

RatingsDirect®

Summary:

Williamson County, Texas; General Obligation

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Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

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Credit Profile

US\$20.0 mil ltd tax park bonds ser 2016 dtd 06/01/2016 due 02/15/2036

Long Term Rating

AAA/Stable

New

Rationale

S&P Global Ratings assigned its 'AAA' long-term rating to Williamson County, Texas' series 2016 limited tax park bonds. At the same time, S&P Global Ratings affirmed its 'AAA' rating on the county's previously issued general obligation (GO) debt. The outlook is stable.

Williamson County is rated above the sovereign because we believe the county can maintain better credit characteristics than the U.S. in a stress scenario based on its predominantly locally derived revenue base and our view that pledged revenue supporting debt service on the bonds is at limited risk of negative sovereign intervention.

The series 2016 bonds are secured by an ad valorem tax, levied on all taxable property in the county, within the limits prescribed by state law. The maximum allowable Texas county tax rate for purposes outside of roads is 80 cents per \$100 of assessed value (AV) for all purposes, with the portion dedicated to debt service limited to 40 cents. The county's levy is well below the maximum, at 44 cents, 16 cents of which is dedicated to debt service. Despite the limitations imposed by the state levy limit law, we did not make a rating distinction for the limited-tax GO pledge given the county's 'AAA' rating and flexibility under the tax cap.

Bond proceeds will be used for park improvements.

The 'AAA' rating reflects our assessment of the county's:

- Strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Very strong management, with "strong" financial policies and practices under our Financial Management Assessment methodology;
- Very strong budgetary performance, with operating surpluses in the general fund and at the total governmental fund level in fiscal 2015;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2015 of 57% of operating expenditures;
- Very strong liquidity, with total government available cash at 65.5% of total governmental fund expenditures and 2.2x governmental debt service, and access to external liquidity we consider strong;
- Very weak debt and contingent liability profile, with debt service carrying charges at 29.6% of expenditures and net direct debt that is 335.3% of total governmental fund revenue; and
- Strong institutional framework score.

Strong economy

We consider the county's economy strong. Williamson County, with an estimated population of 503,928, is located in the Austin-Round Rock, TX MSA, which we consider to be broad and diverse. The county has a projected per capita

effective buying income of 123% of the national level and per capita market value of \$91,069. Overall, the county's market value grew by 9.5% over the past year to \$45.9 billion in 2016. The county unemployment rate was 3.5% in 2015.

Interstate Highway 35 traverses the center of the county, passing through the county seat of Georgetown and the city of Round Rock, providing excellent access to the Austin metropolitan area. County officials report continued economic expansion in essentially all sectors, with the southern sector of the county transitioning to commercial and high-density development as cities approach build-out. The county's tax base is expected to continue increasing for the foreseeable future, with a wide variety of projects in progress throughout the area.

Very strong management

We view the county's management as very strong, with "strong" financial policies and practices under our Financial Management Assessment methodology, indicating financial practices are strong, well embedded, and likely sustainable.

County officials employ conservative revenue assumptions and use demographers to predict growth trends. Officials can amend the budget at any time and provide monthly budget-to-actual reporting to commissioners. In addition, the county has a long-term financial plan that is shown to commissioners periodically. It has strong budgeting and investment policies and reporting practices. Investment policies mirror those of the state and monthly investment reports are provided to county commissioners. Williamson County also has a comprehensive debt management policy that provides county officials with guidelines to closely evaluate and monitor debt issuance. It has a formal policy of maintaining 35% of operating expenditures in reserve.

Very strong budgetary performance

Williamson County's budgetary performance is very strong in our opinion. The county had operating surpluses of 9.1% of expenditures in the general fund and of 3.8% across all governmental funds in fiscal 2015.

We have adjusted our calculations to net out the effects of cash reduction transfers from the general fund as well as bond-funded drawdowns of the capital outlay fund. The county derives the majority of its operating revenues from property tax collections, which accounted for 77% of general fund revenues in fiscal 2015. Collection rates for the county remain very strong, averaging over 99% each year. Strong growth has resulted in healthy revenue increases and very strong budgetary performance in recent years. Due to the surplus in fiscal 2015, the county added about \$8 million to the general fund balance in fiscal 2015. Net of planned transfers for cash reduction, the county's general fund budget is balanced for 2016. Williamson County budgets conservatively, however, and we expect budgetary performance to remain very strong for the foreseeable future.

Very strong budgetary flexibility

Williamson County's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2015 of 57% of operating expenditures, or \$77.1 million. We expect the available fund balance to remain above 30% of expenditures for the current and next fiscal years, which we view as a positive credit factor.

The county ended fiscal 2015 with a total available general fund balance of about \$77 million, or about 52% of expenditures (with an additional \$5 million classified as committed). County officials project ending fiscal 2016 with a

total available fund balance of about \$72 million due to the approximately \$5 million deficit budgeted (inclusive of cash reduction transfers). Despite efforts to reduce the fund balance, the county remains committed to adhering to a 35% reserve policy for the general fund, which we view as very strong.

Very strong liquidity

In our opinion, Williamson County's liquidity is very strong, with total government available cash at 65.5% of total governmental fund expenditures and 2.2x governmental debt service in 2015. In our view, the county has strong access to external liquidity if necessary.

The county has demonstrated strong access to the capital markets with frequent issuances of GO debt over the last 20 years. We expect liquidity to remain very strong, based on the county's lack of plans to spend down cash and cash equivalents. Although the state does allow for investments that we consider to be somewhat permissive, the county's investments are primarily in state investment pools and money market accounts, which we view as conservative.

Very weak debt and contingent liability profile

In our view, Williamson County's debt and contingent liability profile is very weak. Total governmental fund debt service is 29.6% of total governmental fund expenditures, and net direct debt is 335.3% of total governmental fund revenue.

The county is a frequent issuer of debt and the rapid pace of development is likely to create significant infrastructure needs for the foreseeable future. As such, the debt burden is likely to remain elevated for the foreseeable future.

Williamson County's combined required pension and actual other postemployment benefits (OPEB) contributions totaled 4.9% of total governmental fund expenditures in 2015. The county made its full annual required pension contribution in 2015.

The county provides retirement, disability, and death benefits for all of its full-time employees through the Texas County & District Retirement System. The plan is funded by monthly contributions from the employee members and the county. The county's pension plan was approximately 92% funded as of the most recent valuation, reported as fiduciary net position as a percentage of liability in accordance with Governmental Accounting Standards Board statement 68 standards adopted in fiscal 2015. In addition to pension benefits, Williamson County provides all retired employees with a medical insurance benefit plan, although the costs associated with this plan are nominal.

Strong institutional framework

The institutional framework score for Texas counties is strong.

Outlook

The stable outlook reflects our expectation that Williamson County's economy will remain strong. We also expect that the county's very strong finances and management practices will contribute to credit stability. For these reasons, we do not anticipate a downgrade within the two-year outlook horizon.

Downside scenario

Should the county's financial position decline significantly, most likely due to unforeseen growth pressures, we could take a negative rating action.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Financial Management Assessment, June 27, 2006
- USPF Criteria: Debt Statement Analysis, Aug. 22, 2006
- USPF Criteria: Limited-Tax GO Debt, Jan. 10, 2002
- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015
- 2015 Update Of Institutional Framework For U.S. Local Governments

Ratings Detail (As Of June 6, 2016)

Williamson Cnty ltd tax rfdg bnds ser 2004A dtd 03/15/2004 due 02/15/2008 2010-2020		
<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Affirmed
Williamson Cnty pass-through toll rev and ltd tax bnds ser 2011 dtd 11/01/2011 due 02/15/2014-2026 2031		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Williamson Cnty pass-thru toll rev and ltd tax bnds ser 2013 dtd 04/15/2013 due 02/15/2014-2033		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Williamson Cnty unltd tax road bnds ser 2011 dtd 03/15/2011 due 02/15/2012 2013 2016-2036		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Williamson Cnty GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Williamson Cnty GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Williamson Cnty GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Williamson Cnty GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Williamson Cnty GO		
<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Affirmed
<i>Long Term Rating</i>	AAA/Stable	Affirmed

Many issues are enhanced by bond insurance.

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