

Research Update:

Wolfforth, TX Series 2025 Tax And Revenue Certificates Of Obligation Assigned 'AA' Rating

August 8, 2025

Overview

- S&P Global Ratings assigned its 'AA' rating to [Wolfforth](#), Texas' \$12.5 million series 2025 combination tax and revenue certificates of obligation (COs).
- At the same time, we affirmed our 'AA' rating on the city's existing general obligation (GO) and CO debt.
- The outlook is stable.

Rationale

Security

The COs and existing GO bonds are payable from an ad valorem tax, within the limits prescribed by law, on all taxable property within the city. In addition, the COs are secured by a pledge of surplus revenues from the city's waterworks and sewer system remaining after payment of all operation and maintenance expenses, and all debt service, reserve, and other requirements in connection with all of the city's revenue bonds or other obligations. We do not differentiate between the city's limited-tax GO debt and its general creditworthiness given that the ad valorem tax is not derived from a measurably narrower tax base and there are no limits on the fungibility of resources. We rate the COs to the strength of the GO pledge due to the limited nature of the revenue pledge.

The Texas constitution, applicable to the city, limits the maximum ad valorem tax rate to \$1.50 per \$100 taxable assessed value for all city purposes, and \$1.00 of the \$1.50 maximum is permitted for GO debt service. We note that the city's total tax rate is 78 cents, with 14.97 cents dedicated to debt service, both well below the maximum permitted.

Proceeds from the COs will be used for construction and improvement of sidewalks, streets and roads, drainage improvements, utility relocation, and the acquisition of land.

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Credit highlights

The rating reflects our view of Wolfforth's growing economy and history of balanced-to-positive financial operations, which we expect to continue, supporting its healthy, albeit nominally smaller, available reserves. However, its elevated debt burden due to growth constrains the rating.

The city's growth has been supported by its proximity to Lubbock, the regional hub of west Texas, spurring population growth alongside residential and commercial development. Officials anticipate approximately 10% in year-over-year assessed value (AV) growth over the next few years, adding approximately \$70 to \$90 million in new growth annually. Notable commercial development includes two warehouse spaces and a United Supermarket, with construction slated to start in 2026. This supermarket will be the starting point for the aforementioned infrastructure improvements from the current issuance, as it sits on a 40-acre undeveloped commercial property. The infrastructure improvements are in preparation for further commercial development of the property and are expected to generate a large amount of property and sales tax revenue, supporting future infrastructure growth.

The city's financial performance has historically been positive, with 2024 ending with another surplus due to continued property and sales tax growth. In addition, the city has made the transition to a full-time fire department using the added property tax revenue. Originally, the full transition was planned for fiscal 2024, but the city determined to implement the second half of the transition in 2025, further contributing to the 2024 surplus. For fiscal 2025, the second half of the transition will be captured, and management estimates it will end the year with a breakeven or minor deficit. For fiscal 2026, the city is planning to adopt a balanced budget. Management states it is currently monitoring rising construction costs, but its current goal is to combat this inflation with continued economic development initiatives. The city also maintains its fund balance over its informal minimum target of 25% of operations in order to combat any unforeseen pressures. Given the city's history of positive operations and continued revenue growth, we expect its operations to remain stable through the near future.

We view the city's debt as elevated compared to both state and national similarly rated peers. The city is planning for an additional issuance of approximately \$2 million next year for long-term water infrastructure needs. Management also noted that it will continue to issue debt in the future given its growth-related needs, but is unsure regarding the timeline. We expect that Wolfforth's debt burden will remain elevated through the near future but will be manageable given the city's stable operations and continued revenue growth.

The rating further reflects our view of Wolfforth's:

- Growing economy with local income metrics, particularly median household effective buying income, that compare favorably to similarly rated peers.
- Positive historical operating performances, with planned near-term break-even year-end results.
- Reserves that meet its informal 25% fund balance policy but nominally are behind the median for similarly rated peers.
- Management policies and practices that support its operations, including three-year trend analysis with regular budget-to-actual reporting, as-needed budget amendments, a formal investment policy with monthly reporting to council, and capital improvement planning, but no formal debt policy or long-term financial planning. We note that the city is taking measures to mitigate its cyber risk.

- Elevated debt burden, with approximately 46% of the city’s debt maturing within the next 10 years.
- Pension and other postemployment benefit (OPEB) liabilities that we view as flexible and not an immediate credit risk. The city participates in the Texas Municipal Retirement System (TMRS).
- For more information on our institutional framework assessment for Texas municipalities, see "[Institutional Framework Assessment: Texas Local Governments](#)," Sept. 9, 2024.

Environmental, social, and governance

We view the city’s environmental, social, and governance factors as neutral in our analysis.

Outlook

The stable outlook reflects our view that the city will maintain its healthy fund balance due to its stable financial operations, allowing for budgetary flexibility should there any growth-related or unforeseen financial pressures.

Downside scenario

Should the city experience sustained deficits resulting in a material drawdown of reserves, or if its debt begins to outpace revenue growth, we could consider lowering the rating.

Upside scenario

We could consider raising the rating if the city were to build up its reserves to levels comparable with higher-rated peers’ and it further formalizes its policies and practices.

Wolfforth, Texas--Credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.28
Economy	2.5
Financial performance	2
Reserves and liquidity	1
Management	2.65
Debt and liabilities	3.25

Wolfforth, Texas--Key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	70	--	70	70
County PCPI % of U.S.	78	--	78	78
Market value (\$000s)	886,596	724,535	587,994	497,320
Market value per capita (\$)	143,905	117,600	95,438	88,982
Top 10 taxpayers % of taxable value	7.9	6.6	6.5	7.9
County unemployment rate (%)	3.5	3.5	3.4	3.4
Local median household EBI % of U.S.	130	--	130	128

Wolfforth, Texas--Key credit metrics

	Most recent	2024	2023	2022
Local per capita EBI % of U.S.	103	--	103	101
Local population	6,161	--	6,161	5,589
Financial performance				
Operating fund revenues (\$000s)	--	8,393	6,919	6,430
Operating fund expenditures (\$000s)	--	7,710	6,806	5,686
Net transfers and other adjustments (\$000s)	--	154	45	577
Operating result (\$000s)	--	837	158	1,321
Operating result % of revenues	--	10.0	2.3	20.5
Operating result three-year average %	--	10.9	7.8	8.6
Reserves and liquidity				
Available reserves % of operating revenues	--	40.9	37.6	38.4
Available reserves (\$000s)	--	3,430	2,604	2,469
Debt and liabilities				
Debt service cost % of revenues	--	9.8	11.3	14.8
Net direct debt per capita (\$)	7,159	3,405	3,557	4,080
Net direct debt (\$000s)	44,106	20,976	21,915	22,801
Direct debt 10-year amortization (%)	46	78	--	--
Pension and OPEB cost % of revenues	--	4.0	4.0	3.0
NPLs per capita (\$)	--	279	279	170
Combined NPLs (\$000s)	--	1,718	1,722	951

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\$12,500,000 City of Wolfforth, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025, dated: August 15, 2025, due: February 15, 2045

Long Term Rating AA/Stable

Ratings Affirmed

Local Government

Wolfforth, TX Limited Tax General Operating Pledge AA/Stable

Wolfforth, 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

Wolfforth, TX Series 2025 Tax And Revenue Certificates Of Obligation Assigned 'AA' Rating

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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