

Research Update:

# Hutto, TX Series 2026 GO Bonds, And Certificates Of Obligation Rated 'AA-'; Other Debt Affirmed; Outlook Stable

December 18, 2025

## Overview

- S&P Global Ratings assigned its 'AA-' rating to [Hutto, Texas](#)' approximately \$4.795 million series 2026 general obligation (GO) bonds, and \$69.995 million series 2026 combination tax and waterworks-and-sewer-system limited-pledge revenue certificates of obligation (COs).
- In addition, we affirmed our 'AA-' rating on the city's existing GO debt and COs.
- The outlook is stable.

## Rationale

### Security

A limited ad valorem tax, levied on all taxable property within the city, secures the existing bonds and COs. A limited pledge of surplus waterworks-and-sewer-system revenue, in an amount not to exceed \$1,000, additionally secures the COs. Due to the limitation of the waterworks-and-sewer-system revenue pledge, we rate the COs based on the city's ad valorem-tax pledge.

The maximum allowable ad valorem tax rate in Texas is \$2.50 per \$100 of assessed value (AV) for all purposes with the portion dedicated to debt service limited to \$1.50. The city's total tax rate in fiscal 2026 is well below the maximum at 38.59 cents; 25.28 cents for debt service. We do not differentiate between the city's limited-tax debt and general creditworthiness since the ad valorem tax is not derived from a measurably narrower property tax base and there are no limitations on the fungibility of resources.

Officials intend to use series 2026 GO bonds to fund the planning and construction of a new justice center. The series 2026 COs will fund water and wastewater improvements.

### Credit highlights

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The rating reflects our view of the city's expanding economic base, stable operating performance, and healthy reserves, however, the rating remains constrained by its outsized debt load that is significantly higher than those of similarly rated peers. Hutto benefits from its favorable location within the greater Austin metropolitan area and has experienced significant growth over the past decade. The Hutto Economic Development Corp. (HEDC) currently has several active sale-purchase agreements for a large tract of land, known as the "megasite", bordering the Samsung semiconductor fabrication facility under construction in Taylor. Residential construction remains strong, supporting population growth with the development of multiple master-planned communities. City officials project an 8%-10% increase in taxable AV in fiscal 2026 and a similar trend over the next few years. We anticipate tax base growth throughout our two-year outlook period, supported by ongoing economic and residential development.

While Hutto's rapid economic expansion supported increasing revenue recently, the increasing budget and several one-time expenditures diminished fund balance in fiscal 2023. General fund results showed a \$10.9 million fund-balance decrease, mainly from paying off a \$5 million loan tied to a land purchase on behalf of Cottonwood Development Corp. In addition, the city transferred \$3.3 million to cover Cottonwood Development Corp.'s nearly \$3.3 million negative cash balance from several years of litigation expenses.

The favorable results in fiscal 2024 rebounded available reserves to 25% of general fund expenditures. Fiscal 2025 performance is better than budgeted, with unaudited results projecting a \$2.7 million general fund surplus. The fiscal 2026 adopted budget reflects a surplus, and officials have no plans to spend down available reserves; therefore, we believe Hutto will maintain healthy operating performance in the near term.

Elevated debt with high carrying charges constrains the rating, in our opinion. We expect Hutto will likely continue to issue debt due to growth-related needs, with management estimating roughly \$110 million of issuances during the next two years.

The rating reflects our view of the city's:

- Rapidly expanding tax base, with AV growth outpacing rapid population growth, leading to improved market value per capita, combined with wealth and income metrics that are in line with those of peers.
- Continued dependency on alternative water suppliers with no anticipated effects on currently permitted developments. The city aims to update its drought contingency plan and write a water conservation plan within our outlook period.
- Financial performance reflects mixed operating results from fiscal years 2021 to 2024, with a deficit in fiscal 2023 driven by one-time expenditures. The city expects surplus results in fiscal 2025 and has adopted a surplus budget in fiscal 2026.
- Comprehensive financial-management practices and policies highlighted by regular budget-and-investment monitoring, a long-term capital plan, formal investment- and debt-management policies, a charter requirement to hold reserves of at least 10% of expenditures, and a fiscal policy of holding reserves at a minimum 25% of expenditures. The city has mitigating practices for cybersecurity.
- Elevated debt burden, with additional issuance plans due to growth-related needs, but limited pension and other postemployment benefits (OPEB) credit pressure because of the well-funded status of the city's pension plan and limited OPEB liability.
- 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

We consider Hutto's environmental, social, and governance factors neutral in our credit-rating analysis.

While Hutto has implemented stage 2 water conservation efforts, it has not declined developers within the city limits because of water limitations; we understand this only affects development outside of city limits, within the extraterritorial jurisdiction. We will continue to monitor for any negative effects that water supply issues may have on the city's economic growth; however, we do not view this as a heightened environmental risk given management does not anticipate impacts on current developments.

In addition, while we previously considered governance risk heightened for Hutto, because of various legal cases, we believe the risk is now mitigated. The most recent ruling by the Fifth Circuit Court of Appeals noted there was no evidence supporting the plaintiff's claims. The court eliminated all damages awarded and returned the case to the U.S. District Court in Austin to make a determination on the only remaining issue, which is the amount of attorney's fees owed. The city maintains \$3 million in insurance coverage through Texas Municipal League (TML).

## Outlook

The stable outlook reflects S&P Global Ratings' view of Hutto's diverse and expanding tax base, along with continued expectations of positive finances with the maintenance of healthy general fund reserves. Therefore, we do not expect to change the rating during the two-year outlook.

### Downside scenario

We could lower the rating if available reserves decrease materially because of capital plans, high fixed costs, or pending unfavorable court decisions, with management not replenishing reserves within a reasonable period.

### Upside scenario

Assuming all else remains equal or improves, we could raise the rating if the city's debt profile moderates materially.

### Hutto, Texas--credit summary

<b>Institutional framework (IF)</b>	<b>1</b>
Individual credit profile (ICP)	2.62
Economy	3.0
Financial performance	2
Reserves and liquidity	1
Management	2.35
Debt and liabilities	4.75

### Hutto, Texas--key credit metrics

	Most recent	2024	2023	2022
<b>Economy</b>				
Real GDP per capita % of U.S.	71	--	71	70

## Hutto, Texas--key credit metrics

	Most recent	2024	2023	2022
County PCPI % of U.S.	107	--	107	104
Market value (\$000s)	5,515,860	5,039,121	4,039,343	2,821,528
Market value per capita (\$)	160,789	146,892	128,359	64,907
Top 10 taxpayers % of taxable value	7.6	6.6	6.7	9.6
County unemployment rate (%)	3.6	3.6	3.5	3.0
Local median household EBI % of U.S.	140	140	135	128
Local per capita EBI % of U.S.	97	97	93	92
Local population	34,305	34,305	31,469	43,470
<b>Financial performance</b>				
Operating fund revenues (\$000s)	--	31,004	27,471	25,250
Operating fund expenditures (\$000s)	--	29,107	30,353	19,146
Net transfers and other adjustments (\$000s)	--	351	(7,998)	413
Operating result (\$000s)	--	2,248	(10,880)	6,517
Operating result % of revenues	--	7.3	(39.6)	25.8
Operating result three-year average %	--	(2.2)	4.3	22.7
<b>Reserves and liquidity</b>				
Available reserves % of operating revenues	--	25.2	20.2	65.1
Available reserves (\$000s)	--	7,812	5,554	16,434
<b>Debt and liabilities</b>				
Debt service cost % of revenues	--	30.0	25.3	42.0
Net direct debt per capita (\$)	21,081	19,201	11,263	6,155
Net direct debt (\$000s)	723,174	658,675	354,429	267,558
Direct debt 10-year amortization (%)	22	21	--	--
Pension and OPEB cost % of revenues	--	3.0	3.0	2.0
NPLs per capita (\$)	--	5	32	--
Combined NPLs (\$000s)	--	159	999	--

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\$4,795,000 City of Hutto, Texas, (Williamson County, Texas), General Obligation Bonds, Series 2026, dated: January 15, 2026, due: August 01, 2046

Long Term Rating AA-/Stable

US\$69,995,000 City of Hutto, Texas, (Williamson County, Texas), Combination Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2026, dated: January 15, 2025, due: August 01, 2051

**Ratings List**

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Long Term Rating	AA-/Stable
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**Ratings Affirmed**

**Local Government**

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Hutto TX Limited Tax General Obligation & Subordinate Water and Sewer Revenue Pledge	AA-/Stable
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Hutto, TX Limited Tax General Operating Pledge	AA-/Stable
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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 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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