Research Update:

Northwest Williamson County Municipal Utility District No. 2, TX Series 2025A Unlimited-Tax Bonds Assigned 'BBB' Rating

October 30, 2025

Primary Contact

Lora Abeyta
Englewood
3033289083
lora.abeyta
@spglobal.com

Secondary Contact

Adam Steele
Englewood
3037214917
adam.steele
@spglobal.com

Overview

- S&P Global Ratings assigned its 'BBB' rating to Northwest Williamson County Municipal Utility District (MUD) No. 2, Texas' approximately $3.9 million series 2025A unlimited-tax bonds.
- At the same time, S&P Global Ratings affirmed its 'BBB' underlying rating (SPUR) on the district's general obligation debt outstanding.
- The outlook is stable.

Rationale

Security

Revenue from an annual ad valorem tax, levied without legal limitation against all taxable property within the district, secures the bonds.

Bond proceeds will be used to finance Parmer Ranch Phases 1, 2, 3, and 4 water, wastewater, and drainage facilities, engineering costs; operating expenses; impact fees; and capitalized interest, developer interest, and costs associated with the bond issuance.

Credit highlights

The rating reflects our view of the district's rapidly growing tax base and very strong reserves. Benefiting from its proximity to the Austin-Round Rock-San Marcos metropolitan statistical area (MSA), the district has experienced rapid assessed valuation (AV) growth since its inception. The tax base has increased by an average of 143% annually since 2023. The district's status of development is growing, with no plans to annex additional land. Officials report that the district plans for 125 additional lots for new homes to be built annually, with an expected $50 million to $75 million in AV growth per year. The district projects that upon reaching full buildout, its tax base will total over $500 million. While the tax base is currently lower than most similarly rated peers, it is our opinion that the tax base will continue to grow at a rapid rate, due to its historical growth and proximity to the MSA.

The district's finances are very strong, with reserves growing due to continued surpluses as revenues rise. The district ended fiscal 2024 with a surplus of $440,437, primarily due to the increasing tax collections and interest earnings. Unaudited results for fiscal 2025 show better-than-budgeted figures, with over $300,000 added to the general fund balance. For fiscal 2026, the district has adopted a surplus budget and is budgeting for a $300,000 general fund increase. The district noted that it has no plans to change the total tax rate, but might reallocate the rates between bonds and maintenance, as more bonds are issued, and general fund reserves continue to be sufficiently funded. We consider the district's total tax rate of 95 cents per $100 of AV moderate. It is our opinion that the district will continue to build general fund reserves and maintain positive operations within our outlook period.

The district's debt burden is elevated compared with those of similarly rated peers, with an overall net debt that we consider high. In addition, we consider amortization slow, with roughly 28% of total debt retiring in 10 years. The district reports that it will continue to issue approximately one series per year as AV growth boosts the tax base. We believe that the district's current and future debt will remain manageable due to the continued AV growth and large reserves, alongside continued positive operating results.

The rating further reflects our opinion of the MUD's:

- Rapidly growing tax base and growing status of development, which will continue to add further stability as it continues to grow;
- Very strong reserves, which are well above those of similarly rated peers and which we expect will be maintained at very strong levels due to continued expected positive operating results and tax base growth; following the issuance of the bonds, the district will still owe the developer approximately $24 million for road, water, wastewater, and drainage facilities;
- Very low total property tax rate, adding additional flexibility should the district need it; and
- High overall net debt as a percentage of market value, which we believe will remain elevated given the district's plans for additional issuances during out outlook period.

Environmental, social, and governance

Data from S&P Global Sustainable1 shows that, compared with other locations nationally, the district's environmental risk exposure is generally in line with the nation's, with wildfires being the one exception. However, we consider it neutral in our analysis due to the district's ample reserves and low operating costs, allowing for flexibility in the event of an environmental incident. We view social and governance factors as neutral in our credit analysis.

Outlook

The stable outlook reflects our opinion that the district will manage its elevated debt burden, due to its very strong reserves and rapidly growing tax base.

Downside scenario

Should the district's debt burden increase at a manner that is not commensurate with tax base growth, and the district's finances and reserves deteriorate to levels no longer comparable with those of peers, we could lower the rating

Upside scenario

We could consider raising the rating if the district's tax base continues to grow to a level comparable with those of higher-rated peers, resulting in moderation of the overall debt burden.

Northwest Williamson County Municipal Utility District No. 2, Texas--key credit metrics

	Characterization	Most recent	Historical information		
			2024	2023	2022
Economic indicators					
AV ($000)		195,835	101,076	35,185	6,498
Top 10 taxpayers as % of taxable value	Diverse	23.7	42.9	89.8	
Status of development (%) (infrastructure)	Growing	65.2	70.7	21.7	21.7
Financial indicators					
Available general fund balance ($000)			761	317	38
Operating expenditures ($000)			199	80	61
Available reserves as % of operating expenditures	Very strong		382.4	396.3	62.3
Debt service fund balance as a % of MADS	Good	69.0	109.7	112.0	
Direct property tax rate ($ per $100 of AV)	Moderate	0.95	0.95	0.95	0.95
Total property tax rate ($ per $100 of AV)	Very low		2.50	-	-
Debt and long-term liabilities					
Overall net debt as % of market value	High	13.0	19.2	33.5	7.7

AV--Assessed value. MADS--Maximum annual debt service. MADS year: 2047.

Ratings List	
New Issue Ratings	
US$3.875 mil unltd tax bnds ser 2025A dtd 12/11/2025 due 08/15/2050	
Long Term Rating	BBB/Stable
Ratings Affirmed	
Local Government	
Northwest Williamson County Municipal Utility District No. 2, TX Unlimited Tax General Obligation	BBB/Stable

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.