San Angelo, Texas

San Angelo's 'AA+' Issuer Default Rating (IDR) reflects a financial resilience assessment of 'aaa', based on a 'High Midrange' level of budgetary flexibility, underpinned by a flexible labor framework. Fitch Ratings expects the city will maintain unrestricted general fund reserves of at least 10% of spending, considerably below the historical norm averaging just under 55%.

The rating also incorporates the city's overall 'Midrange' demographic and economic level metrics, including a sluggish population trend assessed as 'Weakest'.

The city's 'Midrange' long-term liability burden is inclusive of the new issuance of $41.66 million of GO bonds.

The Negative Rating Outlook, revised from Stable on July 1, 2025, reflects San Angelo's growing long-term liability burden relative to personal income, in conjunction with its sluggish post-Covid-19 population trend, which threatens to diminish the city's resource base.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- A decline in available general fund reserve levels below 10% of spending, which would lower Fitch's assessment of financial resilience to below 'aaa'.

- Sustained or worsened long-term liabilities, assuming current levels of personal income and governmental resources and spending, absent improvement to other key rating driver metrics.

- Weakened underlying demographic and economic performance, including declining or stagnant population trend or rising unemployment.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- A material decrease in long-term liabilities, assuming current levels of personal income and governmental resources and spending, could lead to removal of the Negative Rating Outlook.

- A sustained improvement in demographic and economic strength trends, specifically growth in population trend and/or continuation of unemployment levels below the national trend, could lead to positive rating action.

Security

The GO bonds and certificates of obligation (COs) are payable from a direct annual ad valorem tax, limited to $2.50 per $100 of assessed valuation (AV), levied against all taxable property within the city. The COs are also payable from a pledge of surplus net revenues (not to exceed $1,000) of the city's waterworks and sewer system.

Fitch's Local Government Rating Model

The Local Government Rating Model generates Model Implied Ratings, which communicate the issuer's credit quality relative to Fitch's local government rating portfolio. (The Model Implied Rating will be the IDR, except in certain circumstances explained in the applicable criteria.) The Model Implied Rating is expressed via a numerical value calibrated to Fitch's long-term rating scale that ranges from 10.0 or higher (AAA), 9.0 (AA+), 8.0 (AA) and so forth, down to 1.0 (BBB- and below).

Model Implied Ratings reflect the combination of issuer-specific metrics and assessments to generate a Metric Profile and a structured framework to account for Additional Analytical Factors not captured in the Metric Profile that can either mitigate or exacerbate credit risks. Additional Analytical Factors are reflected in notching from the Metric Profile and are capped at +/-3 notches.

Rating Headroom & Positioning

San Angelo Model Implied Rating: 'AA' (Numerical Value: 8.86)

- **Metric Profile:** 'AA' (Numerical Value: 8.86)

- **Net Additional Analytical Factor Notching:** 0.0

San Angelo's Model Implied Rating is 'AA'. The associated numerical value of 8.86 is at the upper end of the 8.0 to 9.0 range for a 'AA' rating.

Deviations from Model Implied Rating

A +1 model deviation is applied to the 'AA' Model Implied Rating with the anticipation that the city could see substantial improvement in the population trend and demographic and economic level metrics, and, in turn, the city's long-term liability burden, as a result of the commercial and residential development currently in progress. Outcomes contrary to this expectation and a Model Implied Rating sustained in the 'AA' range of 8.0 to 9.0 are expected to lead to negative rating action.

Current Developments

The city ended fiscal 2024 (Sept 30 year-end) with a deficit of $1.52 million, which decreased unrestricted reserves to $49.80 million, or 47.01% of spending. The deficit was due mostly to pay increases to police and fire, which were expected as part of the revised 2024 budget. The city expects a balanced 2025 fiscal year-end.

The city's two primary sources of revenue, property and sales tax, have shown growth historically, with property tax revenue growing approximately 7.5% from fiscal 2023, alongside a growing taxable assessed value (TAV).

TAV for the city was $7.7 billion in fiscal 2023, a 10.8% increase from the prior year and a 38.5% increase from fiscal 2020. The city has conservatively estimated TAV growth to be approximately 3% annually over the next few years, although preliminary AV reports indicate the city will see 5% growth this year.

Although the city had shown a modest decline in population from 2020-2022, growth in the past two years has led to an estimated population of 100,159 in 2024, which is a 0.6% increase from 2023. The city serves as the economic center for the Concho Valley, which includes 10 surrounding counties, with a population of about 150,000.

The city is expecting a substantial amount of development within the next few years, both residential and commercial. It had reported a total of nearly $800 million in pending capital investment from new or expanding companies in 2024 and has issued $23 million in permits since last September. Fitch expects that, with this magnitude of development, the city could see substantial growth in population as well as continued improvement in the demographic and economic metrics.
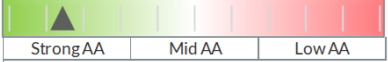
The series 2025 issuance of $41.66 million is the remaining portion of the city's authorized but unissued debt, and they currently have no new debt plans in the near term.

Profile

San Angelo is located in west-central Texas, near the Permian Basin but on the periphery of drilling activity and encompasses approximately 59 square miles. The city is the seat of Tom Green County and serves as the economic center for the Concho Valley, which includes 10 surrounding counties.

Employment stability is supported by a sizable military presence at nearby Goodfellow Air Force Base, the city's largest employer with roughly 5,300 employees.

Key Drivers

Issuer: San Angelo (TX)	Financial Profile	0.0
Type: City General Obligation	Demographic & Economic Strength	0.0
Current: AA+, RO:Sta (2024/09/03)	Long-Term Liability Burden	0.0
Fiscal Year — 2024	AAF Notching Total(4)	0.0
Metric Profile — 8.86	MIR - Metric	8.86
Metric Profile Mapping — AA	MIR - Mapping	AA

Issuer Position Within AA Model Implied Rating

Strong AA | Mid AA | Low AA

Rating position post application of analytical overlay

Metric	Analyst Input 2024	Analyst Input 2024	Metric Percentile	Metric Weight	Composite Percentile/Value	Composite Assessment	Composite Weight
Financial Profile							
Financial Resilience Components							
Available Reserves (FB/Expenditures: 5-Year Low) (%)	47.0						
Revenue Control Assessment	Midrange	Midrange					
Expenditure Control Assessment	High	High				aaa	35%
Budgetary Flexibility	High Midrange	High Midrange					
Financial Resilience	aaa	aaa		100%			
Lowest Cumulative 3 Year Revenue Performance (+/-) since 2008 (%)	-2.7					Midrange	0%
Revenue Volatility(1)	0.28	0.28	60%	100%			
Demographic and Economic Strength							
Trend							
Population Trend (%)(2)	0.2		18%	100%	18%	Weakest	8%
Unemployment Rate as Percentage of National Rate (%)(5)	80.0		76%	33%			
Population w/ Bachelor's Degree and Higher (%)(2)	24.8		35%	33%	47%	Midrange	26%
MHI as a % of the Portfolio Median (2)	88.7		32%	33%			
Concentration & Size							
Population Size(2)(3)	99,513	100,159	100%	50%	100%	Strongest	9%
Economic Concentration (%)(2)(3)	38.1		100%	50%			
Long-Term Liability Burden							
Liabilities/Personal Income (%)	3.7	4.3	61%	35%			
Liabilities/Governmental Revenues (%)(6)	193.7	223.3	30%	25%	40%	Weak	21%
Carrying Costs/Governmental Expenditures (%)	16.3	18.2	27%	40%			

(1) Model directly uses revenue volatility. Percentiles are for information only: metric percentile represents the issuer; composite percentile represents the average of the issuer's class. The Revenue Volatility metric represents the issuer's revenue volatility relative to the median revenue volatility of the total issuer portfolio.

Revenue Volatility is treated asymmetrically, where weight is marginal for issuers that exhibit low to moderate revenue volatility. For issuers with higher revenue volatility, this factor will moderately lower the metric profile, implying a somewhat reduced weighting for all other variables in these instances.

(2) Population, Concentration, MHI and Educational Attainment data is lagged by one year e.g. 2021 data is used and displayed for fiscal year 2022.

(3) Percentiles represent the class. Economic concentration is defined as the sum of the absolute deviation of the issuer from the national average proportion across major economic sectors.

Sector data is on the county level for all entities or the MSA level for cities that span multiple counties. If data is unavailable for an issuer, median figures based on reported data for all counties within the issuer's state are used as proxy values.

(4) Additional Analytical Factors (AAF) have a potential notching range of +2/-2 for each of the three categories and an overall IDR notching range of +3/-3.

(5) County level data used for sub-county entities when prior year's data is unavailable. If county data is unavailable, MSA data is used. MSA level data is used for cities that span multiple counties.

(6) As a proxy for per capita personal income for sub-county levels of local government, Fitch calculates the ratio of money income to per capita income for the county in which the rated entity is located and applies that ratio to the entity's money income. The estimated per capita personal income figure is multiplied by population to estimate total personal income.

Source: Fitch Ratings

Financial Profile

Financial Resilience - 'aaa'

San Angelo's financial resilience is driven by the combination of its 'Midrange' revenue control assessment and 'High' expenditure control assessment, culminating in a 'High Midrange' budgetary flexibility assessment.

- **Revenue control assessment:** Midrange

- **Expenditure control assessment:** High

- **Budgetary flexibility assessment:** High Midrange

- **Minimum fund balance for current financial resilience assessment:** >=10.0%

- **Current year fund balance to expenditure ratio:** 47.0% (2024)

- **Lowest fund balance to expenditure ratio for the fiscal-year period 2020-2024:** 47.0% (2024)

Revenue Volatility - 'Midrange'

San Angelo's weakest historical three-year revenue performance has a modest negative impact on the Model Implied Rating.

The revenue volatility metric is an estimate of potential revenue volatility based on the issuer's historical experience relative to the median for the Fitch-rated local government portfolio. The metric helps to differentiate issuers by the scale of revenue loss that would have to be addressed through revenue raising, cost controls or utilization of reserves through economic cycles.

- **Lowest three-year revenue performance (based on revenues dating back to 2005):** 2.7% decrease for the three-year period ended fiscal 2022

- **Median issuer decline/increase:** -4.5% (2024)

State-Specific Revenue/Expenditure Context & Budgetary Control

At a total property tax rate of approximately $0.7042 in fiscal 2024, ample taxing margin remains under the $2.50 per $100 of TAV cap for operations and limited tax debt service. Any increase in the operating tax rate that produces an annual operating levy increase of more than 3.5% (the voter approval tax rate for most local taxing units) requires a ratification election. The revenue cap does not apply to debt service tax levies; the city's fiscal 2024 debt service tax rate is $0.1143 out of the total rate.

The city has a meet and confer bargaining agreement with the police department, bringing their expenditure control to 'high', given their adequate flexibility with overall costs, significant control of workforce and manageable cost drivers. All negotiations have been amicable so far, according to the city.

Additional Insight

$2.965 million of investment income was adjusted out of other revenue.

Demographic and Economic Strength

Population Trend - 'Weakest'

Based on the median of 10-year annual percentage change in population, San Angelo's population trend is assessed as 'Weakest'.

- **Population trend:** 0.2% 2023 median of 10-year annual percentage change in population (18th percentile)

Unemployment, Educational Attainment and MHI Level - 'Midrange'

The overall strength of San Angelo's demographic and economic level indicators (unemployment rate, educational attainment and median household income [MHI]) in 2024 is assessed as 'Midrange' on a composite basis, performing at the 47th percentile of Fitch's local government rating portfolio. This is due to low unemployment rate offsetting low education attainment levels and median-issuer indexed adjusted MHI.

- **Unemployment rate as percentage of national rate:** 80.0% 2024 (76th percentile), relative to the national rate of 4.0%

- **Percentage of population with bachelor's degree or higher:** 24.8% (2023) (35th percentile)

- **MHI as percentage of portfolio median:** 88.7% (2023) (32nd percentile)

Economic Concentration and Population Size - 'Strongest'

San Angelo's population in 2024 was of sufficient size and the economy was sufficiently diversified to qualify for Fitch's highest overall size/diversification category.

The composite metric acts asymmetrically, with most issuers (above the 15th percentile for each metric) sufficiently diversified to minimize risks associated with small population and economic concentration. Downward effects of the metric on the Metric Profile are most pronounced for the least economically diverse issuers (in the 5th percentile for the metric or lower). The economic concentration percentage shown below is defined as the sum of the absolute deviation of the percentage of personal income by major economic sectors relative to the U.S. distribution.

- **Population size:** 100,159 Analyst Input (above the 15th percentile) (vs. 99,513 2023 actual)
- **Economic concentration:** 38.1% (2024) (above the 15th percentile)

Analyst Inputs to the Model

Analyst inputs to the model reflect metric adjustments to account for historical data anomalies, forward-looking performance shifts, or nonrecurring events that may otherwise skew the time series.

The population trend and population size metrics incorporate San Angelo's 2024 population data from the U.S. Census.

Long-Term Liability Burden

Long-Term Liability Burden - 'Weak'

San Angelo's liabilities to personal income ratio remains strong, while carrying costs to governmental expenditures and liabilities to governmental revenue remain weak. The long-term liability composite metric in 2024 is at the 40th percentile, indicating a somewhat elevated liability burden relative to Fitch's local government rating portfolio.

- **Liabilities to personal income:** 4.3% Analyst Input (61st percentile) (vs. 3.7% 2024 actual)
- **Liabilities to governmental revenue:** 223.3% Analyst Input (30th percentile) (vs. 193.7% 2024 actual)
- **Carrying costs to governmental expenditures:** 18.2% Analyst Input (27th percentile) (vs. 16.3% 2024 actual)

Pension Adjustments

On an aggregate basis for all pension plans as of the most recent measurement date, the reported asset to liability ratio was 71.3%, or an estimated 65.0%, using Fitch's standard 6% rate of return adjustment. The Fitch-adjusted net pension liability (NPL) was equal to $155.3 million, or about 2.5% of personal income.

Analyst Inputs to the Model

Direct net debt was updated with the new issuance of $41.66 million in GO bonds, 2024 issuance of COs and 2025 amortized debt. Debt service and governmental expenditures were adjusted to include the new issuance, per the city's series 2025 POS.

The city's Fitch-adjusted NPL actuarially determined contributions, and other post-employment benefit contributions were adjusted for enterprise fund contributions.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

Financial Summary

($000, Audited Fiscal Years Ended Sept. 30)	2020	2021	2022	2023	2024
General Fund Revenues					
Property Tax	36,053	37,011	38,457	41,143	44,238
Sales Tax	20,440	21,528	22,744	24,673	24,708
Income Tax	-	-	-	-	-
Other Tax	5,002	3,909	4,671	4,507	4,283
Total Taxes - Undifferentiated	-	-	-	-	-
Intergovernmental	1,390	1,356	1,505	511	600
Other Revenue	12,174	13,749	11,288	18,046	19,493
Total	**75,061**	**77,552**	**78,665**	**88,880**	**93,322**
General Fund Expenditures					
General Government	10,412	13,284	11,064	14,562	11,142
Public Safety	45,580	43,706	45,064	47,383	54,841
Educational	-	-	-	-	-
Debt Service	-	-	214	221	774
Capital Outlay	4,822	8,364	4,614	5,008	5,950
Other Expenditures	21,236	20,502	25,726	27,496	29,946
Total	**82,051**	**85,856**	**86,683**	**94,671**	**102,653**
Transfers In and Other Sources	9,420	12,638	19,632	11,988	11,090
Transfers Out and Other Sources	1,961	12,664	2,739	4,251	3,278
Net Transfers & Other	**7,459**	**-26**	**16,893**	**7,737**	**7,812**
Adjustment for Bond Proceeds and Extraordinary One-Time Uses	-	-	-	-	-
Net Op. Surplus (Deficit) After Transfers	470	-8,329	8,875	1,946	-1,519
Net Op. Surplus (Deficit)/ (Total Expenditures + Transfers Out and Other Uses)(%)	0.56	-8.45	9.93	1.97	-1.43
Total Fund Balance	48,742	49,177	58,076	60,413	54,765
Unrestricted Fund Balance	46,540	46,977	55,022	56,660	49,798
Other Available Fund Balances	-	-	-	-	-
Total Available Unrestricted Reserves (GF + Other)	**46,540**	**46,977**	**55,022**	**56,660**	**49,798**
Available Reserves as % of Spending (Adj. for Bond Proceeds and Other One-Time Uses)	55.4	47.68	61.53	57.28	47.01

Source: Fitch Ratings, Fitch Solutions, San Angelo (TX)

Long-Term Liability Burden

($000, Audited Fiscal Years Ended Sept. 30)	2024
Direct Debt	81,901
Less: Self-Supporting Debt	-
Net Direct Debt	81,901
Fitch Adjusted Net Pension Liability (NPL)	155,337
Net Direct Debt + Fitch-Adjusted NPLs	**237,238**
Population	100,159
Per Capita Personal Income ($)	63,343
Estimated Personal Income	6,344,339
Net Debt + Fitch-Adjusted NPL /Personal Income (%)	**3.7**
Total Governmental Revenues	122,464
Net Direct Debt + Fitch Adjusted NPL as % of Governmental Revenue	**193.72**
Debt Service (Net of State Support)	10,978
Actuarially Determined Pension Contributions	9,995
Actual OPEB Contributions	2,268
Total Governmental Expenditures	143,054
Carrying Costs/Governmental Expenditures (%)	**16.25**

Note: Figures above do not reflect any analyst input adjustments.
Source: Fitch Ratings, Fitch Solutions, San Angelo (TX)

Summary

Description	Final value
Budgetary Flexibility Assessments	
Revenue Control Assessment	Midrange
Expenditure Control Assessment	High
Collective Bargaining and Resolution Framework	High
Workforce Outcomes	High
Cost Drivers	Midrange
Metrics Assessments	
Financial Profile - Financial Resilience	aaa
Financial Profile - Revenue Volatility	Midrange
Demographic & Economic Strength - Trend	Weakest
Demographic & Economic Strength - Level	Midrange
Demographic & Economic Strength - Concentration & Size	Strongest
Long-Term Liability Burden	Weak
Metric Profile Mapping	AA
Metric Profile	8.86
Additional Analytical Factors	
Total Notching - capped	**0**
Financial Profile	
Fiscal Oversight	0
Revenue Capacity	0
Contingent Risks	0
Nonrecurring Support or Spending Deferrals	0
Political Risks	0
Management Practices	0
Demographic & Economic Strength	
Economic and Institutional Strength	0
Revenue Concentration Risks	0
School District Resources	0
Long-Term Liability Burden	
Pension Funding Assumptions	0
Pension Contributions	0
OPEB	0
Debt Structure	0
Capital Demands and Affordability	0
Model Implied Rating - Mapping	AA
Model Implied Rating - Metric	8.86
Outliers and Developing Situations Considerations	Yes
Notching Rationale - 1	10; Anticipated temporary migration of MP
Notching Rationale - 2	
Issuer Default Rating/ Issuer Default Credit Opinion	AA+
Outlook/Watch	RO: Negative

Source: Fitch Ratings

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: https://www.fitchratings.com/understandingcreditratings. In addition, the following https://www.fitchratings.com/rating-definitions-document details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at https://www.fitchratings.com/site/regulatory. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.