

RATING ACTION COMMENTARY

Fitch Affirms Williamson County, TX's GO Bonds and Tax Notes at 'AAA'; Outlook Stable

Mon 24 Feb, 2025 - 4:41 PM ET

Fitch Ratings - Austin - 24 Feb 2025: Fitch Ratings has affirmed the following Williamson County, TX ratings at 'AAA':

- Issuer Default Rating (IDR);
- Approximately \$340 million limited tax (LT) notes;
- Approximately \$518 million outstanding unlimited tax (ULT) general obligations (GO);
- Approximately \$300 million outstanding LT obligations.

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 affirmation of William County's 'AAA' IDR reflects analysis under Fitch's "U.S. Public Finance Local Government Rating Criteria". The ratings incorporate the county's financial resilience assessment of 'aaa' based on an ample level of budgetary flexibility and Fitch's expectation that available general fund reserves will equal at least 7.5% of spending, which the county has well exceeded historically.

The ratings also reflect the county's 'Strong' demographic and economic levels and 'Strongest' population trend. The long-term liability burden is considered 'Weak' and incorporates upcoming debt plans as well as a planned defeasance.

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;
- An approximate 10% 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 given the 'AAA' rating.

SECURITY

The bonds are payable from an unlimited ad valorem tax levied against all taxable property in the county. The 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 Issuer Default Rating 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: 78.4% (2023)
- Lowest fund balance to expenditure ratio for the fiscal-year period 2019-2023: 60.6% (2019)

### **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: -4.5% (2023)

## **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: 3.9% Analyst Input (98th percentile) (vs. 3.9% 2022 median of 10-year annual percentage change in population)

### **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 2023 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% 2023 (55th percentile), relative to the national rate of 3.6%

-- Percent of population with a bachelor's degree or higher: 47.4% Analyst Input (85th percentile) (vs. 46.3% 2022 Actual)

-- MHI as a percent of the portfolio median: 139.1% Analyst Input (83rd percentile) (vs. 137.1% 2022 Actual)

### **Economic Concentration and Population Size - 'Strongest'**

Williamson County's population in 2022 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: 697,191 Analyst Input (above the 15th percentile) (vs. 672,273 2022 Actual)

-- Economic concentration: 32.8% (2023) (above the 15th percentile)

The analyst input reflects the most recent available census data which includes the 2023 population estimate, MHI, and population with a bachelor's degree.

### **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 moderately weak. The long-term liability composite metric in 2023 is at the 31st percentile, indicating a somewhat elevated liability burden relative to the Fitch's local government rating portfolio.

-- Liabilities to personal income: 3.4% Analyst Input (70th percentile) (vs. 2.7% 2023 Actual)

-- Liabilities to governmental revenue: 252.0% Analyst Input (20th percentile) (vs. 228.3% 2023 Actual)

-- Carrying costs to governmental expenditures: 26.7% Analyst Input (4th percentile) (vs. 21.4% 2023 Actual)

The long-term liability burden was adjusted for the upcoming debt plans and the reduction in direct debt related to the cash defeasances. The debt service component of the carrying cost metric was adjusted to include the 2025 debt service on existing debt plus the estimated additional debt service in relation to the upcoming debt plans. The inputs also include fiscal 2024 unaudited governmental revenues and expenditures.

## PROFILE

Williamson County occupies 1,104 square miles in central Texas with a 2023 population of approximately 697,191, a nearly 65% 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 US. 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 DRIVER 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](#))

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