

CREDIT OPINION

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Send Your Feedback

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Williamson-Liberty Hill M.U.D., TX

Update to credit analysis

Summary

[Williamson-Liberty Hill MUD, TX's](#) (Baa3) credit profile reflects growing balances in the district's general and debt service funds that have reached over 100% of revenues over the past several years. The district's financial position is expected to remain healthy given a surplus in fiscal 2024 and no expected draws on reserves in fiscal 2025. The profile also reflects modest and fully built out residential tax base of \$289 million for fiscal 2025 in the Austin metropolitan area. The debt profile is elevated at 13.1% of assessed value and with an overlapping debt burden of 17.5%. The district is fully built out so any growth in taxable value will be driven by appreciation and principal amortization is slow so the debt burden will remain high and above medians in the sector.

Credit strengths

- » Limited enterprise risk since other local governments handle utility operations
- » No pension or OPEB liabilities

Credit challenges

- » Small tax base
- » High debt burden

Rating outlook

We do not assign outlooks to local government issuers with this amount of debt outstanding.

Factors that could lead to an upgrade

- » Substantial moderation of the debt burden to below 9% of assessed value
- » Significant increase in the taxable value

Factors that could lead to a downgrade

- » Contraction of the tax base
- » Declining fund balance or liquidity to level inconsistent with similarly rated peers
- » Increase in the debt burden to above 15% of assessed value

Key indicators

Exhibit 1

Williamson-Liberty Hill M.U.D., TX

	2019	2020	2021	2022	2023
Economy/Tax Base					
Total Full Value (\$000)	\$29,414	\$56,932	\$85,498	\$120,186	\$216,647
Population	567	783	1,162	1,915	2,289
Full Value Per Capita	\$51,876	\$72,710	\$73,900	\$62,862	\$93,543
Median Family Income (% of US Median)	156.2%	157.9%	155.0%	157.0%	157.0%
Finances					
Operating Revenue (\$000)	\$292	\$549	\$813	\$1,155	\$2,181
Fund Balance (\$000)	\$222	\$425	\$777	\$1,033	\$2,285
Cash Balance (\$000)	\$403	\$580	\$901	\$1,568	\$2,382
Fund Balance as a % of Revenues	76.0%	77.5%	95.6%	89.4%	104.8%
Cash Balance as a % of Revenues	138.0%	105.7%	110.9%	135.7%	109.2%
Debt/Pensions					
Net Direct Debt (\$000)	\$4,910	\$6,915	\$10,105	\$19,990	\$19,865
3-Year Average of Moody's ANPL (\$000)	\$	\$	\$	\$	\$
Net Direct Debt / Full Value (%)	16.7%	12.1%	11.8%	16.6%	9.2%
Net Direct Debt / Operating Revenues (x)	16.8x	12.6x	12.4x	17.3x	9.1x
Moody's - ANPL (3-yr average) to Full Value (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Moody's - ANPL (3-yr average) to Revenues (x)	0.0x	0.0x	0.0x	0.0x	0.0x

Sources: US Census Bureau, US Bureau of Economic Analysis, Williamson-Liberty Hill M.U.D., TX's financial statements and Moody's Ratings

Profile

Williamson-Liberty Hill MUD is situated on 228 acres located 16 miles north of downtown [Austin](#) (Aa1 stable). The district is entirely within the extraterritorial jurisdiction of the City of Liberty Hill and is within the boundaries of Leander Independent School District. The estimated population is 2,730. Retail water service is provided by the City of Georgetown and wastewater treatment is provided by Liberty Hill.

Detailed credit considerations

The district has reached full built out and growth will depend on annexations and or appreciation. Assessed value (AV) slightly increased to \$289 million in fiscal 2025, representing only a 2.4% increase over fiscal 2024 AV of \$282 million. Positively, median family income in the area is above average at 157% of the nation using Leander ISD as a proxy.

Reserves are healthy and expected to remain so given a surplus in fiscal 2024 and expectation of no draws in fiscal 2025. Surpluses in the last few years have improved reserves which, for the first time, reached above 100% of revenues. Fiscal 2023 (September 30 year-end) ended with general and operating funds (general and the debt service fund) of 111% and 104% of revenue respectively. Unaudited results for fiscal 2024 shows a surplus of about \$611,000 that is expected to put the district's reserves at around 150% of revenue.

The district's debt profile is elevated and will remain so given slow principal payout of approximately 30% over the next ten years. When including the 2025 bonds, the direct debt burden is equals 13% of fiscal 2025 AV. The district's overlapping debt burden totals a high 17.5% of fiscal 2025 AV. The overlapping debt burden takes into account debt issued by other entities in which the district is included, most notably Leander ISD. A portion of the bonds will fund final reimbursement to the developer for outlays made for infrastructure and the district has no plans for further debt.

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ESG considerations

Environmental

The local government sector generally has low exposure to environmental risks. Based on its location, the district has high exposure to water stress, medium exposure to heat stress, and low exposure to extreme rainfall and hurricanes. Favorably, federal and state governments help mitigate these exposures. The US government continues to provide substantial assistance via its Federal Emergency Management Agency (FEMA) in the wake of large storms. The state 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.

Social

Social considerations do not present material risks to the district's credit profile. Income levels in the area, using the Leander ISD as a proxy, are above average with a median family income equal to 157% of the US. Homes in the District range in price from approximately \$400,000 to \$1 million.

Governance

The district is governed by a board of directors, consisting of five directors serving four-year staggered terms. All directors 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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