

# RatingsDirect®

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## Summary:

# Beeville, Texas; General Obligation

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## Summary:

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### Credit Profile

US\$7.5 mil combination tax and ltd pledge rev certs of oblig ser 2025 dtd 01/15/2025 due 08/15/2050

*Long Term Rating* A/Stable New

Beeville GO (AGI)

*Unenhanced Rating* A(SPUR)/Stable Affirmed

### Credit Highlights

- S&P Global Ratings assigned its 'A' rating to the City of Beeville, Texas' approximately \$7.5 million series 2025 combination tax and limited pledge revenue certificates of obligation (COs).
- At the same time, S&P Global Ratings affirmed its 'A' underlying rating (SPUR) on the city's existing debt.
- The outlook is stable.
- The rating action reflects the application of its criteria, "Methodology For Rating U.S. Governments," published Sept. 9, 2024, on RatingsDirect.

### Security

The city of Beeville's 2025 COs, as well as the city's outstanding debt, are secured by a direct, annual ad valorem tax levied upon all taxable property in the city, within the limits prescribed by law. The city's home rule charter limits the maximum ad valorem tax rate to \$2.50 per \$100 taxable assessed valuation for all city purposes, and \$1.50 of the \$2.50 maximum tax rate is permitted for tax-supported debt service. Beeville's 2024 tax year total tax rate is 63 cents and the amount dedicated to debt service is 16.39 cents, both well below the maximum permitted. The COs are further secured by a limited pledge of surplus net revenues of the city's waterworks and sewer system. However, we rate the COs to the ad valorem tax pledge, due to the revenue pledge's limited nature. We do not differentiate between the city's limited-tax general obligation debt and CO debt because the ad valorem tax is not derived from a measurably narrower property tax base and because there are no limitations on the fungibility of the city's general resources.

Proceeds from the COs will be used for city hall and police station improvements, vehicle purchases, and to pay the costs related to the issuance of the certificates.

### Credit overview

The rating reflects the city's below-average economic metrics, low nominal reserves, and historically mixed operating results. We expect reserves will remain stable over the outlook horizon. However, the city is currently under a stage 3 drought contingency plan, with Lake Corpus Christi, the city's primary water source, dropping below 20%. We believe the low nominal reserves limit the city's ability to prepare for the potential costs of providing water to residents should water access continue weakening. In our analysis, this risk has been reflected in our assessment of the city's management framework. In our view, there could be rating pressure if prolonged drought conditions and conservation efforts lead to a material weakening in water revenues, without forward-looking corrective action from management.

The city's debt burden will increase with this issuance, but it is our opinion that it will remain manageable through our outlook horizon, though we will monitor the ability of the utility fund debt to remain self-supporting amid drought conditions. Beeville's county economic metrics lag behind those of similarly rated peers, constraining the rating. While there have been some minor residential developments in the city, historically there has been a housing shortage for new construction, limiting tax base growth. Additionally, the city reports that larger residential developers are acquiring land in the area, but there is no timeline on when construction on new residential units would begin. It is our opinion that per capita gross county product and per capita personal incomes will remain in a similar position as these county metrics have been on a 10-year declining trend but have recently started to stabilize.

The city's finances have historically been mixed, with deficits in both fiscal 2020 and 2022 and surpluses in 2021 and 2023. The city reported that fiscal year 2024 has ended with an unaudited surplus of approximately \$479,000 in the general fund, due to an increase in property and sales taxes and to department-level expenditure cuts during the last fiscal quarter. The city adopted another surplus in 2025 due to projected revenue increases alongside maintenance of low expenditures through attrition. Outside of inflation, the city foresees no financial pressures, and is making an effort to increase its fund balance.

Credit fundamentals supporting the 'A' rating include the following:

- Per capita gross county product, per capita personal incomes, and the city's income metrics are lower than those of similarly rated peers. There are potential residential growth prospects for the city, but there is no timeline for when the city may see these changes.
- Operating results are mixed, with the city aiming to move forward with consistent surpluses. In addition, the city anticipates sales tax will continue to grow, resulting in revenue increases.
- Reserves are healthy on a percentage basis but considered nominally low, at below \$2 million, which could result in a risk to operations for the city should there be a large, unexpected drawdown. We note that the city is currently not meeting its formal reserve goal of 20%.
- The general fund relies on an annual transfer from the city's utility fund to cover administrative expenses, and in 2023 totaled \$1.4 million, or 12% of general fund revenues and transfers in. To address drought conditions, the city is exploring alternative water sources, and will consider water rate increases to cover any additional costs. We anticipate management will make the adjustments it deems necessary to mitigate the financial impact from the drought. Failure to do so could affect general fund performance given the recurring transfer in every year. At the end of 2023, the utility fund had \$1.5 million in cash on hand (72 days), providing some additional cushion.
- Policies and practices are fairly robust and include revenue and expenditure assumptions based on five years of historical data, quarterly budget-to-actual reports to council with budget amendments made as needed, three-year forecasting and a 10-year capital plan updated annually, a formal investment policy following state guidelines with quarterly investment reports to council, and a formal debt management policy.
- The city's debt profile has an affordable current cost and per capita liability, and management has no plans for additional debt. Coverage on the city's utility debt was about 2.7x in 2023, requiring no support from governmental funds.
- The city participates in the Texas Municipal Retirement System, resulting in pension and other postemployment benefits costs being manageable, in our view. (For more information on Texas' pension landscape, see "Pension Spotlight: Texas," published April 4, 2023.)

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

**Environmental, social, and governance**

We view the city's environmental risk from drought as elevated in our credit analysis. The city's primary source of water is Lake Corpus Christi. Due to drought conditions, the lake has dropped below 20% capacity, and the city has initiated its stage 3 drought contingency plan (at or below 3 million gallons per day). The city is currently looking into alternative water sources as well as water treatment improvements and additional water wells in preparation for a potential scenario of full lake depletion. Alternative water sources include purchasing water from a plant, which would get passed through to the city's utility rates, but is not expected to affect the general fund. The city also has a separate water authority with its own taxing capability to help fund capital needs.

We view social and governance risk as neutral in our credit analysis.

**Outlook**

The stable outlook reflects our view that the city will at least maintain its reserve level while managing its debt burden.

**Downside scenario**

Should the city's financial performance deteriorate on a sustained basis, resulting in a decrease in reserves, we could lower the rating. In our view, this could occur if management is unable to effectively mitigate risks from the current drought conditions, leading to a weakening in water revenue, operating performance, reserves, or debt.

**Upside scenario**

Should the city's economic metrics improve to a level comparable with higher-rated peers' and reserves increase on a nominal level, we could raise the rating.

**Table 1**

Beeville, Texas--credit summary	
Institutional framework (IF)	1
Individual credit profile (ICP)	3.21
Economy	6.0
Financial performance	3
Reserves and liquidity	2
Management	3.30
Debt and liabilities	1.75

**Table 2**

Beeville, Texas--key credit metrics				
	Most recent	2023	2022	2021
<b>Economy</b>				
Real GCP per capita % of U.S.	36	--	36	34
County PCPI % of U.S.	51	--	51	54
Market value (\$000s)	778,758	639,674	541,632	491,123

Table 2

Beeville, Texas--key credit metrics (cont.)				
	Most recent	2023	2022	2021
Market value per capita (\$)	58,562	48,103	41,890	37,866
Top 10 taxpayers % of taxable value	9.7	11.7	11.2	--
County unemployment rate (%)	5.1	5.1	5.9	8.5
Local median household EBI % of U.S.	63	62	59	--
Local per capita EBI % of U.S.	58	60	56	--
Local population	13,298	13,298	12,930	12,970
<b>Financial performance</b>				
Operating fund revenues (\$000s)	--	9,383	9,048	8,392
Operating fund expenditures (\$000s)	--	11,807	10,911	10,318
Net transfers and other adjustments (\$000s)	--	2,608	1,510	2,198
Operating result (\$000s)	--	184	(353)	272
Operating result % of revenues	--	2.0	(3.9)	3.2
Operating result three-year average %	--	0.4	(1.5)	2.2
<b>Reserves and liquidity</b>				
Available reserves % of operating revenues	--	15.4	15.1	19.5
Available reserves (\$000s)	--	1,441	1,369	1,639
<b>Debt and liabilities</b>				
Debt service cost % of revenues	--	6.3	7.0	6.3
Net direct debt per capita (\$)	3,063	2,678	2,019	2,141
Net direct debt (\$000s)	40,733	35,616	26,111	27,763
Direct debt 10-year amortization (%)	43	--	--	--
Pension and OPEB cost % of revenues	--	--	--	--
NPLs per capita (\$)	--	--	--	--
Combined NPLs (\$000s)	--	--	--	--

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. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

### Ratings Detail (As Of January 9, 2025)

Beeville GO (AGI)		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Affirmed
Beeville GO (BAM)		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.spglobal.com/ratings](http://www.spglobal.com/ratings) for further information. Complete ratings information is available to RatingsDirect subscribers at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.spglobal.com/ratings](http://www.spglobal.com/ratings).

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