

Research Update:

Waller County, TX Series 2025 Tax Notes Assigned 'AA' Rating; Outlook Stable

August 7, 2025

Overview

- S&P Global Ratings assigned its 'AA' long-term rating to [Waller County](#), Texas' anticipated \$10 million series 2025 tax notes.
- At the same time, S&P Global Ratings affirmed its 'AA' long-term rating on the county's general obligation (GO) debt and certificates of obligation outstanding.
- The outlook is stable.

Rationale

Security

Proceeds from the tax notes will be used for various land purchases, improvements to existing county buildings, including the courthouse, and various design costs.

The county's outstanding bonds and notes are payable from an ad valorem tax, levied on all taxable property in the county, within the limits prescribed by law. The maximum allowable ad valorem tax rate for Texas counties is 80 cents per \$100 of assessed value (AV) for all purposes, with the portion dedicated to debt service limited to 40 cents. The county is well below this limit. Based on the application of our "[Issue Credit Ratings Linked To U.S. Public Finance Obligors' Creditworthiness](#)" criteria, Jan. 22, 2018, on RatingsDirect, we do not differentiate between the county's limited-tax GO debt and its general creditworthiness. The certificates outstanding are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, on all taxable property in the county.

Credit highlights

The rating reflects our view of Waller County's consistently positive financial performance and consequently healthy reserve position, partially fueled by robust economic development in the last decade. Offsetting these credit strengths are the county's below-average income indicators, which do not compare with those of higher-rated peers, and limited formalized long-term planning.

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Located 60 miles northwest of Houston, Waller County has historically been a rural county but has recently experienced significant growth as economic development expands from the Houston metropolitan area. Both population and tax base growth indicate how rapid this has been, and officials expect that this year Waller County will move into the top five counties in Texas in terms of economic growth. County officials attribute steady AV growth to a strong residential market and continued commercial and industrial development. Overall, we expect AV will likely continue to steadily rise throughout the outlook horizon, given the number of current economic development projects under construction within the county's boundaries.

Given the pace of economic development, we anticipate comparable budget growth, which, if managed well, could lead to a continued strong financial position. However, we note that rapid growth can also lead to large capital and infrastructure needs. County officials have managed current growth needs well, but the county has little of the long-term financial planning that we view favorably in high-growth areas, particularly for higher-rated peers. County officials are projecting a large surplus in the general fund of \$11 million for fiscal 2024, attributable to continued revenue growth and delayed capital projects. The city is planning to spend down approximately \$11 million from its general fund in fiscal 2025 to finish a courthouse renovation project, and anticipates adopting a balanced budget for 2026.

The county has issued a substantial amount of debt in the past year and a half that we project will increase fixed costs considerably compared with the latest audited figures. Officials also anticipate continued debt issuance in the near term. We have factored both increased costs for existing debt and future debt plans into our analysis and future reviews will focus on the city's ability to manage growth-related needs and debt issuances.

The rating also reflects our view of the county's:

- Favorable economic development and expansion, though with income metrics that lag those of higher-rated peers nationally and counties in the state.
- Maintenance of very strong reserves, with an available fund balance equal to \$30 million, of 72% of general fund revenues in fiscal 2023, which we believe will remain at this nominal level given surplus results in 2024 and an almost equal deficit in 2025. Given its strong recent performance, the county has been able to cash-fund smaller capital projects. Its formal reserve policy requires an available fund balance equal to at least four-and-a-half months' operating expenses, which the county has consistently exceeded, to cover any contingencies.
- Standard financial management policies and practices, but a lack of more robust long-term planning compared with higher-rated peers. Management provides budget-to-actual reporting to the commissioner's court monthly. The county has a formal investment policy that prioritizes safety of principal and liquidity over returns and outlines allowable investment types. Management reports investment holdings and performance monthly to the commissioner's court. Waller does not currently have a long-term financial plan, a long-term capital plan, or a debt management policy. We note that the county has implemented measures to mitigate cyber risk.
- Manageable debt-and-pension-liability burden, with continued debt issuances planned as the county utilizes voter-authorized debt to address ongoing capital and infrastructure needs. The county expects to issue the third and fourth tranches of its \$280 million November 2023 bond authorization, estimated for \$94 million in 2026 and for \$54 million in 2027. Amortization is slightly below-average, which, given additional debt plans, could lead to a worsening of the county's debt profile, depending on how future debt plans are structured with existing debt. The county has privately placed debt outstanding in the form of its 2020 and 2022 tax notes.

However, there are no acceleration rights, permissive events of default, or other nonstandard provisions that we believe are likely to pressure the county's liquidity. Waller County participates in the Texas Municipal Retirement System, providing pension benefits for employees. An actuary determines the state-administered plan's contribution rates annually. For more information, see "[Pension Spotlight: Texas](#)," April 4, 2023.

- 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

Given its location near the coast, the county is vulnerable to extreme weather events that elevate its physical risk. However, as part of its emergency planning, the county has historically maintained above-average available reserves to address any unexpected weather events; therefore, these risks are neutral in our analysis. In addition, the county has an emergency management plan that is updated periodically, and the county judge is on the Houston Galveston Area Council Committee, which conducts emergency management planning. The county's social and governance factors are credit neutral considerations in our analysis.

Outlook

The stable outlook reflects our expectation that the county's robust economic development will continue and that it will maintain its healthy reserve position. Therefore, we do not expect to change the rating in the two-year outlook horizon.

Downside scenario

We could lower the rating if the county's budgetary performance significantly deteriorates, leading to sustained and significant drawdowns in reserves. The rating could also be pressured if the county's overall debt burden increases materially.

Upside scenario

We could raise the rating if the county's ongoing economic expansion and development leads to improvements in income indicators more commensurate with those of higher-rated peers, or if our view of financial management policies and practices improves.

Waller County, Texas-Credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	1.99
Economy	2.0
Financial performance	1
Reserves and liquidity	1
Management	2.70
Debt and liabilities	3.25

Waller County, Texas--Key credit metrics

	Most recent	2023	2022	2021
Economy				
Real GCP per capita % of U.S.	96	96	92	92
County PCPI % of U.S.	79	79	77	78
Market value (\$000s)	12,630,303	8,639,714	6,928,841	6,037,402
Market value per capita (\$)	193,470	139,736	117,289	105,556
Top 10 taxpayers % of taxable value	12.6	13.0	14.2	--
County unemployment rate (%)	4.9	4.3	4.4	6.3
Local median household EBI % of U.S.	104	104	97	--
Local per capita EBI % of U.S.	83	83	86	--
Local population	65,283	61,829	59,075	57,196
Financial performance				
Operating fund revenues (\$000s)	--	43,009	38,482	33,015
Operating fund expenditures (\$000s)	--	32,656	30,215	27,625
Net transfers and other adjustments (\$000s)	--	(166)	(2,260)	(5)
Operating result (\$000s)	--	10,187	6,007	5,385
Operating result % of revenues	--	23.7	15.6	16.3
Operating result three-year average %	--	18.5	12.9	9.4
Reserves and liquidity				
Available reserves % of operating revenues	--	70.2	78.7	78.2
Available reserves (\$000s)	--	30,185	30,293	25,820
Debt and liabilities				
Debt service cost % of revenues	--	9.1	7.2	8.3
Net direct debt per capita (\$)	2,721	1,173	837	709
Net direct debt (\$000s)	177,616	72,506	49,443	40,556
Direct debt 10-year amortization (%)	46	56	--	--
Pension and OPEB cost % of revenues	--	3.0	3.0	2.0
NPLs per capita (\$)	--	42	44	--
Combined NPLs (\$000s)	--	2,627	2,627	--

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\$10.0 mil tax nts ser 2025 dtd 09/01/2025 due 02/15/2032

Long Term Rating AA/Stable

Ratings Affirmed

Local Government

Waller County, TX Limited Tax General Operating Pledge 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

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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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