



Rating Action: Moody's Ratings assigns A2 to Brownsville Public Utilities Board, TX's Utility System Revenue Refunding Bonds, Series 2025; outlook stable

23 Sep 2025

New York, September 23, 2025 -- Moody's Ratings (Moody's) has assigned an A2 rating to Brownsville Public Utilities Board (BPUB), TX's \$60.855 million Utility System Revenue Refunding Bonds, Series 2025. We have also affirmed the A2 ratings on BPUB's outstanding senior and junior lien revenue bonds. The outlook is stable.

RATINGS RATIONALE

BPUB's A2 rating reflects a long history of maintaining sound financial metrics and very strong liquidity with over 400 days cash on hand as of fiscal 2024. Fixed obligation charge coverage (FOCC) ratios have averaged above 2.0x supported by market outperformance and higher investment income, but we expect near-term ratios will revert to a still sound 1.6x-1.7x which is within the long-term historical range albeit on the lower end. The customer base remains challenged by lower median income levels and a high poverty rate, but the service territory is growing economically and demographically with an influx of high paying jobs related to SpaceX and LNG investments.

BPUB's status as a combined utility with electric, water, and wastewater services provides revenue diversity that supports the stability of the enterprise. BPUB's generation portfolio consists of a balanced mix of owned natural gas generation, renewables, and long-term power purchase agreements. BPUB targets a 0% planning reserve margin reflecting historical performance of owned and contracted resources as well as economical market purchases, but this leaves the utility potentially exposed to reliability and price risks during periods of market stress. Strong internal liquidity and short-term borrowing capacity, prudent risk management and maintenance practices, and BPUB's monthly fuel and power purchase rate mechanisms are crucial to managing through potential volatility.

We expect BPUB will need to replace aging units at the Silas Ray Power Plant over the near- to medium-term, and costs to build new generation have surged. Prolonging the life of the aging assets will increase reliability concerns and maintenance costs. We expect a new generation plan will be adopted after the board of directors and city council consider the findings and recommendations of the integrated resource plan (IRP) currently in the late draft stage. While residential utility bills are below regional averages, rising costs will affect affordability. Positively, nearly half of BPUB's outstanding debt amortizes over the next five years, and the declining debt service requirements will help mitigate long-term cost pressures.

Both the senior lien debt and the junior lien are rated A2 even though the junior lien is subordinate to the senior debt. The absence of a rating distinction reflects the modest amount of junior lien debt relative to the senior lien debt.

RATING OUTLOOK

The stable outlook reflects our expectation that FOCC ratios will decline after recent highs yet remain sound averaging around 1.6x-1.7x. The outlook also incorporates our expectation that BPUB will maintain strong internal liquidity.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Sustained economic expansion and median resident income growth

- Improved rate competitiveness of all rate classes at or below the state averages
- Maintenance of ample liquidity above 400 days, FOCC ratios above 2.0x without overreliance on off-system sales, and an adjusted debt ratio of below 50% after incorporating long-term debt plans and future resource needs

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Signs of reduced willingness to increase rates as needed to maintain satisfactory financial metrics
- Deterioration of financial performance, such that the FOCC ratio falls below 1.5x for a sustained period or liquidity falls below 250 days cash on hand
- Adjusted debt ratio above 80%

PROFILE

BPUB is wholly owned by the City of Brownsville (Aa3 stable) and provides electric, water, and wastewater utility services to the City of Brownsville and surrounding areas. By charter, the management, operation, and control of the system is delegated to the Public Utilities Board of the City of Brownsville. The system operates a fully integrated electric generation, transmission, and distribution system. BPUB is a monopoly provider within its singly certified area covering a substantial portion of the service area within the boundaries of the city and the developed portion of the Port of Brownsville.

METHODOLOGY

The principal methodology used in these ratings was US Public Power Electric Utilities with Generation Ownership Exposure published in January 2023 and available at <https://ratings.moodys.com/rmc-documents/398041>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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