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S&P: How Drought Is Straining Credit Quality Of Utilities And Local Governments In The Texas Coastal Bend

Key Takeaways

- The Coastal Bend region of Texas is facing severe water supply shortages, requiring multiple municipalities to enact water restrictions, stressing water supplies, and materially affecting the credit quality of municipalities and utilities in the region.
- Hydrological volatility, drought, and water scarcity amid rising demand could have near- and long-term impacts on utility and local government credit quality, including slower economic growth and weakened credit fundamentals across the board.
- In S&P Global Ratings' view, despite available state funding and long-term water supply planning, largely decentralized water management in Texas heightens the critical importance of strategic long-term planning at the local and regional level.

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