

Research Update:

Richmond, TX Series 2025 Combination Tax And Revenue Certificates Of Obligation Rated 'AA-'; Outlook Stable

October 7, 2025

Overview

- S&P Global Ratings assigned its 'AA-' rating to the City of [Richmond](#), Texas' series 2025 combination tax and revenue certificates of obligation (COs), in an amount not to exceed \$8.81 million.
- At the same time, we affirmed our 'AA-' rating on the city's existing general obligation (GO) debt and COs.
- The outlook is stable.

Rationale

Security

The series 2025 COs and outstanding GO debt and COs are secured by the levy of a direct and continuing ad valorem tax, within the limits prescribed by law on all taxable property within the city. We do not differentiate between the city's limited-tax GO debt because the ad valorem tax is not derived from a measurably narrower property tax base and because there are no limits on the fungibility of the city's resources. Additionally, the COs are further secured by, and payable from, a limited pledge of a subordinate lien on the net revenues of the City's waterworks and sewer system remaining after all operational and maintenance expenses thereof are paid. We rate the COs to the GO pledge, given the de minimis pledge.

The city's home rule charter limits ad valorem tax rate to the constitutional maximum of \$2.50 per \$100 of taxable assessed valuation (AV) for all city purposes and permits \$1.50 of the \$2.50 maximum for GO debt service. The city's total tax rate for fiscal 2026 is 63 cents, 26.7 cents of which is dedicated for debt service, both well below the maximum permitted.

Proceeds from the COs will be used for street rehabilitation and utility infrastructure extension and improvements.

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Credit highlights

The rating reflects our view of the city's stable operating performance and healthy available reserves, while its per capita debt and local income metrics are constraining factors.

Richmond's AV is growing, primarily attributing to two new fully completed residential developments, Veranda and Mandola, valued at \$110 million and \$103 million, respectively. The city's Wall Street project is underway and is currently valued at approximately \$45 million. Utility infrastructure is being constructed for future residential and commercial developments, and management reports that it anticipates future AV growth as newly annexed areas are developed and more projects come online, growing its tax base. Concurrently, management expects population growth as new residential developments are completed. Despite AV growth, local effective buying incomes function as a constraint, with metrics below both the U.S. and the county.

Richmond ended fiscal 2024 with a minor drawdown, attributed to a planned transfer from the general fund to its capital projects fund for the purchase of a new city hall and various other capital projects. The city reported higher-than-anticipated sales tax revenues, which helped reduce the size of the planned drawdown. Fiscal 2025 was conservatively adopted as a deficit, but its August financial report reflects an approximate \$1.4 million surplus, with sales tax revenues outperforming budgeted figures. Richmond budgeted for a deficit in fiscal 2026; however, the city has historically outperformed its original budgets, and we expect this trend to continue through the near future.

We consider the city's debt as elevated on a per capita basis. Additionally, the city is completing a master plan, which will outline future enterprise capital improvement projects. However, there are no current plans for issuing additional debt in the near term. Despite the elevated debt burden, we expect current and any future debt to remain manageable given the city's stable financial performance and healthy levels of reserves.

The rating reflects our view of the city's:

- Proximity to Houston spurring tax base growth, but local income metrics that are not comparable with both similarly rated and higher rated peers.
- Stable financial performance supported by surplus sales tax revenues, allowing for one-time discretionary drawdowns for capital projects.
- A healthy reserve maintained over its formalized policy of 90 days of operating expenditures, supporting budgetary flexibility.
- Policies and practices aiding its stable operations that include five years of historical trend analysis for budgeting and regular financial reporting to the council, a five-year rolling capital improvement plan, five-year forecasting of revenues and expenditures, and a formal investment policy with quarterly updates provided to the council but no formal debt management policy. In addition, the city takes measures to mitigate its cyber risk.
- Net direct debt per capita which is elevated compared to peers with approximately 47% of the city's debt maturing over the next ten years.
- Pension and other postemployment benefit liabilities we consider flexible and not an immediate credit risk. The city participates in the Texas Municipal Retirement System.
- 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 factors as elevated due to its proximity to the Gulf Coast, raising exposure to severe weather such as hurricanes. However, it maintains healthy reserves and carries insurance to mitigate losses from severe weather damage. Additionally, the city maintains an emergency management plan for resource allocation and guidance during severe weather events.

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

Outlook

The stable outlook reflects our view that the city’s stable operations, healthy reserves, and continued tax base growth will support its elevated debt through our outlook horizon.

Downside scenario

If the city were to experience a sustained drawdown of its reserves or debt becoming unmanageable, we could consider lowering the rating.

Upside scenario

If the city’s debt burden were to moderate, alongside material improvement of its economic metrics to levels comparable with higher rated peers, we could consider raising the rating.

Richmond, Texas--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.68
Economy	5.5
Financial performance	2
Reserves and liquidity	1
Management	1.65
Debt and liabilities	3.25

Richmond, Texas--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	59	0	59	59
County PCPI % of U.S.	105	0	105	103
Market value (\$000s)	1,110,957	983,837	746,767	608,993
Market value per capita (\$)	88,473	78,350	61,180	47,404
Top 10 taxpayers % of taxable value	17.5	17.3	17.6	16.8
County unemployment rate (%)	4.2	4.1	3.9	4
Local median household EBI % of U.S.	81	81	82	83
Local per capita EBI % of U.S.	69	69	71	77
Local population	12,557	12,557	12,206	12,847
Financial performance				
Operating fund revenues (\$000s)	--	20,081	17,583	18,948

Richmond, Texas--key credit metrics

	Most recent	2024	2023	2022
Operating fund expenditures (\$000s)	--	20,021	17,929	17,176
Net transfers and other adjustments (\$000s)	--	-132	1493	-1794
Operating result (\$000s)	--	-72	1147	-22
Operating result % of revenues	--	-0.4	6.5	-0.1
Operating result three-year average %	--	2	5.7	5.9
Reserves and liquidity				
Available reserves % of operating revenues	--	51.4	59.2	49.2
Available reserves (\$000s)	--	10,325	10,409	9,327
Debt and liabilities				
Debt service cost % of revenues	--	9.4	8.2	7.6
Net direct debt per capita (\$)	6,234	4,104	3,521	2,585
Net direct debt (\$000s)	78,282	51,537	42,981	33,215
Direct debt 10-year amortization (%)	46	57	0	0
Pension and OPEB cost % of revenues	--	7	7	8
NPLs per capita (\$)	--	487	666	59
Combined NPLs (\$000s)	--	6,115	8,126	760

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\$8.81 mil comb tax and rev certs of oblig ser 2025 dtd 11/01/2025 due 03/01/2046

Long Term Rating AA-/Stable

Ratings Affirmed

Local Government

Richmond, TX Limited Tax General Operating Pledge AA-/Stable

Richmond, 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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