

CREDIT OPINION

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Cool Water Municipal Utility District, TX

Update to credit analysis

Summary

[Cool Water Municipal Utility District, TX's](#) (Baa3) credit profile reflects strong financial performance and liquidity supported by ongoing development and tax base growth, balanced against elevated leverage metrics typical of a developing municipal utility district.

Credit strengths

- » Above average resident income profile
- » Trend of operating surpluses driving improved financial metrics

Credit challenges

- » High long-term liabilities relative to both full value and available fund balance with additional issuance plans

Rating outlook

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

Factors that could lead to an upgrade

- » Further taxable value growth or debt moderation resulting in the long-term liabilities to full value ratio declining to below 12%
- » Increase in the available fund balance to liabilities ratio to above 12.5%

Factors that could lead to a downgrade

- » Material decline in reserves resulting in available fund balance or liquidity ratio approaching 100% of revenue
- » Stagnation in taxable value growth or further debt issuances leading to a material increase in long-term liabilities

Key indicators

Exhibit 1

Cool Water Municipal Utility District, TX

	2022	2023	2024	2025
Economy				
Resident income ratio (%)	114.0%	118.1%	119.2%	N/A
Full value (\$000)	\$1,520	\$67,632	\$195,312	\$250,586
Financial Performance				
Revenue (\$000)	\$174	\$863	\$2,339	\$2,607
Capital-focused Issuers -- Available Fund Balance	\$207	\$904	\$2,863	\$3,979
Net unrestricted cash (\$000)	\$170	\$1,008	\$3,956	\$6,758
Capital-focused Issuers -- Available Fund Balance Ratio	118.5%	104.7%	122.4%	152.6%
Liquidity ratio (%)	97.2%	116.8%	169.2%	259.2%
Available fund Balance to Liabilities Ratio	56.4%	12.9%	10.7%	8.7%
Leverage				
Debt (\$000)	\$0	\$6,662	\$26,555	\$45,370
Adjusted net pension liabilities (\$000)	\$0	\$0	\$0	\$0
Adjusted net OPEB liabilities (\$000)	\$0	\$0	\$0	\$0
Other long-term liabilities (\$000)	\$366	\$356	\$166	\$226
Long-term Liabilities Ratio	209.9%	812.8%	1142.6%	1749.1%
Long-term Liabilities to Full Value Ratio (annual, used in key indicators)	24.1%	10.4%	13.7%	18.2%

For definitions of the metrics in the table above please refer to the [US Special Purpose Districts Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [US Special Purpose Districts Median Report](#). The real GDP annual growth metric cited above is for the Austin-Round Rock-San Marcos, TX.

Sources: US Census Bureau, Cool Water Municipal Utility District, TX's financial statements and Moody's Ratings, US Bureau of Economic Analysis

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 4,606 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.

Detailed credit considerations

The district will continue to benefit from strong population and housing demand in the Austin metropolitan area, supporting ongoing tax base growth. Resident income measures are strong at approximately 119% of the U.S., indicating above-average wealth levels that support revenue generation capacity.

The district's financial position will remain strong given high reserve levels and continued revenue growth associated with development. Available fund balance (152%) and liquidity (259%) will remain strong relative to revenue as the district reported a year-to-date general fund surplus of approximately \$576,000 and has budgeted a fiscal 2026 surplus of about \$528,000, indicating continued positive operations and expected maintenance or growth of reserves. Available fund balance to liabilities will marginally improve but remain narrow at roughly 9%.

The district's leverage will remain elevated, reflecting ongoing infrastructure development and debt issuance typical of developing municipal utility districts. Long-term liabilities to full value are approximately 14.5%, reflecting a relatively high debt burden compared to mature districts.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

ESG considerations

Environmental

Environmental considerations do not present material risks to the district's credit profile. The district's location in central Texas puts it at risk for heat, water stress, and wildfires. Favorably the state of Texas (Aaa stable) has taken action to help mitigate water stress risk within its borders by issuing general obligation debt through the Texas Water Development Board (TWDB) since the 1950s to finance a variety of water conservation and supply projects. Extreme weather events are also typically accompanied by state and federal assistance, which further mitigates environmental risk.

Social

The district benefits from the strong population growth of the Austin metro area. Using median family income of Jarrell Independent School District as a proxy for the district, resident incomes are above average at 119% of the nation, though actual resident incomes in the district are likely higher because Jarrell ISD is largely rural and the area in and around the district are the most developed portions of the school district. New home prices within the district range between \$250,000 to \$380,000, which is relatively affordable compared to locations nearer to Austin. Housing affordability is a driver of strong demand and rapid development within the district.

Governance

The district is governed by a five member board of directors. Although the district does not have any employees, which is typical for MUDs, the district contracts out for critical needs including bookkeeping and other financial services. The district is subject to oversight by the Texas Commission of Environmental Quality.

Rating methodology and scorecard factors

The [US Special Purpose Districts Methodology](#) includes a scorecard that summarizes the rating factors generally most important to municipal utility district credit profiles. Because the scorecard is a summary and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

	Measure	Weight	Score
Economy			
Resident income ratio	119%	30.0%	Aa
Financial Performance			
Capital-focused Issuers -- Available Fund Balance Ratio	152.6%	5.0%	Aaa
Available fund Balance to Liabilities Ratio	8.7%	20.0%	B
Liquidity ratio	259.2%	5.0%	Aaa
Leverage			
Long-term Liabilities to Full Value Ratio	14.5%	40.0%	B
Notching factors			
Limited scale of operations	-1.0		
Scorecard-Indicated Outcome			Baa2
Assigned Rating			Baa3

The Economic Growth metric cited above compares the five-year CAGR of real GDP for Austin-Round Rock-San Marcos, TX to the five-year CAGR of real GDP for the US. Sources: US Census Bureau, Cool Water Municipal Utility District, TX's financial statements and Moody's Ratings, US Bureau of Economic Analysis

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