

Research Update:

Sunnyvale, TX Series 2025 Combination Tax And Revenue COs Rated 'AA+'; Outlook Is Stable

September 4, 2025

Overview

- S&P Global Ratings assigned its 'AA+' long-term rating to [Sunnyvale](#), Texas' approximately \$35 million series 2025 combination tax and revenue certificates of obligation (COs).
- At the same time, S&P Global Ratings affirmed its 'AA+' rating on the town's existing debt.
- The outlook is stable.
- The rating reflects the application of our [Methodology For Rating U.S. Governments](#), Sept. 9, 2024.

Rationale

Security

The series 2025 COs and existing notes, general obligation (GO) bonds, and COs, are payable and secured by revenue from a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within Sunnyvale. Texas statutes limit the maximum ad valorem tax rate to \$2.50 per \$100 of taxable assessed valuation (AV) for all town purposes. The town's charter further limits the maximum rate to \$1.50. Administratively, the state attorney general will permit the allocation of \$1.00 of the \$1.50 maximum tax rate for ad valorem tax debt service. The series 2025 and existing certificates carry an additional limited pledge of the surplus net revenue of the town's waterworks and sewer system in an amount not to exceed \$1,000. Given the de minimis pledge, we rate the bonds based on the town's ad valorem pledge.

Sunnyvale levies well below the maximum at 45.3 cents per \$100 of AV, of which 14.61 cents are allocated for debt service. We do not differentiate between the town'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 limitations on the fungibility of resources.

Debt proceeds will be used for various capital projects throughout the town, including water lines, park improvements, and land for a new police station and town hall.

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Credit highlights

The rating reflects our opinion of Sunnyvale's growing tax base with strong incomes and sound financial performance, offset by lower reserves, particularly on a nominal basis, relative to those of peers, and somewhat elevated debt profile. We believe ongoing residential, commercial, and industrial developments in the area will continue to spur growth in the local economy and help the town manage growth-related pressures.

The rating reflects our view of the town's:

- Expanding and diverse local economy with wealth metrics that compare favorably with those of similarly rated peers in the state. Incomes are well above the county and national averages on both a median household and per capita basis. Management notes a variety of ongoing developments in the area, with multiple residential, commercial, and industrial projects under way.
- Solid financial performance, with a track record of positive operating results. Although the town reported a \$4.5 million deficit in fiscal 2024 (29.8% of revenues), this was due to a one-time \$5 million transfer out of the general fund for capital projects. Given this, as well as an additional \$1.3 million transfer for capital projects in 2023, we consider recent results to be somewhat understated. Management adopted a balanced budget in fiscal 2025 (fiscal year-end Sept. 30) and expects to end the year with a \$400,000 surplus (2.6% of revenues) based on year-to-date performance. Management expects to adopt a balanced budget in fiscal 2026 and has no plans to draw down fund balance in the near term. Following the 2024 spend-down for capital projects, reserves are slightly below those of state peers on both a nominal and percentage basis. For more information on Texas local government credit metrics, see "[U.S. Local Governments Credit Brief: Texas State Counties And Municipalities Means And Medians](#)," April 5, 2024.
- Management practices, which include comprehensive budgeting, with robust monitoring and monthly reporting of budget-to-actual performance, detailed and regularly updated long-term capital and financial plans, and well-defined formalized investment management, debt management, and fund balance policies. Management is taking steps to mitigate cybersecurity risk.
- Elevated but manageable debt and liabilities burden. Post-issuance, Sunnyvale will have approximately \$6 million of authorized but unissued debt remaining; we view further issuance as likely, given the town's growth-related capital needs. We do not view pension and other postemployment benefits (OPEB) as a credit pressure, given the adequately funded status of the town's pension plans and limited OPEB liability. For more information, see "[Pension Spotlight: Texas](#)," April 4, 2023.
- For more information on our institutional framework assessment for Texas cities, see "[Institutional Framework Assessment: Texas Local Governments](#)," Sept. 9, 2024.

Environmental, social, and governance

We consider Sunnyvale's physical risk, specifically exposure to drought and water stress, to be elevated relative to that of peers nationwide, but largely in line with Texas as a whole. We view social and governance factors as neutral within our credit analysis.

Outlook

The stable outlook reflects our expectation that ongoing growth and a robust management framework will continue to drive sound financial performance over our outlook horizon.

Downside scenario

We could lower the rating if reserves were to fall to a level below what is required by Sunnyvale's formal fund balance policy without a credible plan in place to rebuild them or if further debt issuance were to pressure operations.

Upside scenario

We could raise the rating if the town's local economy were to continue to expand and if debt metrics were to moderate to levels comparable with those of higher-rated peers.

Sunnyvale, Texas--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	1.75
Economy	1.0
Financial performance	2
Reserves and liquidity	1
Management	1.00
Debt and liabilities	3.75

Sunnyvale, Texas--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	172	--	172	173
County PCPI % of U.S.	113	--	113	115
Market value (\$000s)	2,114,185	1,855,120	1,724,562	1,529,663
Market value per capita (\$)	267,992	235,153	220,956	228,274
Top 10 taxpayers % of taxable value	14.3	19.3	17.2	19.0
County unemployment rate (%)	4.0	3.8	4.0	3.8
Local median household EBI % of U.S.	166	166	169	165
Local per capita EBI % of U.S.	121	121	122	120
Local population	7,889	7,889	7,805	6,701
Financial performance				
Operating fund revenues (\$000s)	--	14,956	13,319	11,757
Operating fund expenditures (\$000s)	--	14,618	12,622	12,188
Net transfers and other adjustments (\$000s)	--	(4,791)	420	125
Operating result (\$000s)	--	(4,453)	1,117	(306)
Operating result % of revenues	--	(29.8)	8.4	(2.6)
Operating result three-year average %	--	(8.0)	9.0	9.2
Reserves and liquidity				
Available reserves % of operating revenues	--	45.3	84.3	76.5

Sunnyvale, Texas--key credit metrics

	Most recent	2024	2023	2022
Available reserves (\$000s)	--	6,776	11,228	8,996
Debt and liabilities				
Debt service cost % of revenues	--	14.5	17.0	11.6
Net direct debt per capita (\$)	8,052	3,930	3,443	3,711
Net direct debt (\$000s)	63,525	31,000	26,875	24,865
Direct debt 10-year amortization (%)	42	75	--	--
Pension and OPEB cost % of revenues	--	4.0	4.0	4.0
NPLs per capita (\$)	--	63	141	4
Combined NPLs (\$000s)	--	495	1,101	25

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\$35,075,000 Town of Sunnyvale, Texas, (Dallas County), Combination Tax And Revenue Certificates of Obligation, Series 2025, dated: September 15, 2025, due: February 15, 2050	
Long Term Rating	AA+/Stable

Ratings Affirmed

Local Government

Sunnyvale, TX Limited Tax General Operating Pledge	AA+/Stable
Sunnyvale, 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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