

Research Update:

Killeen, TX Series 2025 Limited-Tax Notes Assigned 'AA' Rating; Outlook Is Stable

November 7, 2025

Overview

- S&P Global Ratings assigned its 'AA' long-term rating to [Killeen](#), Texas' anticipated \$4.5 million series 2025 limited-tax notes.
- The outlook is stable.

Rationale

Security

The notes constitute direct obligations of the city, payable from a direct and continuing ad valorem tax levied within the limitations prescribed by law on all taxable property within its jurisdiction. Texas statutes limit the ad valorem tax rate for home rule cities to \$2.50 per \$100 of taxable assessed valuation for all city purposes. The Texas attorney general permits the allocation of \$1.50 of the \$2.50 maximum tax rate for ad valorem tax debt service. Despite state statutory tax-rate limitations, we do not differentiate between the city's limited-tax debt and its general creditworthiness because the ad valorem tax is not derived from a measurably narrower tax base and there are no limitations on the fungibility of resources available for debt service, which supports our view of the city's overall ability and willingness to pay debt service. The notes are further secured by a limited pledge of the city's water and sewer system net revenues, not to exceed \$1,000. Given the limited nature of the additional pledged revenues, we base our ratings on these obligations on the city's ad valorem tax pledge.

Note proceeds will finance the replacement of public safety equipment.

Credit highlights

The rating reflects our view of Killeen's growing local economy that benefits from the stabilizing influence of Fort Cavazos (formerly known as Fort Hood) and northward expansion of the Austin metropolitan statistical area. In addition, the city's exceptionally strong financial position and comprehensive financial policies and practices support the rating. Credit limitations, in our view,

Primary Contact

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

Secondary Contact

Kristin Button
Dallas
1-214-765-5862
kristin.button
@spglobal.com

include the city's sizable debt burden with additional issuance plans. We expect that current costs for debt service are likely to remain elevated for the foreseeable future, given plans to issue up to \$30 million in additional certificates of obligation in the next five years.

Killeen has experienced substantial population and tax base growth in the last decade, mainly due to its favorable location, approximately 70 miles north of downtown Austin. In addition, it benefits from the influence of nearby Fort Cavazos, which is the city's largest employer, with more than 36,000 active-duty military personnel, 10,000 civilian and contracted employees, and 48,000 family members. We view the presence of this major military installation as a stabilizing economic influence that also contributes to understated income and wealth metrics. Robust growth in taxable value as well as conservative and forward-looking financial management have helped the city maintain consistently positive budgetary performance, providing flexibility to make annual transfers to capital improvement funds, and maintain reserves, in line with the formal policy of 18%-22% of expenditures.

The rating further reflects our view of the Killeen's:

- Broad and diverse taxpayer base, supported by Fort Cavazos and the Interstate 35/14 corridor between Waco and Austin, driving robust economic development;
- Consistently positive financial performance supporting maintenance of healthy reserves in line with the formal policy level, and flexibility to cash-fund capital projects--The city expects to make transfers to the capital projects fund in fiscal years 2024 and 2025 to bring fund balance closer to the formal policy level;
- Comprehensive financial policies and practices, including conservative revenue and expenditure assumptions, based on historical data, long-term financial projections, and a rolling capital improvement plan. The city maintains formal policies for reserves and investments, as well as a robust debt management policy that contains both qualitative and quantitative restrictions governing debt issuance; and
- Substantial direct debt burden, with additional near-term debt issuance plans, although favorable debt to market value metrics, indicating the tax base's ability to support this level of debt.
- 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 Killeen's environmental, social, and governance factors as neutral in our credit analysis. We note that the city experienced a cyber breach in August 2024. However, we understand that the city's framework of cybersecurity protocols and rapid response measures prevented any financial or data loss, and enabled officials to identify the source of the breach, restore services, and strengthen security networks. The city continues to evaluate its systems to mitigate evolving threats.

Outlook

The stable outlook reflects our expectation that continued growth and conservative financial policies and practices will contribute to maintenance of positive budgetary performance and a robust reserve and liquidity position. We also expect that the city's debt burden will increase during the outlook horizon due to substantial capital needs and additional debt issuance plans, and this will remain a credit limitation.

Downside scenario

We could lower the rating if additional debt issuance outpaces tax base growth, resulting in budgetary pressure and deterioration in reserves to levels we no longer view as comparable with those of similarly rated peers.

Upside scenario

We could raise the rating if continued tax base expansion results in improvement in per capita income and economic output metrics, along with moderation of debt metrics, to levels we view as comparable with those of higher-rated peers.

Ratings List

New Issue Ratings	
US\$4.5 mil ltd tax nts ser 2025 dtd 12/11/2025 due 08/01/2032	
Long Term Rating	AA/Stable

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

Copyright © 2025 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Some of the Content may have been created with the assistance of an artificial intelligence (AI) tool. Published Content created or processed using AI is composed, reviewed, edited, and approved by S&P personnel.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.