

Research Update:

Floresville, TX CO And GO Rating Raised To 'A' On Positive Financial Performance; Outlook Positive

November 17, 2025

Overview

- S&P Global Ratings raised its underlying rating to 'A' from 'A-' on [Floresville](#), Texas' certificates of obligation (COs) and general obligation (GO) debt outstanding.
- At the same time, S&P Global Ratings assigned its 'A' long-term rating to the city's anticipated \$10.0 million combination tax and revenue COs, series 2026.
- The outlook is positive, reflecting the potential for upward rating momentum if the city can sustain its improved financial performance, supporting the current level of reserves within the near term.
- The upgrade reflects our view of the city's continued positive financial performance supported by management's efforts to right-size the budget, which boosted the reserve position to above 50% of operating revenues during the last two audited years.

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Rationale

Security

The GO bonds and COs are secured by a limited ad valorem tax, levied on all taxable property within the city. State 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 will permit the allocation of \$1.50 of the \$2.50 maximum tax rate for ad valorem tax debt service. We do not differentiate between its 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. The COs are also payable from, and secured by, a limited pledge of the city's combined utility system in an amount not to exceed \$1,000; due to the pledge's limited nature, we rate the COs to the strength of the ad valorem tax pledge.

Proceeds from the certificates will fund public capital improvements related to the city's waterworks and sewer system.

Credit highlights

The rating reflects the city's sustained improvement in its financial profile, with surplus results over the past four years that have allowed the city to build its available general fund balance to above 50% of operating revenues in the last two audited years. Its financial performance is supported by improved management practices, including better spending controls and budget monitoring, as well as policies that support better budget planning implemented as part of the city's turnaround plan adopted in 2019. Revenue growth has also allowed the city to outperform its budgets.

Following the financial distress the city experienced from 2013 to 2020--largely as a result of revenue shortfalls, a lack of budgetary corrections, and capital spending--the city implemented comprehensive financial policies that continue to support our view of improved financial performance. Although the city's financial profile has materially improved, its long history of weak budgetary performance and negative fund balance levels are reflected in our view of management. We will continue to monitor management's ability to maintain structural balance and adhere to policies and practices, which, if proven effective, could result in a positive rating action.

The rating further reflects our view of the following:

- The city's tax base is primarily residential and located within the San Antonio-New Braunfels metropolitan statistical area. Gross county product per capita and county per capita personal incomes are below U.S. averages, but wealth and income indicators are in line with those of similarly rated peers.
- Financial performance reflects operating surpluses from fiscal years 2021 to 2024. The city expects surplus results in fiscal 2025 and has adopted a balanced budget in fiscal 2026. Our view of financial performance is weakened due to the receipt of one-time revenues in fiscal 2022, which overstates the results, as well as the city's dependence on sales tax revenue, which could drive performance volatility.
- Management policies and practices are highlighted by improved budget monitoring that has supported recent operational results; formal policies; and some long-term planning.
- The debt burden is manageable but elevated, with limited pressures from pension liabilities, that we expect will remain stable.
- 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, social, and governance risks as neutral within our credit rating analysis.

Outlook

The positive outlook reflects our view of a one-in-three chance that we could raise the rating further within our two-year outlook period if management's improved budgeting practices allow for continued surplus results that support a healthy general fund balance.

Downside scenario

We could lower the rating if financial performance returns to structural imbalance, resulting in a reduction of available reserves below the city's formal policy, or should evidence arise that management's adherence to financial policies and practices has deteriorated, resulting in a weakening of our management assessment.

Upside scenario

We could raise the rating if the city maintains positive financial performance, resulting in the maintenance of current reserves in fiscal year 2025 and beyond.

Credit Opinion

Economy

Floresville is located 25 miles south of San Antonio along U.S. Highway 181, and residents have access to employment opportunities throughout the metropolitan statistical area. While the local economy historically centered on agricultural activities, residential and commercial growth to the south of San Antonio is changing the economic landscape of the city and region. The tax base is expected to grow further over the near term, driven by ongoing residential and commercial developments. Despite the growth, Floresville continues to have weaker economic demographics, as evident in below-average incomes and a low real gross county product per capita as a percentage of GDP per capita.

Financial performance, reserves, and liquidity

The city has improved its budgetary assumptions and financial monitoring to sustainably improve general fund operations and maintain reserves in line with its formal fund balance policy. With the hiring of a new city manager in 2021 and a new finance director in 2020, the city made changes to its budget assumptions, budget adjustment practices, budget monitoring practices, and expenditure controls. Reserves became positive in fiscal 2022 as the city used its \$1.9 million in American Rescue Plan Act funding for revenue replacement, allowing these funds to improve the fund balance and eliminate the negative position; however, reserves have continued to grow during fiscal years 2023 and 2024 driven by conservative assumptions. Prior to the city's negative general fund balance, reserves were nominally thin and consistently below \$1.0 million; however, with the recent surpluses, the city has built reserves to approximately \$3.9 million in fiscal 2024. Officials anticipate a surplus in fiscal 2025 of roughly \$145,000, with an estimated ending fund balance of about \$4.1 million.

During the last three audited years, expenditures have increased as a result of higher general government administrative expenses. However, revenue is growing steadily in both of its largest revenue sources, sales and property taxes. We view sales taxes as a more volatile revenue source; they make up roughly 41% of general fund revenue in fiscal 2024, followed by property taxes at 17%. However, sales taxes continue to trend upward, and officials anticipate this trend to continue as year-to-date results reflect continue growth. We expect the city will maintain balanced-to-positive general fund results and healthy reserves during the outlook horizon, which is supported by management's conservative assumptions and lack of plans to spend down current reserves.

Management

Our assessment of management includes our view of officials' greater oversight on spending with a zero-based budgeting approach and tighter controls on city expenditures, which has allowed the city to operate with surplus results, resulting in an improvement on our management assessment. Additionally, the city is now in compliance with its formal reserve and liquidity policy.

Management practices include the following:

- Revenue and expenditure assumptions are based historical data and outside sources to assist with projections for sales, hotel, and property taxes, with regular budget monitoring and monthly reports shared to the city council.
- The city has a formal five-year capital improvement plan with funding sources that is updated annually. The city does not maintain a long-term financial plan.
- A formal investment policy follows state guidelines, with monthly reporting of holdings and performance to the council.
- A formal reserve policy states a target for the unassigned balance of 30% of operations in the general fund with a replenishment clause.
- A formal, but basic debt management policy lacks comprehensive quantitative measures.
- Policies and practices support cybersecurity mitigation.

Debt and liabilities

We believe the city has an elevated debt burden; however, we do not expect our view of the debt profile will deteriorate as the series 2026 COs are expected to be fully self-supporting from the city's combined utility system, and the city has no additional near-term debt plans.

The city privately placed its series 2008 COs (with principal outstanding of \$1.03 million), and this debt does not present a contingent liquidity risk, in our opinion, as principal cannot be accelerated in the event of a default, per the bond ordinance.

Lastly, we view Floresville's pension and other postemployment benefit liabilities as a minimal credit pressure, as contributions are manageable, and its liabilities are minimal. The city participates in the Texas Municipal Retirement System. a nontraditional, joint contributory, hybrid defined benefit pension plan administered by the state, which is 87% funded with a net pension liability of \$1.4 million, as of fiscal 2024.

Floresville, Texas--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	3.19
Economy	6.0
Financial performance	3
Reserves and liquidity	1
Management	2.70
Debt and liabilities	3.25

Floresville, Texas--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	38	--	38	34
County PCPI % of U.S.	85	--	85	85
Market value (\$000s)	722,410	661,815	605,202	544,513
Market value per capita (\$)	84,522	77,432	79,163	74,468
Top 10 taxpayers % of taxable value	9.8	10.2	11.0	9.9
County unemployment rate (%)	3.6	3.4	3.4	3.5
Local median household EBI % of U.S.	91	91	85	97
Local per capita EBI % of U.S.	71	71	69	85
Local population	7,850	7,850	7,645	7,312
Financial performance				
Operating fund revenues (\$000s)	--	6,264	5,965	6,570
Operating fund expenditures (\$000s)	--	5,530	5,267	4,551
Net transfers and other adjustments (\$000s)	--	326	507	466
Operating result (\$000s)	--	1,060	1,205	2,485
Operating result % of revenues	--	16.9	20.2	37.8
Operating result three-year average %	--	25.0	21.5	7.6
Reserves and liquidity				
Available reserves % of operating revenues	--	62.6	51.6	29.0
Available reserves (\$000s)	--	3,921	3,079	1,907
Debt and liabilities				
Debt service cost % of revenues	--	16.5	19.7	14.7
Net direct debt per capita (\$)	3,110	2,036	2,375	727
Net direct debt (\$000s)	26,585	17,400	18,155	5,315
Direct debt 10-year amortization (%)	43	54	--	--
Pension and OPEB cost % of revenues	--	4.0	3.0	3.0
NPLs per capita (\$)	--	167	241	64
Combined NPLs (\$000s)	--	1,428	1,844	470

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\$10.0 mil comb tax and rev certs of oblig ser 2026 dtd 12/01/2025 due 09/01/2045

Long Term Rating A/Positive

Upgraded;Outlook Action

To From

Floresville, TX CO And GO Rating Raised To 'A' On Positive Financial Performance; Outlook Positive

Ratings List

Local Government

Floresville, TX Limited Tax General Operating Pledge	A/Positive	A- /Stable
Floresville, TX Limited Tax General Operating Pledge and Water and Sewer System Subordinate Lien	A/Positive	A- /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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