

Research Update:

# Jarrell, TX's Series 2026 Certificates Of Obligation Assigned 'AA' Rating

February 11, 2026

## Overview

- S&P Global Ratings assigned its 'AA' long-term rating to [Jarrell](#), Texas' \$12.1 million series 2026 certificates of obligation.
- At the same time, we affirmed our 'AA' long-term rating on the city's general obligation (GO) debt outstanding.
- The outlook is stable.

## Rationale

### Security

Revenue from a limited ad valorem tax, levied on all taxable property within the city, secures the series 2026 certificates and GO debt outstanding. State statute limits the ad valorem tax rate for general law cities to \$1.50 per \$100 of taxable assessed valuation for all purposes. In addition, the Texas attorney general will permit the allocation of \$1.00 of the \$1.50 maximum tax rate for ad valorem tax debt service. For fiscal 2026, the city's levy is well below the maximum, at 39.4 cents per \$100 of AV, 14.91 cents of which is dedicated to operations and 29.47 cents to debt service. Despite state statutory tax rate limitations, we make no distinction between the city's limited-tax debt and its general creditworthiness given that the ad valorem tax is not derived from a measurably narrower tax base and given a lack of limitations on the fungibility of resources, which supports our view of the city's overall ability and willingness to pay debt service. Surplus net revenue of the city's water system not to exceed \$1,000 further secures the certificates. Given the de minimis revenue pledge, we rate the certificates based solely on the limited ad valorem pledge.

Revenue that the Lone Star Regional Water Authority receives from Jarrell under a water system facilities installment sale contract between the two parties secures the city's 2015 contract revenue bonds. Surplus revenue of the city's water system and, should those be insufficient, revenue from an ad valorem tax levied on taxable property within its borders and within the limits prescribed by state law secure city payments. We rate the bonds based on the ad valorem

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limited-tax pledge, on par with the city's general creditworthiness, because legal provisions are insufficient to rate the revenue pledge.

Proceeds of the series 2026 certificates will finance improvements to the city's waterworks and sewer system.

### Credit highlights

The rating reflects our view of Jarrell's continued economic and population expansion, spurred by northward expansion of the Austin metropolitan statistical area along Interstate-35. The city's positive operating performance and healthy reserve position additionally support the 'AA' rating. Offsetting factors include Jarrell's elevated per capita direct debt and somewhat lower nominal reserves compared with those of similarly rated peers. Both economic expansion and historically high inflation have supported strong revenue growth and positive operating performance in recent years. However, we note that sales tax collections--the city's largest source of operating revenue at approximately 46%-- have underperformed relative to the city's budget assumption of 5% annual growth in fiscal years 2024 and 2025. Despite this moderation, financial performance has generally been positive in the past four years, with the fiscal 2022 general fund deficit resulting from a transfer out to the capital projects fund. Surplus operations have contributed to maintenance of the healthy reserve position and nominal additions to fund balance. The city has no plans to draw down financial reserves for capital or to issue additional debt in the next two to three years, though we believe the rapid nature of population expansion could result in additional capital needs, debt issuance, or pay-as-you-go financing in that period.

Jarrell has several privately placed debt obligations; we view the covenants included in the financing documents as standard, including no principal acceleration as an allowable remedy. Thus, we do not view these obligations as contingent liabilities or liquidity risks. A recently settled legal claim resulted in a \$1.6 million liability for the city. However, the settlement agreement includes a quarterly repayment schedule, payable through fiscal 2028, with average annual payments of \$450,000 to \$500,000. Officials anticipate no budgetary pressure stemming from these payments. We view this assessment as realistic given continued economic expansion and robust revenue growth. Net direct debt per capita remains elevated with the current issuance, somewhat offset in our view by historical support from the city's utility fund, which maintains positive operations and robust liquidity (857 days' cash on hand) but which recorded slightly less than 1x debt service coverage in fiscal 2024. In practice, the city plans to support most debt service requirements on the series 2026 certificates with utility revenue, somewhat improving our view of current costs for debt and liabilities. The city completed a utility rate study in preparation for this financing, and officials plan to implement the recommended rate adjustments to accommodate debt service for the series 2026 certificates.

The 'AA' rating further reflects our view of Jarrell's:

- Growing, primarily residential local economy with access to the broad and diverse Austin metropolitan statistical area;
- Management practices that include use of historical information and trend analysis to inform revenue and expenditure assumptions. The city's long-term capital plan outlines projects, estimated costs, and proposed funding sources for the next five years. The city does not produce long-term financial projections to inform assumptions. Formalized policies govern minimum general fund reserves (25% of expenditures) and investments. The city lacks a formal policy for debt issuance. We adjust our management assessment to account for material delays in receipt of information necessary to complete our review. We note that the city's cybersecurity policies and practices are in line with those of peers.

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- Generally positive operating performance, supported by robust revenue growth and effective cost controls, contributing to nominal growth in reserves that have generally exceeded 100% of operating revenue in the past four years. Unaudited fiscal 2025 results show a roughly \$1.5 million addition to fund balance, and the city adopted an approximately \$180,000 (2.8%) surplus budget for fiscal 2026.
- Elevated per capita direct debt, somewhat offset by a history of considerable enterprise fund support for tax-secured debt service, which is expected to continue. Although officials report no additional debt issuance plans for the next two to three years, we note that the rapid pace of economic expansion could result in additional capital and debt financing needs in that period.
- 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

The rating incorporates our view of Jarrell's environmental, social, and governance factors relative to its economy, management, financial measures, and debt and liability profile, all of which we view as neutral in our credit analysis. We note no material restatements of fund balance in the city's four most recent audit reports, improving our view of reliability and transparency of the financial statements.

## Outlook

The stable outlook reflects our expectation that city will maintain at least balanced operating performance across governmental and enterprise funds in the next two years, supporting maintenance of the healthy reserve position.

### Downside scenario

We could lower the rating if increasing operating or debt service costs pressure operations, resulting in material draws on reserves to levels we no longer view as comparable to those of peers, with no credible plan in place to restore.

### Upside scenario

All other credit factors remaining equal, we could raise the rating if economic expansion results in sustained improvement in economic output and income metrics to levels we consider comparable to those of higher-rated peers, accompanied by implementation of more formalized financial policies and practices.

### Jarrell, Texas--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.29
Economy	3.0
Financial performance	2
Reserves and liquidity	1
Management	2.70
Debt and liabilities	2.75

**Jarrell, Texas--key credit metrics**

	Most recent	2024	2023	2022
<b>Economy</b>				
Real GCP per capita as % of U.S.	71	--	71	70
County PCPI as % of U.S.	107	--	107	104
Market value (\$000s)	790,855	650,583	458,135	291,625
Market value per capita (\$)	259,127	213,166	186,158	286,750
Top 10 taxpayers as % of taxable value	18.7	16.8	15.3	--
County unemployment rate (%)	3.3	3.6	3.5	3.0
Local median household EBI as % of U.S.	125	125	126	--
Local per capita EBI as % of U.S.	103	103	99	--
Local population	3,052	3,052	2,461	1,017
<b>Financial performance</b>				
Operating fund revenue (\$000s)	--	5,216	4,500	3,734
Operating fund expenditures (\$000s)	--	4,381	3,445	2,936
Net transfers and other adjustments (\$000s)	--	--	--	(1,622)
Operating result (\$000s)	--	835	1,055	(824)
Operating result as % of revenue	--	16.0	23.4	(22.1)
Operating result three-year average %	--	5.8	12.4	16.6
<b>Reserves and liquidity</b>				
Available reserves as % of operating revenue	--	107.9	106.6	95.3
Available reserves (\$000s)	--	5,630	4,795	3,559
<b>Debt and liabilities</b>				
Debt service cost as % of revenue	--	--	--	0.6
Net direct debt per capita (\$)	15,742	12,457	16,245	28,520
Net direct debt (\$000s)	48,045	38,020	39,980	29,005
Direct debt 10-year amortization (%)	43	--	--	--
Pension and OPEB cost as % of revenue	--	3	--	--
NPLs per capita (\$)	--	--	--	--
Combined NPLs (\$000s)	--	--	--	--

Financial data may reflect analytical adjustments and is 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. EBI--Effective buying income. GCP--Gross county product. NPL--Net pension liability. OPEB--Other postemployment benefits. PCPI--Per capita personal income.

**Ratings List**

**New Issue Ratings**

US\$12.145 mil combination tax and rev certs of oblig ser 2026 dtd 02/01/2026 due 08/01/2056

Long Term Rating AA/Stable

**Ratings Affirmed**

**Local Government**

Jarrell, TX Limited Tax General Obligation, 1st Lien Water and Sewer AA/Stable

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### Ratings List

Jarrell, TX Limited Tax General Operating Pledge	AA/Stable
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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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