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Harris County, Texas

Political subdivision of the State of Texas · General-purpose county government · TX

Aaa Moody's (Stable) — affirmed July 2025

AAA Fitch (Stable) — affirmed July 2025

AAA KBRA (Stable) — affirmed July 2025

AI SENTIMENT	GENERAL FUND BALANCE	NET PENSION LIABILITY	DEBT PER CAPITA	RATING
Positive	**$1,330.4M**	**$138.3M**	**$1,474**	**Aaa / AAA**
Score: 81/100	total, Sep 30, 2025	GASB basis, TCDRS	total primary govt.	Moody's / Fitch / KBRA

📋 EXECUTIVE SUMMARY

A massive, globally important economy with ample reserves and a manageable pension — but growing fiscal pressure and sizable OPEB obligations.

Primary financial data is drawn from the Harris County FY2025 Annual Comprehensive Financial Report (fiscal year ended September 30, 2025, released April 7, 2026), audited by Deloitte & Touche LLP and prepared by County Auditor Michael Post, CPA, CIA. Forward-looking data is from the Harris County FY2026 Adopted Budget. Harris County holds **Aaa ratings from Moody's** (affirmed July 2025), **AAA from Fitch** (affirmed July 2025), and **AAA from KBRA** (affirmed July 2025), all with Stable outlooks — representing the highest possible ratings from all three agencies.

Harris County is the third most populous county in the United States, with an estimated population of **5,009,302** as of 2025 — 38% growth since 2004. The county is the primary service provider for an unincorporated area population exceeding 2.5 million residents. The Houston-The Woodlands-Sugar Land MSA generates an estimated GDP of approximately **$697 billion**, representing roughly 25% of the entire Texas economy and making it one of the largest metro economies in the world. Twenty-six Fortune 500 companies are headquartered in the Houston area.

For the fiscal year ended September 30, 2025, the primary government reported total revenues of **$5,586,577,220** and total expenses of $5,240,998,999, with net position increasing by $345,578,221 to $11,303,437,747. The General Fund ended FY2025 with total fund balance of **$1,330,413,087**, including $461,801,894 in unassigned balance. The County's GAAP net pension liability at September 30, 2025 was a remarkably low **$138,292,915** through the Texas County and District Retirement System (TCDRS). By contrast, the Total OPEB liability stood at **$2,552,736,244** — the primary long-term balance sheet concern — funded on a pay-as-you-go basis. Total primary government debt outstanding is $7,207,608,000 per the FY2025 statistical section, comprising governmental and business-type bonded debt, commercial paper, leases, and SBITAs.

The FY2026 Adopted Budget projects General Fund revenue of **$2,768.6 million** against appropriations of **$2,769 million** — a structurally near-balanced position maintained by ongoing cost management efforts, $16.6M in identified five-year financial plan savings, and strong property tax collections. Key budget pressures include jail costs and inmate housing outsourcing, indigent defense, healthcare cost inflation, and law enforcement pay parity implementation. The 3.5% annual property tax revenue cap under Texas SB2 constrains revenue flexibility going forward.

ECONOMIC PROFILE

A regionally and globally dominant economy — the engine of Texas.

POPULATION (2025)
5,009,302
▲ 38% growth since 2004

UNEMPLOYMENT (2025)
4.8%
vs. 4.4% national avg.

PER CAPITA PERSONAL INCOME
$71,293
2025 est. (BEA)

MSA GDP
~$697B
~25% of Texas economy

Harris County's economy is one of the largest and most globally connected in the United States. The Houston MSA's GDP of approximately $697 billion ranks among the world's largest metropolitan economies. Total county employment was an estimated **3,733,300** in 2025 per the ACFR Statistical Section — up from 3,006,012 in 2016, a gain of more than 700,000 jobs in a decade. No single industry dominates employment; the region spans energy, healthcare and life sciences, logistics and trade, aerospace, government, and financial services.

The economy has diversified meaningfully since the oil price shocks of 2014–2016. Houston area occupancy rates remained relatively stable through and post the pandemic, reducing risk that work-from-home patterns will materially impair property tax receipts — the county's largest revenue source. The taxable assessed value grew at a compound annual rate of **6.1%** through tax year 2025, well above the 1.8% urban CPI growth rate over the same period. The total 2024 taxable

Principal Corporate Employers (2025)

#	EMPLOYER
1	Amazon
2	Baylor College of Medicine
3	Chevron
4	CHI St. Luke's Health
5	City of Houston
6	Daikin
7	ExxonMobil
8	Harris County
9	Harris Health System

assessed valuation was **$656,738,013,000**, up from $643,583,023,000 in the prior fiscal year.

WTI crude oil prices of approximately $63/barrel as of September 2025 represent a decline from the prior year, introducing a modest headwind for energy-sector employment. However, the region's diversification — anchored by the Texas Medical Center (the world's largest medical complex), Port Houston, and the Houston Airport System serving 62.4 million passengers in the twelve months ending October 2025 — substantially reduces commodity-cycle sensitivity.

#	EMPLOYER
10	H-E-B
11	Houston Methodist
12	Kroger
13	Memorial Hermann
14	Shell USA Inc.
15	United Airlines
16	UT MD Anderson Cancer Center
17	UTHealth Houston
18	Walmart

Source: Harris County ACFR FY2025 Statistical Section, Table 18. Total county employment 3,733,300 (2025).

💰 FINANCIAL OVERVIEW

Exceptional reserves and liquidity; OPEB is the primary balance sheet concern.

TOTAL REVENUES (FY2025)	TOTAL EXPENSES (FY2025)	CHANGE IN NET POSITION	TOTAL NET POSITION
$5,586.6M primary government	**$5,241.0M** primary government	**+$345.6M** FY2025	**$11,303.4M** Sep 30, 2025

GF TOTAL FUND BALANCE	GF UNASSIGNED BALANCE	NET PENSION LIABILITY	TOTAL OPEB LIABILITY
$1,330.4M Sep 30, 2025	**$461.8M** available for operations	**$138.3M** TCDRS, Sep 30, 2025	**$2,552.7M** Sep 30, 2025

Revenue & Expenditure Trends — Primary Government · FY2021–FY2025 ($ thousands)

CATEGORY	FY2021	FY2022	FY2023	FY2024	FY2025
Total Revenues	$4,059,598	$5,626,633	$4,674,201	$5,310,887	$5,586,577
Total Expenses	$4,496,693	$4,551,098	$4,944,059	$5,113,576	$5,240,999
Change in Net Position	$(336,809)	$671,977	$197,311 (est.)	$197,311	$345,578
Property & HOT Taxes	$2,085,228	$2,148,792	$2,237,428	$2,431,938	$2,734,653
Taxable Assessed Value	$580,139,657	$606,314,651	$676,223,909	$643,583,023	$656,738,013
GF Total Fund Balance	$2,407,003	$2,215,808	$971,404	$1,180,492	$1,330,413
Total Debt Outstanding	$5,218,248	$5,448,574	$5,914,975	$7,285,759	$7,207,608

Source: Harris County FY2025 ACFR, Statistical Section Tables 2, 3, 4, 5, and 12; Moody's July 2025 credit opinion key indicators. FY2022 total revenues elevated by one-time litigation settlement revenue. GF fund balance reflects FY2021–FY2022 peak years of ARPA/federal aid inflows and subsequent normalization. Taxable AV shown as real property per Statistical Section Table 5.

Revenue Sources — Primary Government (FY2025)

REVENUE SOURCE	AMOUNT ($K)	% TOTAL
Property & Hotel Occupancy Taxes	$2,734,653	49%
Charges for Services	$1,505,692	27%
Operating Grants & Contributions	$736,714	13%
Investment Earnings	$262,037	5%
Capital Grants & Contributions	$189,614	4%
Other	$157,867	2%

EXPENSE FUNCTION	AMOUNT ($K)	% TOTAL
Administration of Justice	$1,847,284	35%
County Administration	$1,144,425	22%
Toll Road (business-type)	$668,491	13%
Health & Human Services	$514,943	10%
Roads and Bridges	$510,650	10%
Flood Control	$254,125	5%
Other	$301,081	6%

REVENUE SOURCE	AMOUNT ($K)	% TOTAL
Total	**$5,586,577**	**100%**

EXPENSE FUNCTION	AMOUNT ($K)	% TOTAL
Total	**$5,240,999**	**100%**

📊 CREDIT SCORECARD — US CITIES AND COUNTIES

SCORECARD-INDICATED OUTCOME

Aa2

Harris County, Texas · US Cities & Counties methodology, July 24, 2024

The Moody's-assigned rating of **Aaa** is two notches above the scorecard-indicated outcome of **Aa2**. Moody's July 2025 credit opinion explicitly states that the final rating exceeds the scorecard because the scorecard does not fully capture the magnitude of the county's available reserves — a large portion of governmental fund balances are classified as restricted for roads, bridges, flood control, and mobility programs in the audit, but these funds are genuinely available for county purposes. The strength of the economy and proven management practices also support the override.

RESIDENT INCOME RATIO

~92.9%

RPP-adjusted MHI as % of US median. Below Aaa threshold (≥120%) and Aa threshold (100–120%).

A

FULL VALUE PER CAPITA

~$138,593

Above Aa threshold; approaching Aaa. 30%+ growth in full value over five years drives continued improvement.

Aa

ECONOMIC GROWTH METRIC

~0.0 pp

Houston MSA 5-yr real GDP CAGR roughly in line with national rate. Average 3.6% annual growth past four years.

Aa

AVAILABLE FUND BALANCE RATIO

38.4%

Above the Aaa threshold of 35%. Moody's notes this materially understates true reserves due to restriction classifications.

Aaa

LIQUIDITY RATIO

93.5%

Net unrestricted cash substantially above the Aaa median of 79.5%. No short-term

INSTITUTIONAL FRAMEWORK

Aa

Texas home rule counties operate under a strong framework. SB2's 3.5% annual property tax revenue

LONG-TERM LIABILITIES RATIO

271.9%

Driven primarily by Moody's adjusted OPEB liabilities of ~$3.1B. Above the Aa

FIXED-COSTS RATIO

12.3%

Implied debt service + pension tread-water + OPEB contributions. Above Aaa threshold

borrowing for cash flow needs. Aaa	cap constrains flexibility, placing Texas in the Aa tier. Aa	threshold (~175%) due to OPEB, not debt. A	(≤10%) but comfortably within Aa range. Aa

🎯 CREDIT HEALTH DASHBOARD

AI Credit Sentiment

81

Positive / 100

Harris County's exceptional reserve position, robust liquidity, manageable TCDRS pension, and globally important economic base drive a strongly positive sentiment score. The score reflects deductions for the sizeable unfunded OPEB liability, elevated long-term liabilities ratio, hurricane and flood event exposure, and SB2 revenue constraints.

Key Indicators

METRIC	VALUE	SCORE
Available Fund Balance Ratio	38.4%	Aaa
Liquidity Ratio	93.5%	Aaa
Fixed-Costs Ratio	12.3%	Aa
Full Value Per Capita	~$138,593	Aa
Economic Growth Metric	~0.0 pp	Aa
Resident Income Ratio	~92.9%	A
Long-Term Liabilities Ratio	271.9%	A

✅ CREDIT STRENGTHS

Triple-AAA consensus, global economic scale, and exceptional financial management.

Triple-AAA from all three rating agencies

Aaa (Moody's, stable), AAA (Fitch, stable), AAA (KBRA, stable) — affirmed July 2025, reflecting the highest possible credit quality across all three

Globally important, diversified economy

Houston MSA GDP of approximately $697 billion — roughly 25% of Texas's economy — with 26 Fortune 500 headquarters and no single dominant major agencies and the county's consistent operating track record.

industry. Employment grew from 3.0M (2016) to 3.7M (2025).

Exceptional liquidity and reserve position

Liquidity ratio of 93.5% of revenue; available fund balance ratio of 38.4% — both Aaa-rated. Moody's notes actual reserves are substantially larger than the reported figure because large restricted funds are available for county purposes.

Low, well-structured pension liability (TCDRS)

GAAP net pension liability of only $138,292,915 at September 30, 2025 — exceptionally low for a government of this scale — through full actuarial funding under TCDRS. Employer contributions required at 100% of actuarial requirement annually.

Rapid, sustained tax base growth

Taxable assessed value grew at a CAGR of 6.1% through tax year 2025, reaching $656.7 billion, well above the 1.8% urban CPI growth rate. Full value per capita has grown over 30% in five years.

HCTRA toll road strength and HOT coverage

Toll Road gross revenues of $1,027,573,000 in FY2025 provided 4.64x coverage of debt service. HCTRA transferred $398.6M in surplus toll revenue to the Mobility Fund, supplementing county capital capacity.

World-class infrastructure assets

Port Houston, the Houston Airport System (62.4M passengers), and over 6,000 miles of roads and bridges provide irreplaceable anchors for regional trade, logistics, and connectivity.

51 consecutive GFOA Excellence awards

Harris County has received GFOA Certificates of Achievement for Excellence in Financial Reporting for 51 consecutive years — among the longest streaks nationally — reflecting exceptional governance and disclosure practices.

⚠ RISK ASSESSMENT

Hurricane exposure and OPEB obligations are the two headline credit concerns.

Hurricane and flood event exposure — structural and recurring HIGH

Harris County's Gulf Coast location creates ongoing exposure to significant storm events. Hurricane Harvey (2017) caused catastrophic damage and was one of the costliest natural disasters in US history; Hurricane Beryl (July 2024) caused additional operational disruptions. The county's Moody's ESG credit impact score is CIS-2, with an E-3 environmental profile score reflecting elevated physical climate risk. The county is investing substantially in resilience: the 2018 Flood Control Bond Program (voter-approved) employs a "worst-first" mitigation strategy, and the FY2026–FY2030 CIP includes over $5 billion in flood control capital. Nevertheless, storm events represent a recurring, difficult-to-quantify financial risk that is partially mitigated — not eliminated — by infrastructure investment and federal partnerships including CDBG-MIT grant funding.

Sizable unfunded OPEB obligations — pay-as-you-go structure

HIGH

The Total OPEB liability was **$2,552,736,244** at September 30, 2025, measured as of September 30, 2025, with an actuarial valuation as of September 30, 2024. There was a decrease in the Total OPEB liability during FY2025 mainly due to changes in assumptions. Moody's adjusts the OPEB discount rate to a standardized level, producing an adjusted net OPEB liability of approximately $3.1 billion — the primary driver of the 271.9% long-term liabilities ratio and the A-rated scorecard result for that factor. Unlike the pension (TCDRS), the OPEB plan is not pre-funded; contributions are pay-as-you-go, creating ongoing structural pressure and sensitivity to healthcare cost inflation. The FY2026 budget increases the county's healthcare contribution by $19.6M (5.5% per employee), reflecting ongoing medical cost inflation.

Large capital investment pipeline — execution and leverage risk

MEDIUM

During the fiscal year ended September 30, 2025, the county issued $581.0M in commercial paper, $631.6M in bonds, and $35.6M in Hotel Occupancy Tax bonds — significant new capital activity. Moody's five-year capital needs estimate totals approximately $8.8 billion, with over $5 billion for flood control and $3.8 billion for transportation. Moody's has indicated that additional debt absent offsetting revenue growth that drives leverage beyond 350% of revenue would be a factor that could lead to a downgrade. The Hardy Downtown Connector, Ship Channel Bridge replacement (the largest single CIP investment in county history), and Sam Houston Tollway widening are all active major projects. As of September 30, 2025, commercial paper outstanding was $305.18M against a $2.5 billion program authorization.

SB2 property tax revenue cap constrains structural balance

MEDIUM

Texas Senate Bill 2 (2019) limits annual property tax revenue increases to 3.5% on existing property values without voter approval. The FY2026 budget raises more property tax revenue than the prior year by only $37,778,611 — a 1.5% increase — constrained by the SB2 cap and a modest 1.7% growth in existing property values for tax year 2025. The Budget Director's FY2026 message explicitly identifies SB2 revenue caps as a source of "substantial fiscal pressure" combined with rising expenditures. The five-year financial plan projects spending will exceed available resources within five years absent management action. KBRA cited SB2 as a long-term budgetary balance risk.

Jail costs, indigent defense, and inmate housing outsourcing

MEDIUM

Harris County Sheriff's Office lost use of 580 variance jail beds beginning December 2023, requiring continued inmate outsourcing through FY2025 and into FY2026. The county continues to face elevated costs for outsourcing inmates to meet minimum jail standards. The FY2026 budget identifies jail costs and indigent defense as key budget drivers, with the District Attorney's Office undergoing its largest expansion in recent memory. Law enforcement pay parity with Houston Police Department adds $27.5M in FY2026 costs not covered by current contract patrol rates. These represent recurring structural expenditure pressures in the Administration of Justice function, which already accounts for 35% of primary government expenses.

Energy sector sensitivity — partially mitigated by diversification LOW

WTI crude prices of approximately $63/barrel in September 2025 represent a year-over-year decline. The Houston economy's diversification — anchored by healthcare, logistics, aerospace, and government — has substantially reduced sensitivity to commodity cycles. Principal taxpayers CenterPoint Energy, ExxonMobil, and Chevron Chemical remain among the top three assessed-value contributors, creating some concentration in energy and petrochemical real property. A sustained low-price environment could dampen commercial property values and energy-sector employment, but Moody's characterizes the overall economic diversification as a credit strength.

🏦 PENSION & OPEB ANALYSIS — ADJUSTED BASIS

TCDRS pension is a credit strength; OPEB is the dominant long-term liability.

NET PENSION LIABILITY	TOTAL OPEB LIABILITY	MOODY'S ADJ. OPEB	TCDRS DISCOUNT RATE
$138.3M	**$2,552.7M**	**~$3,126M**	**7.60%**
GASB basis, Sep 30, 2025	Sep 30, 2025	standardized discount rate	actual; Moody's adjusts down

Pension — TCDRS Structure

Harris County participates in the **Texas County and District Retirement System (TCDRS)**, a statewide agent multiple-employer savings-based defined-benefit system established in 1967 serving over 831 Texas counties and districts. Under TCDRS, employers are required to pay 100% of their actuarially required contribution annually — a structurally sound requirement that prevents the contribution shortfalls common in other public pension systems.

The county's GAAP-reported net pension liability of **$138,292,915** at September 30, 2025, is remarkably low for a government of this size — representing roughly 2.5% of FY2025 primary government revenues. The pension liability is measured using a TCDRS discount rate of 7.60%. Moody's notes the county's high 7.6% discount rate makes it vulnerable to higher contributions

OPEB — Key Metrics

Plan type	Agent multiple-employer DB healthcare
Benefits provided	Medical, dental, vision, basic life
Measurement date	September 30, 2025
Total OPEB liability	$2,552,736,244
Prior year OPEB liability	$3,910,434,867

if the rate is reduced, but projects contributions will remain a manageable portion of the budget.

At the 7.60% current rate, total pension liability is $9,231,521,000 and fiduciary net position is $9,089,363,000, producing the $142,158,000 net pension liability at the TCDRS measurement date. A 1% decrease in the discount rate to 6.60% would increase the net pension liability to $1,356,750,000 — a sensitivity to monitor.

Change in OPEB liability	↓ (changes of assumptions)
Funding method	Pay-as-you-go (not pre-funded)
Employers in plan	Harris County, Flood Control, Toll Road, Juvenile Board, CS, 911
Pension expense (FY2025)	$128,052,581

The decline in Total OPEB liability from $3.91B to $2.55B was driven by changes of assumptions during the measurement period. Source: Note 10, ACFR FY2025.

$ **TAX BURDEN ANALYSIS — MUNIREPORTS ANALYSIS**

Property Tax Rates (FY2025 / FY2026)

ENTITY	M&O	DEBT SVC	TOTAL
Harris County (FY2025)	$0.33454	$0.05075	$0.38529
Harris County (FY2026 NNR)	$0.33483	$0.04676	$0.38159
Flood Control (FY2025)	$0.03774	$0.01123	$0.04897
Flood Control (FY2026)	$0.03826	$0.01140	$0.04966

Constitutional tax rate limit: $0.80/$100. FY2026 Harris County rate shown is the No New Revenue rate per adopted budget; Commissioners Court rate not yet

Top 10 Property Taxpayers (2024 AV, from ACFR)

#	TAXPAYER	2024 AV ($K)	% TOTAL
1	CenterPoint Energy Inc	$6,700,954	1.02%
2	Exxon Mobil Corp	$5,060,027	0.77%
3	Chevron Chemical Company	$3,273,605	0.50%
4	Equistar Chemicals LP	$1,762,942	0.27%
5	Paile LLC	$1,458,134	0.22%
6	LYB Channelview POTBA LLC	$1,456,177	0.22%

adopted as of report date. Total debt secured by property taxes: $2,618,434,736 (per adopted budget).

Property tax revenue in FY2025 was $2,734,653,396 — a $302,715,131 increase from FY2024 — reflecting both taxable value growth and the disaster rate applied in the fiscal year. The taxable assessed value grew to $656,738,013,000 from $643,583,023,000 in the prior year.

#	TAXPAYER	2024 AV ($K)	% TOTAL
7	Enterprise Crude Pipeline	$1,255,116	0.19%
8	HEB Grocery Co LP	$1,183,717	0.18%
9	Walmart	$1,137,321	0.17%
10	Shell Oil Co	$1,127,736	0.17%
	Top 15 Total	**$29,742,525**	**4.53%**

Source: ACFR FY2025, Statistical Section Table 9. AV shown is 2024 taxable valuations as of the FY2025 report date. Concentration is modest — top 15 taxpayers represent only 4.53% of total taxable value, reflecting the broad and diversified tax base.

🏠 HOUSING & TAX BASE STABILITY — MUNIREPORTS ANALYSIS

TOTAL TAXABLE AV (FY2025)

$656.7B

▲ from $643.6B in FY2024

AV CAGR (2015-2025)

6.1%

vs. 1.8% urban CPI

TAX COLLECTION RATE

~99%+

consistent historical performance

DEBT LIMIT UTILIZATION

~3%

vs. 25% AV constitutional limit

Harris County's property tax base is one of the largest, most diversified, and fastest-growing among major US counties. The total taxable assessed value reached $656.7 billion in tax year 2024 (FY2025 levy year), driven by energy and industrial property, commercial real estate, and residential growth. Real property accounts for approximately 90% of the county's tax base, with personal property comprising the remainder. Homestead residential properties are subject to a 10% annual appraisal cap, providing taxpayer protection while commercial and industrial values accrue at market rates.

The Greater Houston housing market showed stabilization in FY2025. Inventory expanded from 4.4 to 5.4 months — the highest since September 2012 — and single-family home sales increased 3.8% in September 2025 versus September 2024. New construction added $48,037,598 to the property tax rolls for FY2026, per the adopted budget.

🌍 CLIMATE & NATURAL HAZARD RISK — MUNIREPORTS ANALYSIS

OVERALL CLIMATE RISK	MOODY'S E SCORE	ESG CREDIT IMPACT
High Gulf Coast hurricane exposure	**E-3** Elevated physical climate risk	**CIS-2** Partially mitigated by investment

Harris County's Gulf Coast location creates meaningful recurring exposure to hurricane and flood events. Hurricane Harvey (2017) remains one of the costliest natural disasters in US history. Hurricane Beryl (July 2024) caused significant additional disruptions. Moody's E issuer profile score of E-3 reflects elevated physical climate risks — including heat, flooding, and hurricane exposure — partially offset by carbon transition exposure inherent in the region's global energy leadership role.

The county's ESG Credit Impact Score of CIS-2 reflects that environmental risks are mitigated in part by extensive infrastructure development and planning, the 2018 Flood Control Bond Program's "worst-first" prioritization, CDBG-MIT grant funding for flood control projects, and policies governing building codes and development standards. Moody's notes that absent these mitigating initiatives, the E IPS score would weaken. The Flood Control District's ongoing capital program — with over $5 billion planned over the next five years — is the primary mechanism for improving long-term resilience. Governance is strong (G-1 score), reflecting monthly financial reporting, long-range capital planning, and a consistent history of favorable budget outcomes versus expectations.

📈 BOND MARKET PERFORMANCE — MUNIREPORTS ANALYSIS

TOTAL DEBT OUTSTANDING	GOVT. BONDED DEBT	BUSINESS-TYPE DEBT	COMMERCIAL PAPER
$7,207.6M primary government, FY2025	**$3,779.1M** general obligation bonds	**$2,988.1M** HCTRA rev. bonds + tax bonds	**$305.2M** outstanding, Sep 30, 2025

Long-Term Debt Maturity Profile (Governmental Activities, as of Sep 30, 2025)

FISCAL YEAR	PRINCIPAL ($K)	CAPITAL APPRECIATION AT MATURITY	INTEREST ($K)	TOTAL ($K)
2026	$228,820	$240,040	$161,959	$401,999
2027	$213,940	$213,940	$149,528	$363,468
2028	$185,260	$185,260	$153,287	$338,547
2029	$190,890	$190,890	$130,194	$321,084

FISCAL YEAR	PRINCIPAL ($K)	CAPITAL APPRECIATION AT MATURITY	INTEREST ($K)	TOTAL ($K)
2030	$161,155	$161,155	$121,095	$282,250
2031–2035	$627,260	$627,260	$497,727	$1,124,987
2036–2040	$605,965	$605,965	$359,074	$965,039
2041–2045	$612,205	$612,205	$227,408	$839,613
2046–2050	$451,175	$451,175	$100,489	$551,664
2051–2055	$212,270	$212,270	$29,591	$241,861
Total	**$3,488,940**	**$3,500,160**	**$1,930,353**	**$5,430,513**

> HCTRA Toll Road Revenue Bond Coverage: 4.64x in FY2025 on gross revenues of $1,027,573,000 vs. debt service of $221,309,000 — well above the required 1.25x covenant. HOT bonds are additionally supported by hotel occupancy tax collections.

Harris County's commercial paper program consists of twelve series totaling $2.5 billion — $2.15 billion payable from ad valorem taxes and $350 million payable from Toll Road revenues — backed by P-1 rated bank facilities with staggered expiration dates. All general obligation debt is fixed-rate. The county's Series 2025A Permanent Improvement Refunding Bonds and Unlimited Tax Road Refunding Bonds were assigned AAA ratings by KBRA in July 2025 at issuance. Tax-supported bonds issued in FY2025 totaled $499,585,000 per the Texas Bond Review Board.

🏗 CAPITAL PLAN & FORWARD OUTLOOK

An $8.8 billion capital pipeline, SB2 constraints, and an identified path to fiscal balance.

FY2026 Adopted Budget: $2,769M General Fund — The FY2026 Adopted General Fund appropriation is $2,769M in projected total revenue with $2,769M in appropriations. Flood Control District revenue is estimated at $251M (at the Voter Approval rate). HCTRA budget is $755M in expenditures and $180M in transfers to the Mobility Fund. The Harris County Hospital District (Harris Health) has its own budget of $2,839M. The county lived within its General Fund budget in FY2025, with actual budgetary basis revenues of $4.2B versus appropriations, with $0.1B in savings.

Five-Year Financial Plan warning: OMB commissioned a five-year financial plan study (completed May 2024) that found planned spending for FY2026 exceeds new revenue and, unless action is taken, General Fund spending will exceed total available resources within the next five years. The primary drivers are jail costs, indigent defense, healthcare cost inflation, contract patrol, and federal aid wind-down. For FY2026, the county has identified $15.8M in revenue enhancements and expense reductions (engineering permit fees, constable fees, parking fees, grant indirect recovery, and laptop standardization) plus an additional $16.6M in five-year plan options embedded in the budget. OMB also recommends diverting $20M in planned ARPA investments to cover part of the FY2026 budget shortfall.

Capital Improvement Program: Harris County's CIP encompasses approximately $8.8 billion in capital needs over five years — over $5 billion for flood control and $3.8 billion for transportation. Major active projects include the Hardy Downtown Connector (extending the Hardy Toll Road to downtown Houston), the Ship Channel Bridge replacement (the largest single CIP investment in county history), Sam Houston Tollway widening, the Riverside Health and Safety Complex, and Adult Detention Facility renovations. The 2018 Flood Control Bond Program's "worst-first" construction program using CDBG-MIT grant funds is well underway. Most precinct road and park projects funded with voted debt authorization are not reflected in the OMB CIP section. As of September 30, 2025, capital assets net of depreciation totaled $17,247,477,265 — an increase of $311,143,372 from the prior year.

Revenue outlook: FY2026 M&O tax revenue is projected at $2,216.7M under the No New Revenue rate, including $48.0M from new property added to the rolls. General Fund revenue growth has averaged 5.2% since 2020 versus 6.2% in the pre-SB2 period (2015–2020), reflecting the reduced cap. The adopted budget raises more property tax revenue than the prior year by $37,778,611 (1.5%), well below historical growth rates. Non-tax revenue is projected at $547.4M, supported by charges for services, motor vehicle taxes, and the Contract Patrol program. ARPA funds are fully obligated with the period of performance extending through 2026; federal aid wind-down represents a structural revenue headwind.

Credit Watchpoints — Medium Term

1. **Leverage trajectory:** Moody's has identified additional debt absent offsetting revenue growth driving leverage beyond 350% as a potential downgrade trigger. Current leverage of ~272% provides headroom, but the $8.8B CIP pipeline requires careful monitoring of new issuance against revenue growth.

2. **Five-year structural gap:** The OMB-commissioned financial plan identifies a structural imbalance that will require sustained management action — fee increases, cost reductions, and efficiency measures — to prevent fund balance erosion within the planning horizon.

3. **OPEB trajectory:** The pay-as-you-go OPEB structure creates ongoing vulnerability to healthcare cost inflation. The FY2025 OPEB liability decline from $3.91B to $2.55B due to assumption changes is meaningful balance sheet relief, but the $2.55B obligation remains substantial and unfunded.

4. **Flood/hurricane recurrence:** A major storm event before the flood control CIP investment is substantially complete would test the county's financial resilience and FEMA reimbursement timing, as demonstrated by the multi-year COVID, Derecho, and Beryl reimbursement processes still ongoing.

5. **Jail facility compliance:** The 580 variance beds offline since December 2023 require continued inmate outsourcing and create elevated recurring costs. Detention facility renovation is a CIP priority, but restoration of compliance and elimination of outsourcing costs is a key budget normalization requirement.

SOURCES & REFERENCES

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