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Ratings

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Summary:

Travis County, Texas; General Obligation

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Summary:

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Credit Profile		
US$89.405 mil certs of oblig ser 2025 dtd 05/01/2025 due 03/01/2030		
Long Term Rating	AAA/Stable	New
US$51.03 mil perm imp bnds ser 2025 dtd 05/01/2025 due 03/01/2045		
Long Term Rating	AAA/Stable	New
US$6.775 mil unltd tax rd bnds ser 2025 dtd 05/01/2025 due 03/01/2045		
Long Term Rating	AAA/Stable	New
Travis Cnty GO		
Long Term Rating	AAA/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AAA' long-term rating to Travis County, Texas' roughly $51.03 million series 2025 permanent-improvement limited-tax general obligation (GO) bonds, approximately $6.775 million series 2025 unlimited-tax GO road bonds, and approximately $89.405 million series 2025 limited-tax certificates of obligation (COs).
- At the same time, we affirmed our 'AAA' long-term rating on the county's existing unlimited- and limited-tax GO debt.
- The ratings reflect the application of our "Methodology For Rating U.S. Governments," published Sept. 9, 2024.
- The outlook is stable.

Security

The series 2025 and existing unlimited-tax road bonds are payable from the receipts of a direct and continuing annual ad valorem tax levied, without legal limit as to rate or amount, on all taxable property within the county.

The series 2025 and existing permanent-improvement bonds, the limited-tax refunding bonds, and the COs are direct obligations of the county, payable from the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the county.

The series 2025 and existing certificates are additionally secured by, and payable from, a limited pledge of surplus revenue of the county's solid-waste disposal system, not to exceed $1,000. Because of the pledge's limited nature, the rating reflects the strength of the ad valorem tax pledge.

Texas statutes limit the maximum ad valorem tax rate for counties to 80 cents per $100 of taxable assessed valuation for all county purposes. Administratively, the Texas attorney general will permit the allocation of 40 cents of the maximum tax rate for ad valorem tax debt service. Despite limitations imposed by the state levy-limit law, we did not make a rating distinction for the limited-tax GO pledge due to the fungibility of the county's revenue and its flexibility under the levy limit.

Officials intend to use series 2025 bond and certificate proceeds to fund various countywide capital-improvement projects.

Credit overview

Underpinning the 'AAA' rating is our view of Travis County's economic strength, historically robust finances, and manageable debt burden. In addition, the county has a prudent management team with comprehensive planning that, in our view, is capable of navigating any potential economic challenges as a result of evolving macroeconomic conditions.

Travis County has experienced substantial growth recently, increasing its tax base by roughly 50% in five years, benefitting from rapid economic development in and around the Austin-Round Rock metropolitan statistical area (MSA). Even though nationally the housing market and new developments are slowing somewhat as the post-pandemic boom winds down and interest rates rise, the realized impact to the county's tax base is generating notably more revenue than pre-pandemic levels, and we expect modest growth will continue to occur, albeit at a slower pace. A well-diversified tax and employment base, including notably large companies such as Tesla, Samsung, and Amazon, has led to above-average incomes relative to those of the nation. The county's finances have historically been a credit strength, which we anticipate will continue, with multiyear surpluses and sizeable general fund reserves that are maintained above the county's formal policy. Conservatively, officials project modest spenddowns in the event of project cost overruns or cash-funding various capital projects but, given the strong management team's conservative assumptions and monitoring, we expect that revenue will continue to outpace the budget and that expenditures will be underspent, and we anticipate any drawdown will not materially affect the county's available fund balance. The county expects to continue to issue debt annually as necessary to accommodate growth-based capital needs, but we do not expect any budgetary pressure, as growth will somewhat offset the debt service on the new issuances as the broadening tax base generates additional revenue, keeping costs manageable.

The rating reflects our assessment of the county's:

- Ongoing significant economic development, driving substantial tax base and population growth in recent years, benefitting from the thriving Austin-Round Rock MSA, with gross county product and local incomes that are above the national average.
- Management team with a proven track record of maintaining fiscal stability by budgeting conservatively and planning comprehensively, with regularly updated long-term capital and revenue/expenditure projections and regular updates to county officials. The county takes extensive measures to mitigate its cyber risks.
- Operating performance that has been consistently positive, allowing the county to cash-fund capital needs while maintaining robust reserves at more than double its formal fund balance policy of two months' regular operating expenditures, which, in our view, provides flexibility and mitigates some risk in the event of anything unexpected affecting finances.
- Debt and pension costs are manageable and, despite plans for additional debt that the county expects to continue annually, we do not anticipate costs to change materially or result in any pressure to the budget.
- For more information on our institutional framework assessment for Texas local governments, see "Institutional

Framework Assessment: Texas Local Governments," published Sept. 9, 2024 on RatingsDirect.

Environmental, social, and governance

We view the county's environmental, social, and governance factors as neutral in our credit-rating analysis. We believe that the county's population growth of close to 55% during the past 20 years represents a social opportunity because the county can spread service costs across a larger base, which could help it maintain long-term affordability. We note the county has multiple initiatives focused on climate, environment, and sustainability, which we view positively.

Ratings above the sovereign

Travis County's GO debt is eligible to be rated above the sovereign because we believe the county can maintain better credit characteristics than the nation in a stress scenario. Under our criteria, "Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions," published Nov. 19, 2013, we consider U.S. local governments to have moderate sensitivity to national risk.

Outlook

The stable outlook reflects our view of the county's prudent financial management that helps underpin budgetary stability amidst evolving macroeconomic conditions; it also reflects our belief that the pace of the county's economic expansion, resulting in population and tax base increases, will help it maintain its robust financial profile and absorb additional debt costs.

Downside scenario

We could lower the rating if financial performance deteriorates significantly, materially decreasing reserves without a plan to replenish them.

Credit Opinion

Economy

Travis County, home to the state capital of Austin in central Texas, has realized some of the nation's fastest tax base growth in recent years, up to $325 billion in fiscal 2025 based on a well-diversified employment and tax base. The county has a prominent technology sector, which is thriving as industry tech leaders have relocated or expanded, driving incomes that outpace those of the nation. Notable employers located in the county include Tesla, Dell, IBM, Apple, and Samsung. We believe the county's favorable location and highly skilled labor force should contribute to healthy employment growth during the next few years.

Government employment has historically had a large footprint in the economy, with the state employing approximately 60,000, followed by Austin employing 17,600 and the federal government employing approximately 12,000. In addition, Austin is home to multiple education institutions, including the University of Texas, which has 32,000 employees and student enrollment of 53,000.

The housing market has been particularly strong, but housing affordability has become a challenge in recent years, coupled with higher interest rates nationwide that may somewhat cool the rapid pace in the near term. However, we expect residential and commercial developments will likely continue to outpace most of the nation due to the recent corporate relocations and expansions. In addition, voters recently approved a tax rate election for the purpose of increasing access to affordable childcare, after school/summer programming, and services for low-income families.

While we acknowledge the strength and stability of the county's economy, we note that slowing economic expansion in the U.S. amidst rising tariffs, higher interest rates, and lingering policy uncertainty could trickle down to the county (see "Economic Outlook U.S. Q2 2025: Losing Steam Amid Shifting Policies," published March 25, 2025).

Financial performance, reserves, and liquidity

The county's financial profile has historically been a credit strength, in our opinion; property taxes, the largest generator of total general fund revenue in fiscal 2024, have outpaced projections and realized year-over-year growth commensurate with growth in the tax base, allowing the county to maintain available reserves at more than 40% of general fund operating revenue even as it cash-funds various capital projects and negotiates the inflationary pressure that has been seen nationally. The fiscal 2025 budget is a 17% increase from 2024 and contains material and comprehensive assumptions; it is trending positively year-to-date. The county expects the 2026 budget will be balanced. Its five-year forecast shows modest growth, but revenue is limited by State Bill 2, which limits growth in the maintenance and operations (M&O) portion of each's year's tax rate to no more than 3.5% over the No New Revenue M&O rate, unless approved by voters. Given the county's historical conservative budgeting, outperformance of the budget, and extensive planning and monitoring, we expect its finances to remain healthy.

Management

The county has robust budgeting and planning practices that underscore the management team's capacity to meet the challenges of evolving economic conditions and navigate rapid growth. Officials provide monthly budget-status reports to the county commissioners' court, have the ability to amend the operating budget as needed, and maintain minimum fund-balance requirements for the general and debt-service funds as well as limits on the use of reserve funds. The county maintains formal investment-management and debt policies and a five-year rolling capital improvement plan, and conducts five-year financial forecasts.

Debt and liabilities

Post issuance, debt remains affordable, and we expect this to continue despite annual additional near-term debt plans to accommodate rapid economic growth, and as the tax base expands and generates increased tax revenue, it will likely mitigate additional debt costs. We note that the county has one outstanding privately placed issuance that represents less than 1% of its net direct debt and does not contain any unusual events of default or remedies, so we do not consider it a risk to the county's liquidity.

We do not view pension and other postemployment liabilities as an immediate credit pressure because required contributions account for a small portion of total governmental expenditures. We do not expect required contributions to increase materially during the next few fiscal years due to the county's favorable funding discipline. The county has historically exceeded our static and minimum funding metrics.

Table 1

Travis County, Texas--Credit summary	
Institutional framework (IF)	1
Individual credit profile (ICP)	1.25
Economy	1.0
Financial performance	1
Reserves and liquidity	1
Management	1.00
Debt and liabilities	2.25

Table 2

Travis County, Texas--Key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	177	--	177	176
County PCPI % of U.S.	131	--	131	131
Market value ($000s)	325,274,983	314,838,877	286,348,059	235,068,848
Market value per capita ($)	242,575	233,392	213,545	176,678
Top 10 taxpayers % of taxable value	3.6	2.9	2.5	2.6
County unemployment rate (%)	3.4	3.4	3.3	2.8
Local median household EBI % of U.S.	122	--	122	125
Local per capita EBI % of U.S.	133	--	133	134
Local population	1,340,927	--	1,340,927	1,330,492
Financial performance				
Operating fund revenues ($000s)	--	1,030,822	934,210	758,543
Operating fund expenditures ($000s)	--	888,757	810,273	700,173
Net transfers and other adjustments ($000s)	--	(21,736)	(10,242)	(26,160)
Operating result ($000s)	--	120,329	113,695	32,210
Operating result % of revenues	--	11.7	12.2	4.2
Operating result three-year average %	--	9.4	9.3	9.3
Reserves and liquidity				
Available reserves % of operating revenues	--	47.8	42.8	44.6
Available reserves ($000s)	--	492,521	400,200	338,145
Debt and liabilities				
Debt service cost % of revenues	--	9.0	10.4	14.0
Net direct debt per capita ($)	975	860	712	768
Net direct debt ($000s)	1,307,661	1,160,451	954,960	1,021,398
Direct debt 10-year amortization (%)	66	65	--	--
Pension and OPEB cost % of revenues	--	7.0	8.0	8.0
NPLs per capita ($)	--	151	211	--

Table 2

Travis County, Texas--Key credit metrics (cont.)	Most recent	2024	2023	2022
Combined NPLs ($000s)	--	204,208	282,984	--

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. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings Detail (As Of April 17, 2025)		
Travis Cnty GO		
Long Term Rating	AAA/Stable	Affirmed
Travis Cnty GO		
Long Term Rating	AAA/Stable	Affirmed
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Long Term Rating	AAA/Stable	Affirmed
Travis Cnty GO		
Long Term Rating	AAA/Stable	Affirmed
Travis County certs of oblig ser 2020 due 03/01/2040		
Long Term Rating	AAA/Stable	Affirmed
Travis County ltd tax rfdg bnds ser 2021 dtd 06/01/2021 due 03/01/2022-2031		
Long Term Rating	AAA/Stable	Affirmed
Travis County perm imp bnds ser 2019 dtd 06/01/2019 due 03/01/2039		
Long Term Rating	AAA/Stable	Affirmed

Ratings Detail (As Of April 17, 2025) (cont.)		
Travis County unltd tax rd bnds ser 2018 dtd 05/01/2018 due 03/01/2019-2038		
Long Term Rating	AAA/Stable	Affirmed

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.spglobal.com/ratings for further information. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.