MOODY'S
RATINGS

Rating Action: Moody's Ratings affirms issuer and assigns stable outlook, assigns Aa3 to City of Brownsville, TX's 2025A GOLT Bonds

18 Aug 2025

New York, August 18, 2025 -- Moody's Ratings (Moody's) has affirmed the Aa3 issuer rating and Aa3 outstanding general obligation limited tax (GOLT) debt ratings. Concurrently, we assigned a Aa3 rating to the City of Brownsville, TX's Combination Tax and Revenue Certificates of Obligation, Series 2025A expected to be issued in the approximate par amount of $144 million. Post-issuance, the city will have $358 million in debt outstanding. We have assigned a stable outlook.

RATINGS RATIONALE

The Aa3 issuer rating reflects the city's maintenance of a healthy financial profile supported by an expanding economy driven by ongoing commercial and multifamily development. The city is a regional economic center benefiting from cross-border trade with Mexico, expanding port activities, and a diversifying economy base. However, the pace of growth will moderate as residential construction slows caused by workforce shortages. Despite economic growth, income and wealth metrics are low, with a resident income of 73% and a steadily improving full value per capita of about $61,000. These metrics have historically lagged peers but are marginally offset by the low cost of living in the region.

Reserves and liquidity at 47% and 93% of operating revenue will remain healthy and stable by fiscal year end 2026 (September 30 year-end), even with ongoing capital outlay supported by prudent management. Long-term liabilities ratio will increase to elevated levels at around 267% of 2024 revenue after the current issuance. The city will continue to issue debt for infrastructure needs as the tax base grows, and leverage metrics are expected to remain manageable supported by revenue growth.

The Aa3 GOLT rating is the same as the city's issuer rating, reflecting the city's ample taxing headroom.

RATING OUTLOOK

The stable outlook reflects our expectation that ongoing development will drive increased revenue, which will keep its leverage profile manageable despite future debt issuances. The outlook also incorporates management's conservative budgeting and its ability to maintain solid reserve levels.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Continued expansion of the local economy and assessed value, evidenced by increased resident income nearing 100% of the nation and improved full value per capita to $100,000

- Sustained decline in overall leverage below 200%

- Acceleration of economic diversification

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Reduction of available fund balance or liquidity below 35% or 40% of revenue, respectively

- Additional leverage absent corresponding revenue growth that increases long-term liabilities above 350% and fixed cost more than 20% of operating revenue

- Material and/or sustained economic downturn resulting in weakened resident income or full value per capita

PROFILE

The City of Brownsville is in Cameron County at the southernmost tip of Texas, approximately 20 miles inland from the Gulf of Mexico and directly across from Matamoros Mexico, which is joined by three international bridges. The city includes the Port of Brownsville which is the main shipping port for the Rio Grande Valley and South Texas. The population is approximately 188,000.

METHODOLOGY

The principal methodology used in these ratings was US Cities and Counties published in July 2024 and available at https://ratings.moodys.com/rmc-documents/425429. 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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For ratings issued on a program, series, category/class of debt or security, certain regulatory disclosures applicable to each rating of a subsequently issued bond or note of the same series, category/class of debt, or security, or pursuant to a program for which the ratings are derived exclusively from existing ratings, in accordance with Moody's rating practices, can be found in the most recent Credit Rating Announcement related to the same class of Credit Rating.

For provisional ratings, the Credit Rating Announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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