CREDIT OPINION
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Springhollow Municipal Utility District, TX

Update to credit analysis

Summary

Springhollow Municipal Utility District, TX's (Baa2) credit profile benefits from a rapidly growing tax base with favorable resident income, and a healthy financial position. The credit is challenged by elevated long-term liabilities that will remain due to slow principal amortization, although the district does not anticipate issuing new debt in the near term given all developer advances have been repaid.

Credit strengths

» Favorable income level

» Rapidly growing residential tax base

» Limited scale of operations

Credit challenges

» Elevated long-term liabilities

» Slow principal amortization

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 increase in available fund balance to liabilities ratio approaching 14%

» Decline in long-term liabilities to full value ratio below 8%

Factors that could lead to a downgrade

» Increase in long-term liabilities to full value ratio over 16%

» Decrease in available fund balance to liabilities ratio below 8%

» Deficit operations leading to a material decline in fund balance and/or liquidity

Key indicators

Exhibit 1
Springhollow Municipal Utility District, TX

	2022	2023	2024	2025
Economy				
Resident income ratio (%)	195.6%	204.9%	N/A	N/A
Full value ($000)	$58,502	$129,967	$247,504	$299,710
Financial Performance				
Revenue ($000)	$857	$1,758	$3,142	$3,962
Capital-focused Issuers -- Available Fund Balance	$823	$3,262	$5,046	$6,213
Net unrestricted cash ($000)	$2,472	$4,764	$7,376	$6,800
Capital-focused Issuers -- Available Fund Balance Ratio	96.0%	185.5%	160.6%	156.8%
Liquidity ratio (%)	288.5%	270.9%	234.7%	171.7%
Available fund Balance to Liabilities Ratio	7.6%	12.4%	11.9%	14.8%
Leverage				
Debt ($000)	$10,732	$26,122	$42,302	$41,648
Adjusted net pension liabilities ($000)	$0	$0	$0	$0
Adjusted net OPEB liabilities ($000)	$0	$0	$0	$0
Other long-term liabilities ($000)	$76	$127	$211	$207
Long-term Liabilities Ratio	1261.3%	1492.8%	1353.0%	1056.5%
Long-term Liabilities to Full Value Ratio (annual, used in key indicators)	18.5%	20.2%	17.2%	14.0%

For definitions of the metrics in the table above please refer to the US Special Purpose Districts Methodology or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published US Special Purpose Districts Median Report.
The real GDP annual growth metric cited above is for the Austin-Round Rock-Georgetown, TX Metropolitan Statistical Area.
Sources: US Census Bureau, Springhollow Municipal Utility District, TX's financial statements and Moody's Ratings, US Bureau of Economic Analysis

Profile

The district is comprised of about 532 acres located in north central Hays County, about 20 miles southwest of downtown Austin. The district is being developed as Parten Ranch, an entirely residential community, and the population is currently estimated at about 1,572 residents based on 3.5 residents per occupied home. The district is not responsible for utility operations; water service is provided by the West Travis Co. Public Utility Agency and wastewater service is provided by Hays Co. MUD 5, TX.

Detailed credit considerations

The district's tax base will continue to grow as the remaining homes are constructed, though the rate of growth will decelerate as it reaches full build out. The entirely residential tax base is made up of high-end single family homes, with a strong resident income ratio of about 205% of the US national median, using Dripping Springs ISD as a proxy. Certified fiscal 2027 (Sept. 30 year-end) assessed valuation reached $404 million and reflects a 20% increase from the previous year. The latest assessed value estimate indicates further growth to $455 million. As of Oct. 1, 2026, all developable land within the district had been developed with utility facilities. Roughly 36 lots remain under construction with 84 vacant lots ready for homebuilding. The availability of future homesites, coupled with a continued strong pace of development, will continue to drive strong tax base growth and diversify the number of taxpayers in the district.

Financial reserves are strong and above median and will remain stable due to a modest surplus projected for fiscal 2026 and roughly balanced operations budgeted for in fiscal 2027. Long-term liabilities are elevated, though the district will no longer have any outstanding advances owed to developers post-issuance. As a result, the district's long-term liabilities to full value ratio and the available fund balance to liabilities ratio will both settle around 12%. Both ratios are expected to moderate in the future as principal matures.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on https://ratings.moodys.com for the most updated credit rating action information and rating history.

ESG considerations

Environmental

Environmental considerations do not present material risks to the district's credit profile. The district's location in central Texas puts it at risk for heat, water stress, and wildfires. 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. Extreme weather events are also typically accompanied by state and federal assistance, which further mitigates environmental risk.

Social

The district benefits from the strong population growth of the Austin metro area. Resident income indices are strong with median family income at 205% of the U.S. based on Dripping Springs Independent School District. Homes within the district cater to luxury buyers and range between $800,000 to over $1.2 million.

Governance

The district is governed by a five-member board of directors, which has control over and management supervision of all affairs of the district. The directors are elected to four-year staggered terms. 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 on Environmental Quality.

Rating methodology and scorecard factors

The US Special Purpose Districts Methodology includes a scorecard that summarizes the rating factors generally most important to municipal utility district credit profiles. Because the scorecard is a summary and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 2

Springhollow Municipal Utility District, TX

	Measure	Weight	Score
Economy			
Resident income ratio	204.9%	30.0%	Aaa
Financial Performance			
Capital-focused Issuers -- Available Fund Balance Ratio	156.8%	5.0%	Aaa
Available fund Balance to Liabilities Ratio	14.8%	20.0%	Ba
Liquidity ratio	171.7%	5.0%	Aaa
Leverage			
Long-term Liabilities to Full Value Ratio	11.4%	40.0%	Ba
Notching factors			
Limited scale of operations	-1.0		
Scorecard-Indicated Outcome			Baa2
Assigned Rating			**Baa2**

The Economic Growth metric cited above compares the five-year CAGR of real GDP for Austin-Round Rock-Georgetown, TX Metropolitan Statistical Area Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.

Sources: US Census Bureau, Springhollow Municipal Utility District, TX's financial statements and Moody's Ratings

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