

Research Update:

# Copperas Cove, TX Series 2025 Combination Tax And Revenue Certificates Of Obligation Assigned 'AA' Rating

July 22, 2025

## Overview

- S&P Global Ratings assigned its 'AA' long-term rating to [Copperas Cove](#), Texas' proposed \$32.1 million series 2025 combination tax and revenue certificates of obligation.
- At the same time, we affirmed our 'AA' long-term and underlying ratings on the city's general obligation (GO) debt outstanding.
- The outlook is stable.
- The ratings reflect the application of our "[Methodology For Rating U.S. Governments](#)," Sept. 9, 2024.

## Rationale

### Security

The COs and GO bonds constitute direct obligations of the city, payable from a direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the city. The certificates are further secured by a limited pledge (not to exceed \$1,000) of surplus net revenues of the city's waterworks and sewer system. Given the limited nature of the additional pledged revenues, we base our ratings on these obligations on the city's ad valorem tax pledge. Despite state statutory tax-rate limitations, we do not differentiate between the city's limited-tax debt and its general creditworthiness because the ad valorem tax is not derived from a measurably narrower tax base and there are no limitations on the fungibility of resources, which support our view of the city's overall ability and willingness to pay debt service.

Certificate proceeds will finance utility, drainage, and street projects outlined in the city's capital improvement plan (CIP).

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## Credit highlights

The rating reflects our view of the city's growing local economy supported by the expansion of the Austin metropolitan statistical area and the stabilizing influence of nearby Fort Cavazos, which is among the nation's largest permanent military installations. The rating further reflects the city's stable financial performance with exceptionally strong reserves and liquidity, supported by conservative budgeting practices, effective budgetary oversight, and comprehensive long-term planning. In our view, these credit strengths are offset by the city's below-average income and economic output metrics, even when accounting for the stabilizing influence of Fort Cavazos, as well as an elevated direct debt burden, with additional issuance plans.

The city has historically maintained very consistent financial performance, reporting consecutive operating surpluses in fiscal years 2015-2024. Recent large surplus results are somewhat inflated, in our view, due to the availability of federal economic stimulus aid in the past four years, which the city primarily used for one-time capital. The city conservatively adopted a slight deficit budget for fiscal 2025, per its typical budgeting practice. Although the city budgets for full staffing, it has not been fully staffed for many years, resulting in consistent positive expenditure variances. In addition to conservative revenue assumptions and strong budgetary oversight, in our opinion, continued economic expansion and associated revenue growth will support maintenance of the city's healthy financial position, as it layers in additional debt to accommodate growth-related needs.

Credit fundamentals supporting the 'AA' rating include the following factors:

- The city is in a favorable location within about 15 miles of downtown Austin and 10 miles of Fort Cavazos, which acts as a stabilizing economic presence in the city, but also contributes to below average economic metrics relative to the national median.
- Historically balanced operating performance has been supported by ongoing tax-base expansion and conservative budgeting practices, with reserves consistently maintained at very strong levels as a percentage of the operating budget, which we expect will continue.
- Management bases revenue and expenditure assumptions on a combination of historical data trend analysis and uses external sources including the local appraisal district and proprietary tax software to inform property and sales tax assumptions. In addition, the city incorporates its long-term financial projections and rolling CIP into current-year budget assumptions. Reserves are governed by a formal policy to maintain a minimum of 25% of expenditures in reserve, which the city has historically adhered to, and which we expect will continue. A formal, although basic, debt management policy outlines general guidelines for debt issuance, and an investment policy mirrors state guidelines.
- The debt and liabilities profile is elevated, but no material worsening to current cost or net direct debt per capita metrics is expected with the current or additional near-term issuance plans, due to somewhat faster-than-average amortization. We do not view pension and other postemployment benefits contributions as near-term sources of budgetary pressure given the strong funded ratio of the city's Texas Municipal Retirement System plan, and manageable contributions that we do not expect will increase materially in the near term. The city's contributions have fallen short of our minimum funding progress metric in the past two years, potentially leading to long-term cost escalations and slow progress toward reducing unfunded liabilities.

- For more information on our institutional framework assessment for Texas local governments, see "[Institutional Framework Assessment: Texas Local Governments](#)," Sept. 9, 2024.

Environmental, social, and governance

We consider Copperas Cove’s environmental, social, and governance factors to be neutral in our credit analysis.

Outlook

The stable outlook reflects our expectation that the city will maintain balanced operations and substantial reserves, but that the elevated debt burden will remain a credit constraint during the outlook horizon.

Downside scenario

We could lower the rating if the city experiences material or sustained deficits, resulting in maintenance of reserves below the formal policy level with no credible plans to restore.

Upside scenario

Assuming all other rating factors remain stable or improve, we could raise the rating if ongoing growth results in sustained improvement in economic output and income metrics to levels that we view as commensurate with those of higher-rated peers while the city manages ongoing capital and debt financing needs.

Copperas Cove, Texas--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.51
Economy	5.0
Financial performance	2
Reserves and liquidity	1
Management	1.30
Debt and liabilities	3.25

Copperas Cove, Texas--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	31	--	31	32
County PCPI % of U.S.	56	--	56	57
Market value (\$000s)	2,423,322	2,302,086	1,957,131	1,613,473
Market value per capita (\$)	63,162	60,002	51,011	50,796
Top 10 taxpayers % of taxable value	5.2	4.5	5.4	5.1
County unemployment rate (%)	4.6	4.5	4.4	4.5
Local median household EBI % of U.S.	86	--	86	83
Local per capita EBI % of U.S.	73	--	73	74

## Copperas Cove, Texas--key credit metrics

	Most recent	2024	2023	2022
<b>Economy</b>				
Local population	38,367	--	38,367	31,764
<b>Financial performance</b>				
Operating fund revenues (\$000s)	--	22,500	21,419	20,215
Operating fund expenditures (\$000s)	--	23,008	20,180	19,153
Net transfers and other adjustments (\$000s)	--	2,187	674	57
Operating result (\$000s)	--	1,679	1,913	1,119
Operating result % of revenues	--	7.5	8.9	5.5
Operating result three-year average %	--	7.3	6.7	9.2
<b>Reserves and liquidity</b>				
Available reserves % of operating revenues	--	70.1	64.9	59.6
Available reserves (\$000s)	--	15,774	13,902	12,045
<b>Debt and liabilities</b>				
Debt service cost % of revenues	--	14.7	14.9	16.6
Net direct debt per capita (\$)	3,116	2,279	2,233	2,656
Net direct debt (\$000s)	119,568	87,453	85,692	84,368
Direct debt 10-year amortization (%)	62	70	--	--
Pension and OPEB cost % of revenues	--	7.0	6.0	7.0
NPLs per capita (\$)	--	296	375	94
Combined NPLs (\$000s)	--	11,340	14,374	2,997

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

## Ratings List

## New Issue Ratings

US\$32.115 mil comb tax and rev certs of oblig ser 2025 dtd 08/26/2025 due 08/15/2045

Long Term Rating AA/Stable

## Ratings Affirmed

## Local Government

Copperas Cove, TX Limited Tax General Operating Pledge AA/Stable

Copperas Cove, TX Limited Tax General Operating Pledge and Water and Sewer System Subordinate Lien AA/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have

different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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