

Rating Action: Moody's removes negative outlook for Hardin County, TX's GO Bonds; affirms A3 rating

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New York, September 11, 2019 -- Moody's Investors Service has affirmed Hardin County, TX's Aa3 issuer rating and general obligation limited tax rating, affecting \$1.4 million in outstanding debt. The county has an additional \$1.0 million in outstanding debt not rated by Moody's. At the same time, we removed the negative outlook.

RATINGS RATIONALE

The Aa3 reflects the county's sizeable tax base near the Beaumont-Port Arthur MSA. The rating also reflects the county's stable financial position, modest debt burden and manageable pension burden. Additional considerations include the county's capacity under the state mandated tax rate cap, affording some flexibility that should continue to support stable property tax revenues, critical to operating performance.

The Aa3 limited tax rating is the same as the county's issuer rating, reflecting the ample available taxing headroom to generate property tax revenues that are more than 19 times maximum annual debt service (MADS), which offsets the lack of a full faith and credit pledge, property tax rate limitation established by state law, and the inability of the town council to easily override the tax rate limitation.

RATING OUTLOOK

The removal of the negative outlook represents management's ability to manage Hurricane Harvey related expenses without a decline in the financial position. Outlooks are typically not assigned to local governments with this amount of debt outstanding.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Continued trend of tax base growth
- Continued and sustained growth of operational reserves

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Material contraction of financial position
- Trend of substantial tax base declines

LEGAL SECURITY

The bonds are secured by a direct and continuing ad valorem tax levied against all property in the town, within the limits prescribed by law.

PROFILE

Hardin County is located in southeast Texas and has a total population of approximately 56,000 residents. The local economy is driven by timber production, hunting, mineral resources, and agriculture.

METHODOLOGY

The principal methodology used in these ratings was US Local Government General Obligation Debt published in December 2016. Please see the Rating Methodologies page on www.moody's.com for a copy of this methodology.

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