

MOODY'S

RATINGS

Rating Action: Moody's Ratings assigns A2 to Sonterra MUD, TX's GOs

31 Oct 2024

New York, October 31, 2024 -- Moody's Ratings (Moody's) has assigned an A2 rating to Sonterra Municipal Utility District, TX's Unlimited Tax and Revenue Bonds, Series 2024 to be issued with an estimated par amount of \$3.8 million. We maintain the A2 rating on the outstanding general obligation unlimited tax (GOULT) debt. Post issuance, the district will have approximately \$68.3 million in debt outstanding.

RATINGS RATIONALE

The A2 rating reflects the district's large tax base that has exhibited steady growth in recent years to reach roughly \$1.3 billion for fiscal 2025. The rating also considers the district's healthy reserves at 106% of revenue, which are below similarly rated peers and are expected to remain around 110% of revenue with an anticipated surplus for fiscal 2024. The district's debt burden will remain elevated at 5.6% of fiscal 2025 assessed value with additional debt needs as development continues. Additionally, the district benefits from a lack of pension and OPEB obligations, which is common among Texas municipal utility districts.

RATING OUTLOOK

We do not assign outlooks to local government issuers with this amount of debt outstanding.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Significant reduction of the district's debt burden below 2.5% of revenue
- Continued significant tax base growth

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Significant increase of the district's debt burden above 10%

- Sustained trend of operational deficits leading to reserves below sector medians

LEGAL SECURITY

The bonds are payable from the proceeds of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the district and by the net revenue of the district's waterworks and sanitary sewer system.

USE OF PROCEEDS

Proceeds of the bonds will be used to finance certain park and recreational facilities.

PROFILE

Sonterra MUD is located in Williamson County within the extraterritorial jurisdiction of the City of Jarrell, approximately 40 miles north of the City of Austin (Aa1 stable). The district consists of approximately 1,300 acres of land has an estimated population of 14,600.

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/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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