



Rating Action: Moody's Ratings affirms P-1 LOC-backed rating of Brownsville Public Utility Board, TX Commercial Paper Notes Series A

17 Oct 2025

New York, October 17, 2025 -- Moody's Ratings (Moody's) has affirmed the P-1 letter of credit (LOC)-backed rating of the Brownsville Public Utility Board, TX (the City) Utilities System Commercial Paper Notes Series A (the Notes). The affirmation is issued in connection with the substitution of the current LOC supporting the Notes provided by PNC Bank, N.A. with a new LOC to be provided by Bank of America, N.A. (the Bank). The substitution is scheduled to occur on November 7, 2025.

RATINGS RATIONALE

Upon the substitution of the LOC, currently scheduled for November 7, 2025, the rating on the Notes will be based upon (i) the direct-pay LOC provided by the Bank, (ii) the structure and legal protections of the transaction which provide for timely payment of debt service to noteholders, and (iii) our evaluation of the credit quality of the Bank. Our current short-term Counterparty Risk Assessment (CR Assessment) of the Bank is P-1(cr).

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

» Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

» Downgrade of the short-term CR Assessment of the Bank.

The Ordinance authorizes the City to issue a maximum aggregate principal amount of up to \$100 million of the interest-bearing Notes, provided that such issuance would not result in the aggregate principal amount of Notes outstanding at maturity plus accrued interest exceeding the amount provided for under the LOC.

The LOC is sized to cover \$100 million of principal plus 270 days of interest at a maximum rate of 15%. The principal amount of the Notes outstanding cannot exceed the amount available under the LOC.

The Issuing and Paying Agent (IPA) will issue Notes upon receipt of issuance instructions from the City or the dealer. Each Note must mature no later than 270 days after issuance and in no event later than the business day prior to the expiration date of the LOC.

The IPA is instructed to make timely draws on the LOC to make all payments of principal and interest on the Notes when due at maturity. Pursuant to the Issuing and Paying Agent Agreement, the IPA shall draw on the LOC no later than 11:00 a.m., New York time, on each commercial paper maturity date to receive sufficient funds to pay the principal and interest on the Notes.

Conforming draws for the payment of principal and interest received by the Bank before 11:00 a.m., New York time, on a business day, will be honored by 1:30 p.m., New York time, on the same business day.

Drawings for payments of the Notes will be automatically reinstated by the Bank upon the Bank's receipt of reimbursement proceeds from the IPA. The Bank will be reimbursed for each draw with the proceeds from the sale of rollover Notes or with funds from the City.

Substitution of the LOC is permitted and will occur either (i) at any time Notes are outstanding as long as the IPA has received written evidence from us that such substitution will not result in a reduction or withdrawal of the rating on the Notes, or (ii) on the maturity date of all the Notes outstanding.

Upon the occurrence of an event of default under the reimbursement agreement the Bank may send a Final Drawing Notice or a No-Issuance Notice to the IPA. The IPA will cease issuing Notes following its receipt of a No-Issuance Notice or a Final Drawing Notice from the Bank. Upon receipt of a No-Issuance Notice, the IPA shall cease issuing Notes unless and until such notice is revoked or rescinded. The IPA shall continue to draw on the LOC to pay principal and accrued interest as such outstanding Notes mature. The LOC will remain outstanding until no Notes remain outstanding.

Upon receipt of a Final Drawing Notice, the IPA shall cease issuing the Notes and shall draw on the LOC for the payment at maturity of all outstanding Notes. The IPA shall hold such funds to pay the Notes as they mature. Such funds may be invested in U.S. Government Obligations maturing within 30 days or less as needed. The LOC will terminate on the earliest of: (i) ten (10) calendar days following the IPA's receipt of a Final Drawing Notice or (ii) the date on which a drawing resulting from the delivery of a Final Drawing Notice is honored.

The LOC terminates on the earliest of: (i) the Expiration Date (November 7, 2028), (ii) the date on which the Bank receives a notice from the IPA indicating that there are no Notes outstanding, (iii) the date on which the Bank receives a notice from the IPA indicating that a substitute LOC has been accepted, and (iv) the tenth day following the IPA's receipt of a final drawing notice.

The principal methodology used in this rating was Guarantees, Letters of Credit and Other Forms of Credit Substitution Methodology published in July 2022 and available at <https://ratings.moody.com/rmc-documents/386295>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody.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 on <https://ratings.moody.com/rating-definitions>.

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

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