will also increase with this issue and will exceed 25% of revenue, which we view as a credit weakness .

Environmental, social, and governance

We view the city's environmental, social, and governance factors as neutral considerations in our credit analysis. Horseshoe Bay is exposed to wildfires and flash flooding but has taken steps to mitigate those risks. Although it is located on the shores of Lake LBJ, the Lower Colorado River Authority regulates lake levels to protect its plant, therefore reducing flooding risk. The city maintains flood and earthquake insurance coverage.

Outlook

The stable outlook reflects our expectation that, over the next two years, Horseshoe Bay will continue to benefit from an increasing tax base, and its financial performance and reserves will remain stable, supported by robust financial management policies and practices.

Downside scenario

We could lower the rating if the city's economy has exposure to macroeconomic trends that weaken it materially or if a budgetary imbalance develops, resulting in sustained draws on reserves.

Upside scenario

All else being equal, we could raise the rating if Horseshoe Bay's ongoing growth leads to a material tax base diversification and an improvement in economic metrics to levels similar to that of higher-rated peers, and additional debt does not materially worsen the city's debt profile.

Horseshoe Bay, Texas--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.15
Economy	2.5
Financial performance	1
Reserves and liquidity	1
Management	2.00
Debt and liabilities	4.25

Horseshoe Bay, Texas--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	56	--	56	57
County PCPI % of U.S.	103	--	103	104
Market value (\$000s)	4,294,240	4,042,420	3,553,254	3,055,912
Market value per capita (\$)	848,161	798,424	701,808	603,577
Top 10 taxpayers % of taxable value	3.3	3.9	4.0	2.4
County unemployment rate (%)	3.7	3.7	4.1	3.9
Local median household EBI % of U.S.	130	--	130	123
Local per capita EBI % of U.S.	174	--	174	171
Local population	5,063	5,063	5,063	5,063

Horseshoe Bay, Texas--key credit metrics

	Most recent	2025	2024	2023
Financial performance				
Operating fund revenues (\$000s)	--	15,132	13,800	12,946
Operating fund expenditures (\$000s)	--	13,156	12,622	12,495
Net transfers and other adjustments (\$000s)	--	(265)	502	698
Operating result (\$000s)	--	1,711	1,680	1,149
Operating result % of revenues	--	11.3	12.2	8.9
Operating result three-year average %	--	10.8	12.4	11.0
Reserves and liquidity				
Available reserves % of operating revenues	--	70.9	65.3	56.8
Available reserves (\$000s)	--	10,725	9,006	7,355
Debt and liabilities				
Debt service cost % of revenues	--	17.7	18.5	12.3
Net direct debt per capita (\$)	--	10,410	8,618	7,628
Net direct debt (\$000s)	--	52,705	43,633	38,621
Direct debt 10-year amortization (%)	--	49	57	--
Pension and OPEB cost % of revenues	--	4.0	4.0	3.0
NPLs per capita (\$)	--	--	--	--
Combined NPLs (\$000s)	--	--	--	--

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\$8.400 mil combination tax and rev certs of oblig ser 2026 dtd 5/13/2026 due 8/15/2046

Long Term Rating AA+/Stable

Ratings Affirmed

Local Government

Horseshoe Bay, TX Limited Tax General Operating Pledge AA+/Stable

Horseshoe Bay, 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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