

CREDIT OPINION

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Contacts

Christopher Coviello +1.212.553.0575
 VP-Senior Analyst
 christopher.coviello@moody.com

Robert Weber +1.212.553.7280
 VP-Senior Analyst
 robert.weber@moody.com

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Williamson (County of) TN

Update to credit analysis

Summary

Williamson County, TN (Aaa GOULT) benefits from its sizeable and regionally significant taxbase located on the southern boundary of Nashville (Aa2 stable). The county's credit position is further strengthened by strong fiscal management which has led to healthy reserve and cash levels, even during the height of the pandemic. The debt burden is modestly above-average but remains affordable given ongoing tax base growth.

Credit strengths

- » Healthy reserve and cash positions
- » Regionally significant economy and growing tax base
- » Above-average socioeconomic factors

Credit challenges

- » Moderately above-average debt burden
- » Sizeable future school debt expected

Rating outlook

The stable outlook reflects the county's strong cash and reserve position, which will remain healthy given prudent fiscal management. The outlook also incorporates the expectation that the county's tax base will continue to grow as a result of its role as a major regional economic center.

Factors that could lead to an upgrade

- » Not applicable

Factors that could lead to a downgrade

- » Substantial increases in debt burden
- » Sizeable declines in available reserves or reduced liquidity levels
- » Deterioration of tax base size or resident wealth and income

Key indicators

Exhibit 1

Williamson (County of) TN

	2016	2017	2018	2019	2020
Economy/Tax Base					
Total Full Value (\$000)	\$36,613,828	\$41,004,881	\$42,985,337	\$49,943,754	\$51,807,972
Population	205,645	212,161	218,648	225,389	225,389
Full Value Per Capita	\$178,044	\$193,272	\$196,596	\$221,589	\$229,860
Median Family Income (% of US Median)	165.8%	163.5%	165.6%	164.1%	164.1%
Finances					
Operating Revenue (\$000)	\$437,971	\$490,279	\$527,138	\$581,945	\$604,119
Fund Balance (\$000)	\$106,326	\$118,055	\$137,317	\$155,701	\$177,117
Cash Balance (\$000)	\$121,108	\$126,974	\$143,098	\$165,116	\$202,743
Fund Balance as a % of Revenues	24.3%	24.1%	26.0%	26.8%	29.3%
Cash Balance as a % of Revenues	27.7%	25.9%	27.1%	28.4%	33.6%
Debt/Pensions					
Net Direct Debt (\$000)	\$581,858	\$610,744	\$681,894	\$767,148	\$830,788
3-Year Average of Moody's ANPL (\$000)	\$395,939	\$470,734	\$356,916	\$384,740	\$247,228
Net Direct Debt / Full Value (%)	1.6%	1.5%	1.6%	1.5%	1.6%
Net Direct Debt / Operating Revenues (x)	1.3x	1.2x	1.3x	1.3x	1.4x
Moody's - ANPL (3-yr average) to Full Value (%)	1.1%	1.1%	0.8%	0.8%	0.5%
Moody's - ANPL (3-yr average) to Revenues (x)	0.9x	1.0x	0.7x	0.7x	0.4x

Sources: US Census Bureau, Williamson (County of) TN's financial statements and Moody's Investors Service

Profile

Williamson County is located in middle Tennessee (Aaa stable), adjacent to the southern boundary of Metropolitan Government of Nashville & Davidson County (Aa2 stable). The county's current population is approximately 225,389 (2019 American Community Survey).

Detailed credit considerations

Economy and Tax Base: Growth continues throughout Williamson County

The county's sizeable \$57 billion tax base will continue to experience growth going forward due to its regionally important economy and ongoing residential and commercial development. Located just outside Metropolitan Government of Nashville and Davidson County, the county is one of Tennessee's wealthiest, with the highest income levels among all counties in the state. Growth in assessed values have been solid over the last five years, averaging 8.1% annually (2016-2021). The increases have been driven primarily by new residential and commercial growth, including office space and various retail establishments. Full value has also grown, averaging 9.6% annually over the same five-year period.

In addition to strong residential growth, the county has benefited from commercial development in the form of corporate relocations. The most notable of these was Nissan North America, which relocated its headquarters to the Cool Springs area in the City of Franklin (Aaa Stable). The company currently employs 1,600 people and, while the county had provided an incentive package that included tax abatements, the school portion of the property tax has not been abated. Other relocations and expansions over the last several years include Mars Petcare, Tractor Supply Company, Healthways and a regional Verizon Wireless (Cellco Partnership) headquarters. Schneider Electric is completing the consolidation of its existing Middle Tennessee operations and moving them to Williamson County. The vast diversification within the county is evident with only modest taxpayer concentration; the top ten taxpayers represent just 6.4% of full valuation.

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All of the county's economic activity over the last several years has resulted in steady job growth and below-average unemployment levels. County unemployment levels rose moderately during the height of the pandemic but have since decreased to more normal levels. As of August 2021 unemployment was 2.6%, compared to 4.3% for the state and 5.3% for the nation. Income levels have also grown relative to state and national levels, with per capita income at 177% of the state and 155% of the nation. Median family income was 191% of state and 164% of the nation. Full value per capita also remains significantly above-average at \$229,860 (national median is \$79,410).

Financial Operations and Reserves: County finances remain strong through fiscal 2021

The county's financial position continues to remain healthy due to conservative budgeting practices, continued stability in major revenues and strong reserve levels. Over the last twelve years, the county has been able to maintain solid General Fund balances, remaining at or above 40% of annual revenues.

In fiscal 2020, General Fund balance ended with an increase of approximately \$2.2 million. The primary drivers of the increase in General Fund reserves were conservative budgeting and ongoing revenue strength. Total General Fund balance ended the year at a strong \$54.9 million (52.9% of annual revenues) while unassigned General Fund balance finished at \$31.1 million (29.9% of annual revenues). In addition to General Fund reserves, the county also maintains \$37 million in debt service funds (General and Rural Debt Service Funds), adding further financial flexibility. Property tax revenues are the county's single largest General Fund revenue source, accounting for approximately 47% of fiscal 2020 General Fund revenues. Available Operating Fund balance (General Fund, Debt Service Fund, Highway/ Public Works/Solid Waste Fund and General Purpose School Fund) at the end of fiscal 2020 was \$177 million or a solid 29.3% of annual revenues.

Fiscal 2021 ended on June 30th and management anticipates that the General Fund finished with an increase of approximately \$10 million. Despite the pandemic environment, major revenue sources continued to perform well and are expected to do so going forward. In addition to normal operations, the county also received \$23 million in pandemic relief funding which is held outside of the General Fund. Expectations are that a similar amount of funding will be received in fiscal 2022.

The fiscal 2022 budget includes \$4.1 million in appropriated fund balance and \$62.6 million in property tax revenues. Management estimates that the fiscal 2022 budget is conservative and that a portion of the appropriation may be replenished. Based on historical county projections and performance, these estimates should come in similar to past years.

Liquidity

The county General Fund's net cash position was a solid \$50.8 million (48.9% of annual revenues) in fiscal 2020. The county's Operating Fund's net cash position was \$202.7 million (33.6% of annual revenues) at the end of fiscal 2020. The county's cash position is sufficient throughout the year to support operations.

Debt and Pensions:

The county's debt burden is expected to remain manageable over the near term, despite a somewhat below-average rate of principal retirement (62% repaid within 10 years) as the hospital debt is self-supporting and tax base expansion continues. Hospital revenues have historically supported a portion of outstanding general obligation debt, mitigating the debt burden somewhat and we believe hospital net revenues will continue to cover these bonds. The direct debt burden is a manageable 1.6% of full value, increasing to 2.2% when overlapping obligations are taken into account. The county is a frequent issuer of debt to finance substantial general infrastructure and school needs in order to keep pace with population and enrollment growth. Moody's will continue to monitor the county's debt profile as new issuances come online.

Legal security

The General Obligation Public Improvement and School Bonds, Series 2021A are payable from unlimited ad valorem taxes levied on all taxable property within the county. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the county are pledged.

The County District School Bonds, Series 2021 are payable from unlimited ad valorem taxes levied on all taxable property within the county lying outside the territorial limits of the Franklin Special School District. Subject to the limitation set forth above, for the prompt payment of principal of and interest on the County District School Bonds, the full faith and credit of the county are irrevocably pledged.

DEBT STRUCTURE

All of the county's debt is fixed rate.

DEBT-RELATED DERIVATIVES

The county is not currently party to any derivative agreements.

Pensions and OPEB

The employees of Williamson County participate in the Political Subdivision Pension Plan (PSPP), an agent multiple employer defined benefit plan that is administered by the state under the Tennessee Consolidated Retirement System (TCRS). In fiscal 2020, the county's adjusted net pension liability, under Moody's methodology for adjusting reported pension data, is \$73.2 million or 0.12 times operating revenues. Moody's uses the adjusted net pension liability to improve comparability of reported pension liabilities. We determined the county's share of liability for the state-run plans in proportion to its contributions to the plans.

The county also provide Other Post-Employment Benefits (OPEB) to employees. Total fixed costs including annual pension, OPEB and debt service expenditures totaled 16.9% of annual expenditures.

ESG considerations**Environmental**

Environmental risks do not pose a credit risk over the next two years for the county. Moody's utilizes environmental exposure data from its affiliate Four Twenty Seven to assess environmental risk for specific issuers. Of the physical climate risks, the county's highest exposures are to heat stress and extreme rainfall which could result in severe flooding. These risks are however minimized by the county's historically stable financial position and prudent management which provides added flexibility to respond to contingencies and resilience against potential short-term shocks.

Social

Social considerations are not material to the credit profile except as described above in the tax base section as it relates to median family income and unemployment.

Governance

The county is governed by a 24 member Board of Commissioners that are elected to concurrent four-year terms of office by direct vote of the voters in each district represented. The county Mayor is the chief financial and administrative officer and is elected by a direct vote of the people to a four-year term. The county has an informal General Fund balance policy to maintain 25-30% of annual revenues.

To combat against cybersecurity attacks the county has instituted multiple policies and procedures to protect its network infrastructure, including various training requirements for all employees. Further, the county maintains cybersecurity insurance up to a coverage maximum of \$5.0 million.

Tennessee Counties have an institutional framework score ¹ of "Aaa", which is very strong. The sector has one or more major revenue sources that are not subject to any caps. Unpredictable revenue fluctuations tend to be moderate, or between 5-10% annually. Across the sector, fixed and mandated costs are generally less than 25% of expenditures. Unpredictable expenditure fluctuations tend to be minor, under 5% annually.

Rating methodology and scorecard factors

The US Local Government General Obligation Debt methodology includes a scorecard, a tool providing a composite score of a local government's credit profile based on the weighted factors we consider most important, universal and measurable, as well as possible notching factors dependent on individual credit strengths and weaknesses. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to analyze and compare local government credits.

Exhibit 2

Williamson (County of) TN

Rating Factors	Measure	Score
Economy/Tax Base (30%)[1]		
Tax Base Size: Full Value (in 000s)	\$51,807,972	Aaa
Full Value Per Capita	\$229,860	Aaa
Median Family Income (% of US Median)	164.1%	Aaa
Notching Factors:[2]		
Regional Economic Center		Up
Finances (30%)		
Fund Balance as a % of Revenues	29.3%	Aa
5-Year Dollar Change in Fund Balance as % of Revenues	10.2%	A
Cash Balance as a % of Revenues	33.6%	Aaa
5-Year Dollar Change in Cash Balance as % of Revenues	13.9%	Aa
Management (20%)		
Institutional Framework	Aaa	Aaa
Operating History: 5-Year Average of Operating Revenues / Operating Expenditures	1.0x	A
Debt and Pensions (20%)		
Net Direct Debt / Full Value (%)	1.6%	A
Net Direct Debt / Operating Revenues (x)	1.4x	A
3-Year Average of Moody's Adjusted Net Pension Liability / Full Value (%)	0.1%	Aaa
3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues (x)	0.1x	Aaa
Notching Factors:[2]		
Standardized Adjustments[3]: Unusually Strong or Weak Security Features		Up
Other Analyst Adjustment to Debt and Pensions Factor (specify): future debt		Down
	Scorecard-Indicated Outcome	Aaa
	Assigned Rating	Aaa

[1] Economy measures are based on data from the most recent year available.

[2] Notching Factors are specifically defined in the US Local Government General Obligation Debt methodology.

[3] Standardized adjustments are outlined in the GO Methodology Scorecard Inputs publication.

Sources: US Census Bureau, Williamson County financial statements and Moody's Investors Service

Endnotes

- 1 The institutional framework score assesses a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. See [US Local Government General Obligation Debt \(July 2020\)](#) methodology report for more details.

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