

Research Update:

Amarillo, TX's Combination Tax And Revenue COs And Public Property Finance Contractual Obligations Rated 'AAA'

November 24, 2025

Overview

- S&P Global Ratings assigned its 'AAA' long-term rating to the City of [Amarillo](#), Texas' proposed \$9 million series 2026 combination tax and revenue certificates of obligation (COs), \$29.31 million series 2026A combination tax and revenue certificates of obligation, and \$4.78 million series 2026 public property finance contractual obligations (PPFCOs).
- The outlook is stable.

Rationale

Security

A limited ad valorem tax, levied on all taxable property within the city, secures the series 2026 and 2026A COs and the series 2026 PPFCOs. State statutes limit the maximum ad valorem tax rate for home-rule cities to \$2.50 per \$100 of assessed valuation (AV), of which up to \$1.50 can be levied for debt service. We note that the city's home rule charter imposes a stricter, \$1.80 limit for all city purposes, but the city is well below it at 43 cents, of which 10 cents are levied for debt. The COs and PPFCOs are additionally secured by a limited pledge of surplus revenue of the city's waterworks and sewer system in an amount not to exceed \$1,000. Given the limitation of the net utility system revenue pledge, the certificates are rated based on the city's ad valorem tax pledge. We do not differentiate between the city's limited-tax debt and its general creditworthiness since the ad valorem tax is not derived from a measurably narrower tax base and there are no limitations on the fungibility of resources.

The 2026 COs will fund fleet and heavy equipment replacement, and the purchase of park amenities. Proceeds from the series 2026A COs will fund street and park improvements. The city will use the PPFCOs to pay for three new fire engines.

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Credit highlights

The 'AAA' rating reflects the city's strength as a regional economic hub; stable budgetary performance with maintenance of very strong reserves, supported by comprehensive financial policies and practices; and a manageable debt burden.

Although Amarillo's economic fundamentals lag those of similarly rated peers, we do not believe these fully capture its role in the region. The city serves as trade center for the Texas Panhandle, and portions of New Mexico, Kansas, and Oklahoma. Its diverse tax and employment base includes defense, manufacturing, food processing and distribution, health care, ranching/cattle, and education. Recent economic development has accelerated AV growth, which has increased by 26% over the past five years. Officials indicate that building permits are remaining in line with recent years, with residential permits exceeding prior years, and expect AV growth will remain strong next year, while assuming a return to 3% growth over the long term, for budgeting purposes.

This economic expansion has also fueled robust sales and property tax growth, supporting the city's strong budgetary performance. In fiscal 2024, the general fund recorded an \$11.4 million surplus, prior to transfers (including about \$17 million in transfers out, with majority going to the capital projects fund). Including transfers, there was another drawdown on reserves of \$3.7 million, which was planned to align available fund balance with the formal 90-day policy. For fiscal 2025, ended Sept. 30, officials indicate that the year ended with a healthy surplus, and a subsequent \$10 million transfer out to fund capital and to remain in line with the city's reserve policy. The adopted fiscal 2026 is balanced and conservatively with management anticipating transferring about \$5 million for capital in the current year from excess reserves. Officials report no material federal government exposure, which is limited to small public health grants' having been frozen; the city shifted expenses in that area to other available grants.

Amarillo's practice of transferring out excess general fund surplus to support capital projects has allowed the city to consistently cash-fund a portion of its capital needs and maintain a debt profile that is lower than that of state peers, which we view as a credit strength. While it will likely issue additional tax-secured debt over the outlook period, including potentially issuing more COs next year, to support various projects, we do not expect the debt profile will materially change.

The rating also reflects our view of the following:

- The city serves as a regional economic center, benefiting from its location along Interstate 40, with ongoing economic development and strong AV growth.
- Reserves are in excess of 30% of revenue, with operating surpluses above its reserve policy historically transferred to the city's capital projects fund and solid liquidity. The city has several privately placed debt obligations, but we do not consider them a contingent liquidity risk.
- Financial policies and practices are well embedded, highlighted by regular budget and investment monitoring, long-term financial and capital planning, and a minimum operating reserve policy of 90 days of general fund expenditures.
- The city's debt burden is manageable; it is lower than those of peers in the state, and management has no material near-term tax-backed debt plans. Pension and other postemployment benefits (OPEB) are not an immediate credit pressure given the well-funded status of the city's pension plans and an OPEB funded ratio that has generally improved. For more information, see "[Pension Spotlight: Texas](#)," April 4, 2023.

- 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 city's environmental, social, and governance factors are neutral considerations in our credit rating analysis.

Rating above the sovereign

The city's debt is eligible to be rated above the sovereign, because we believe Amarillo can maintain better credit characteristics than the U.S. in a stress scenario. Under our criteria ["Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions,"](#) Nov. 19, 2013, U.S. local governments are considered to have moderate sensitivity to country risk. The city's locally derived revenue is the source of security for the bonds, and the institutional framework in the U.S. is predictable, with significant U.S. local government autonomy. In a potential sovereign default scenario, U.S. local governments would maintain financial flexibility through the ability to continue collecting locally derived revenue and U.S. local governments have independent treasury management.

Outlook

The stable outlook reflects our view that the city's economic growth and strong management practices will continue to support positive financial performance and robust reserves over the two-year outlook period.

Downside scenario

If the city's financial profile weakens, affecting our view of management, or if its debt burden increases materially without being offset by improvement in economic indicators, we could lower the rating.

Amarillo, Texas--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	1.82
Economy	3.5
Financial performance	1
Reserves and liquidity	1
Management	1.35
Debt and liabilities	2.25

Amarillo, Texas--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita as % of U.S.	47	--	46	44
County PCPI as % of U.S.	89	--	87	86
Market value (\$000s)	20,737,648	18,395,210	16,592,197	14,590,475

Amarillo, Texas--key credit metrics

	Most recent	2024	2023	2022
Market value per capita (\$)	102,844	91,227	82,568	73,906
Top 10 taxpayers as % of taxable value	6.5	5.8	6.4	6.3
County unemployment rate (%)	2.9	3	3	3.2
Local median household EBI as % of U.S.	79	--	79	79
Local per capita EBI as % of U.S.	79	--	79	78
Local population	201,642	201,642	200,952	197,419
Financial performance				
Operating fund revenue (\$000s)	--	241,252	228,849	215,991
Operating fund expenditures (\$000s)	--	229,845	212,701	188,299
Net transfers and other adjustments (\$000s)	--	(15,069)	(1,991)	(18,490)
Operating result (\$000s)	--	(3,662)	14,157	9,202
Operating result as % of revenue	--	(1.5)	6.2	4.3
Operating result three-year average %	--	3	6.5	8
Reserves and liquidity				
Available reserves as % of operating revenue	--	27.2	30.4	34.7
Available reserves (\$000s)	--	65,512	69,603	74,923
Debt and liabilities				
Debt service cost as % of revenue	--	7.3	7.1	5.2
Net direct debt per capita (\$)	1,662	1,671	1,436	1,476
Net direct debt (\$000s)	335,213	335,882	288,654	291,342
Direct debt 10-year amortization (%)	56	46	--	--
Pension and OPEB cost as % of revenue	--	6	6	6
NPLs per capita (\$)	--	546	435	--
Combined NPLs (\$000s)	--	109,811	87,394	--

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\$29.31 mil combination tax and rev certs of oblig ser 2026A dtd 12/01/2025 due 02/15/2046

Long Term Rating AAA/Stable

US\$4.78 mil pub prop fin contractual oblig ser 2026 dtd 12/01/2025 due 02/15/2039

Long Term Rating AAA/Stable

US\$9.0 mil combination tax and rev certs of oblig ser 2026 dtd 12/01/2025 due 02/15/2039

Long Term Rating AAA/Stable

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