



## Rating Action: Moody's assigns Baa1 to Pilot Knob MUD 3, TX's GOULT bonds; outlook stable

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New York, November 18, 2022 -- Moody's Investors Service has assigned a Baa1 rating to Pilot Knob Municipal Utility District 3, TX's \$13 million Unlimited Tax Bonds, Series 2022A. Moody's maintains the Baa1 rating on the district's general obligation unlimited tax (GOULT) debt. Post-issuance, the district will have \$63.4 million in outstanding GOULT debt. The outlook is stable.

### RATINGS RATIONALE

The Baa1 rating reflects a rapidly growing but small tax base, sound financial position, high debt burden with slow payout, and the absence of retiree benefit liabilities.

### RATING OUTLOOK

The stable outlook reflects the expectation that construction of single-family homes will drive assessed value (AV) growth over the next several years and that general and debt service fund reserves will remain sound. In addition, the district will only issue new debt in conjunction with AV growth, which will keep the debt burden stable but high.

### FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Material growth in taxable values
- Significant moderation of debt burden

### FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Tax base contraction
- Decline in fund balance or liquidity
- Increase in the debt burden

### LEGAL SECURITY

The bonds are payable from an annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the district.

### USE OF PROCEEDS

Proceeds will reimburse the developers for utility infrastructure costs incurred during development.

### PROFILE

Pilot Knob MUD 3 contains 678 acres and is located eight miles southeast of downtown Austin

(Aa1 stable) in Travis County (Aaa stable). The estimated population is 4,000. Utility operations are provided by Austin.

## METHODOLOGY

The principal methodology used in this rating was US Special Purpose District General Obligation Debt Methodology published in November 2022 and available at <https://ratings.moodys.com/api/rmc-documents/394972>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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