

Research Update:

Castroville, TX's Series 2025 Combination Tax And Revenue Certificates Of Obligation Assigned 'AA+' Rating

August 14, 2025

Overview

- S&P Global Ratings assigned its 'AA+' long-term rating to [Castroville](#), Texas' \$8 million series 2025 combination tax and revenue certificates of obligation (COs).
- At the same time, we affirmed our 'AA+' long-term rating on the city's general obligation (GO) bonds and COs outstanding.
- The outlook is stable.
- The rating is based on our application of our "[Methodology For Rating U.S. Governments](#)," Sept. 9, 2024, on RatingsDirect.

Rationale

Security

The bonds and COs are direct obligations of the city, payable from the proceeds of a continuing, direct annual ad valorem tax, within the limits prescribed by law, on all taxable property within its borders. Net revenue of the city's gas system, not to exceed \$1,000, also secures the COs. Given the limited revenue pledge, we rate the certificates based on the city's ad valorem pledge.

The maximum allowable ad valorem tax rate in Texas for general law cities is \$1.50 per \$100 of assessed value (AV) for all purposes with the portion dedicated to debt service limited to \$1. The city's total tax rate is well below the maximum at 52.3 cents, 12.63 cents of which is for debt service. Despite state statutory tax rate limitations, we view the limited-tax GO debt pledge as on par with the city's general creditworthiness. The city does not levy ad valorem taxes on a narrower or distinctly different property tax base, and there are no limitations on the fungibility of resources available for debt service payments.

Officials will use series 2025 certificate proceeds for capital projects throughout the city.

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Credit highlights

In our view, the city's stable budgetary performance, very high reserves (over 85% as of fiscal 2024), and rapidly growing economy just to the west of San Antonio support general creditworthiness and offset economic metrics, which lag those of many similarly rated peers. However, given the city's location in the San Antonio metropolitan area, we believe that our metrics slightly underrepresent economic activity.

For fiscal 2025, the city expects to continue a trend of balanced results. With very strong reserves at more than \$4 million, or 87.6% of revenue, the city has significant resources to deal with future capital needs. It has no plans to use fund balances for operations given that it is well in excess of its 120-day target. Management's conservative budgeting practices, and long-term capital planning have contributed to consistent performance, but we note that reserves are nominally low for the rating. Officials are planning for a significant utilities project, and have been conducting staffing studies and addressing growing capital needs.

The 'AA+' rating reflects our view of:

- Low per capita gross county product and personal income . However, the city is undergoing rapid growth and expects 5,000 to 6,000 new homes in the next few years as the San Antonio area continues to expand. In addition, its participation in a strong regional economy, anchored by San Antonio, consistently growing sales tax revenue, and rapidly growing AV (expected to increase 14% in 2025) indicate strong economic activity in the area.
- Typically balanced operating results, as reflected in steady budgetary results in the past four years. Officials expected this to continue into 2025, with no major fund balance spend-downs.
- A 120-day formal fund balance policy supporting reserves, with our expectation that the city will continue to easily meet this requirement though it may spend down some reserves for one-time purposes.
- Very high per capita debt burden, though costs are management, under 14% of total governmental revenue. The city does have \$10 million in debt plans and may work with the Texas Water Development Board for another issuance to support its growing water and solid waste utilities.
- Little expected change in per capita net pension liabilities in the near term given Texas cities' relatively modest contributions toward pension obligations given current state support.
- Conservative budgeting practices with a comprehensive budget package, five-year capital planning, and a team that is considering how to staff and fund capital expenditures related to growth. Castroville also is taking actions to mitigate cybersecurity risks.
- 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

Environmental, social, and governance factors are neutral within the credit analysis. We note that Castroville, as with many rapidly growing Texas municipalities, is aware of securing water supplies to support additional population growth. The city draws most of its waters from the Edwards aquifer, and is monitoring supply and reviewing its water rights and associated regulations.

Outlook

Our stable outlook reflects our view of the city’s strong economic growth, which will continue to provide growing revenue to accommodate AV and population growth. The outlook further reflects our view of the city's significant reserves, on a percentage basis of general fund revenue, providing cushion against any unexpected near-term financial shocks.

Downside scenario

We could take a negative rating action if the city's reserve position deteriorates, if the city issues debt in a way that materially changes metrics, or if any other credit factors deteriorate.

Upside scenario

We could take a positive rating action if the city continues to see economic growth that pushes metrics to levels commensurate with those of higher-rated peers, if the debt burden moderates, and if reserves continue to grow.

Castroville, Texas--Credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.49
Economy	5.0
Financial performance	2
Reserves and liquidity	1
Management	1.70
Debt and liabilities	2.75

Castroville, Texas--Key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita as % of U.S.	34	--	34	33
County PCPI as % of U.S.	76	--	76	75
Market value (\$000s)	428,385	416,515	362,551	309,828
Market value per capita (\$)	131,851	128,198	115,942	102,933
Top 10 taxpayers as % of taxable value	14.5	16.5	17.0	16.4
County unemployment rate (%)	4.1	4.1	3.9	3.9
Local median household EBI as % of U.S.	121	121	104	98
Local per capita EBI as % of U.S.	102	102	89	94
Local population	3,249	3,249	3,127	3,010
Financial performance				
Operating fund revenue (\$000s)	--	4,681	4,120	4,416
Operating fund expenditures (\$000s)	--	5,126	4,723	3,600
Net transfers and other adjustments (\$000s)	--	441	229	318
Operating result (\$000s)	--	(4)	(374)	1,134
Operating result as % of revenue	--	(0.1)	(9.1)	25.7

Castroville, Texas--Key credit metrics

	Most recent	2024	2023	2022
Operating result three-year average %	--	5.5	11.9	23.2
Reserves and liquidity				
Available reserves as % of operating revenue	--	87.6	111.3	112.3
Available reserves (\$000s)	--	4,099	4,586	4,960
Debt and liabilities				
Debt service cost as % of revenue	--	7.4	7.5	3.0
Net direct debt per capita (\$)	7,147	4,685	4,562	3,269
Net direct debt (\$000s)	23,220	15,220	14,266	9,841
Direct debt 10-year amortization (%)	43	20	47	--
Pension and OPEB cost as % of revenue	--	5	5	5
NPLs per capita (\$)	--	212	309	1
Combined NPLs (\$000s)	--	688	966	3

Financial data may reflect analytical adjustments and is 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. EBI--Effective buying income. GCP--Gross county product. NPL--Net pension liability. OPEB--Other postemployment benefits. PCPI--Per capita personal income.

Ratings List

New Issue Ratings

US\$8.0 mil combination tax and rev certs of oblig ser 2025 dtd 08/15/2025 due 08/01/2045

Long Term Rating AA+/Stable

Ratings Affirmed

Local Government

Castroville, TX Limited Tax General Obligation and Gas System Subordinate Revenue AA+/Stable

Castroville, 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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