

Research Update:

San Angelo, TX Series 2025 Taxable GO Bonds Rated 'AA'; Outlook Is Stable

July 3, 2025

Overview

- S&P Global Ratings assigned its 'AA' long-term rating to [San Angelo](#), Texas' approximately \$41.66 million series 2025 taxable general obligation (GO) bonds.
- At the same time S&P Global Ratings affirmed its 'AA' long-term rating on the city's existing GO debt and certificates of obligation (COs).
- The outlook is stable.
- The rating is based on the application of our [Methodology For Rating U.S. Governments](#), Sept. 9, 2024.

Rationale

Security

San Angelo's GO and existing COs are direct obligations of the city, payable from a combination of the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the city. The city's home rule charter limits the maximum ad valorem tax rate to \$2.50 per \$100 taxable assessed valuation (AV) for all city purposes, and \$1.50 of the \$2.50 maximum tax rate is permitted for GO debt service. San Angelo's total tax rate is 75.4 cents with 12.9 cents dedicated to debt service, both well below the maximum permitted.

The existing COs are additionally secured by, and payable from, a pledge of surplus net revenues of the city's waterworks and sewer system remaining after all operation and maintenance expenses thereof are paid. We do not differentiate between the city's limited-tax GO and CO debt because the ad valorem tax is not derived from a measurable narrower property tax base and because there are no limitations on the fungibility of the city's general resources.

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Credit highlights

The rating reflects our view of San Angelo's positive operating performance and healthy available fund balance. However, we do note the poorly funded status of the San Angelo Firemen's Relief & Retirement Fund (SAFRRF) as a constraining factor. The city's assessed value (AV) is on an increasing trend, with preliminary 2025 numbers showing close to 5% growth from 2024. Officials report that permitting continues to be strong, with approximately \$23 million issued for new development and another \$30 million pending. The city anticipates that AV growth will continue through the near future at approximately 3% to 5% year-over-year.

Fiscal 2024 ended with a deficit of approximately \$1.5 million. This was primarily due to wage increases for its police and fire departments, totaling about \$2.4 million. However, the city reports that it has no plans for future drawdowns, and currently officials report that revenues are currently on track, if not above for fiscal 2025, while expenditures are below budgeted amounts. Sales tax revenue is currently outperforming 2024, at 3.6% higher than this time last year. For fiscal 2025 year end, officials are anticipating a small surplus. Fiscal 2026 will be budgeted at breakeven. It is our view that the city will maintain stable operations and maintain its fund balance through our outlook horizon, given its historical performance and conservative budgeting measures.

We view the city's debt burden as elevated, but given its stable operations and healthy fund balance, we do not view debt as an immediate credit risk. Additionally, while we view pension and other postemployment benefits (OPEB) liabilities as manageable, we note the weak funded status of the SAFRRF. Given its low funded status, should funding deteriorate and plan costs increase, it could add budgetary pressure to the city's operations.

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

- San Angelo's healthy local tax base, which is continuing to see steady AV growth alongside small population growth, supporting local revenues.
- The city's stable operating performance, despite a drawdown for public safety wage increases in 2024. Conservative budgeting practices have led to higher than budgeted revenues and lower than budgeted expenditures for 2025. Additionally, officials are conducting strategic planning sessions to prepare for any potential future financial pressures.
- Healthy reserves in compliance with the city's formalized policy of 75 days' cash on hand, with no plans to drawdown on reserves in the near future.
- Policies and practices reflective of the city's stable operations, including five-year financial forecasting, a rolling five year capital improvement plan, and a formalized investment management policy with regular holdings reports provided to council. Additionally, the city is taking measures to mitigate its cyber risk.
- Net direct debt per capita is elevated but comparable with similarly rated Texas peers. 53% of the city's debt is expected to mature over the next 10 years, and there are no current near term debt plans.
- The city participates in the Texas Municipal Retirement System (TMRS) and costs are manageable. However, the SAFRRF continues to be a potential pressure due to its low funding status. Despite the potential volatility due to assumptions and funding levels, we believe the city is able to absorb potential increased costs due to its healthy fund balance and operations.

- 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 the city’s environmental, social, and governance factors as neutral in our analysis.

Outlook

The stable outlook reflects our view that the city will continue to have stable operating performances through our outlook horizon and maintain its reserve position, while managing its elevated pension and OPEB pressure from the SAFRRF.

Downside scenario

If sustained drawdowns either due to structural imbalance or rising debt, pension, and OPEB costs were to materially weaken the city’s reserves, we could consider lowering the rating.

Upside scenario

If the city experienced material improvement to its economic metrics to levels comparable with higher rated peers and its funding to the SAFRRF is improved, holding all other factors consistent, we could consider raising the rating.

San Angelo, Texas--credit summary

| | |
|---------------------------------|------|
| Institutional framework (IF) | 1 |
| Individual credit profile (ICP) | 2.46 |
| Economy | 3.0 |
| Financial performance | 2 |
| Reserves and liquidity | 1 |
| Management | 2.30 |
| Debt and liabilities | 4.00 |

San Angelo, Texas--key credit metrics

| | Most recent | 2024 | 2023 | 2022 |
|--------------------------------------|-------------|-----------|-----------|-----------|
| Economy | | | | |
| Real GCP per capita % of U.S. | 85 | -- | 85 | 85 |
| County PCPI % of U.S. | 93 | -- | 93 | 92 |
| Market value (\$000s) | 8,323,266 | 7,672,300 | 6,927,340 | 5,901,272 |
| Market value per capita (\$) | 83,283 | 76,769 | 69,315 | 58,944 |
| Top 10 taxpayers % of taxable value | 5.8 | 6.3 | 7.4 | 8.0 |
| County unemployment rate (%) | 3.2 | 3.2 | 3.2 | 3.5 |
| Local median household EBI % of U.S. | 88 | -- | 88 | 88 |
| Local per capita EBI % of U.S. | 84 | -- | 84 | 86 |
| Local population | 99,940 | -- | 99,940 | 100,117 |
| Financial performance | | | | |
| Operating fund revenues (\$000s) | -- | 93,322 | 88,880 | 78,665 |

San Angelo, Texas--key credit metrics

| | Most recent | 2024 | 2023 | 2022 |
|--|-------------|---------|---------|---------|
| Economy | | | | |
| Operating fund expenditures (\$000s) | -- | 102,653 | 94,671 | 86,683 |
| Net transfers and other adjustments (\$000s) | -- | 7,812 | 7,737 | 16,893 |
| Operating result (\$000s) | -- | (1,519) | 1,946 | 8,875 |
| Operating result % of revenues | -- | (1.6) | 2.2 | 11.3 |
| Operating result three-year average % | -- | 3.9 | 0.9 | 0.4 |
| Reserves and liquidity | | | | |
| Available reserves % of operating revenues | -- | 53.2 | 63.6 | 69.8 |
| Available reserves (\$000s) | -- | 49,673 | 56,502 | 54,889 |
| Debt and liabilities | | | | |
| Debt service cost % of revenues | -- | 9.0 | 8.9 | 7.7 |
| Net direct debt per capita (\$) | 2,811 | 2,281 | 2,362 | 1,944 |
| Net direct debt (\$000s) | 280,940 | 227,951 | 236,101 | 194,582 |
| Direct debt 10-year amortization (%) | 53 | 61 | -- | -- |
| Pension and OPEB cost % of revenues | -- | 9.0 | 9.0 | 9.0 |
| NPLs per capita (\$) | -- | 1,217 | 1,331 | 971 |
| Combined NPLs (\$000s) | -- | 121,590 | 133,047 | 97,218 |

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\$41.66 mil GO bnds (taxable) ser 2025 dtd 07/01/2025 due 02/15/2045

Long Term Rating AA/Stable

Ratings Affirmed

Local Government

San Angelo, TX Limited Tax General Operating Pledge AA/Stable

San Angelo, 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.

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