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Research Update:

Travis County Water Control & Improvement District No. 17, TX 2026A Water And Sewer System Revenue Bonds Rated 'AA'

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Overview

- S&P Global Ratings assigned its 'AA' rating to Travis County Water Control & Improvement District No. 17, Texas' $73.3 million series 2026A water and sewer system revenue bonds.
- The outlook is stable.

Rationale

Security

The district's waterworks and sewer system net revenue pledge secures the water and sewer revenue bonds. Although the system levies water capital recovery fees for the Mansfield water treatment plant and pledges this revenue stream to its series 2012 bonds, we focus on debt service coverage (DSC), excluding nonrecurring revenue, to show true operational strength. With our view of nonrecurring revenue as being one time in nature and growth dependent, we do not distinguish between the strength in pledges. We view bond provisions as credit neutral, including a rate covenant equal to 1.00x annual DSC and an additional bonds test equal to 1.25x average annual DSC. A debt service reserve fund equal to average annual debt service provides additional liquidity.

The series 2026A bond proceeds will fund capital improvements. Most of the district's projects focus on meeting growth demands on the water and sewer systems. With the series 2026A issuance, the district will have approximately $200 million of debt outstanding, with more than $148 million supported by property taxes and $47 million secured by revenues of the systems.

Credit highlights

The rating reflects Travis County Water Control & Improvement District No. 17's strong economic metrics, robust financial metrics, and affordable bill based on well-above-average income levels. These strengths are offset by continuing growth pressures on both systems, and while we view management as conservative, higher-rated peers have more codified policies and long-term financial planning.

The district is a 15,743-acre development about 20 miles west of downtown Austin, where it includes the 4,075-acre Steiner Ranch defined area, which is a primarily residential, mixed-use development. The district continues to experience growth, with about 75% of land developed, a 7% increase since 2012. The area's median household effective buying income (MHHEBI) is above average, in our view, at 122% of the national level.

Credit highlights include our view of the following factors:

- The service area participates in the broad and diverse Austin metropolitan statistical area (MSA).
- Utility rates are affordable, based on strong incomes and low poverty rates. For residential customers, as of fiscal 2026, a standard water and sewer bill is $203 based on average monthly consumption of 17,000 gallons. As a percentage of MHHEBI, the 17,000-gallon water and sewer bill is about 2.95%, which we consider to be slightly below average. The county poverty rate is 10.2%.
- The district provides water to more than 12,800 accounts and wastewater to about 7,600 accounts, giving stability to the rating. The district purchases raw water from the Lower Colorado River Authority under an agreement that runs through 2051; it can purchase up to 10,300 acre-feet annually, which allows it to manage future growth.
- The district has strong unrestricted cash and investments for unexpected capital needs. The district ended fiscal 2025 with $44 million in unrestricted cash and investments; this provided more than 641 days' cash on hand. The minimum unrestricted cash reserve target is six months' historical operating expenditures.
- The system is moderately leveraged with a debt-to-capitalization ratio of 34%, excluding tax-supported debt. The district plans to issue another $70 million later in 2026 to fund a significant water project.
- Overall, we believe that management has mitigated most of its environmental related risk by adopting, adhering to, and adjusting operating and financial policies and procedures. In our view, environmental risks facing the utility are in line with those of other similarly rated utilities in the region, with drought and future water supply being the biggest risk in Texas. The wastewater system has no environmental or regulatory risks or actions pending with the state or the Environmental Protection Agency.

Outlook

The stable outlook reflects S&P Global Ratings' view of the district's sound financial metrics and access to the Austin MSA. Although officials have significant capital expenditures planned, we view the likelihood of deteriorating margins as low due to support from capital recovery reserves and fees.

Downside scenario

We could lower the rating if growth pressures exceed historical trends and cause unplanned debt issuance that lead cash and coverage to decrease materially.

Upside scenario

With the district's growth pressures and lack of detailed financial forecasting, we view upside as limited during the outlook period.

Ratings List	
New Issue Ratings	
US$73.300 mil wtr and swr sys rev bnds ser 2026A dtd 9/17/2026 due 11/1/2057	
Long Term Rating	AA/Stable