

Research Update:

Brownsville, TX Series 2025A Combination Tax And Revenue Certificates Of Participation Rated 'AA+'; Outlook Stable

August 25, 2025

Overview

- S&P Global Ratings assigned its 'AA+' long-term rating to the City of [Brownsville](#), Texas' anticipated \$143.86 million series 2025A combination tax and revenue certificates of obligation (COs).
- The outlook is stable.

Rationale

Security

The series 2025A COs are payable from the proceeds of a continuing, direct annual ad valorem tax, within the limits prescribed by law, on all taxable property within the city limits. The maximum allowable ad valorem tax rate in Texas is \$2.50 per \$100 of assessed value for all purposes, with the portion dedicated to debt service limited to \$1.50. Brownsville's total tax rate in fiscal 2025 is well below the maximum at 60.4 cents, 24.6 cents of which is dedicated to debt service. The certificates are additionally secured by a pledge of surplus revenue derived from the city's municipal landfill system. Given the lack of sufficient information to rate the revenue pledge, we rate the certificates on par with our view of Brownsville's general creditworthiness.

We understand that certificate proceeds will fund various citywide improvements, including a public safety building, a fire station, and road construction.

Credit highlights

The rating reflects our view of Brownsville's stable budgetary performance with maintenance of very strong reserves, supported by comprehensive financial policies and practices, and a manageable debt burden. Although economic metrics are significantly below average compared with those of peers, we recognize the city's importance in the region, and Brownsville's large tax base that doubled over the past decade and continues to see ongoing robust development. We

Primary Contact

Karolina Norris
Dallas
1-972-367-3341
Karolina.Norris
@spglobal.com

Secondary Contact

Lauren Levy
Englewood
1303-721-4956
lauren.levy
@spglobal.com

also note that despite weak incomes, these figures have improved modestly and we believe further growth is likely given ongoing economic development, including jobs being created relating to the nearby SpaceX.

Brownsville is a major port of entry for international trade and commerce but also has a stabilizing institutional presence of several large universities, the largest of which is University of Texas Rio Grande Valley; three international bridges that connect the U.S. to Mexico; and the Port of Brownsville. The city also has a robust retail base, bolstered by direct access to consumers in nearby Matamoros (estimated population 500,000). Brownsville was recently recognized as one of the leading metropolitan statistical areas (MSAs) for economic growth, with leading sectors including manufacturing, health care, tourism, and aerospace. SpaceX, located outside of the city, created more than 7,000 jobs in Cameron County and is currently expanding, adding an office and industrial complex estimated at about \$100 million. Test flights at Starbase attract tourists and provide a significant revenue boost to the city as car rentals and hotel rooms sell out. Another large contributor to economic growth is Rio Grande LNG located in the Rio Grande ship channel that, according to management, generates hundreds of millions of dollars through jobs, tax revenues, and investments. The LNG facility is undergoing further expansions. Brownsville continues to execute its capital plan, including expansion of broadband service to attract additional commercial investment. In 2024, Cameron County received federal authorization to construct and operate a fourth vehicular and pedestrian crossing at the U.S.-Mexico border in Brownsville.

Accelerating growth in taxable value has supported revenue growth and consistent budgetary performance in the past three years, with planned drawdowns in fiscal years 2022 through 2024 for capital projects. Reserves remain in line with the formal policy of maintaining a minimum of 25% of expenditures in the unassigned fund balance. The city uses conservative budgetary assumptions, including limiting its general fund exposure to sales taxes, and consistently generates surpluses, but uses excess revenues for one-time items. The 2025 budget is balanced and does not reflect material deviations from previous years. Similarly, the draft 2026 budget is balanced. City officials report that sales tax collections continue to grow and are expected to increase by about 3% annually in the near term.

The current issuance is larger than we expected in January, resulting in deterioration of Brownsville's debt profile, but we note it still compares favorably with those of peers, and debt issuances should be smaller in the next couple of years. Also, officials layer in the new debt carefully to avoid drastic increases in the debt burden and tax rate.

The rating further reflects our view of Brownsville's:

- Anchor for a broad and diverse MSA, with a large \$11.5 billion taxing base for fiscal 2026 and continued growth, with modest improvements in economic metrics that nevertheless materially lag the nation;
- Well-embedded financial policies and practices, including comprehensive and conservative budgeting practices with regular budget monitoring; the maintenance of a long-term financial forecast and capital plan; and formal policies pertaining to reserves, investments, and debt management;
- Solid financial performance and reserves, with annual surpluses that are used to fund capital and other one-time items; and no material changes to assumptions in fiscal years 2025 and 2026; and

- Elevated but still manageable debt profile, additional debt plans in line with the city’s capital improvement plan, and no pressures stemming from pensions and other postemployment benefits.
- For more information on our institutional framework assessment for Texas counties, see "[Institutional Framework Assessment: Texas Local Governments](#)," Sept. 9, 2024.

Environmental, social, and governance

Given Brownsville's proximity to the Gulf Coast, we view the city's physical risk factors as somewhat elevated, particularly considering the city’s exposure to hurricanes. Brownsville's very strong reserves somewhat offset this risk, as the city could maintain operations despite short-term revenue disruptions or acute remediation costs. Furthermore, recent capital projects included improvements to drainage and flood control infrastructure. We view the city's social and governance factors as neutral in our credit analysis.

Outlook

The stable outlook reflects our view that Brownsville's economic growth and strong management practices will continue to support positive financial performance and robust reserves.

Downside scenario

We could lower the rating if the city's reserves weaken due to consistently weak budgetary performance, or if Brownsville no longer adheres to its formal financial policies and practices that have historically supported its healthy financial profile.

Upside scenario

All else remaining equal, we could raise the rating if the city's economic profile improves materially.

Brownsville, Texas--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.26
Economy	4.0
Financial performance	2
Reserves and liquidity	1
Management	1.30
Debt and liabilities	3.00

Brownsville, Texas--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	44	--	44	44
County PCPI % of U.S.	55	--	55	56
Market value (\$000s)	12,409,691	10,054,913	8,377,890	7,847,125
Market value per capita (\$)	65,184	52,815	44,390	41,609

Brownsville, Texas--key credit metrics

	Most recent	2024	2023	2022
Top 10 taxpayers % of taxable value	3.0	3.4	3.8	3.7
County unemployment rate (%)	5.8	5.2	5.3	5.7
Local median household EBI % of U.S.	71	71	66	67
Local per capita EBI % of U.S.	55	55	52	50
Local population	190,379	190,379	188,734	188,591
Financial performance				
Operating fund revenues (\$000s)	--	129,724	142,731	132,655
Operating fund expenditures (\$000s)	--	134,050	140,496	138,614
Net transfers and other adjustments (\$000s)	--	723	(6,277)	(1,559)
Operating result (\$000s)	--	(3,603)	(4,042)	(7,518)
Operating result % of revenues	--	(2.8)	(2.8)	(5.7)
Operating result three-year average %	--	(3.8)	2.8	4.1
Reserves and liquidity				
Available reserves % of operating revenues	--	29.7	28.9	34.1
Available reserves (\$000s)	--	38,490	41,216	45,221
Debt and liabilities				
Debt service cost % of revenues	--	13.0	11.2	12.1
Net direct debt per capita (\$)	2,032	1,242	1,088	939
Net direct debt (\$000s)	386,829	236,470	205,350	177,170
Direct debt 10-year amortization (%)	43	68	--	--
Pension and OPEB cost % of revenues	--	8.0	7.0	7.0
NPLs per capita (\$)	--	274	381	45
Combined NPLs (\$000s)	--	52,131	71,836	8,465

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\$143.86 mil comb tax and rev certs of oblig ser 2025A dtd 09/25/2025 due 02/15/2046

Long Term Rating AA+/Stable

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