S&P Global Ratings

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Research Update:

Brazos River Authority, TX Series 2026 Contract Revenue Improvement Bonds Rated 'AA+'; Outlook Stable

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Overview

- S&P Global Ratings assigned its 'AA+' long-term rating to Brazos River Authority (BRA), Texas' $8.1 million series 2026 contract revenue improvement bonds, issued for BRA's Williamson County Regional Raw Water Line (WCRRWL) project.
- At the same time, we affirmed our 'AA+' rating on the authority's revenue debt outstanding.
- The outlook is stable.

Rationale

Security

The bonds are secured by a first-lien pledge of the net revenues from contractual payments from Round Rock, Georgetown, and Brushy Creek Municipal Utility District (MUD). Members are contractually bound to the raw water pipeline project, which transports water from Lake Stillhouse Hollow to Lake Georgetown in Williamson County (one of the fastest-growing counties in the state), until all debt associated with the project has been repaid (currently expected in 2057). At that point, ownership of the project will transfer to the participants.

BRA will use the series 2026 bond proceeds to reimburse previously incurred project costs and complete the design for Phase 3 of the WCRRWL expansion project. This final installment will expand the pumping station and replace existing pumps for added capacity. BRA expects additional WCRRWL project bonding of about $65 million in 2028 to fund Phase 3. Including the 2026 bonds, the WCRRWL project will have about $25.6 million in debt outstanding.

Credit highlights

The rating reflects the general creditworthiness of the project's participants as well as BRA's ability to reallocate costs to members if necessary. While an explicit step-up provision does not exist, BRA is compelled by the bond resolution to establish rates that generate at least sufficient net revenues for debt service at all times, and has the authority to revise rates accordingly.

Participants are required to make payments to BRA unconditionally; those payments are treated as operating expenses of the respective participants' utility systems.

We apply our modified weak-link approach, given contract stipulations that allow for costs to be spread across all participants. Of the three participants, Georgetown is considered the weakest at AA-/Stable, which includes our analysis of its combined water, sewer and electric funds. This lower rating reflects operating risks within the electric fund, but for our analysis of BRA, we view this as less meaningful considering water revenues would primarily pay contract provisions to BRA. Additionally, we believe that Round Rock, as the strongest participant at AAA/Stable, has the financial capacity to absorb all of the project's costs and provides uplift to our view of the district’s creditworthiness. We view the aggregate credit quality of all participants as consistent with the 'AA+' rating given the respective systems' overall financial capacities and small commitments to BRA relative to their overall operating budgets. The smallest participant, Brushy Creek MUD, has a GO rating of AA/Stable.

Each participant's share of the project's debt service expenses is equal to the percent of water available to them according to the supply agreement, which is as follows:

- Georgetown: 63.8%
- Round Rock: 29.7%
- Brushy Creek MUD: 6.5%

The authority has maintained robust finances with coverage that we anticipate will remain well above 2x, reaching nearly 5x in fiscal 2024. The system’s robust liquidity, at $154 million in fiscal 2025 (or 898 days’ cash on hand), supports credit quality, particularly when assessing the financial strength of Round Rock and Georgetown, which also have ample liquidity and solid coverage levels. For the last three years, Round Rock has averaged 3.0x and Georgetown 2.1x.

The rating further reflects our view of the following:

- BRA is in Williamson County, north of the city of Austin, which is economically vibrant with a robust, growing, and diverse service area and above average income levels.
- Strong financial performance is supported by robust contractual provisions and rate-raising autonomy, demonstrated by consistently strong debt service coverage, which creates an implied step-up for the pledged revenues from project participants.
- Historically solid financial performance of its participants, particularly Round Rock, which ended fiscal 2025 with 3.1x coverage and 1,059 days’ cash on hand.
- The authority has elevated exposure to drought relative to that of state and national peers, per S&P Global Ratings’ physical risk dataset. The raw water pipeline that connects Lake Stillhouse Hollow to Lake Georgetown has greatly reduced drought risk by keeping Lake Georgetown's capacity more predictable. Environmental risk is further addressed through drought management planning established by the three systems, which identifies contingencies and scenarios depending on how prolonged and profound drought conditions become.

Outlook

The stable outlook reflects our expectation that BRA will continue to adjust rates as necessary, and that participants will operate in a manner that allows them to generate appropriate revenues to meet all BRA obligations. The outlook also reflects the stable outlook of the participants, which mitigates any credit quality pressure over the outlook period.

Downside scenario

We could lower the rating if there was a change in a key participants' financial position, likely due to an increase in fixed costs without a corresponding increase in operating revenues. A weakening in the contractual provisions between BRA and the participants, such as those that currently permit BRA to adjust its revenue requirements as necessary, would also likely lead to a lower rating.

Upside scenario

We could raise the rating if we saw evidence of sustained stronger credit quality for Brushy Creek MUD, which is currently rated below Round Rock.

Ratings List	
New Issue Ratings	
US$8,140,000 Brazos River Authority, Texas, Contract Revenue Improvement Bonds, (Williamson County Raw Water Line Project), Series 2026, dated: July 15, 2026, due: September 1, 2057	
Long Term Rating	AA+/Stable
Ratings Affirmed	
Water & Sewer	
Brazos River Auth, TX Williamson Cnty Reg Raw Wtr Line Water System Brazos River Auth Regl Raw Water Line	AA+/Stable

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.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.