

Research Update:

Killeen, TX Series 2026 GO Refunding Bonds Assigned 'AA' Rating

April 3, 2026

Overview

- S&P Global Ratings assigned its 'AA' long-term rating to [Killeen](#), Texas' anticipated \$28.335 million series 2026 general obligation (GO) refunding bonds.
- We also affirmed our 'AA' long-term rating and underlying rating on the city's existing GO bonds, certificates of obligation (COs), and tax notes.
- The outlook is stable.

Rationale

Security

The GO bonds, notes, and certificates 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 COs 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.

Bond proceeds will refund a portion of the city's debt for present value savings.

Credit highlights

The rating reflects our view of Killeen's growing local economy that benefits from the stabilizing influence of 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.

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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 Hood, located just north of the city, which is the city's largest employer, with more than 34,000 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. Going forward, officials expect that financial performance will moderate but remain positive due to increased staffing levels and revenue growth slowing down, in line with broader economic trends.

The rating further reflects our view of the following:

- Killeen's taxpayer base is broad and diverse, supported by Fort Hood and the Interstate 35/14 corridor between Waco and Austin, driving robust economic development.
- Consistently positive financial performance supports maintenance of healthy reserves in line with the formal policy level, and flexibility to cash-fund capital projects. The city expects to continue to make transfers to the capital projects fund going forward to keep fund balance closer to the formal policy level.
- Financial policies and practices are comprehensive, and include 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. Killeen is taking steps to protect its assets against cyber threats.
- The city's direct debt burden is manageable, with no material near-term tax-backed debt issuance plans. Pension and other postemployment benefits liabilities are manageable and don't pose a material pressure over the medium term.
- 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.

Downside scenario

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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 to levels we view as comparable with those of higher-rated peers.

Killeen, Texas--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.05
Economy	4.0
Financial performance	2
Reserves and liquidity	1
Management	1.00
Debt and liabilities	2.25

Killeen, Texas--Key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	75	--	75	74
County PCPI % of U.S.	75	--	75	75
Market value (\$000s)	11,613,903	11,256,822	10,959,970	9,428,053
Market value per capita (\$)	71,282	69,090	67,268	59,073
Top 10 taxpayers % of taxable value	4	4.2	4.2	5.3
County unemployment rate (%)	4.3	4.3	4.4	4.3
Local median household EBI % of U.S.	79	--	79	77
Local per capita EBI % of U.S.	66	--	66	68
Local population	162,930	--	162,930	159,600
Financial performance				
Operating fund revenues (\$000s)	--	117,930	115,626	108,457
Operating fund expenditures (\$000s)	--	118,017	113,171	107,164
Net transfers and other adjustments (\$000s)	--	933	45	(3,161)
Operating result (\$000s)	--	846	2,500	(1,868)
Operating result % of revenues	--	0.7	2.2	(1.7)
Operating result three-year average %	--	0.4	0.5	3.3
Reserves and liquidity				
Available reserves % of operating revenues	--	29.7	29.7	29.3
Available reserves (\$000s)	--	35,033	34,358	31,818
Debt and liabilities				
Debt service cost % of revenues	--	11.9	12	13.1
Net direct debt per capita (\$)	1,312	1,286	1,082	1,183

Killeen, Texas--Key credit metrics

	Most recent	2025	2024	2023
Net direct debt (\$000s)	213,830	209,495	176,236	188,737
Direct debt 10-year amortization (%)	74	72	76	--
Pension and OPEB cost % of revenues	--	6	8	8
NPLs per capita (\$)	--	382	429	488
Combined NPLs (\$000s)	--	62,287	69,865	77,917

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\$28.335 mil GO rfdg bonds ser 2026 dtd 05/07/2026 due 08/01/2034

Long Term Rating AA/Stable

Ratings Affirmed

Local Government

Killeen, TX Limited Tax General Obligation, Water System and Sewer System AA/Stable

Killeen, TX Limited Tax General Operating Pledge 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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