

Research Update:

Buena Vista-Bethel Special Utility District, TX's Series 2025 Water System Revenue Bonds Assigned 'A' Rating

October 7, 2025

Overview

- S&P Global Ratings assigned its 'A' long-term rating on [Buena Vista-Bethel Special Utility District](#), Texas' \$14.5 million series 2025 water system revenue bonds.
- At the same time, we affirmed our 'A' long-term rating on the district's previously issued parity bonds.
- The outlook is stable.

Rationale

Security

Net revenue of the water system secures the bonds. We view the bond provisions as credit neutral, including a rate covenant at 1.0x annual debt service and an additional bonds test at 1.25x average annual debt service. In addition, the district is required to maintain a debt service reserve fund at 1.25x average annual debt service. Bond proceeds will be used to fund capital improvement projects, including a water plan, water wells, and various other system improvements.

Credit highlights

The district's credit profile reflects our view of historically strong financial performance, supported by robust liquidity and active rate management even as the district navigates the pressures of rapid growth. Serving a fast-expanding area between Dallas and Waco, the district adds roughly 100 residential accounts annually and expects this growth to continue. As a result, its groundwater-based system, supported by multiple wells and an emergency tie-in with the City of Waxahachie, is approaching capacity. Continued growth increases demand on an already constrained system, making timely capital investments critical. Planned 2025 bond-funded

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improvements and a U.S. Department of Agriculture (USDA)-guaranteed loan for line upgrades will expand service and address chronic leaks.

Operationally, the district benefits from a well-managed, diversified system that provides flexibility and redundancy. Reliance on groundwater within state-imposed limits introduces structural constraints that could intensify as growth continues. Management is exploring supplemental surface water, though these efforts remain early stage. In the near term, capacity expansion and targeted upgrades will be essential to meet demand, while long-term planning for water resource diversification remains a key consideration. Leverage is elevated as a result of system expansion, but measured borrowing, strong reserves, and board support for rate adjustments underpin confidence that the district can maintain its historically strong financial ratios.

The rating further reflects our view of the district's:

- Strong population and economic growth, with Ellis County population up 44.9% over 10 years and gross county product nearly double the national pace;
- Affordable water rates, with a board-approved 10% increase in 2026, a planned 5%-10% increase in 2027, and a new rate study scheduled for mid-2028;
- Debt service coverage historically near 2x and projected to decrease to 1.4x to 1.7x after the series 2025 bond issuance, with management targeting 1.5x coverage over the life of the bonds through approved rate increases;
- Robust liquidity, with 930 days' cash on hand and reserves that have doubled over the past three years to \$5.4 million;
- Vulnerable debt burden, with \$34 million in adjusted debt and a 68% debt-to-capitalization ratio, though a \$5.8 million USDA loan is planned for line upgrades and future well work, with no additional debt anticipated beyond the USDA loan; and
- Standard financial management, tempered by the absence of long-term rolling capital and financial planning amid high growth pressures.

Environmental, social, and governance

Management has largely mitigated environmental, social, and governance risks through adherence to state and federal operating and financial policies. Environmental risk is modestly elevated as a result of drought vulnerability and state-imposed groundwater limits, which intersect with governance risk by necessitating careful planning to meet growth-related demand. Governance risks are somewhat elevated as a result of limited management depth beyond the general manager and the absence of long-term planning. Social risks are in line with sector norms, though accommodating ongoing population growth remains a consideration. Water capacity is a key operational constraint given that wells, storage, and emergency connections are producing near capacity, additional wells and upgrades are planned, and securement of supplemental surface water from Waxahachie remains uncertain.

Outlook

The stable outlook reflects our expectation that the district will maintain financial ratios comparable to those of peers while managing a system in a rapidly growing service area, and that it will recover costs through rate increases to balance growth and expenditure pressures.

Downside scenario

We could lower the rating should the district draw down liquidity, should coverage metrics weaken more than expected, or if expense and debt pressures from a growing system were to materially weigh on the financial profile.

Upside scenario

We could raise the rating if the district implements planned capital improvements and rate adjustments while maintaining strong coverage and liquidity amid continued population and system growth. Securement of supplemental water sources or expansion of well capacity ahead of demand could further enhance operational flexibility and support long-term credit improvement.

Buena Vista-Bethel Special Utility District, Texas--economic and financial data

| | Most recent | Fiscal year-end | | | |
|---|-------------|-----------------|--------|--------|------------|
| | | 2024 | 2023 | 2022 | Median (A) |
| Economic data | | | | | |
| MHHEBI of the service area as % of the U.S. | 114.0 | | | | 86.0 |
| Unemployment rate (%) | 3.7 | | | | 4.0 |
| Poverty rate (%) | 7.4 | | | | 13.1 |
| Water rate (6,000 gallons or actual) (\$) | 102.0 | | | | 42.4 |
| Sewer rate (6,000 gallons or actual) (\$) | 0.0 | | | | 42.0 |
| Annual utility bill as % of MHHEBI | 1.6 | | | | 1.3 |
| Operational management assessment | Standard | | | | Standard |
| Financial data | | | | | |
| Total operating revenue (\$000s) | | 3,701 | 3,740 | 3,643 | 4,663 |
| Total operating expenses less depreciation (\$000s) | | 2,126 | 2,344 | 2,115 | 3,591 |
| Net revenue available for debt service (\$000s) | | 2,395 | 1,602 | 1,537 | -- |
| Debt service (\$000s) | | 1,274 | 600 | 601 | -- |
| S&P Global Ratings-adjusted all-in DSC (x) | | 1.9 | 2.4 | 2.5 | 1.6 |
| Unrestricted cash (\$000s) | | 5,419 | 4,536 | 2,884 | 3,895 |
| Days' cash of operating expenses | | 930 | 706 | 498 | 502 |
| Total on-balance-sheet debt (\$000s) | | 34,283 | 20,070 | 19,367 | 11,076 |
| Debt-to-capitalization ratio (%) | | 68.0 | 59.7 | 60.5 | 45.0 |
| Financial management assessment | Standard | -- | -- | -- | Standard |

Note: Most recent economic data available from our vendors. DSC--Debt service coverage. MHHEBI--Median household effective buying income.

Ratings List

New Issue Ratings

US\$14.5 mil wtr sys rev bnds ser 2025 dtd 11/20/2025 due 12/15/2055

Long Term Rating A/Stable

Ratings Affirmed

Water & Sewer

Buena Vista-Bethel Special Utility District, TX Water System A/Stable

Buena Vista-Bethel Special Utility District, TX's Series 2025 Water System Revenue Bonds Assigned 'A' Rating

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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