

**CREDIT OPINION**

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# Leander Municipal Utility District No. 1, TX

## Update to credit analysis

### Summary

[Leander Municipal Utility District No. 1, TX's](#) (Baa3) credit profile benefits from limited operational responsibility and an advantageous location north of [Austin, TX](#) (Aa1 stable). Resident income is also strong, making up 149.8% of the US median, using [Liberty Hill ISD](#) (A1 stable) as a proxy. Tax base growth slowed in the current year, as reflected in the 5.7% year-over-year increase in assessed valuation (AV) to \$189.2 million in fiscal 2025. The debt burden is elevated at 12.1% of fiscal 2025 AV. Additional issuance plans to reimburse developers and slow principal payout will keep the debt burden elevated over the long-term. Financial reserves are nominal on a dollar basis, though in-line with peers as a percent of revenue, and expected to grow further in fiscal 2024 (September 30 year-end) based on year to date financials.

### Credit strengths

- » Growing tax base in the Austin metroplex
- » Strong resident income and property wealth
- » Lack of pension or OPEB liabilities

### Credit challenges

- » Elevated debt burden with additional issuance plans
- » Nominal financial reserves
- » Small acreage, limiting future tax base growth as district approaches build out

### Rating outlook

The stable outlook reflects the expectation that construction of single-family homes will continue to support tax base growth and reserves will continue to improve. Additionally, the outlook reflects the expectation that additional debt issuances will occur in conjunction with taxable value growth, keeping the debt burden stable, though elevated.

### Factors that could lead to an upgrade

- » Significant growth in full value coupled with moderation of the debt burden below 10%
- » Continued growth in operating reserves and liquidity

### Factors that could lead to a downgrade

- » Material increase in the debt burden
- » Trend of deficit operations and reduced fund balance

## Key indicators

Exhibit 1

### Leander Municipal Utility District No. 1, TX

	2019	2020	2021	2022	2023
<b>Economy/Tax Base</b>					
Total Full Value (\$000)	-	\$3,564	\$9,483	\$19,103	\$70,852
Population	-	-	-	564	1,537
Full Value Per Capita	-	-	-	\$33,871	\$46,098
Median Family Income (% of US Median)	-	169.2%	169.0%	149.8%	149.8%
<b>Finances</b>					
Operating Revenue (\$000)	-	-	\$236	\$323	\$897
Fund Balance (\$000)	-	-	\$215	\$409	\$1,173
Cash Balance (\$000)	-	-	\$207	\$690	\$1,317
Fund Balance as a % of Revenues	-	-	91.3%	126.5%	130.7%
Cash Balance as a % of Revenues	-	-	87.9%	213.4%	146.8%
<b>Debt/Pensions</b>					
Net Direct Debt (\$000)	-	-	\$	\$3,770	\$6,770
3-Year Average of Moody's ANPL (\$000)	-	-	-	-	\$
Net Direct Debt / Full Value (%)	-	-	0.0%	19.7%	9.6%
Net Direct Debt / Operating Revenues (x)	-	-	0.0x	11.7x	7.5x
Moody's - ANPL (3-yr average) to Full Value (%)	-	-	-	-	0.0%
Moody's - ANPL (3-yr average) to Revenues (x)	-	-	-	-	0.0x

Sources: US Census Bureau, US Bureau of Economic Analysis, Leander Municipal Utility District No. 1, TX's financial statements and Moody's Ratings

## Profile

Leander MUD No. 1 is located in the extraterritorial jurisdiction of the [City of Leander](#) (Aa1) in Williamson County, approximately 30 miles northwest of Austin. Spanning 297 acres, the MUD finances road and utility infrastructure to serve the development, however all ongoing operations are conducted by the city. The district's population is estimated at 1,537.

## Detailed credit considerations

The district's small tax base is favorably located near the Austin metroplex with above average resident income. Assessed valuation (AV) growth slowed significantly during fiscal 2024, due to limited availability of lots ready for homebuilding. This is reflected in an annual increase in AV of 5.7% to the \$189.2 million fiscal 2025 certified valuation. Development of lots continues in different phases on 275 total lots; 47 developable acres remain unserved with utilities. The district estimates reaching full build out in 2026. Key credit challenges for the district include an elevated debt profile that will persist due to additional debt plans and slow principal payout. Resident income is strong, using Liberty Hill ISD as a proxy, and makes up 149.8% of the US median.

Financial performance in fiscal 2024 (Sept. 30 year-end) through June indicates the district will increase operating fund balance at year end, though financial reserves remain nominal on a dollar basis. Following the sale of the Series 2024 bonds, the district's debt burden, consisting of approximately \$22.9 million of GOULT debt, will be elevated but nominally below peers at 12.1% of fiscal 2025 AV. Following the sale of the Series 2024 bonds, the district will continue to owe developers approximately \$10 million, though more developer reimbursements will come as development continues on the remaining developable acreage.

## ESG considerations

### Environmental

The local government sector generally has low exposure to environmental risks, though the district has elevated exposure to water stress. According to Moody's ESG Solutions, the district has high exposure to water stress and wildfires, medium exposure to heat stress, and low exposure to floods and hurricanes. Favorably, the State of Texas has taken action to help mitigate water stress risk within its borders by issuing general obligation debt through the Texas Water Development Board (TWDB) since the 1950s to finance a variety of water conservation and supply projects.

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### Social

Population will continue to grow as new home are constructed and sold. Income levels in the area, using Liberty Hill ISD as a proxy, are above average with a median family income equal to 149.8% of the US (2021 American Community Survey). New home prices range from approximately \$473,000 to \$682,990.

### Governance

The district is governed by a five-member board of directors, all of whom own property within the district. Although the district does not have any employees, which is typical for MUDs, the district contracts out for critical needs including bookkeeping and other financial services. The district is subject to oversight by the Texas Commission of Environmental Quality.

Texas MUDs have an Institutional Framework score of Aa, which is strong compared to the nation. Property taxes, one of the sector's major revenue sources, are not subject to any caps for debt service. MUDs that are considered over 95% developed are subject to a property tax cap of 3.5% for maintenance and operations. Unpredictable revenue fluctuations tend to be minor, or under 5% annually. Across the sector, fixed and mandated costs specifically for debt service are generally greater than 25% of expenditures. MUDs have no full-time employees. Unpredictable expenditure fluctuations tend to be minor, under 5% annually.

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