Research Update:

# Williamson County, TX 2025 GO Road Bonds, Park Bonds, Limited-Tax Notes Assigned 'AAA' Rating

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## Overview

- S&P Global Ratings assigned its 'AAA' long-term rating to Williamson County, Texas' roughly $146.29 million series 2025 unlimited-tax general obligation (GO) road bonds, approximately $67.15 million series 2025 limited-tax refunding and park bonds, and approximately $90.07 million series 2025 limited-tax notes.
- At the same time, we affirmed our 'AAA' long-term rating on the county's existing unlimited- and limited-tax GO debt.
- The ratings reflect the application of our “Methodology For Rating U.S. Governments,” published Sept. 9, 2024, on RatingsDirect.
- The outlook is stable.

## Rationale

### Security

The series 2025 and existing unlimited-tax road bonds are payable from the receipts of a direct and continuing annual ad valorem tax levied, without legal limit as to rate or amount, on all taxable property within the county.

The series 2025 and existing limited-tax bonds and notes are payable from the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the county.

Texas statutes limit the maximum ad valorem tax rate for counties to 80 cents per $100 of taxable assessed valuation (AV) for all county purposes. Administratively, the Texas attorney general will permit the allocation of 40 cents of the maximum tax rate for ad valorem tax debt service. Despite limitations imposed by the state levy-limit law, we did not make a rating distinction for the limited-tax GO pledge due to the fungibility of the county's revenue and its flexibility under the levy limit.

Officials intend to use series 2025 bond and note proceeds to fund various countywide capital-improvement projects, including road and park improvements.

## Credit highlights

Underpinning the 'AAA' rating is our view of Williamson County's rapid tax base growth as substantial economic expansion is ongoing, historically strong finances, and experienced management team that, in our view, is capable of navigating uncertainty as macroeconomic conditions evolve.

Williamson County is one of the fastest-growing counties in the nation, increasing its AV by roughly 71% in five years as it continues to realize rapid economic development and benefit from its favorable location in the Austin-Round Rock metropolitan statistical area (MSA). The county's finances have historically been a credit strength, which we anticipate will continue, with multiyear surpluses and sizable general fund reserves that are maintained above the county's formal policy. The county expects to continue to issue debt annually as necessary to accommodate growth-based capital needs, which will keep its debt profile elevated, but we do not expect any budgetary pressure because growth will somewhat offset debt service costs on new issuances as the broadening tax base generates additional revenue, keeping costs manageable.

The rating reflects our assessment of the county's:

- Robust, rapidly growing economy with ongoing development, bolstered by access to the broad, diverse MSA and local incomes above the nation. We expect growth will continue outpacing the U.S.
- Consistently positive operating performance for many years, allowing the county to maintain robust reserves. Even with the potential for a planned spend-down for capital, we anticipate its reserves will remain above its formal policy of 35% of general fund expenditures and spend-downs will be less than projected as strong revenue growth occurs year over year.
- Management team with a proven track record of maintaining fiscal stability by budgeting conservatively and planning comprehensively, including a focus on affordability, balancing cash-funded capital projects with debt issuances, needed to accommodate the rapid growth. Officials regularly update long-term capital and revenue/expenditure projections and provide regular updates to county officials. The county takes extensive measures to mitigate its cyber risks.
- Debt is somewhat elevated and despite plans for additional debt that will likely be annual, we do not anticipate costs will change materially or result in any pressure to the budget, further mitigated by the county's annual debt defeasance plan, which we view positively. Pension costs are affordable with the county normally meeting or exceeding our static and minimum funding metrics, making progress on paying down its liabilities.
- For more information on our institutional framework assessment for Texas local governments, see "Institutional Framework Assessment: Texas Local Governments, ," published Sept. 9, 2024.

## Environmental, social, and governance

We view the county's environmental, social, and governance factors as neutral in our credit-rating analysis. We believe that the county's population growth of close to 56% during the past

20 years represents a social opportunity because the county can spread service costs across a larger base, which could help it maintain long-term affordability.

### Rating above the sovereign

Williamson County's GO debt is eligible to be rated above the sovereign because we believe the county can maintain better credit characteristics than the nation in a stress scenario. Under our criteria, "Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions" (published Nov. 19, 2013), we consider U.S. local governments to have moderate sensitivity to national risk.

## Outlook

The stable outlook reflects our view of the county’s prudent financial management that helps underpin budgetary stability amid evolving macroeconomic conditions. It also reflects our belief that the pace of the county’s economic expansion, resulting in population and tax base increases, will help it maintain its robust financial profile and absorb additional debt costs.

### Downside scenario

We could lower the rating if financial performance deteriorates significantly, materially decreasing reserves without a plan to replenish them.

## Credit Opinion

## Economy

Williamson County has experienced tremendous growth in five years, increasing its tax base by 71%, which we expect to continue to outpace the nation, reflecting a combination of substantial economic development and rises in existing property values. Its location 12 miles north of downtown Austin allows residents to benefit from direct access to major transportation corridors, and employment centers as part of the Austin-Round Rock MSA, though the county does have an abundance of prominent employers located within its boundaries, creating a well-diversified employment base that continues to grow. There are notably large companies in a growing technology sector, such as Samsung, Apple, and Dell. Other sectors seeing growth include health care, retail, and solar. Significant new additions or expansions include Firefly Aerospace (which builds rockets and lunar landers), various auto suppliers, and entertainment venues. The housing market has been particularly strong to accommodate a rising population, and officials note that affordability is not yet a material concern as it has become nationally, particularly in metropolitan areas.

We note gross county product lags the nation, likely as many residents commute into Austin, which is in a different county, but Williamson County’s local incomes are above average relative to the nation. While we acknowledge the strength and stability of the county’s economy, in our view, slowing economic indicators in the U.S. amid rising tariffs, higher interest rates, and lingering policy uncertainty could trickle down to the county, though the effects are not measurable at this point (see “U.S. Economic Outlook Update: Higher Tariffs And Policy Uncertainty To Weaken Growth, published May 1, 2025).

## Financial Performance, Reserves, and Liquidity

A key credit strength for the county is its strong financial profile. The county has a history of operating surpluses in the general fund, underpinned by adherence to strong financial management practices, including conservative budgeting and comprehensive long-term planning. Commensurate with tax base growth, property taxes, by far the largest generator of general fund revenue, have outpaced projections year over year, allowing the county to maintain available reserves at more than 50%, despite annually budgeted spend-downs for capital projects. Fiscal 2025 is tracking positively overall year-to-date and another year-end surplus is anticipated. This partially reflects vacant positions that are included in the budget as a conservative measure, higher investment income, and strong property tax collections.

The county plans to spend down its general fund balance annually for capital projects, according to its long-term financial and capital plans; however, officials remain committed to their formal reserve policy of maintaining 35% of operating expenditures, which the county is well in excess of at 55% in fiscal 2024 and has been able to be maintained at similar levels even through COVID-19 challenges. Additionally, given the increase in revenue year over year as well as careful management of expenditures producing strong surpluses, we do not expect a decline in its reserve position to be as sizable as budgeted in the near term and expect finances will remain a credit strength.

## Management

The county has robust budgeting and planning practices that underscore the management team's capacity to meet the challenges of evolving economic conditions and navigate rapid growth. Revenue and expenditures are budgeted based on a thorough and conservative trend analysis, coupled with the use of demographers to predict growth trends and monthly fiscal presentations to the commissioner's court that track revenue, expenditures, and investment performance. A formal fund balance policy of maintaining reserves at 35% of operating general fund expenditures has historically been exceeded. A capital improvement plan is updated annually and, if not completed, rolls forward, with one-fifth of fund balance over formal policy allocated as the funding source. The county conducts long-term financial modeling that forecasts revenue and expenditures. It maintains formal investment management and debt policies.

## Debt and Liabilities

Post issuance, although we consider current debt and liabilities costs somewhat elevated, we do not expect pressure on the budget. Additionally, annual near-term debt plans to accommodate rapid economic growth will likely be somewhat mitigated as the tax base expands and generates increased tax revenue and amortization is relatively rapid. A credit positive, in our view, is the county's implementation of a debt-defeasance program, where the county has defeased $196 million of debt since the program's inception and budgeted for $20 million to defease in fiscal 2025.

We do not view pension and other postemployment liabilities as an immediate credit pressure because required contributions account for a small portion of total governmental expenditures. We do not expect required contributions to increase materially during the next few fiscal years due to the county's favorable funding discipline. The county has historically neared or exceeded our static and minimum funding metrics, demonstrating some progress on paying down its liabilities, which we expect to continue.

## Williamson County, Texas--Credit summary

| Institutional framework (IF) | 1 |
|---|---|
| Individual credit profile (ICP) | 1.70 |
| Economy | 2.0 |
| Financial performance | 1 |
| Reserves and liquidity | 1 |
| Management | 1.00 |
| Debt and liabilities | 3.50 |

## Williamson County, Texas--Key credit metrics

| | Most recent | 2024 | 2023 | 2022 |
|---|---|---|---|---|
| **Economy** | | | | |
| Real GCP per capita % of U.S. | 69 | -- | 69 | 69 |
| County PCPI % of U.S. | 104 | -- | 104 | 102 |
| Market value ($000s) | 129,603,095 | 120,921,079 | 106,996,097 | 84,913,236 |
| Market value per capita ($) | 193,171 | 180,231 | 159,476 | 132,263 |
| Top 10 taxpayers % of taxable value | 2.6 | 2.6 | 2.6 | 2.8 |
| County unemployment rate (%) | 3.6 | 3.6 | 3.5 | 3.0 |
| Local median household EBI % of U.S. | 136 | -- | 136 | 137 |
| Local per capita EBI % of U.S. | 122 | -- | 122 | 123 |
| Local population | 670,923 | 670,923 | 670,923 | 642,002 |
| **Financial performance** | | | | |
| Operating fund revenues ($000s) | -- | 311,163 | 279,089 | 242,057 |
| Operating fund expenditures ($000s) | -- | 264,732 | 241,739 | 234,015 |
| Net transfers and other adjustments ($000s) | -- | (11,239) | (10,880) | 219 |
| Operating result ($000s) | -- | 35,192 | 26,470 | 8,261 |
| Operating result % of revenues | -- | 11.3 | 9.5 | 3.4 |
| Operating result three-year average % | -- | 8.1 | 8.5 | 8.3 |
| **Reserves and liquidity** | | | | |
| Available reserves % of operating revenues | -- | 54.9 | 55.1 | 55.8 |
| Available reserves ($000s) | -- | 170,707 | 153,655 | 135,159 |

## Williamson County, Texas--Key credit metrics

| | Most recent | 2024 | 2023 | 2022 |
|---|---|---|---|---|
| **Economy** | | | | |
| **Debt and liabilities** | | | | |
| Debt service cost % of revenues | -- | 21.9 | 22.4 | 25.4 |
| Net direct debt per capita ($) | 2,323 | 2,001 | 1,733 | 1,776 |
| Net direct debt ($000s) | 1,558,519 | 1,342,273 | 1,162,864 | 1,140,283 |
| Direct debt 10-year amortization (%) | 73 | 75 | -- | -- |
| Pension and OPEB cost % of revenues | -- | 3.0 | 3.0 | 3.0 |
| NPLs per capita ($) | -- | 159 | 181 | -- |
| Combined NPLs ($000s) | -- | 106,817 | 121,160 | -- |

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

| **Ratings List** | |
|---|---|
| **New Issue Ratings** | |
| US$146.29 mil unltd tax rd bnds ser 2025 dtd 06/11/2025 due 02/15/2045 | |
| Long Term Rating | AAA/Stable |
| US$67.15 mil ltd tax rfdg and park bnds ser 2025 dtd 06/11/2025 due 02/15/2045 | |
| Long Term Rating | AAA/Stable |
| US$90.07 mil ltd tax nts ser 2025 dtd 06/11/2025 due 02/15/2032 | |
| Long Term Rating | AAA/Stable |
| **Ratings Affirmed** | |
| **Local Government** | |
| Williamson Cnty, TX Limited Tax General Operating Pledge | AAA/Stable |
| Williamson Cnty, TX Unlimited Tax General Obligation | AAA/Stable |

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.