

Research Update:

Universal City, TX Series 2026 Waterworks And Sewer System Revenue Bonds Assigned 'AA+' Rating

August 3, 2026

Overview

- S&P Global Ratings assigned its 'AA+' long-term rating to [Universal City](#), Texas' \$20 million waterworks and sewer system revenue bonds, series 2026.
- At the same time, we affirmed our 'AA+' long-term rating on the city's outstanding utility revenue debt.
- The outlook is stable.

Rationale

Security

Net revenues of the city's water and sewer system secure the bonds. We view bond provisions as credit neutral, with rates covenanted to maintain 1.25x debt service coverage (DSC). Bond proceeds will be used to fund capital projects, primarily renewal and replacement activities. Total debt outstanding is \$9 million.

Credit highlights

The rating reflects strong financial metrics, low operational risk, and proactive rate setting that we anticipate will maintain performance in the foreseeable future. The size of the service area is limited compared with that of similarly rated peers, but the city's limited capital and operational risk due to being a distribution- and collection-only system is a credit advantage. We note that the city's five-year capital plan totals only \$25 million, with a majority of needs being front-loaded and paid for by the bonds. As annual capital investment slows to \$500,000 a year beginning in 2028, we anticipate that both operating margins and liquidity reserves will remain near historical averages. In addition, management proactively manages rates, with annual review of sufficiency and pass-through of wholesale costs, which we consider a strength.

The rating further reflects the following:

- The service area benefits from strong employment opportunities through participation in the broad and diverse San Antonio-New Braunfels metropolitan statistical area, as well as proximity to Randolph Air Force Base.

Primary Contact

Jaime Blansit
Englewood
1-303-218-0690
jaime.blansit
@spglobal.com

Secondary Contact

Allie Jacobson
Englewood
303-721-4242
allie.jacobson
@spglobal.com

- Utility rates are affordable.
- We anticipate all-in DSC will remain over 2.0x given no additional debt plans. All-in coverage is S&P Global Ratings' internally adjusted DSC metric that we believe best tracks the use of every dollar of utility operating revenues, regardless of lien position, accounting treatment, or ultimate purpose. As a result, we factor in imputed fixed wholesaler costs.
- We expect liquidity reserves will modestly grow in the next several years; historically, they have exceeded management's target of six months' operating expenses.
- We view the city's exposure to drought as somewhat elevated, but we believe that forward-looking capital planning has mitigated significant water shortage risk. The city maintains an automatic passthrough of Edwards' Aquifer fixed management fees, has plans to add additional storage capacity, and maintains an emergency connection with the city of Selma, which we anticipate will limit revenue volatility related to drought concerns.

Outlook

The stable outlook reflects our expectation that the city will maintain strong financial metrics as a result of strong proactive financial planning and limited capital needs, in addition to its operational advantages as a result of strong relationships with its wholesale providers.

Downside scenario

We could lower the rating if economic growth slows or declines, leading to pressure on utility rate affordability or management's ability to easily pass through rising wholesale costs.

Upside scenario

Given the limited service area with economic growth dependent on infill, we do not anticipate raising the rating in the two-year outlook horizon.

Universal City, Texas--economic and financial data

	Most recent	Fiscal year-end			Median (AA+)
		2025	2024	2023	
Economic data					
MHHEBI of the service area as % of the U.S.	93.0				112.0
Unemployment rate (%)	3.7				3.4
Poverty rate (%)	14.6				10.2
Water rate (6,000 gallons or actual) (\$)	54.4				33.9
Sewer rate (6,000 gallons or actual) (\$)	63.3				38.6
Annual utility bill as % of MHHEBI	2.2				1.0
Operational management assessment	Good				Good
Financial data					
Total operating revenues (\$000s)		10,811	11,499	11,131	41,982
Total operating expenses less depreciation (\$000s)		8,103	10,789	6,787	31,740
Net revenues available for debt service (\$000s)		4,234	2,572	5,897	--
Debt service (\$000s)		1,268	1,275	941	--
S&P Global Ratings-adjusted all-in DSC (x)		2.6	1.7	4.3	2.5

Universal City, Texas--economic and financial data

	Most recent	Fiscal year-end			Median (AA+)
		2025	2024	2023	
Unrestricted cash (\$000s)		11,835	9,950	12,552	55,536
Days' cash of operating expenses		533	337	675	650
Total on-balance-sheet debt (\$000s)		9,019	10,005	10,966	74,352
Debt-to-capitalization ratio (%)		17.1	19.7	21.7	25.0
Financial management assessment	Good	--	--	--	Good

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

Ratings List

New Issue Ratings	
US\$20.000 mil wtrwrks and swr sys rev bnds ser 2026 dtd 9/17/2026 due 9/1/2051	
Long Term Rating	AA+/Stable

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.

Universal City, TX Series 2026 Waterworks And Sewer System Revenue Bonds Assigned 'AA+' Rating

Copyright ©2026 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software, or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced, or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees, or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness, or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Some of the Content may have been created with the assistance of an artificial intelligence (AI) tool. Published Content created or processed using AI is composed, reviewed, edited, and approved by S&P personnel.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment, and experience of the user, its management, employees, advisors, and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge) and www.ratingsdirect.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.