

## CREDIT OPINION

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### Contacts

Jose Lopez +1.214.979.6686  
Associate Lead Analyst  
jose.lopez@moody's.com

Gera M. McGuire +1.214.979.6850  
Associate Managing Director  
gera.mcguire@moody's.com

### CLIENT SERVICES

Americas 1-212-553-1653  
Asia Pacific 852-3551-3077  
Japan 81-3-5408-4100  
EMEA 44-20-7772-5454

# Williamson County Municipal Utility District 32, TX

Update following upgrade of GOULT

## Summary

[Williamson County Municipal Utility District 32, TX](#) (Baa2) credit profile reflects the district's growing and nearly built out tax base of \$365 million as of January 15, 2024, in the economically vibrant Austin region. The financial position is nominally small but healthy at over 100% of revenue, given the district's limited operations with service agreements with the cities of Georgetown and Liberty Hill. The credit profile further incorporates the districts elevated debt burden of that is above peer medians and that will remain given slow principal amortization and plans for additional debt in the next few years.

On July 5, we upgraded the district's general obligation unlimited tax (GOULT) rating to Baa2 from Baa3.

## Credit strengths

- » Favorable location in the Austin metro area
- » Lack of operational risk given service agreements with nearby cities

## Credit challenges

- » Elevated debt burden
- » Modest tax base with development nearly built out

## Rating outlook

Moody's does not assign outlooks to local governments issuers with this amount of debt outstanding.

## Factors that could lead to an upgrade

- » Sustained decline in the debt burden below 6% of full value
- » Material increase in taxable values to over \$500 million

## Factors that could lead to a downgrade

- » Increase in debt burden to above 15% of revenues
- » Decline in fund balance or liquidity
- » Significant decline of taxable values

## Key indicators

Exhibit 1

### Williamson County Municipal Utility District 32, TX

	2019	2020	2021	2022	2023
<b>Economy/Tax Base</b>					
Total Full Value (\$000)	\$46,667	\$121,584	\$155,963	\$217,807	\$308,825
Population	1,323	1,323	1,323	1,323	1,323
Full Value Per Capita	\$35,273	\$91,900	\$117,886	\$164,631	\$233,428
Median Family Income (% of US Median)	158.3%	169.2%	169.0%	149.8%	149.8%
<b>Finances</b>					
Operating Revenue (\$000)	\$441	\$1,087	\$1,327	\$1,878	\$2,819
Fund Balance (\$000)	\$187	\$1,362	\$1,860	\$2,389	\$2,912
Cash Balance (\$000)	\$986	\$1,545	\$1,949	\$2,423	\$2,932
Fund Balance as a % of Revenues	42.5%	125.3%	140.1%	127.2%	103.3%
Cash Balance as a % of Revenues	223.5%	142.2%	146.8%	129.0%	104.0%
<b>Debt/Pensions</b>					
Net Direct Debt (\$000)	\$12,000	\$18,405	\$20,295	\$24,780	\$39,460
3-Year Average of Moody's ANPL (\$000)	\$	\$	\$	\$	\$
Net Direct Debt / Full Value (%)	25.7%	15.1%	13.0%	11.4%	12.8%
Net Direct Debt / Operating Revenues (x)	27.2x	16.9x	15.3x	13.2x	14.0x
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 County Municipal Utility District 32, TX's financial statements and Moody's Ratings

## Profile

Williamson County MUD No. 32 is located approximately eight miles southeast of Liberty Hill and four miles north of [Leander](#) (Aa1), encompassing 317 acres within Williamson County and Leander Independent School District. The district has an estimated population of 3,021 residents.

## Detailed credit considerations

The district's tax base growth will moderate as the district nears full built out. Fiscal 2024 assessed value (AV) grew to \$329 million. The estimated taxable value as of January 15, 2024 is \$365.8 million. As of June 1, 2024, development in the district consisted of 863 completed homes and 6 unoccupied homes. There are only approximately 30 remaining developable acres, which are slated for commercial development to be completed in the next 24-36 months. Median family income in the area is strong at 150% of the US median.

The district's financial reserves remain somewhat nominally small but adequate given the district's lack of utility operations. General fund reserves and operating reserves (general fund and debt service funds) improved and ended fiscal 2023 with 180.6% and 103.3% of revenue respectively. The district budgeted a small \$7,000 general fund surplus for fiscal 2024, and at eight months in, actuals are trending close to budgeted.

The district's debt burden will remain high in the near term due to slow amortization though future issuance plans are limited. The debt burden is elevated and above medians at 14% of fiscal 2023 full value and 12.6% of the estimated value. Additional debt of \$4 million is planned within the next few years. The district has no employees and, therefore, no pension or other post-employment benefit liabilities.

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## ESG considerations

### Environmental

Environmental risks do not present a material immediate challenge to the district. The district is located in Williamson County with medium risk for heat, water stress and extreme rainfall. Extreme weather events are also typically accompanied by state and federal assistance, which further mitigates environmental risk.

### Social

Social considerations were evaluated, but did not materially impact the credit profile. The district is almost entirely residential and built out. Using Leander Independent School District as a proxy, resident incomes are strong with median family income equal to 150% of the nation.

### Governance

Governance of the district is strong given oversight from the Texas Commission of Environmental Quality. 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 district does not have a general manager or other full-time employees, but contracts for certain necessary services.

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Contacts

Jose Lopez  
Associate Lead Analyst  
jose.lopez@moody's.com

+1.214.979.6686

Gera M. McGuire  
Associate Managing  
Director  
gera.mcguire@moody's.com

+1.214.979.6850

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