

RATING ACTION COMMENTARY

Fitch Rates Williamson County, TX's ULT Road Bonds, LT Park & Refunding Bonds, and LT Notes 'AAA'

Thu 15 May, 2025 - 2:42 PM ET

Fitch Ratings - Austin - 15 May 2025: Fitch Ratings has assigned a 'AAA' rating to the following bonds and notes for Williamson County, TX:

--\$146.29 million unlimited tax (ULT) road bonds, series 2025;

--\$67.15 million limited tax (LT) refunding and park bonds, series 2025;

--\$90.97 million limited tax (LT) notes, series 2025.

Fitch has also affirmed the following Williamson County, TX ratings at 'AAA':

--Issuer Default Rating (IDR);

--All outstanding Fitch-rated ULT general obligations, long-term obligations, and long-term notes.

The bonds and notes are scheduled to sell via negotiated sale on or around May 21, 2025. Proceeds from the road bonds will be used for constructing and improving county highways and roads and paying the cost of issuance. Proceeds from the park bonds will be used for constructing and making recreational and park improvements in the county, refunding a portion of the county's ad valorem tax obligations, and paying the cost of issuance. The notes will be used for constructing roads, paying for right-of-way, and paying the cost of issuance.

The Rating Outlook is Stable.

RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡			PRIOR ⚡
Williamson County (TX) [General Government]	LT IDR	AAA Rating Outlook Stable		AAA Rating Outlook Stable
	Affirmed			
Williamson County (TX) /General Obligation - Limited Tax/1 LT	LT	AAA Rating Outlook Stable	Affirmed	AAA Rating Outlook Stable
Williamson County (TX) /General Obligation - Unlimited Tax/1 LT	LT	AAA Rating Outlook Stable	Affirmed	AAA Rating Outlook Stable

VIEW ADDITIONAL RATING DETAILS

The 'AAA' IDR rating reflects the county's financial resilience assessment of 'aaa' based on an 'Ample' level of budgetary flexibility, underpinned by a flexible labor framework and absence of collective bargaining. Fitch expects that the county will maintain unrestricted general fund reserves of at least 7.5% of spending, which have sustained levels above 50% of spending since fiscal 2016.

The rating also incorporates the county's overall 'Strong' demographic and economic level metrics associated with educational attainment and median household income levels. The population trend metric is assessed as 'Strongest', due to the robust population growth.

The long-term liability burden composite is assessed at 'Weak' when compared to Fitch rated local governments, reflecting the increase in direct debt occurring with the series 2025 issuances coupled with planned defeasances in 2025. Fitch recognizes that these metrics are likely to remain stable or increase with the county's robust growth trend and remaining authorized debt after the series 2025 issuances.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--Sustained decline in available general fund reserves below 7.5% of spending, which would reduce the county's financial resilience assessment to below 'aaa';

--A weakening in demographic and economic metrics, particularly population trend and unemployment as a percentage of the national rate;

--An approximate 5% increase in the long-term liability burden, assuming current levels of personal income and governmental resources.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

--Not applicable due to the 'AAA' rating.

SECURITY

The bonds are payable from an unlimited ad valorem tax levied against all taxable property in the county. The limited bonds and notes are payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the county.

FITCH'S LOCAL GOVERNMENT RATING MODEL

The Local Government Rating Model generates Model Implied Ratings, which communicate the issuer's credit quality relative to Fitch's local government rating portfolio. (The Model Implied Rating will be the IDR except in certain circumstances explained in the applicable criteria.) The Model Implied Rating is expressed via a numerical value calibrated to Fitch's long-term rating scale that ranges from 10.0 or higher (AAA), 9.0 (AA+), 8.0 (AA), and so forth down to 1.0 (BBB- and below).

Model Implied Ratings reflect the combination of issuer-specific metrics and assessments to generate a Metric Profile and a structured framework to account for Additional Analytical Factors not captured in the Metric Profile that can either mitigate or exacerbate credit risks. Additional Analytical Factors are reflected in notching from the Metric Profile and are capped at +/-3 notches.

RATINGS HEADROOM & POSITIONING

Williamson County Model Implied Rating: 'AAA' (Numerical Value: 10.04)

-- Metric Profile: 'AAA' (Numerical Value: 10.04)

-- Net Additional Analytical Factor Notching: 0.0

Williamson County's Model Implied Rating is 'AAA'. The associated numerical value of 10.04 is at the lower end of the range for a 'AAA' rating.

KEY RATING DRIVERS

FINANCIAL PROFILE

Financial Resilience - 'aaa'

Williamson County's financial resilience is driven by the combination of its 'High' revenue control assessment and 'High' expenditure control assessment, culminating in an 'Ample' budgetary flexibility assessment.

-- Revenue control assessment: High

-- Expenditure control assessment: High

-- Budgetary flexibility assessment: Ample

-- Minimum fund balance for current financial resilience assessment: $\geq 7.5\%$

-- Current year fund balance to expenditure ratio: 86.1% (2024)

-- Lowest fund balance to expenditure ratio for the fiscal-year period 2020-2024: 70.3% (2020)

Revenue Volatility - 'Strongest'

Williamson County's weakest historic three-year revenue performance is neutral to the Model Implied Rating.

The revenue volatility metric is an estimate of potential revenue volatility based on the issuer's historical experience relative to the median for the Fitch-rated local government portfolio. The metric helps to differentiate issuers by the scale of revenue loss that would have to be addressed through revenue raising, cost controls or utilization of reserves through economic cycles.

-- Lowest three-year revenue performance (based on revenues dating back to 2005): 5.3% increase for the three-year period ending fiscal 2013

-- Median issuer decline: -4.2% (2024)

DEMOGRAPHIC AND ECONOMIC STRENGTH

Population Trend - 'Strongest'

Based on the median of 10-year annual percentage change in population, Williamson County's population trend is assessed as 'Strongest'.

Population trend: 4.0% 2023 median of 10-year annual percentage change in population (98th percentile)

Unemployment, Educational Attainment and MHI Level - 'Strong'

The overall strength of Williamson County's demographic and economic level indicators (unemployment rate, educational attainment, median household income [MHI]) in 2024 are assessed as 'Strong' on a composite basis, performing at the 74th percentile of Fitch's local government rating portfolio. This is due to relatively very high education attainment levels and median-issuer indexed adjusted MHI, midrange unemployment rate.

-- Unemployment rate as a percentage of national rate: 94.4% Analyst Input (55th percentile), relative to the national rate of 4.0%

-- Percent of population with a bachelor's degree or higher: 47.4% (2023) (85th percentile)

-- MHI as a percent of the portfolio median: 139.5% (2023) (83rd percentile)

Economic Concentration and Population Size - 'Strongest'

Williamson County's population in 2023 was of sufficient size and the economy was sufficiently diversified to qualify for Fitch's highest overall size/diversification category.

The composite metric acts asymmetrically, with most issuers (above the 15th percentile for each metric) sufficiently diversified to minimize risks associated with small population and economic concentration. Downward effects of the metric on the Metric Profile are most pronounced for the least economically diverse issuers (in the 5th percentile for the metric or lower). The economic concentration percentage shown below is defined as the sum of

the absolute deviation of the percentage of personal income by major economic sectors relative to the U.S. distribution.

-- Population size: 701,640 (2023) (above the 15th percentile)

-- Economic concentration: 29.7% (2024) (above the 15th percentile)

The analyst input reflects 2023 unemployment absent available data for 2024.

LONG-TERM LIABILITY BURDEN

Long-Term Liability Burden - 'Weak'

Williamson County's liabilities to personal income has deteriorated while carrying costs to governmental expenditures and liabilities to governmental revenue remain broadly weak. The long-term liability composite metric in 2024 is at the 31st percentile, indicating a somewhat elevated liability burden relative to the Fitch's local government rating portfolio.

-- Liabilities to personal income: 3.5% Analyst Input (70th percentile)

-- Liabilities to governmental revenue: 254.0% Analyst Input (20th percentile) (vs. 239.1% 2024 Actual)

-- Carrying costs to governmental expenditures: 25.8% Analyst Input (5th percentile) (vs. 21.3% 2024 Actual)

Direct net debt was adjusted to reflect the county's current outstanding general obligation debt according to the most recent bond official statement, which is inclusive of the current issuance of approximately \$304 million. The county's planned defeasance of \$20 million in fiscal 2025 is also included. Additionally, debt service and governmental expenditures were adjusted with the county's pro forma fiscal 2026 debt service amount, according to the county's most recent bond official statement.

PROFILE

Williamson County occupies 1,104 square miles in central Texas with a 2024 population of approximately 701,640, a nearly 66% increase from the 2010 Census amount. The county, a component of the Austin-Round Rock-Georgetown, TX MSA, is situated just north of Austin along the heavily traversed Interstate 35 corridor.

Williamson County is the 6th fastest growing county in Texas and 10th fastest growing county in the U.S. The county's growth has been fueled by its location on the Interstate 35 corridor and inclusion within the Austin MSA. The technology sector is the primary driver for job growth in the region.

The employment base is anchored by an abundance of high technology firms, including the corporate headquarters of Dell Computer, an Apple Inc. campus, and a SpaceX facility. In addition to the tech industry, the Williamson County employment base includes manufacturing, government, education, retail, healthcare and agribusiness.

The county's fiscal 2025 taxable assessed value (TAV) has realized a 10-year compound annual growth rate (CAGR) of about 12.1% with the 2025 TAV over \$131 billion, an 8% increase over fiscal 2024 TAV. Rapid population growth within the larger metro area will continue to drive the strong residential, commercial, retail and industrial development within the county for the foreseeable future. Wealth and income indicators exceed state and national levels.

Sources of Information

In addition to sources of information identified in Fitch's applicable criteria specified below, this action was informed by data from DIVER by Solve.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit

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APPLICABLE CRITERIA

U.S. Public Finance Local Government Rating Criteria (pub. 02 Apr 2024) (including rating assumption sensitivity)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

U.S. Local Government Rating Model, v1.2.0 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

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Williamson County (TX)

EU Endorsed, UK Endorsed

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