

RatingsDirect®

Summary:

Bryan, Texas; Water/Sewer

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Credit Profile

US\$38.305 mil wtrwks and swr sys rev bnds ser 2025 dtd 02/13/2025 due 09/30/2045

<i>Long Term Rating</i>	AA/Stable	New
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Bryan WS

<i>Long Term Rating</i>	AA/Stable	Affirmed
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Credit Highlights

- S&P Global Ratings assigned its 'AA' rating to Bryan, Texas' waterworks and sewer system revenue bonds series 2025.
- We also affirmed our 'AA' rating on the city's other waterworks and sewer system revenue debt.
- The outlook is stable.

Security

Net revenue of the city's water and sewer system is pledged to bondholders. Other bond provisions include a rate covenant to set rates that generate net revenue representing at least 125% average annual debt service and a debt service reserve funded at the lesser of maximum annual debt service (MADS), 10% of par, or 125% average annual debt service. Additional bonds can be issued only if net revenue is at least 125% average annual debt service.

The series 2025 bonds will be used for about \$20 million of water-related projects and \$15 million of wastewater-related projects. Total long-term debt attributable to the combined waterworks and sewer system as of Sept. 30, 2023 was about \$37 million.

Credit overview

- The utility's profile has been supported by the city's participation in the College Station-Bryan metropolitan area economy despite income levels for the city that are below national averages.
- However, the city has ongoing needs due to this growth and general system rehabilitation and will need to continue raising rates and managing costs to maintain debt service coverage and unrestricted liquidity at levels similar to historical trends. It plans to spend about \$5 million-\$6 million annually for renewal and replacement projects, funded from system revenue.
- A demonstrated strength is the city's wide array of management and operational policies. It maintains a formal financial management policy statement that addresses most areas of its financial operations.
- In addition, the city is addressing ongoing utility needs and has deep wells in the Simsboro aquifer that provides water to the community. The city uses trenchless technology for pipe replacement and smoke testing to assess wastewater line condition. It generally performs formal rate studies once every five years, and is currently ramping up its next rate study cycle as it plans for future rates and projects.
- One uncertainty is that the city could be constructing a new wastewater treatment plant in the near future, and the

exact costs and timing have not been finalized to date.

Environmental, social, and governance

Bryan's environmental, social, and governance factors are neutral within our credit analysis. The city is exposed to severe weather and storms, but it has backup generators at its major facilities. One long-term concern will be the ongoing viability of the Simsboro aquifer, given the continued reliance on it due to regional growth. We view the current rate structure as affordable, with combined water and sewer rates for 6,000 gallons of household usage totaling about \$58. We consider the existence of the city's financial policies and other formalized policies related to cybersecurity and asset management as governance factors supportive of the current rating.

Outlook

The stable outlook reflects our view that the utility's overall economic and financial metrics will remain supportive of the current rating level despite the additional debt plans and ongoing capital needs, supported by rate increases and cost adjustments as needed.

Downside scenario

We could lower the rating if financial conditions deteriorate due to operating cost inflation or other capital projects that could erode cash levels.

Upside scenario

We do not expect to raise the rating in the near term, but we could do so over the longer term as the treatment plant project progresses and we observe positive financial variances that are sustainable and that exceed current projections. However, positive rating action would also be contingent on measurable improvements in the city's income levels, especially as debt costs and rates rise to fund the city's ongoing projects, which could affect affordability.

Bryan, Texas--Economic and financial data					
		Fiscal year-end			
	Most recent	2023	2022	2021	Median (AA)
Economic data					
MHHEBI of the service area as % of the U.S.	82.0				110.0
Unemployment rate (%)	3.1				3.6
Poverty rate (%)	22.2				10.0
Water rate (6,000 gallons or actual) (\$)	26.3				36.5
Sewer rate (6,000 gallons or actual) (\$)	32.1				41.0
Annual utility bill as % of MHHEBI	1.3				1.1
Operational management assessment	Good				Good
Financial data					
Total operating revenues (\$000s)		33,083	45,676	27,170	24,286
Total operating expenses less depreciation (\$000s)		18,922	32,623	16,222	17,090
Net revenues available for debt service (\$000s)		16,225	13,603	11,569	
Debt service (\$000s)		5,066	8,267	7,258	

Bryan, Texas--Economic and financial data (cont.)

	Fiscal year-end				Median (AA)
	Most recent	2023	2022	2021	
S&P Global Ratings-adjusted all-in DSC (x)		3.2	1.6	1.6	2.2
Unrestricted cash (\$000s)		23,137	18,813	19,515	24,667
Days' cash of operating expenses		446	210	439	631
Total on-balance-sheet debt (\$000s)		78,829	44,599	36,200	39,844
Debt-to-capitalization ratio (%)		29.1	19.7	17.3	27.0
Financial management assessment	Good				Good

Note: Most recent economic data available from our vendors. MHHEBI--Median household effective buying income. DSC--Debt service coverage. Total on balance sheet debt includes series 2025 issuance.

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