

Research Update:

# Liberty Hill, TX Series 2026 Limited-Tax Notes Assigned 'AA+' Rating; Outlook Stable

April 17, 2026

## Overview

- S&P Global Ratings assigned its 'AA+' long-term rating to the City of [Liberty Hill](#), Texas' anticipated approximately \$3.5 million series 2026 limited-tax notes.
- At the same time, we affirmed our 'AA+' rating on the city's general obligation (GO) debt outstanding.
- The outlook is stable.

## Rationale

### Security

A limited ad valorem tax, levied on all taxable property within Liberty Hill, secures the notes and GO bonds outstanding. The certificates outstanding are also secured by a pledge of the surplus revenues derived from the city's water and wastewater system, not to exceed \$1,000. Given the limited nature of the revenue pledge, we base the rating on Liberty Hill's ad valorem tax pledge. State statutes limit the maximum ad valorem tax rate for home-rule cities to \$2.50 per \$100 of taxable assessed valuation (AV) for all city purposes. Administratively, the Texas attorney general will permit the allocation of \$1.50 per \$100 of taxable AV of the \$2.50 maximum tax rate for all GO debt service. We do not differentiate between Liberty Hill's limited-tax debt and the city's general creditworthiness, since the ad valorem tax is not derived from a measurably narrower tax base and there are no limitations on the fungibility of resources, which support our view of the city's overall ability and willingness to pay debt service.

Proceeds from the series 2026 notes will fund road improvements.

### Credit highlights

The rating reflects our view of the city's improving and relatively stable operating performance, supported by healthy reserves and well-above average wealth and income indicators. These strengths are underpinned by the city's proximity to a rapidly expanding and diverse metropolitan statistical area (MSA). Partially offsetting these factors are the city's somewhat elevated long-term liability profile and the absence of more formalized and robust financial policies and practices relative to those of peers.

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About 33 miles northwest of downtown Austin in Williamson County, Liberty Hill benefits from direct access to the Austin-Round Rock-San Marcos MSA. Given its favorable location, the city continues to experience steady population and tax base growth. Over the past five years, taxable AV has grown at an annual average rate of 23.5%, supported by a balanced mix of residential, commercial, and industrial development. Management expects continued commercial retail expansion will further support sales tax growth.

Historically, the city has demonstrated consistent operating performance, with multiple consecutive years of positive results despite rising service demands and infrastructure pressures. We note that fiscal 2023 results were overstated due to a taxpayer making an overpayment on sales taxes; absent the overpayment, operations would have reflected a modest deficit of approximately \$100,000. Fiscal 2024 results were healthy even after accounting for a sizable \$2.2 million transfer out to the capital improvement fund. Fiscal 2025 surplus stemmed from management's continued conservative budgeting. For fiscal 2026, the city adopted a deficit budget because it plans to intentionally spend down \$370,000 for one-time capital, such as mobility projects.

Management has no plans to issue additional tax-based debt within the next year, although ongoing growth will likely necessitate future issuances. The city has developed a sizable capital improvement plan; in particular, to address wastewater treatment capacity. As a result, the water and sewer utility system is expected to issue an additional \$26.8 million in debt over the next five years. To incorporate the additional debt, the city has approved rate increases of 10.5% for water and 6.5% for wastewater, which will continue to increase annually, to support system operations and debt service coverage. We expect these adjustments will allow the city to sustain at least strong coverage metrics over the outlook horizon, and utilities will not require general fund support. For additional detail, see our utility [analysis](#) on Liberty Hill, Jan. 21, 2026. Despite the likely additional debt, we believe the city's robust tax base growth and economic expansion should offset some of the growth-related capital needs.

The rating further reflects our view of Liberty Hill's:

- Rapidly growing population, which has increased by 309% over the past five fiscal years.
- History of strong operations with plans for capital-related draws on reserves; we don't anticipate these will have a material impact on available fund balance given the city's robust reserves.
- Financial management policies and practices that include conservative budgetary assumptions, with budget-to-actual reports presented to city council monthly, a formal investment policy with quarterly investment reports provided to the council, and a formal reserve policy of 25% of net budgeted operating expenditures.
- The city lacks formal long-term planning and a debt management policy, although our view could improve due to the city's planned implementation of more robust long-term planning. It has policies and practices for cybersecurity mitigation.
- Elevated, albeit affordable debt burden profile, with potential near-term debt plans, and limited pension and other postemployment benefits liabilities with manageable contributions.
- For more information on our institutional framework assessment for Texas municipalities, see "[Institutional Framework Assessment: Texas Local Governments](#)," Sept. 9, 2024.

## **Environmental, social, and governance**

We view the city's environmental, social, and governance factors as neutral within our credit rating analysis.

## Outlook

The stable outlook reflects our expectation that Liberty Hill will maintain steady financial performance and healthy reserves above its formal policy threshold, supported by ongoing economic growth and prudent financial management over the two-year outlook horizon.

### Downside scenario

We could lower the rating if the city's financial performance worsens, resulting in materially weaker reserves and liquidity; or if its debt profile weakens to levels no longer comparable with those of peers.

### Upside scenario

We could raise the rating if economic growth results in improved county economic metrics, and if management were to adopt and implement more formalized financial management policies and practices.

### Liberty Hill, Texas--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.37
Economy	3.0
Financial performance	2
Reserves and liquidity	1
Management	2.35
Debt and liabilities	3.50

### Liberty Hill, Texas--key credit metrics

	Most recent	2025	2024	2023
<b>Economy</b>				
Real GCP per capita % of U.S.	71	--	71	71
County PCPI % of U.S.	104	--	104	103
Market value (\$000s)	1,311,499	1,315,411	1,266,584	920,820
Market value per capita (\$)	231,714	232,405	223,778	163,818
Top 10 taxpayers % of taxable value	10.3	8.5	9.8	9.3
County unemployment rate (%)	3.3	3.3	3.6	3.5
Local median household EBI % of U.S.	146	--	146	148
Local per capita EBI % of U.S.	109	--	109	111
Local population	11,984	11,984	11,984	10,422
<b>Financial performance</b>				
Operating fund revenues (\$000s)	--	11,544	11,118	10,113
Operating fund expenditures (\$000s)	--	12,297	10,017	9,108
Net transfers and other adjustments (\$000s)	--	1,941	(513)	(887)

**Liberty Hill, Texas--key credit metrics**

	Most recent	2025	2024	2023
Operating result (\$000s)	--	1,188	588	118
Operating result % of revenues	--	10.3	5.3	1.2
Operating result three-year average %	--	5.6	24.5	33.1
<b>Reserves and liquidity</b>				
Available reserves % of operating revenues	--	140.1	135.0	142.9
Available reserves (\$000s)	--	16,169	15,009	14,451
<b>Debt and liabilities</b>				
Debt service cost % of revenues	--	22.9	23.8	25.4
Net direct debt per capita (\$)	4,462	4,172	4,320	5,142
Net direct debt (\$000s)	53,477	49,993	51,773	53,595
Direct debt 10-year amortization (%)	39	34	32	32
Pension and OPEB cost % of revenues	--	2.0	2.0	2.0
NPLs per capita (\$)	--	--	10	22
Combined NPLs (\$000s)	--	--	54	125

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\$3,485,000 Liberty Hill, Texas, Tax Notes, Series 2026, dated: June 3, 2026, due: September 1, 2028

Long Term Rating AA+/Stable

**Ratings Affirmed**

**Local Government**

Liberty Hill, TX Limited Tax General Operating Pledge AA+/Stable

Liberty Hill, TX Limited Tax General Operating Pledge and Water 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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