Research Update:

Copperas Cove, TX Series 2026 Tax And Revenue COs Assigned 'AA' Rating; Outlook Stable

July 20, 2026

Overview

- S&P Global Ratings assigned its 'AA' long-term rating to Copperas Cove, Texas' proposed $34.23 million series 2026 combination tax and revenue certificates of obligation (COs).
- At the same time, we affirmed our 'AA' long-term and underlying ratings on the city's general obligation (GO) debt and CO debt outstanding.
- The outlook is stable.

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Rationale

Security

The COs and GO bonds constitute direct obligations of the city, payable from a direct annual ad valorem tax, levied within the limits prescribed by law, on all taxable property within the city. The certificates are further secured by a limited pledge (not to exceed $1,000) of surplus net revenues of the city's waterworks and sewer system. Given the limited nature of the additional pledged revenues, we base our ratings on these obligations on the city's ad valorem tax pledge. 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, which support our view of the city's overall ability and willingness to pay debt service.

Certificate proceeds will finance utility and drainage improvements, vehicle replacements, equipment purchases, and parks and recreation improvements outlined in the city's capital improvement plan (CIP) and capital outlay plan (COP).

Credit highlights

The rating reflects our view of the city's growing local economy supported by the expansion of the Austin metropolitan statistical area and the stabilizing influence of nearby Fort Hood, which is among the nation's largest permanent military installations. The rating further reflects the city's stable financial performance with exceptionally strong reserves and liquidity, supported by conservative budgeting practices, effective budgetary oversight, and comprehensive long-term planning. In our view, these credit strengths are offset by the city's below-average income and economic output metrics, even when accounting for the stabilizing influence of Fort Hood, as well as by its slightly elevated direct debt burden, with additional issuance plans.

The city maintained operating surpluses in fiscal years 2015 to 2024. However, the city realized a $779,281 general fund deficit after transfers in fiscal 2025 (year-end Sep. 30), attributable to higher-than-anticipated construction costs related to the city's senior center project. The city conservatively adopted a slight deficit budget for fiscal 2026 and has proposed a similar deficit budget for fiscal 2027, per its typical budgeting practice. However, we expect fiscal 2026 will end with at least breakeven operations, as management has noted that actuals are tracking well to the budget. Further in fiscal 2027, we expect the city will realize positive variances related to staffing vacancies throughout the year, allowing it to realize at least breakeven operations. Although the city budgets for full staffing, it has not been fully staffed for many years, resulting in consistent positive expenditure variances. In addition to its conservative revenue assumptions and strong budgetary oversight, the city's continued economic expansion and associated revenue growth will, in our opinion, support maintenance of its healthy financial position as it layers in additional debt to accommodate growth-related needs.

Credit fundamentals supporting the 'AA' rating include the following factors:

- The city is in a favorable location within about 45 miles of downtown Austin and 10 miles of Fort Hood, which acts as a stabilizing economic presence in the city but also contributes to below-average economic metrics relative to the national median.
- Historically balanced operating performance has been supported by ongoing tax-base expansion and conservative budgeting practices, with reserves consistently maintained at very strong levels as a percentage of the operating budget, which we expect will continue.
- Management bases revenue and expenditure assumptions on historical data trend analysis and uses external sources, including the local appraisal district and proprietary tax software, to inform property and sales tax assumptions. In addition, the city incorporates its long-term financial projections and rolling CIP into current-year budget assumptions. Reserves are governed by a formal policy to maintain a minimum of 25% of expenditures in reserve, which the city has historically adhered to and which we expect will continue. A formal, although basic, debt management policy outlines general guidelines for debt issuance, and an investment policy mirrors state guidelines. The city has taken steps to mitigate cyber risk.
- The debt-and-liabilities profile is slightly elevated, but no material worsening to current cost and net direct debt per capita metrics is expected with the current issuance or additional near-term issuance plans. The city currently plans to issue additional debt totaling about $100 million between fiscals 2027 and 2028, though we note that historically, the city's enterprise funds have supported a large amount of these debt service payments, and we expect this will continue given the strong operations and liquidity of the enterprise funds.
- We do not view pension and other postemployment benefits contributions as near-term sources of budgetary pressure given the strong funded ratio of the city's Texas Municipal Retirement System plan and manageable contributions that we do not expect will increase materially in the near term. However, the city's contributions have fallen short of our minimum funding progress metric in the past three years, potentially leading to long-term cost escalations and slow progress toward reducing unfunded liabilities.
- Although physical risks are relevant for the local government sector, we consider Copperas Cove's exposure to natural hazards, including flooding and extreme weather, low compared

with those of national peers and in a nominal sense, and therefore not a material factor in our credit analysis.

- For more information on our institutional framework assessment for Texas local governments, see "Institutional Framework Assessment: Texas Local Governments," Sept. 9, 2024.

Outlook

The stable outlook reflects our expectation that the city will maintain at least balanced operations and substantial reserves, but that the elevated debt burden will remain a credit constraint during the outlook horizon.

Downside scenario

We could lower the rating if the city's financial performance were to deteriorate, leading to sustained and significant draws on reserves below its formal policy level with no credible plans to restore, or if the debt-and-liabilities burden increased beyond our expectations, placing significant financial pressure on the city.

Upside scenario

Assuming all other rating factors remain stable or improve, we could raise the rating if ongoing growth results in sustained improvement in economic output and income metrics to levels that we view as commensurate with those of higher-rated peers while the city manages ongoing capital and debt financing needs.

Copperas Cove, Texas--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.53
Economy	5.0
Financial performance	2
Reserves and liquidity	1
Management	1.65
Debt and liabilities	3.00

Copperas Cove, Texas--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	30	--	30	30
County PCPI % of U.S.	56	--	56	56
Market value ($000s)	2,545,819	2,423,322	2,302,086	1,957,131
Market value per capita ($)	65,042	61,913	58,815	51,011
Top 10 taxpayers % of taxable value	4.9	4.6	4.5	5.4
County unemployment rate (%)	4.5	4.7	4.5	4.4
Local median household EBI % of U.S.	92	--	92	86
Local per capita EBI % of U.S.	78	--	78	73
Local population	39,141	--	39,141	38,367

Copperas Cove, Texas--key credit metrics

	Most recent	2025	2024	2023
Financial performance				
Operating fund revenues ($000s)	--	22,589	22,500	19,652
Operating fund expenditures ($000s)	--	25,667	23,008	20,180
Net transfers and other adjustments ($000s)	--	2,299	2,187	2,441
Operating result ($000s)	--	(779)	1,679	1,913
Operating result % of revenues	--	(3.4)	7.5	9.7
Operating result three-year average %	--	4.6	7.6	7.0
Reserves and liquidity				
Available reserves % of operating revenues	--	66.6	70.1	70.7
Available reserves ($000s)	--	15,050	15,774	13,902
Debt and liabilities				
Debt service cost % of revenues	--	12.6	14.7	15.6
Net direct debt per capita ($)	3,693	2,819	2,234	2,233
Net direct debt ($000s)	144,555	110,326	87,453	85,692
Direct debt 10-year amortization (%)	59	64	70	--
Pension and OPEB cost % of revenues	--	6.0	7.0	6.0
NPLs per capita ($)	--	246	290	375
Combined NPLs ($000s)	--	9,631	11,340	14,374

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$34.230 mil comb tax and rev certs of oblig ser 2026 dtd 8/25/2026 due 8/15/2046	
Long Term Rating	AA/Stable
Ratings Affirmed	
Local Government	
Copperas Cove, TX Limited Tax General Operating Pledge	AA/Stable
Copperas Cove, TX Limited Tax General Operating Pledge and Water and Sewer System Subordinate Lien	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.