

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's assigns Baa1 to Sonterra Municipal Utility District, TX's GOULT bonds, Series 2021

01 Oct 2021

New York, October 01, 2021 -- Moody's Investors Service has assigned a Baa1 general obligation unlimited tax (GOULT) rating to Sonterra Municipal Utility District, TX's \$12.9 million Unlimited Tax and Revenue Bonds, Series 2021. Moody's maintains the Baa1 rating on the district's outstanding general obligation unlimited tax (GOULT) debt. Following the issuance, the district will have \$68.3 million in debt outstanding.

RATING RATIONALE

The Baa1 rating reflects the district's moderately sized and growing tax base 40 miles north of Austin (Aa1 stable), stable and improving financial operations and reserves and average resident wealth and income. The rating also reflects the district's highly elevated debt burden with plans for further issuance and a slow principal amortization rate.

RATING OUTLOOK

Moody's generally does not assign outlooks to local government credits with this amount of debt outstanding.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Moderation of the district's elevated debt burden
- Continued tax base growth
- Material increase in financial reserves

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Increased debt absent corresponding tax base growth
- Contraction or diminishment of tax base growth
- Deterioration of financial reserves

LEGAL SECURITY

Principal and interest on the bonds are payable from a continuing, direct annual ad valorem tax upon all taxable property within the district which, under Texas law, is not limited as to rate or amount.

USE OF PROCEEDS

Proceeds of the bonds will be used to reimburse the developer for costs incurred in connection with the construction of water, wastewater, and drainage improvements and for wastewater impact fees paid to the City and to pay certain other costs and engineering fees related to the issuance of the bonds.

PROFILE

Sonterra MUD is located in Williamson County within the extraterritorial jurisdiction of the City of Jarrell, approximately 40 miles north of the City of Austin. The district is composed of 3,379 single family homes with an estimated population of 11,826.

METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1260094. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moody's.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC_1288435.

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