CREDIT OPINION
2 November 2026

Send Your Feedback

Contacts

Guadalupe Orozco Medina +1.214.979.6852
Analyst-Ratings
guadalupe.orozcomedina@moodys.com

Adebola Kushimo +1.214.979.6847
Exec Dir-Ratings
adebola.kushimo@moodys.com

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Sonterra Municipal Utility District, TX

Update to credit analysis

Summary

Sonterra Municipal Utility District, TX's (A2) credit profile reflects strong reserves, favorable resident income and a large tax base supported by its location in the Austin metropolitan statistical area. These strengths are balanced against elevated leverage and limited near-term assessed valuation growth.

Credit strengths

» Strong available fund balance and liquidity ratios

» Solid resident income

» Advantageous location in the Austin MSA

Credit challenges

» Elevated long-term liabilities relative to fund balance and full value

» Recent declines in assessed value

Rating outlook

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

Factors that could lead to an upgrade

» Moderation of long-term liabilities to full value ratio below 4%

» Improvement in available fund balance to liabilities ratio above 35%

Factors that could lead to a downgrade

» Increase in long-term liabilities to full value ratio above 12%

» Reduction in available fund balance ratio below 20%

Key indicators

Exhibit 1
Sonterra Municipal Utility District, TX

	2022	2023	2024	2025
Economy				
Resident income ratio (%)	114.0%	118.1%	119.2%	N/A
Full value ($000)	$709,768	$1,033,549	$1,187,511	$1,259,814
Financial Performance				
Revenue ($000)	$21,640	$18,727	$22,724	$20,665
Capital-focused Issuers -- Available Fund Balance	$13,645	$19,570	$23,346	$32,467

Net unrestricted cash ($000)	$23,285	$25,134	$29,411	$38,350
Capital-focused Issuers -- Available Fund Balance Ratio	63.1%	104.5%	102.7%	157.1%
Liquidity ratio (%)	107.6%	134.2%	129.4%	185.6%
Available fund Balance to Liabilities Ratio	14.0%	19.4%	23.9%	32.0%
Leverage				
Debt ($000)	$95,893	$100,084	$97,004	$100,043
Adjusted net pension liabilities ($000)	$0	$0	$0	$0
Adjusted net OPEB liabilities ($000)	$0	$0	$0	$0
Other long-term liabilities ($000)	$1,263	$907	$575	$1,370
Long-term Liabilities Ratio	449.0%	539.3%	429.4%	490.7%
Long-term Liabilities to Full Value Ratio (annual, used in key indicators)	13.7%	9.8%	8.2%	8.0%

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, Sonterra Municipal Utility District, TX's financial statements and Moody's Ratings, US Bureau of Economic Analysis

Profile

Sonterra Municipal Utility District encompasses approximately 1,300 acres in Williamson County, within the City of Jarrell's extraterritorial jurisdiction, about 40 miles north of Austin. The district has an estimated population of 15,397 and provides water, wastewater collection, and storm drainage services. The district's water system is supplied by groundwater from various wells, with supplemental surface water supplied by the Lone Star Regional Water Authority (LSRWA). The City of Jarrell provides wastewater treatment.

Detailed credit considerations

The district's economic profile will continue to benefit from solid resident income levels and a large tax base, supported by its favorable location north of Austin. Resident income is healthy at 119%, using Jarrell Independent School District as a proxy. The district's assessed valuation (AV) has declined in recent years due to increased protests, falling to $1.2 billion in fiscal 2027. As of September 2026, the largely developed district had 4,399 occupied homes, 40 completed but unoccupied homes, 29 homes under construction and 467 vacant developed lots. The district also includes a 280-unit apartment complex, an elementary school and about 80 acres developed or planned for commercial use along Interstate 35. About 144 acres remain developable, while 58 acres are undevelopable. The district provides retail water and wastewater collection services and relies on the City of Jarrell for wholesale wastewater treatment.

The district's financial performance will remain a key credit strength. The fiscal 2026 (July 31 year-end) available fund balance and liquidity ratios are projected to remain strong at 155% and 180%, respectively, exceeding the A2 medians, supported by a projected $2.9 million operating surplus. The adopted fiscal 2027 budget includes an approximately $3.2 million general fund draw for capital outlay. Nevertheless, reserves will remain strong because of surpluses accumulated in prior years.

Post issuance, the district's available fund balance to liabilities ratio will improve slightly to 36%, remaining in line with the A2 median. Long-term liabilities will remain elevated, but stable, at 8% of fiscal 2027 assessed value. Leverage will remain elevated over the next two years, reflecting potential additional debt issuance and limited near-term AV growth.

ESG considerations

Environmental

Environmental risks do not present a material immediate challenge to the district. The district's central Texas location puts it at high risk for water stress and medium risk for heat stress and hurricanes. The district's location north of Austin, which has access to multiple water supply sources, mitigates the water stress risk significantly.

Social

Social considerations do not present material risks to the district's credit profile. Median family income is average at 119% of the US.

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.moodys.com for the most updated credit rating action information and rating history.

Governance

The District is governed by the Board, consisting of five directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year terms and elections are held in May in even numbered years only. The district is subject to strong 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.

The two notch distinction between the scorecard-indicated outcome and the assigned rating reflects the district's growth prospects, evidenced by demand for commercial and residential development, as well as its history of strong financial performance and resulting robust reserves. Continued growth will benefit the district's long-term liabilities to full value ratio and provide substantial capacity to support future debt issuance, while robust reserves provide financial flexibility to accommodate capital needs and additional leverage without materially weakening the district's financial position.

Exhibit 2

Sonterra Municipal Utility District, TX

	Measure	Weight	Score
Economy			
Resident income ratio	119.2%	30.0%	Aa
Financial Performance			
Capital-focused Issuers -- Available Fund Balance Ratio	157.1%	5.0%	Aaa
Available fund Balance to Liabilities Ratio	32.0%	20.0%	Baa
Liquidity ratio	185.6%	5.0%	Aaa
Leverage			
Long-term Liabilities to Full Value Ratio	8.1%	40.0%	Ba
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			Baa1
Assigned Rating			**A2**

The Economic Growth metric cited above compares the five-year CAGR of real GDP for Austin-Round Rock-San Marcos, TX Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.

Sources: US Census Bureau, Sonterra Municipal Utility District, TX's financial statements and Moody's Ratings

© 2026 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.
CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED OR OTHERWISE MADE AVAILABLE BY MOODY'S (COLLECTIVELY, "MATERIALS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S MATERIALS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S MATERIALS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT CONSTITUTE OR PROVIDE LEGAL, COMPLIANCE, INVESTMENT, FINANCIAL OR OTHER PROFESSIONAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES OR OTHERWISE MAKES AVAILABLE ITS MATERIALS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.
MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND MATERIALS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR MATERIALS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.
ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. FOR CLARITY, NO INFORMATION CONTAINED HEREIN MAY BE USED TO DEVELOP, IMPROVE, TRAIN OR RETRAIN ANY SOFTWARE PROGRAM OR DATABASE, INCLUDING, BUT NOT LIMITED TO, FOR ANY ARTIFICIAL INTELLIGENCE, MACHINE LEARNING OR NATURAL LANGUAGE PROCESSING SOFTWARE, ALGORITHM, METHODOLOGY AND/OR MODEL.
MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.
All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating or assessment is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating or assessment process or in preparing its Materials.
To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating or assessment assigned by MOODY'S.
To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.
NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.
Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it. MCO and all MCO entities that issue ratings under the "Moody's Ratings" brand name ("Moody's Ratings"), also maintain policies and procedures to address the independence of Moody's Ratings' credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at ir.moodys.com under the heading "Investor Relations — Corporate Governance — Charter and Governance Documents - Director and Shareholder Affiliation Policy."
Moody's SF Japan K.K., Moody's Local AR Agente de Calificación de Riesgo S.A., Moody's Local BR Agência de Classificação de Risco LTDA, Moody's Local MX S.A. de C.V, I.C.V., Moody's Local PE Clasificadora de Riesgo S.A., Moody's Local PA Calificadora de Riesgo S.A., Moody's Local CR Calificadora de Riesgo S.A., Moody's Local ES S.A. de CV Clasificadora de Riesgo, Moody's Local RD Sociedad Calificadora de Riesgo S.R.L. and Moody's Local GT S.A.(collectively, the "Moody's Non-NRSRO CRAs") are all indirectly wholly-owned credit rating agency subsidiaries of MCO. None of the Moody's Non-NRSRO CRAs is a Nationally Recognized Statistical Rating Organization.
Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.
Additional terms for India only: Moody's credit ratings, Assessments, other opinions and Materials are not intended to be and shall not be relied upon or used by any users located in India in relation to securities listed or proposed to be listed on Indian stock exchanges.
Additional terms with respect to Second Party Opinions and Net Zero Assessments (as defined in Moody's Ratings Rating Symbols and Definitions): Please note that neither a Second Party Opinion ("SPO") nor a Net Zero Assessment ("NZA") is a "credit rating". The issuance of SPOs and NZAs is not a regulated activity in many jurisdictions, including Singapore. EU: In the European Union, each of Moody's Deutschland GmbH and Moody's France SAS provide services as an external reviewer in accordance with the applicable requirements of the EU Green Bond Regulation. JAPAN: In Japan, development and provision of SPOs and NZAs fall under the category of "Ancillary Businesses", not "Credit Rating Business", and are not subject to the regulations applicable to "Credit Rating Business" under the Financial Instruments and Exchange Act of Japan and its relevant regulation. PRC: Any SPO: (1) does not constitute a PRC Green Bond Assessment as defined under any relevant PRC laws or regulations; (2) cannot be included in any registration statement, offering circular, prospectus or any other documents submitted to the PRC regulatory authorities or otherwise used to satisfy any PRC regulatory disclosure requirement; and (3) cannot be used

within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purposes of this disclaimer, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.

REPORT NUMBER 1498878

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454