

Hays County, Texas

The 'AA+' IDR of the Hays County COs, series 2025, reflects a financial resilience assessment of 'aaa' based on a 'High Midrange' level of budgetary flexibility and Fitch's expectation that the county will maintain unrestricted general fund reserves of at least 10% of spending, which is well below a historical average of approximately 55%.

The rating also incorporates the county's overall 'Strong' demographic and economic level metrics, including a 'Strongest' assessment regarding population trend, size, and economic concentration.

The county's long-term liability (LTL) burden is assessed as 'Weak' relative to the Fitch-rated portfolio, which is inclusive of the current issuance.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- A decline in available general fund reserve levels below 10% of spending, which would lower Fitch's assessment of financial resilience to below 'aaa';
- Material increases to direct debt and carrying costs that push long-term liabilities into the extreme lower percentiles of the Fitch-rated portfolio, assuming current levels of personal income and governmental resources and spending;
- Weakened underlying demographic and economic performance including but not limited to rising unemployment and lower resident income.

Factors that Could, Individually or collectively, Lead to Positive Rating Action/Upgrade

- An approximate 10% decrease in long-term liabilities assuming current levels of personal income and governmental resources and spending;
- Improved underlying demographic and economic performance including but not limited to decreasing unemployment and higher resident income.

Security

The bonds and certificates constitute direct obligations of the county, payable from an annual property tax levy limited to \$0.80 per \$100 taxable assessed value (TAV) on all taxable property located within the county. The COs are further secured by a lien on and pledge of the pledged revenues, being a limited amount of the net revenues derived from the operation of the county's solid waste management system.

Ratings

Long-Term IDR AA+

Outlooks

Long-Term IDR Stable

New Issues

\$180,000,000 Combination Tax and Revenue Certificates of Obligation, Series 2025 AA+

Sale Date

October 2, 2025

Outstanding Debt

[Issuer Ratings Information](#)

Applicable Criteria

[U.S. Public Finance Local Government Rating Criteria \(April 2024\)](#)

Related Research

[Fitch Upgrades Hays County, TX, ULT and LT Bonds from 'AA' Underlying to 'AA+' on Criteria Change \(July 2024\)](#)

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Fitch's Local Government Rating Model

The Local Government Rating Model generates Model Implied Ratings, which communicate the issuer's credit quality relative to Fitch's local government rating portfolio. (The Model Implied Rating will be the Issuer Default Rating except in certain circumstances explained in the applicable criteria.) The Model Implied Rating is expressed via a numerical value calibrated to Fitch's long-term rating scale that ranges from 10.0 or higher (AAA), 9.0 (AA+), 8.0 (AA), and so forth down to 1.0 (BBB- and below).

Model Implied Ratings reflect the combination of issuer-specific metrics and assessments to generate a Metric Profile and a structured framework to account for Additional Analytical Factors not captured in the Metric Profile that can either mitigate or exacerbate credit risks. Additional Analytical Factors are reflected in notching from the Metric Profile and are capped at +/-3 notches.

Rating Headroom & Positioning

Hays County Model Implied Rating: 'AA+' (Numerical Value: 9.85)

- **Metric Profile:** 'AA+' (Numerical Value: 9.85)
- **Net Additional Analytical Factor Notching:** 0.0

Hays County's Model Implied Rating is 'AA+'. The associated numerical value of 9.85 is at the upper end of the 9.0 to 10.0 range for a 'AA+' rating.

Current Developments

The county ended fiscal 2024 (Sept. 30, 2024) with a surplus of \$1.09 million, which increased unrestricted reserves to \$68.9 million or 46.3% of spending. Currently, the county estimates an approximate \$10.5 million surplus to the general fund in fiscal 2025 due to savings in personnel and capital improvement projects. Recently approved, the fiscal 2026 budget is balanced and includes a \$0.0499 cent tax rate increase, to address the needs of the growing tax base. The budget also includes an approximate \$5.5 million of one-time funding to be used for park improvements and other capital projects. The county is also in the process of developing a long-term capital improvement plan that will address a handful of improvement projects to roads and facilities, along with a county strategic plan that will outline expectations for county services, resource allocation, and community development.

Property tax revenues account for roughly 60.7% of the county's general fund revenues, which grew 17.4% in fiscal 2024 from prior year. The growth in property tax revenue can be attributed to the continuous growth in taxable assessed value (TAV). In 2024, TAV was reported at approximately \$46.9 billion, which was a 19.0% increase from 2023, and a 97.3% increase from 2020.

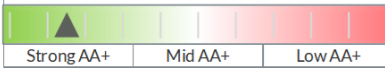
In 2024, the county had a population of 292,029, a 3.7% increase from 2023, and an 85.9% increase from 2010. The county has seen rapid growth over the years with its close proximity to the Austin area. The county has several major residential and commercial/retail developments in progress that will further strengthen and support the growing tax base.

The county approached voters in November 2024 for authorization on a proposed road bond package totaling nearly \$440 million. It was approved but then ruled void by a county judge in June 2025. The county is in the process of appealing the ruling and expects a decision within the next 9-10 months. The commissioner's court approved the current issuance of the series 2025 COs to essentially replace the funds that were previously approved by voters. If the county's approved authorization is reinstated, the remaining portion will be issued to complete the road improvement projects. It should be noted that, whether the county regains voter-approved authorized debt or issues non-voter approved debt, the rise in outstanding debt should not affect the stability of the county's rating, given the continued growth in its resource base and strength in demographic and economic level metrics.

Profile

Hays County, TX is located between Austin and San Antonio, encompassing approximately 678 square miles. It is one of the fastest growing counties in the state and nation due to its proximity to the growth and economy in the surrounding major cities. The county's population has grown nearly 60% over the past 10 years. Additionally, the county's taxable assessed valuation (TAV) was approximately \$47 billion in 2024, a robust 97.3% increase from 2020.

Key Drivers

Issuer: Hays County (TX)	Financial Profile	0.0	Issuer Position Within AA+ Model Implied Rating  Strong AA+ Mid AA+ Low AA+ Rating position post application of analytical overlay
Type: County General Obligation	Demographic & Economic Strength	0.0	
Current: AA+, RO:Sta (2025/06/18)	Long-Term Liability Burden	0.0	
Fiscal Year	AAF Notching Total(4)	0.0	
Metric Profile	MIR - Metric	9.85	
Metric Profile Mapping	MIR - Mapping	AA+	

Metric	Analyst Input		Metric		Composite		
	2024	2024	Percentile	Weight	Percentile / Value	Assessment	Weight
Financial Profile							
Financial Resilience Components							
Available Reserves (FB/Expenditures: 5-Year Low) (%)	46.3						
Revenue Control Assessment	High	High					
Expenditure Control Assessment	Midrange	Midrange				aaa	35%
Budgetary Flexibility	High Midrange	High Midrange					
Financial Resilience							
Lowest Cumulative 3 Year Revenue Performance (+/-) since 2008 (%)	5.2			100%			
Revenue Volatility(1)			93%	100%		Strongest	0%
Demographic and Economic Strength							
Trend							
Population Trend (%) (2)	5.0	4.8	99%	100%	99%	Strongest	8%
Unemployment Rate as Percentage of National Rate (%) (5)	85.0		69%	33%			
Population w/ Bachelor's Degree and Higher (%) (2)	41.9		77%	33%	70%	Strong	26%
MHI as a % of the Portfolio Median (2)	110.5		62%	33%			
Concentration & Size							
Population Size (2) (3)	281,697	292,029	100%	50%	100%	Strongest	9%
Economic Concentration (%) (2) (3)	33.9		100%	50%			
Long-Term Liability Burden							
Liabilities/Personal Income (%)	3.3	4.1	62%	35%			
Liabilities/Governmental Revenues (%) (6)	241.0	297.9	11%	25%	28%	Weak	21%
Carrying Costs/Governmental Expenditures (%)	22.3	23.1	9%	40%			

(1) Model directly uses revenue volatility. Percentiles are for information only. metric percentile represents the issuer, composite percentile represents the average of the issuer's class. The Revenue Volatility metric represents the issuer's revenue volatility relative to the median revenue volatility of the total issuer portfolio.
 Revenue Volatility is treated asymmetrically, where weight is marginal for issuers that exhibit low to moderate revenue volatility. For issuers with higher revenue volatility, this factor will moderately lower the metric profile, implying a somewhat reduced weighting for all other variables in these instances.
 (2) Population, Concentration, MHI and Educational Attainment data is lagged by one year e.g. 2021 data is used and displayed for fiscal year 2022.
 (3) Percentiles represent the class. Economic concentration is defined as the sum of the absolute deviation of the issuer from the national average proportion across major economic sectors. Sector data is on the county level for all entities or the MSA level for cities that span multiple counties. If data is unavailable for an issuer, median figures based on reported data for all counties within the issuer's state are used as proxy values.
 (4) Additional Analytical Factors (AAF) have a potential notching range of +2/-2 for each of the three categories and an overall IDR notching range of +3/-3.
 (5) County level data used for sub-county entities when prior year's data is unavailable. If county data is unavailable, MSA data is used. MSA level data is used for cities that span multiple counties.
 (6) As a proxy for per capita personal income for sub-county levels of local government, Fitch calculates the ratio of money income to per capita income for the county in which the rated entity is located and applies that ratio to the entity's money income. The estimated per capita personal income figure is multiplied by population to estimate total personal income.
 Source: Fitch Ratings

Financial Profile

Financial Resilience - 'aaa'

Hays County's financial resilience is driven by the combination of its 'High' revenue control assessment and 'Midrange' expenditure control assessment, culminating in a 'High Midrange' budgetary flexibility assessment.

- Revenue control assessment: High
- Expenditure control assessment: Midrange
- Budgetary flexibility assessment: High Midrange
- Minimum fund balance for current financial resilience assessment: >=10.0%
- Current year fund balance to expenditure ratio: 46.3% (2024)
- Lowest fund balance to expenditure ratio for the fiscal-year period 2020-2024: 46.3% (2024)

Revenue Volatility - 'Strongest'

Hays County's weakest historic three-year revenue performance is neutral to the Model Implied Rating.

The revenue volatility metric is an estimate of potential revenue volatility based on the issuer's historical experience relative to the median for the Fitch-rated local government portfolio. The metric helps to differentiate issuers by the scale of revenue loss that would have to be addressed through revenue raising, cost controls or utilization of reserves through economic cycles.

- **Lowest three-year revenue performance (based on revenues dating back to 2005):** 5.2% increase for the three-year period ending fiscal 2013
- **Median issuer decline:** -4.3% (2024)

State-Specific Revenue/Expenditure Context & Budgetary Control

At a total property tax rate of approximately \$0.3075 in fiscal 2024, ample taxing margin remains under the \$2.50 per \$100 TAV cap for operations and limited tax debt service. Any increase in the operating tax rate that produces an annual operating levy increase of more than 3.5% (the voter approval tax rate for most local taxing units) requires a ratification election. The revenue cap does not apply to debt service tax levies; the county's fiscal 2024 debt service tax rate is \$0.0829 out of the total rate.

The county's expenditure control is 'midrange' given the existence of a collective bargaining agreement with public safety personnel. The framework for collective bargaining agreements (CBAs) in Texas gives management control over hiring and firing and staffing patterns for law enforcement personnel but requires that pay hikes and benefit levels be determined via a CBA. The CBA with the Hays County Law Enforcement Association, consists of modest, periodic salary increases, and manageable market adjustments/merit increases. The county's current CBA was renewed in November 2024 with an expiration of September 2027. Additionally, the county has no known labor disputes historically.

Demographic and Economic Strength

Population Trend - 'Strongest'

Based on the median of 10-year annual percentage change in population, Hays County's population trend is assessed as 'Strongest'.

Population trend: 4.8% Analyst Input (99th percentile) (vs. 5.0% 2023 median of 10-year annual percentage change in population)

Unemployment, Educational Attainment and MHI Level - 'Strong'

The overall strength of Hays County's demographic and economic level indicators (unemployment rate, educational attainment, median household income [MHI]) in 2024 are assessed as 'Strong' on a composite basis, performing at the 70th percentile of Fitch's local government rating portfolio. This is due to relatively strong education attainment levels, median-issuer indexed adjusted MHI and unemployment rate.

- **Unemployment rate as a percentage of national rate:** 85.0% 2024 (69th percentile), relative to the national rate of 4.0%
- **Percent of population with a bachelor's degree or higher:** 41.9% (2023) (77th percentile)
- **MHI as a percent of the portfolio median:** 110.5% (2023) (62nd percentile)

Economic Concentration and Population Size - 'Strongest'

Hays County's population in 2023 was of sufficient size and the economy was sufficiently diversified to qualify for Fitch's highest overall size/diversification category.

The composite metric acts asymmetrically, with most issuers (above the 15th percentile for each metric) sufficiently diversified to minimize risks associated with small population and economic concentration. Downward effects of the metric on the Metric Profile are most pronounced for the least economically diverse issuers (in the 5th percentile for the metric or lower). The economic concentration percentage shown below is defined as the sum of the absolute deviation of the percentage of personal income by major economic sectors relative to the U.S. distribution.

- **Population size:** 292,029 Analyst Input (above the 15th percentile) (vs. 281,697 2023 Actual)
- **Economic concentration:** 33.9% (2024) (above the 15th percentile)

Analyst Inputs to the Model

Analyst inputs to the model reflect metric adjustments to account for historical data anomalies, forward-looking performance shifts, or non-recurring events that may otherwise skew the time series.

2024 data was used for population trend as well as population size.

Long-Term Liability Burden

Long-Term Liability Burden - 'Weak'

Hays County's carrying costs to governmental expenditures has deteriorated while liabilities to personal income remain moderately strong and liabilities to governmental revenue remain weak. The long-term liability composite metric in 2024 is at the 28th percentile, indicating a somewhat elevated liability burden relative to the Fitch's local government rating portfolio.

- **Liabilities to personal income:** 4.1% Analyst Input (62nd percentile) (vs. 3.3% 2024 Actual)
- **Liabilities to governmental revenue:** 297.9% Analyst Input (11th percentile) (vs. 241.0% 2024 Actual)
- **Carrying costs to governmental expenditures:** 23.1% Analyst Input (9th percentile) (vs. 22.3% 2024 Actual)

Pension Adjustments

On an aggregate basis for all pension plans as of the most recent measurement date, the reported asset to liability ratio was 94.1%, or an estimated 75.3%, using Fitch's standard 6% rate of return adjustment. The Fitch-adjusted NPL was equal to \$100.8 million, or about 0.5% of personal income.

Analyst Inputs to the Model

Direct net debt was updated with the county's series 2025 issuance as well as outstanding debt amortized through fiscal 2025. In addition, debt service and governmental expenditures were adjusted with 2026 estimated debt service based on the debt service schedule provided in the county's current preliminary official statement.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

Financial Summary

(\$ 000, Audited Fiscal Years Ending Sep. 30)	2020	2021	2022	2023	2024
General Fund Revenues					
Property Tax	59,875	66,446	68,354	74,583	87,579
Sales Tax	24,253	28,625	31,530	33,118	32,940
Income Tax	-	-	-	-	-
Other Tax	-	-	-	-	-
Total Taxes - Undifferentiated	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Other Revenue	15,925	16,750	16,650	21,320	23,851
Total	100,053	111,821	116,535	129,021	144,369
General Fund Expenditures					
General Government	30,744	31,688	35,533	38,912	46,575
Public Safety	50,279	56,649	61,026	67,861	74,311
Educational	-	-	-	-	-
Debt Service	433	429	1,209	2,466	3,336
Capital Outlay	2,581	2,216	2,421	17,485	11,306
Other Expenditures	7,129	7,334	9,056	10,078	11,017
Total	91,166	98,316	109,245	136,802	146,545
Transfers In and Other Sources	121	-	3	8,425	5,541
Transfers Out and Other Sources	2,367	2,430	2,558	2,719	2,279
Net Transfers & Other	-2,246	-2,430	-2,554	5,706	3,262
Adjustment for Bond Proceeds and Extraordinary One-Time Uses	-	-	-	-	-
Net Op. Surplus (Deficit) After Transfers	6,641	11,074	4,735	-2,074	1,086
Net Op. Surplus (Deficit)/(Total Expenditures + Transfers Out and Other Uses)(%)	7.1	10.99	4.24	-1.49	0.73
Total Fund Balance	55,469	66,543	71,278	69,203	70,290
Unrestricted Fund Balance	54,177	64,990	69,523	67,772	68,928
Other Available Fund Balances	-	-	-	-	-
Total Available Unrestricted Reserves (GF + Other)	54,177	64,990	69,523	67,772	68,928
Available Reserves as % of Spending (Adj for Bond Proceeds and Other One-Time Uses)	57.92	64.51	62.18	48.58	46.32

Sources: Fitch Ratings, Fitch Solutions, Hays County (TX) [General Government]

Long-Term Liability Burden (\$000)

(\$ 000, Audited Fiscal Years Ending Sep. 30)	2024
Direct Debt	530,218
Less: Self-Supporting Debt	-
Net Direct Debt	530,218
Fitch Adjusted NPL	100,798
Net Direct Debt + Fitch-Adjusted net pension liabilities (NPL)	631,016
Population	292,029
Per Capita Personal Income	64,671
Estimated Personal Income (\$000)	18,139,444
Net Debt + Fitch-Adjusted NPL /Personal Income (%)	3.5
Total Governmental Revenues	261,800
Net Direct Debt + Fitch Adjusted NPL as Percentage of Governmental Revenue (%)	241.03
Debt Service (Net of State Support)	50,114
Actuarially Determined Pension Contributions	9,903
Actual OPEB Contributions	1,316
Total Governmental Expenditures	275,546
Carrying Costs/Governmental Expenditures (%)	22.26

Note: Figures above do not reflect any Analyst Input Adjustments.
Sources: Fitch Ratings, Fitch Solutions, Hays County (TX) [General Government]

Summary

Description	Final Value
Budgetary Flexibility Assessments	
Revenue Control Assessment	High
Expenditure Control Assessment	Midrange
Collective Bargaining and Resolution Framework	Midrange
Workforce Outcomes	Midrange
Cost Drivers	Midrange
Metrics Assessments	
Financial Profile - Financial Resilience	aaa
Financial Profile - Revenue Volatility	Strongest
Demographic & Economic Strength - Trend	Strongest
Demographic & Economic Strength - Level	Strong
Demographic & Economic Strength - Concentration & Size	Strongest
Long-Term Liability Burden	Weak
Metric Profile Mapping	AA+
Metric Profile	9.85
Additional Analytical Factors	
Total Notching - capped	-
Financial Profile	
Fiscal Oversight	-
Revenue Capacity	-
Contingent Risks	-
Non-Recurring Support or Spending Deferrals	-
Political Risks	-
Management Practices	-
Demographic & Economic Strength	
Economic and Institutional Strength	-
Revenue Concentration Risks	-
School District Resources	-
Long-Term Liability Burden	
Pension Funding Assumptions	-
Pension Contributions	-
OPEB	-
Debt Structure	-
Capital Demands and Affordability	-
Model Implied Rating - Mapping	AA+
Model Implied Rating - Metric	9.85
Outliers and Developing Situations Considerations	No
Notching Rationale - 1	
Notching Rationale - 2	
Issuer Default Rating/ Issuer Default Credit Opinion	AA+
Outlook/Watch	RO:Sta
Source: Fitch Ratings	

SOLICITATION & PARTICIPATION STATUS

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September 24, 2025

Hays County
Hays County Government Center
712 South Stagecoach Trail
Suite 1071
San Marcos, TX 78666
Attention: Marisol Villarreal-Alonzo, County Auditor

Re: ***US\$180,000,000 Hays County, Texas, (A political subdivision of the State of Texas), Combination Tax and Revenue Certificates of Obligation, Series 2025, dated: October 21, 2025, due: February 15, 2050***

Dear Marisol Villarreal-Alonzo

Pursuant to your request for an S&P Global Ratings rating on the above-referenced obligations, S&P Global Ratings has assigned a rating of "AA+" . S&P Global Ratings views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

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