S&P Global Ratings

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Summary:

Beeville Water Supply District, Texas; General Obligation

Primary Credit Analyst:
Edward R McGlade, New York + 1 (212) 438 2061; edward.mcglade@spglobal.com

Secondary Contact:
Scott D Garrigan, New York + 1 (312) 233 7014; scott.garrigan@spglobal.com

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Credit Profile		
US$7.0 mil unltd tax bnds ser 2020 due 09/01/2040		
Long Term Rating	A-/Stable	New

Rating Action

S&P Global Ratings has assigned its 'A-' rating to the Beeville Water Supply District, Texas' series 2021 unlimited-tax bonds. The outlook is stable.

Bonds are secured by ad valorem taxes levied annually against all taxable property within the district without limitation as to rate or amount. The district's tax base mirrors the City of Beeville. The district is issuing up to $7 million in bonds to fund construction and equipment extensions and improvements to both the wastewater and water supply facilities that serve the city.

Our expectations are that the district's ad valorem taxes will be sufficient to fund its debt service payments and that operations will remain be funded by revenues of the city's utility fund.

Credit overview

We consider the district economy to be very weak. It has a population of 12,863 and adequate market value per customer of $53,198. Also, median household effective buying income and per capita buying income are only adequate at 68% and 62%, respectively. Top ten taxpayers in the district account for a somewhat diverse 12.9% of tax revenues. The unemployment rate of Bee County was 11.7% in September 2020, well above the state and national numbers. After debt issuance, the district will have a moderate debt burden of $2,574 per capita, or 4.8% of market value.

S&P Global Ratings believes there remains a high degree of uncertainty about the evolution of the coronavirus pandemic. Reports that at least one experimental vaccine is highly effective and might gain initial approval by the end of the year are promising, but this is merely the first step toward a return to social and economic normality; equally critical is the widespread availability of effective immunization, which could come by the middle of next year. We use this assumption in assessing the economic and credit implications associated with the pandemic (see our article "Staying Home For The Holidays," published Dec. 2, 2020, on RatingsDirect). As the situation evolves, we will update our assumptions and estimates accordingly.

The stable outlook reflects our opinion that the district's financial performance should be supportive of the rating once it begins levying the ad valorem taxes. We do not expect to change the rating within the two-year outlook horizon.

Environmental, social, and governance factors

Overall, we believe management mitigates most environmental, social, and governance (ESG) factors by adopting, adhering to, and adjusting its operating and financial policies and procedures. According to management, health and safety precautions due to the pandemic have not materially affected residential demand or that of the utility's top 10 customers. However, we believe the city's social risk factors could become even more elevated if the pandemic were to be sustained, which could materially worsen unemployment and increase the service area's already elevated poverty rate. The pandemic and subsequent travel restrictions and stay-at-home orders have led to a historic decline in the oil markets. It could be a couple of years before the price of oil stabilizes and are considered to be recovered to pre-pandemic levels. We believe the utility's governance factors are elevated compared to other similarly related utilities, as it doesn't produce financial projections and its financial policies are not comprehensive. We believe the utility's environmental factors are comparable to those of other similarly rated utilities.

Stable Outlook

Downside scenario

We could lower the rating if there were significant disruptions in the local service area economy that led to a weaker overall tax base.

Upside scenario

We could raise the rating should there be a demonstrated improvement in the local service area economy that leads to higher wealth and income levels within the service area.

Related Research

- Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020