

Research Update:

# Arlington Economic Development Corp., TX's Taxable Series 2025 Sales Tax Revenue Bonds Assigned 'AA' Rating

September 11, 2025

## Overview

- S&P Global Ratings assigned its 'AA' long-term rating to [Arlington Economic Development Corp.](#), Texas' projected \$70.63 million taxable series 2025 sales tax revenue bonds.
- The outlook is stable.

## Rationale

### Security

Revenue from a 0.25% citywide sales tax secures the senior-lien bonds. Bond proceeds will fund the North American headquarters and a factory for E-Space, a satellite manufacturer.

We rate the bonds under our priority-lien criteria, which factor in both the strength and stability of the pledged revenue as well as the general credit quality of the city where taxes are distributed and/or collected (the obligor's creditworthiness [OC]).

### Credit highlights

The rating reflects Arlington's large and growing base in the Dallas-Fort Worth metro area, with over 400,000 residents; strong maximum annual debt service (MADS) coverage with no immediate plans to issue additional debt to the fullest extent of the 1.5x MADS additional bonds test (ABT); and little historical sales tax collection volatility.

Arlington's economy continues to experience strong growth in commercial, retail, and residential development. Arlington is home to a large entertainment sector, and millions of visitors annually contribute to the city's significant tourism industry. Venues include the Dallas Cowboys' AT&T Stadium, the Texas Rangers' Globe Life Park, Six Flags, Hurricane Harbor, and Texas Live!.

Consistent with steady growth throughout the metroplex, pledged revenues have increased over the last couple of years. While the 0.25% sales tax was approved by voters only in 2020, other

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sales taxes levied within the city have performed well over the years, even during economic downturns and the COVID pandemic. The COVID-related decrease in collections in fiscal 2020 was just about 1% from the previous year and pledged tax revenues increased since then, with a return to strong tourism and local economic activity.

Our assessment of strong coverage is driven by MADS coverage exceeding 4x and the 1.5x ABT. Pledged revenues are expected to soften this year and next year, in line with statewide trends, but we expect MADS coverage will remain solid, barring a major economic downturn or significant additional parity debt issuances. Management has no near-term parity debt plans, although it could issue additional debt beyond our outlook horizon. However, we also note that officials have an internal goal of maintaining MADS coverage above 2x, above the formal ABT, and they want to fund upcoming capital projects with cash as much as possible.

Bond provisions allow additional parity senior-lien debt for all obligations if it meets a 1.5x MADS ABT. A debt service reserve (DSR) funded to the least of MADS, 125% of average annual debt service, or 10% of the bonds' original principal amount provides additional liquidity for the senior-lien bonds. The reserve will be fully funded with a surety policy. There is no risk of appropriation for the bonds.

We believe that sales tax revenue trends, combined with economic expansion, will continue to support generally stable key credit factors in the near term, supporting our view of credit quality. Given Arlington's current coverage levels and no additional debt plans, we expect coverage will remain strong, with sufficient cushion to withstand potential fluctuations should any potential risks related to recessionary macroeconomic headwinds materialize.

Key credit considerations include:

- Our view that sales taxes have historically demonstrated low volatility nationwide and are additionally supported by a growing taxing base;
- Favorable bond provisions, with a 1.5x MADS ABT, and a fully funded DSRF that has to be replenished if there are any drawdowns;
- Close linkage between the priority-lien pledge and the obligor's creditworthiness, given that the state collects the taxes and then remits them to the city, which in turn deposits them for the benefit of the EDC (for more information on Arlington, see our [report](#) published July 24, 2025); and
- Strong- MADS coverage for the sales and use tax revenue bonds, with no additional near-term debt plans.

## **Environmental, social, and governance**

Environmental, social, and governance factors are neutral in our credit analysis.

## **Outlook**

The stable outlook reflects our view of the strong coverage, bond covenants, and internal coverage target. We expect coverage will remain at least stable over the outlook horizon.

## **Downside scenario**

We could lower the rating if MADS coverage declines, whether as a result of economic conditions or additional debt issuances, to levels no longer comparable with those of similarly rated peers.

## Upside scenario

While unlikely given the open lien and potential additional parity debt plans in the next two to four years, we could raise the rating if economic metrics improve and MADS coverage is maintained consistently well above 4x.

### Arlington, Texas--key credit metrics

	Metric
<b>Economic data</b>	
Economy	Strong - very strong
EBI level per capita % of U.S.	85
Statewide revenue base	No
Population (obligor)	400,617
Population (MSA)	8,344,032
<b>Financial data</b>	
Revenue volatility	Low
Coverage and liquidity	Strong
Baseline coverage assessment	ABT
MADS coverage (x)	4.66
MADS year	2037
Annual debt service coverage (x)	N.M.
2-year pledged revenue change (%)	3.69
<b>Bond provisions</b>	
ABT (x)	1.50
ABT type	MADS
ABT period	Historical
DSRF type	Lowest of 3-pronged test
<b>Obligor relationship</b>	
Obligor linkage	Close
PL rating limit (number of notches above OC)	1

Data points and ratios may reflect analytical adjustments. EBI--Effective buying income. MSA--Metropolitan statistical area. MADS--Maximum annual debt service. ABT--Additional bonds test. DSRF--Debt service reserve fund. PL--Priority lien. OC--Obligor creditworthiness. 3-pronged test--MADS, 10% of principal, or 125% of average annual debt service. N.M.--Not meaningful.

#### Ratings List

##### New Issue Ratings

US\$70.63 mil sales tax taxable rev bnds ser 2025 dtd 09/15/2025 due 08/15/2055

Long Term Rating AA/Stable

##### New Rating

##### Local Government

Arlington Economic Development Corporation, TX Sales Tax Revenue 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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