



Rating Action: Moody's Ratings assigns Baa3 to Cool Water MUD, TX's Ser. 2025-A GOs

08 Aug 2025

New York, August 08, 2025 -- Moody's Ratings (Moody's) has assigned a Baa3 rating to Cool Water Municipal Utility District, TX's Unlimited Tax Bonds, Series 2025-A with a proposed par amount of about \$11 million. We maintain the Baa3 rating assigned to the district's previously rated general obligation unlimited tax (GOULT) bonds. Post-sale, the district will have roughly \$45.4 million in debt outstanding.

RATINGS RATIONALE

The Baa3 rating reflects the district's growing residential tax base of \$325.7 million based on the preliminary assessed valuation (AV) for fiscal 2026; the preliminary AV is stronger than the median for same-rated peers. The rating is constrained by an elevated debt burden, which is expected to remain high due to slow principal amortization and future debt plans. Following the Series 2025-A issuance, the district's debt burden will total 13.9% of the preliminary 2026 AV.

Financial reserves have improved considerably in the last few years, driven by property tax revenue growth and the district's limited scope of operations. Financial results for fiscal 2024 (September 30 yearend) reflect a \$386,000 general fund surplus, which improves fund balance to \$761,000 or 70% of revenue. While reserves are nominal and below median relative to revenue, they are healthy (110%) when compared to the district's operating expenditures. The district is budgeting a \$240,000 general fund surplus for fiscal 2026 and actual results for the first half of the year are in line with budgeted expectations.

RATING OUTLOOK

We do not assign outlooks to local governments with this amount of debt.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Tax base expansion or decline in debt burden below 10% of assessed valuation
- Trend of operating surpluses leading to general fund balance over 100% of revenue

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Significant or prolonged tax base contraction
- Increase in debt burden to over 14% of assessed valuation
- Trend of operating deficits leading to weakened reserves

PROFILE

Cool Water MUD, TX is comprised of several non-contiguous tracts totaling about 594 acres located in north central Williamson County, about 43 miles north of downtown Austin and about 3 miles east of IH-35 near the City of Jarrell. The district's population is currently estimated at just under 3,400 residents. The district is being developed as an extension of the existing Sonterra development, which has a population of over 18,000 residents. Cool Water MUD is not responsible for utility operations; water and wastewater service is provided by Sonterra Municipal Utility District, TX (A2).

METHODOLOGY

The principal methodology used in this rating was US Special Purpose District General Obligation Debt published in February 2025 and available at <https://ratings.moody's.com/rmc-documents/437940>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody's.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.moody's.com/rating-definitions>.

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