MOODY'S
RATINGS

Rating Action: Moody's Ratings assigns Baa3 to Pilot Knob MUD 2, TX's GOs, Ser. 2026 and 2026A

06 Nov 2026

New York, November 06, 2026 -- Moody's Ratings (Moody's) has assigned Baa3 ratings to Pilot Knob Municipal Utility District 2, TX's proposed $2.3 million Unlimited Tax Bonds, Series 2026 and $2.5 million Unlimited Tax Road Bonds, Series 2026A. We maintain the district's Baa3 issuer and general obligation unlimited tax (GOULT) ratings. Post-issuance, the district will have about $43.9 million of GOULT debt outstanding.

RATINGS RATIONALE

The Baa3 issuer rating reflects the district's strong financial profile, with available fund balance and net cash likely to remain above 125% of revenue through fiscal 2027. The district adopted a modest deficit in fiscal 2027 but typically outperforms budgeted expectations. The rating is further supported by the district's favorable location in southwest Austin, rapid residential development, and resident income at 100% of the US using Del Valle Independent School District as a proxy.

The rating is constrained by high long-term liabilities to full value and low available fund balance to long-term liabilities ratios of approximately 10% and 12%, respectively, inclusive of the proposed issuance and the 2026 certified valuation ($436.8 million). Notably, the district's balance sheet, and consequently these ratios, exclude approximately $51 million owed to developers for capital contributions. Were developer advances included on the balance sheet, the long-term liabilities and available fund balance to long-term liabilities ratios would equal 26% and 6%, respectively. While it is the district's intention to issue debt with assessed value growth to reimburse developers, it is not obligated to repay these developer liabilities if tax base growth does not materialize.

The Baa3 GOULT rating is at the same level as the issuer rating based on the pledge of an unlimited property tax that is dedicated for debt service and levied upon all taxable property within the district.

RATING OUTLOOK

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

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Decline in the long-term liabilities to full value ratio below 12%, inclusive of owed developer reimbursements

- Increase in available fund balance to liabilities ratio above 20%, inclusive of owed developer reimbursements

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Trend of deficit operations leading to a decline in available fund balance or liquidity ratios below 100%

- Increased long-term liabilities to full value ratio meaningfully above 20%, inclusive of owed developer reimbursements

PROFILE

Pilot Knob MUD 2 encompasses 557 acres within Travis County, approximately 8 miles southeast of Austin and within Del Valle Independent School District. The rapidly growing district has an estimated population of about 3,200 residents. Utility operations are provided by the City of Austin.

METHODOLOGY

The principal methodology used in these ratings was US Special Purpose Districts published in June 2026 and available at https://ratings.moodys.com/rmc-documents/466687. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

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