

CREDIT OPINION

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Send Your Feedback

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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 is constrained by an elevated debt burden and stagnant assessed valuation due to a lack of available lots for homebuilding. The credit profile benefits from healthy financial reserves that are expected to continue over the course of fiscal 2025 (September 30 year-end) and fiscal 2026. The district also has limited operational responsibility and low, mostly administrative general fund expenses.

Credit strengths

- » Strong resident and property wealth
- » Healthy financial reserves relative to limited operational responsibility

Credit challenges

- » Elevated debt burden with additional amounts owed to the developer
- » Stagnant tax base growth due to limited available lots for homebuilding

Rating outlook

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

Factors that could lead to an upgrade

- » Sustained decline in the debt burden to below 10%
- » Material assessed valuation growth that approaches \$400 million

Factors that could lead to a downgrade

- » Sustained stagnation in tax base growth
- » Increase in the debt burden beyond current levels of about 14%

Key indicators

Exhibit 1

Leander Municipal Utility District No. 1, TX

	2020	2021	2022	2023	2024
Economy/Tax Base					
Total Full Value (\$000)	\$3,564	\$9,483	\$16,364	\$73,425	\$178,871
Population	19,152	23,661	27,440	31,428	31,428
Full Value Per Capita	\$186	\$401	\$596	\$2,336	\$5,691
Median Family Income (% of US Median)	169.2%	169.0%	149.8%	153.6%	153.6%
Finances					
Operating Revenue (\$000)	-	\$236	\$323	\$897	\$1,967
Fund Balance (\$000)	-	\$215	\$409	\$1,173	\$2,331
Cash Balance (\$000)	-	\$207	\$690	\$1,317	\$3,212
Fund Balance as a % of Revenues	-	91.3%	126.5%	130.7%	118.5%
Cash Balance as a % of Revenues	-	87.9%	213.4%	146.8%	163.3%
Debt/Pensions					
Net Direct Debt (\$000)	-	\$	\$3,770	\$6,770	\$18,590
3-Year Average of Moody's ANPL (\$000)	-	-	-	-	-
Net Direct Debt / Full Value (%)	-	0.0%	23.0%	9.2%	10.4%
Net Direct Debt / Operating Revenues (x)	-	0.0x	11.7x	7.5x	9.5x
Moody's - ANPL (3-yr average) to Full Value (%)	-	-	-	0.0%	0.0%
Moody's - ANPL (3-yr average) to Revenues (x)	-	-	-	0.0x	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](#) 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 about 1,600.

Detailed credit considerations

The district's small tax base and above average resident income will remain stable, supported by the strength and proximity of the Austin metroplex. Assessed valuation (AV) is on track to grow over the next year following muted growth in fiscal 2025 (September 30 year-end) and fiscal 2026. The district reports that about 200 lots are anticipated to receive the city's approval in November 2025, which would allow homebuilding to begin. However, AV grew by less than 0.1% for fiscal 2026 due to limited available lots for homebuilding.

The debt burden will remain elevated, particularly given the stagnation in AV growth coupled with issuance of the \$4 million Series 2025 road bonds. Post-sale, the district will have \$26.5 million in debt outstanding, leading to a debt burden of 14%. This amount is well above the Baa3 median debt burden, around 10%. The elevated debt burden will continue to weigh on the credit profile.

Future reviews will focus on the ability to return to a healthy pace of growth, and thus moderate the debt burden. Absent material AV growth over the next one-to-two years, the district's elevated debt burden and small tax base will remain a longer-term credit concern, particularly as most developing districts in the sector continue a robust pace of growth.

Financial reserve levels will remain healthy and stable over the next two years. Based on expected and budgeted results for fiscal 2025 and 2026 respectively, available fund balance across the general and debt service funds will remain around 140% of revenue. The district also benefits from very limited operational risk, as all utility services are provided by the city. General fund expenses are nominal and largely administrative.

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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.

Social

Population will continue to grow as new homes 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 153.7% of the US. 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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