

## CREDIT OPINION

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# Fort Bend County, TX

## Update to credit analysis

### Summary

[Fort Bend County, TX](#) (Aa1 stable) benefits from strong economic growth given its proximity to employment opportunities in the Houston metropolitan statistical area, as well as its own developing employment base, leading to above median resident income indices of 148% of the nation and above median full value per capita of roughly \$132,000. The profile also benefits from a healthy financial position, guided by the county's experienced management team. These strengths are weighed against a high long-term liabilities ratio of roughly 328% of revenue, resulting from growth-related debt issuances, as well as a sizable adjusted net OPEB liability.

### Credit strengths

- » Strong population growth driving significant increases in full value
- » Conservative budgeting practices including the maintenance of favorable operating reserves

### Credit challenges

- » Elevated leverage compared to peers

### Rating outlook

The stable outlook reflects the county's strong economy and conservative budgeting. These factors will enable the county to maintain a solid financial performance and reserves, and ensure that leverage and fixed costs remain affordable over the medium term.

### Factors that could lead to an upgrade

- » Material moderation of long-term liabilities and fixed costs to less than 200% and 10% of revenue, respectively
- » Sustained trend of materially higher available fund balance ratio in excess of 35% of revenue
- » Not applicable (short-term rating)

### Factors that could lead to a downgrade

- » Trend of structural imbalance and deterioration of fund balance below 25% of total revenue; reduction of liquidity below 50% of revenue
- » Economic weakness such as a significant slowing of GDP relative to the nation and meaningful tax base declines which dampen property tax revenues

- » Additional debt absent offsetting revenue growth which increases leverage beyond 400% of revenue
- » Downgrade of issuer rating below A2 (short-term rating)
- » Significant reduction in anticipated property tax revenues or liquidity position (short-term rating)

## Key indicators

Exhibit 1

### Fort Bend (County of) TX

	2020	2021	2022	2023	Aa Medians
<b>Economy</b>					
Resident income ratio (%)	154.2%	149.3%	148.2%	N/A	97.8%
Full Value (\$000)	\$70,783,630	\$75,074,126	\$84,122,856	\$95,607,882	\$8,736,359
Population	790,892	806,497	832,607	N/A	90,964
Full value per capita (\$)	\$89,498	\$93,087	\$101,035	N/A	N/A
Annual Growth in Real GDP	-1.6%	5.1%	2.5%	N/A	4.9%
<b>Financial Performance</b>					
Revenue (\$000)	\$546,725	\$643,326	\$613,684	\$645,651	\$97,580
Available fund balance (\$000)	\$89,655	\$104,682	\$131,488	\$156,253	\$43,698
Net unrestricted cash (\$000)	\$325,430	\$350,645	\$375,135	\$424,002	\$68,628
Available fund balance ratio (%)	16.4%	16.3%	21.4%	24.2%	43.0%
Liquidity ratio (%)	59.5%	54.5%	61.1%	65.7%	74.4%
<b>Leverage</b>					
Debt (\$000)	\$631,518	\$766,261	\$817,386	\$939,718	\$46,820
Adjusted net pension liabilities (\$000)	\$696,005	\$895,462	\$784,568	\$471,169	\$103,575
Adjusted net OPEB liabilities (\$000)	\$550,878	\$567,586	\$407,580	\$401,766	\$7,091
Other long-term liabilities (\$000)	\$16,745	\$13,152	\$12,506	\$12,827	\$3,981
Long-term liabilities ratio (%)	346.6%	348.6%	329.5%	282.7%	190.3%
<b>Fixed costs</b>					
Implied debt service (\$000)	\$36,197	\$45,225	\$53,745	\$57,086	\$3,257
Pension tread water contribution (\$000)	\$17,617	\$14,204	\$20,861	\$11,091	\$2,211
OPEB contributions (\$000)	\$11,462	\$11,462	\$11,631	\$40,278	\$186
Implied cost of other long-term liabilities (\$000)	\$615	\$1,199	\$922	\$873	\$282
Fixed-costs ratio (%)	12.1%	11.2%	14.2%	16.9%	7.1%

For definitions of the metrics in the table above please refer to the [US Cities and Counties Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [US Cities and Counties Median Report](#).

The real GDP annual growth metric cited above is for the Houston-The Woodlands-Sugar Land, TX Metropolitan Statistical Area Metropolitan Statistical Area.

Sources: US Census Bureau, Fort Bend (County of) TX's financial statements and Moody's Ratings, US Bureau of Economic Analysis

## Profile

Fort Bend County is in southeastern [Texas](#) (Aaa stable), within the [Houston](#) (Aa3 stable) metropolitan area. The rapidly growing county encompasses roughly 886 square miles and has an estimated population of more than 832,000.

## Detailed credit considerations

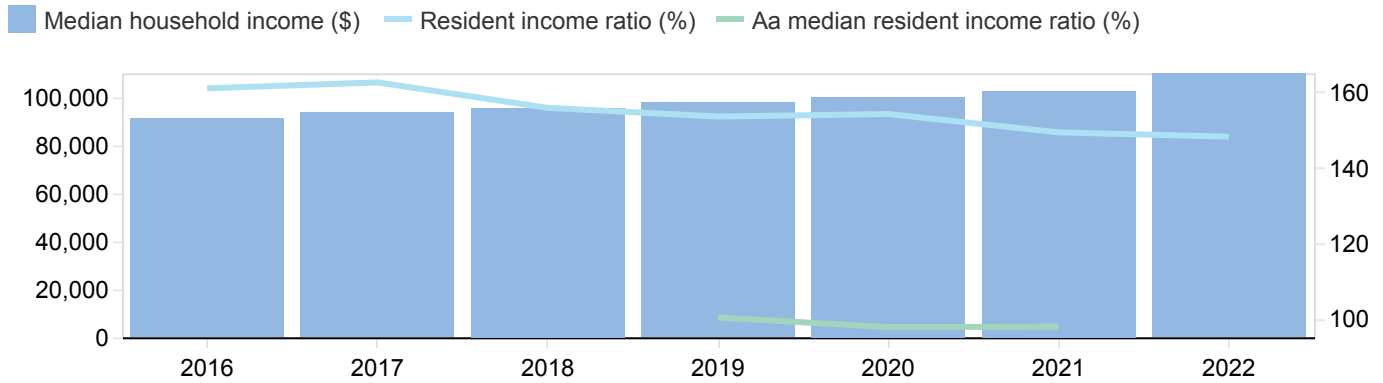
### Economy: growing bedroom community near Houston with strong income and wealth metrics

Fort Bend County's large economic base is expected to continue expanding given its proximity to employment opportunities in the Houston metropolitan area and strong population growth, which have led to significant residential and commercial development. Since 2010, the county's population has increased by more than 40% to 832,607 in 2022, reflecting an average increase of 3.5% per year and is responsible for driving the strong demand for residential property. Nearly 80% of the county's appraised value is comprised of residential property. On average, taxable values have grown 11% annually over the last five years to \$110.2 billion in fiscal 2024. As a result, full value per capita has steadily improved, reaching \$132,000 in 2024 which is above the Aa1 national median and continue to improve in fiscal 2025 due to ongoing full value growth – preliminary fiscal 2025 taxable values are \$117 billion. Resident income

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indices are also above peers at 148% of the nation. The county's unemployment rate in April 2024 of 3.6% was nearly aligned with the nation (3.5%) and state (3.5%) for the same period.

Exhibit 2  
Resident Income



Source: Moody's Ratings

**Financial operations: long term maintenance of healthy reserves to continue given strong management team**

The county's financial position will remain healthy over the next several years, supported by solid property tax revenue growth. The county's financial operations are predominantly captured in the governmental activities and property taxes are the primary source of operating revenue at 67% in fiscal 2023 (September 30 year-end).

The county closed fiscal 2023 with an available fund balance of \$160.2 million, representing 24% of revenue. Though well below peers, the figure is understated as it does not include a large portion of the county's governmental funds which are classified as restricted because they are derived from special revenue for a specific purpose, grants or local property taxes for roads and bridges and debt service. Nevertheless, these funds are available for county purposes. When adjusting for these funds, which totaled around \$120 million, the available fund balance improves to \$277 million, and 43% of 2023 revenue which is on par the Aa1 national median.

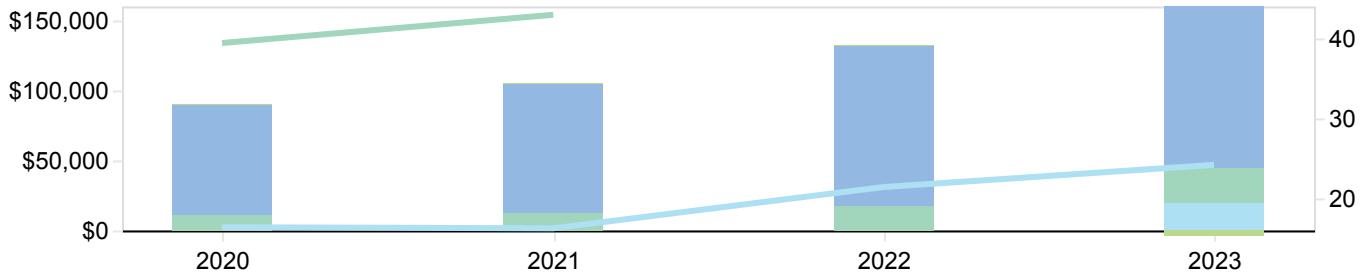
The county's governmental funds account for a majority of its operating revenues. The general fund is the largest governmental fund and accounts for 65% of the county's total revenue in fiscal 2023. Property taxes are the primary source of revenue, however, the county does receive sales tax revenues which are used for public safety and other routine expenditures within established economic development areas. Overall, sales tax revenues account for less than 3% of the county's overall revenue picture. Strong economic activity in the county has driven favorable property tax trends in recent years. Property tax revenues have increased by an average 10% annually from fiscal 2019 to fiscal 2022.

The county anticipates ending fiscal 2024 with balanced operations in the general and debt service funds and there are no plans to reduce reserves in fiscal 2025. The county has a formal policy to maintain an unassigned general fund balance equal to 30% of budgeted expenditures.

Exhibit 3

**Fund Balance**

■ General fund 
 ■ Other governmental funds 
 ■ Internal service funds 
 ■ Business-type activities  
— Available fund balance ratio (%) 
 — Aa median available fund balance ratio (%)



Source: Moody's Ratings

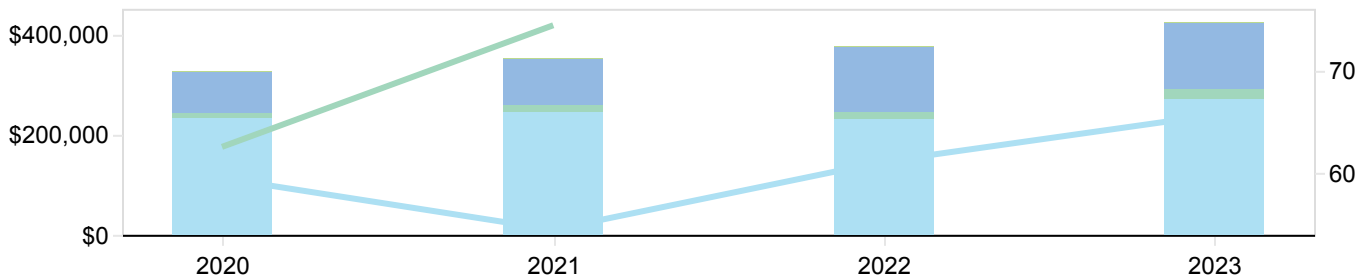
**Liquidity**

The county's cash and investments totaled \$424 million at the close of fiscal 2023, representing 66% of revenue, which is on par with the national Aa1 median. County-wide liquidity is expected to remain healthy given ongoing revenue growth and prudent fiscal management.

Exhibit 4

**Cash**

■ General fund 
 ■ Other governmental funds 
 ■ Internal service funds 
 ■ Business-type activities 
 — Liquidity ratio (%)  
— Aa median liquidity ratio (%)



Source: Moody's Ratings

**Leverage: high debt compared to peers driven by population growth**

Despite future debt plans, the county's overall leverage is expected to remain above peers, but manageable given expected economic and revenue growth.

Inclusive of the current issuances, total long term liabilities, which includes debt and adjusted pension and other post-employment benefit (OPEB) liabilities, represents an elevated 328% of fiscal 2023 operating revenue. Around 51% of the county's outstanding liabilities are attributable to debt, while the remaining 49% is comprised of pension, OPEB, and other liabilities.

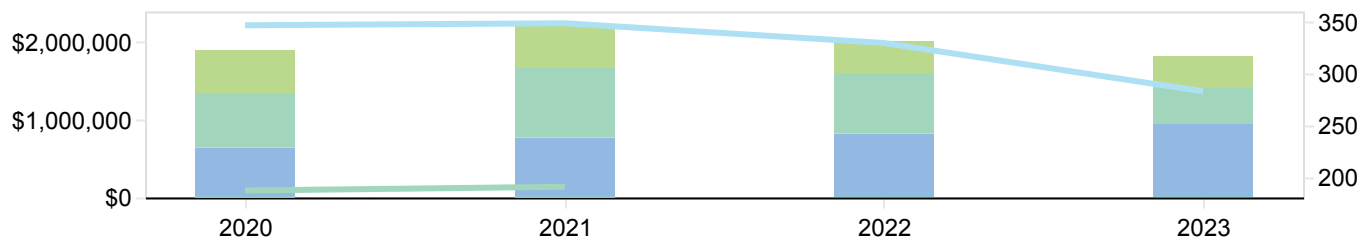
The county will issue \$75 million of mobility related bonds per year over the next several years, \$40 million of park bonds in 2025, and \$40 million of certificates of obligation per year for various capital projects.

Our adjusted fixed costs are manageable at around 17%, though they are above similarly rated peers. Fixed costs are expected to rise with the current issuance, though should remain manageable given projected revenue growth.

Exhibit 5

**Total Primary Government - Long Term Liabilities**

■ Governmental Debt  
 ■ Business-Type Activity Debt  
 ■ Adjusted net pension liabilities  
■ Adjusted net other post-employment liabilities  
 ■ Other long-term liabilities  
 — Long-term liabilities ratio (%)  
— Aa median long-term liabilities ratio (%)



Source: Moody's Ratings

**Legal security**

The outstanding GOULT bonds are payable from an annual ad valorem tax levied against all taxable property in the county, without limit as to rate or amount.

The outstanding GOLT bonds and the tax anticipation notes are payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the county.

**Debt structure**

All of the county's debt is fixed rate. Aside from the tax anticipation notes, all debt matures over the long-term (final maturity is in fiscal 2053).

**Debt-related derivatives**

The county is not party to any interest rate swaps or other derivate agreements.

**Pensions and OPEB**

The county participates in the Texas County and District Retirement System (TCDRS), a multi-employer defined benefit agent plan. Positively, the county has made sizable pensions contributions in recent years far exceeding tread water. As a result, the county reported a pension asset in fiscal 2023 of about \$80 million based on an 7.60% discount rate. Comparatively, the Moody's adjusted net pension liability (ANPL) based on a 5.02% discount rate was \$471 million. In fiscal 2023, the county made about \$26 million in pension contributions, which is well in excess of Moody's calculated "tread water" level of \$11.1 million.

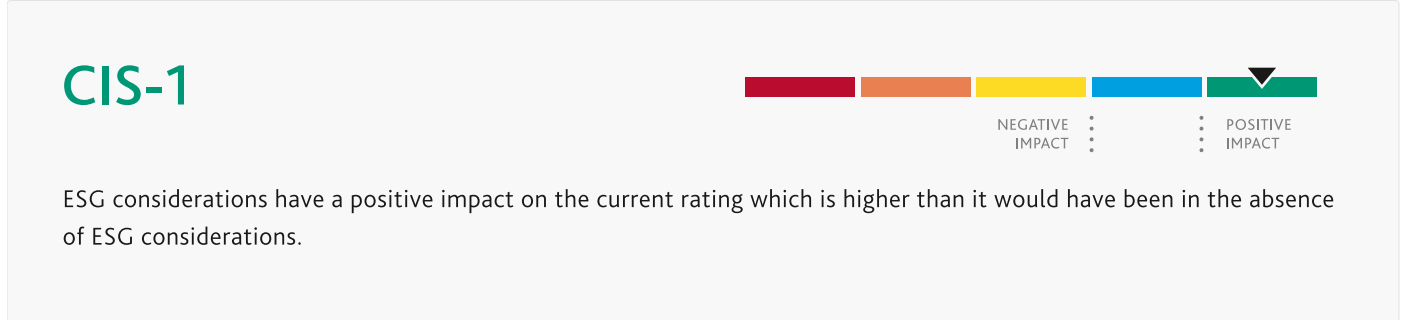
The county also offers other post employment benefits (OPEBs) in the form of medical, dental, vision and basic life insurance. As of fiscal 2023, the county's adjusted net OPEB liability totaled \$401 million, or 0.6 times revenue. The county created an OPEB trust in December 2022 and placed \$5.6 million in the trust. The county shifted \$20 million from the general fund to the trust in fiscal 2023. The county is considering issuing OPEB bonds to increase the balance in the trust with the ultimate goal of building a corpus large enough to generate investment income equal to or greater than the annual required OPEB contribution. We believe issuance of pension and OPEB bonds are, at best, credit neutral.

## ESG considerations

Fort Bend (County of) TX's ESG credit impact score is CIS-1

Exhibit 6

### ESG credit impact score

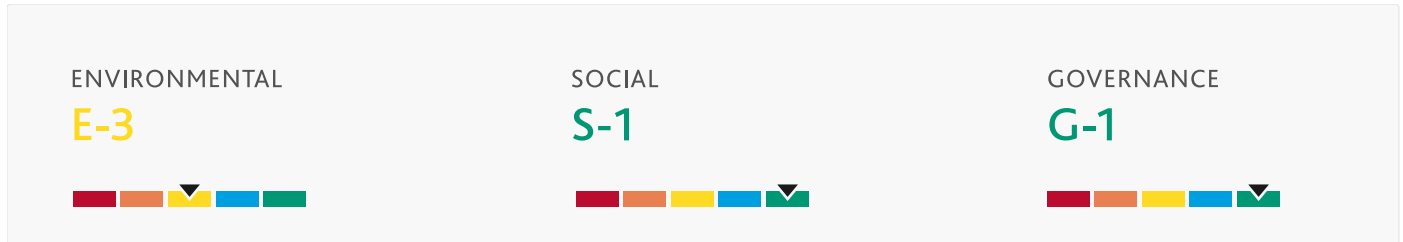


Source: Moody's Ratings

Fort Bend County, TX's credit impact score is positive (**CIS-1**) reflecting positive social attributes, a very strong governance profile, and moderately negative exposure to environmental risks, all of which support the county's credit rating, resilience, and capacity to respond to shocks.

Exhibit 7

### ESG issuer profile scores



Source: Moody's Ratings

#### Environmental

The county's environmental issuer profile score is **E-3**, reflecting exposure to physical climate risks and carbon transition although exposure to other risks such as natural capital, water management and waste and pollution is neutral to low. The county's location in proximity to the Texas Gulf Coast leaves it prone to extreme weather and flooding caused by tropical disturbances. The county has issued \$82.9 million in flood bonds to strengthen infrastructure designed to lessen the impact of storms. Exposure to carbon transition risks is higher than peers inherent in the area's role as a global energy leader. Sustained demand for green alternatives will weigh on the county but its effects will play out over a much longer period.

#### Social

The county's social issuer profile score is **S-1**, reflecting positive attributes that carry credit benefits. Demand for the area as part of the larger Houston metropolitan area has supported strong demographic trends including population growth even as labor and income performance remains high. Also, educational attainment levels are high relative to peers with a significant percent of the county's population holding post-secondary degrees. Housing is affordable in the area and the challenges related to health and safety or access to basic services is low.

#### Governance

Fort Bend County's strong governance profile supports its rating, as reflected in a governance issuer profile score of **G-1**. This reflects a strong institutional framework and policy credibility and effectiveness. Budget management is strong demonstrated by the ability to

hold on to a stable level of reserves even though reserve levels remain lower than peers. The county's commitment to transparency and disclosure is also evident in the publication of interim and periodic financial reports during the fiscal year.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Rating methodology and scorecard factors

The US Cities and Counties Methodology includes a scorecard, which summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 8

### Fort Bend (County of) TX

	Measure	Weight	Score
<b>Economy</b>			
Resident income ratio	148.2%	10.0%	Aaa
Full value per capita	132,403	10.0%	Aa
Economic growth metric	-0.4%	10.0%	Aa
<b>Financial Performance</b>			
Available fund balance ratio	24.2%	20.0%	A
Liquidity ratio	65.7%	10.0%	Aaa
<b>Institutional Framework</b>			
Institutional Framework	Aa	10.0%	Aa
<b>Leverage</b>			
Long-term liabilities ratio	282.7%	20.0%	A
Fixed-costs ratio	16.9%	10.0%	A
<b>Notching factors</b>			
Potential for significant change in leverage	0.5		
Scorecard-Indicated Outcome			Aa2
<b>Assigned Rating</b>			<b>Aa1</b>

The Economic Growth metric cited above compares the five-year CAGR of real GDP for Houston-The Woodlands-Sugar Land, TX Metropolitan Statistical Area Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.

Sources: US Census Bureau, Fort Bend (County of) TX's financial statements and Moody's Ratings

## Appendix

Exhibit 9

### Key Indicators Glossary

	Definition	Typical Source*
<b>Economy</b>		
Resident income ratio	Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI	MHI: US Census Bureau - American Community Survey 5-Year Estimates RPP: US Bureau of Economic Analysis
Full value	Estimated market value of taxable property in the city or county	State repositories; audited financial statements; continuing disclosures
Population	Population of the city or county	US Census Bureau - American Community Survey 5-Year Estimates
Full value per capita	Full value / population	
Economic growth metric	Five year CAGR of real GDP for Metropolitan Statistical Area or county minus the five-year CAGR of real GDP for the US	Real GDP: US Bureau of Economic Analysis
<b>Financial performance</b>		
Revenue	Sum of revenue from total governmental funds, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services funds, excluding transfers and one-time revenue, e.g., bond proceeds or capital contributions	Audited financial statements
Available fund balance	Sum of all fund balances that are classified as unassigned, assigned or committed in the total governmental funds, plus unrestricted current assets minus current liabilities from the city's or county's business-type activities and internal services funds	Audited financial statements
Net unrestricted cash	Sum of unrestricted cash in governmental activities, business type activities and internal services fund, net of short-term debt	Audited financial statements
Available fund balance ratio	Available fund balance (including net current assets from business-type activities and internal services funds) / Revenue	
Liquidity ratio	Net unrestricted cash / Revenue	
<b>Leverage</b>		
Debt	Outstanding long-term bonds and all other forms of long-term debt across the governmental and business-type activities, including debt of another entity for which it has provided a guarantee disclosed in its financial statements	Audited financial statements; official statements
Adjusted net pension liabilities (ANPL)	Total primary government's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Adjusted net OPEB liabilities (ANOL)	Total primary government's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Other long-term liabilities (OLTL)	Miscellaneous long-term liabilities reported under the governmental and business-type activities entries	Audited financial statements
Long-term liabilities ratio	Debt + ANPL + ANOL + OLTL / Revenue	
<b>Fixed costs</b>		
Implied debt service	Annual cost to amortize city or county's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Investors Service
Pension tread water contribution	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Investors Service
OPEB contribution	City or county's actual contribution in a given period	Audited financial statements
Implied cost of OLTL	Annual cost to amortize city or county's other long-term liabilities over 20 years with level payments	Audited financial statements; Moody's Investors Service
Fixed-costs ratio	Implied debt service + Pension tread water + OPEB contributions + Implied cost of OLTL / Revenue	

\*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US Cities and Counties Methodology](#).

Source: Moody's Ratings

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Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454