Research Update:

Victoria, TX Series 2026 Venue Project Revenue Bonds Assigned 'A-' Rating

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Overview

- S&P Global Ratings assigned its 'A-' rating to Victoria, Texas' proposed $7.65 million series 2026 venue project revenue bonds (combined venue tax).
- The outlook is stable.

Rationale

Security

The bonds are special obligations of the city payable from and secured by a first-lien pledge of a 2% hotel occupancy tax (HOT) and a 5% motel vehicle rental tax. We rate the bonds under our priority-lien tax revenue debt criteria, Oct. 22, 2018, which factors in both the strength and stability of the pledged revenue, as well as the general credit quality of the municipality where taxes are distributed and collected (the obligor's creditworthiness).

Bond proceeds will be used to renovate the city's community center into a multipurpose event facility designed to accommodate livestock shows, rodeos, concerts, recreational athletic events, conventions, and a variety of community events.

Credit highlights

The rating reflects our view of the city's adequate economic fundamentals, moderate pledged revenue volatility, and adequate debt service coverage with level debt service through the life of the bonds.

Located about 30 miles inland from the Gulf of Mexico, the city has experienced tax base growth driven by its proximity to the coast and Interstate 69, fueling ongoing investments in industrial parks, port facilities, and local infrastructure. Our assessment of the economy takes into consideration that Victoria serves as a strategic regional hub with an economy diversifying beyond oil and gas into medical, commercial, and residential sectors.

The bonds are structured with a closed lien, so no additional parity debt can be issued. Our baseline assessment of coverage reflects the 1.45x maximum annual debt service (MADS) coverage. Pledged revenues are projected to be $744,951, which provides adequate coverage on $515,207 MADS scheduled for payment in fiscal 2039. The 2% venue HOT was recently approved by voters in May 2025; however, we believe revenue assumptions are realistic based on the historical collection of the city's 7% HOT. Revenues are not expected to materially increase given there are no plans for new hotels within city limits, although increased activity at the renovated community center could contribute to higher hotel usage.

Key credit considerations, in our view, include the following:

- Economic fundamentals are adequate, characterized by a population of 65,407 and participation in the broad and diverse metropolitan statistical area while the city's industrial park continues to attract new businesses, with additional investments being made at the Port of Victoria and in the city's downtown.
- Our final revenue volatility assessment of moderate reflects our macro and micro level assessment of HOT and motor vehicle rental tax revenue volatility based on historical nationwide trends.
- Coverage is adequate based on MADS coverage, although with level debt service coverage, it should remain around 1.45x.
- We consider the obligor link close since we believe pledged revenues have some exposure to operating risk given how they are collection and distributed, leading to a one-notch upward limitation compared with the city's general creditworthiness. In our view, Victoria does not benefit from limited operations or extraordinary expenditure flexibility.
- We do not believe the town's general creditworthiness constrains the rating on the venue tax bonds. Victoria's robust management policies and practices support solid financial performance, reserves, and liquidity, and a manageable debt burden. These strengths are moderated by economic metrics that continue to lag those of higher-rated peers, limiting upward rating potential. For more information, see our article published Jan. 28, 2026.

Outlook

The stable outlook reflects our expectation that pledged revenues will remain stable and continue to provide about 1.45x debt service coverage.

Downside scenario

We could consider a lower rating if pledged revenues decline materially, resulting in debt service coverage below what we consider adequate.

Upside scenario

We could raise the rating if MADS coverage were to increase and be sustained at a higher level.

Victoria, Texas--key credit metrics

Economic data	
Economy	Adequate
Pledged revenue taxing base	Victoria
EBI level per capita % of U.S. (taxing base)	78

Victoria, Texas--key credit metrics	
Population (taxing base)	65,751
Broad and diverse MSA	No
Financial data	
Revenue volatility	Moderate
Coverage and liquidity	Adequate
Baseline coverage assessment	MADS Coverage
MADS coverage (x)	1.45
MADS year	2039
Annual debt service coverage (x)	--
Pledged revenue 2-year CAGR (%)	0.00
Bond provisions	
ABT (x)	None
ABT type	N/A
ABT period	N/A
DSRF type	AADS
Obligor relationship	
Obligor linkage	Close
PL rating limit (number of notches above OC)	1

Data points and ratios may reflect analytical adjustments. EBI--Effective buying income. MSA--Metropolitan statistical area. MADS-Maximum annual debt service. 2-year CAGR--2 periods of compound annual growth rate change over 3 years. ABT--Additional bonds test. DSRF--Debt service reserve fund. PL--Priority lien. OC--Obligor creditworthiness. AADS--Average annual debt service N/A--Not applicable.

Ratings List	
New Issue Ratings	
US$7,650,000 Victoria, Texas, Venue Project Revenue Bonds (Combined Venue Tax), Series 2026, dated: August 1, 2026, due: August 15, 2055	
Long Term Rating	A-/Stable
New Rating	
Local Government	
City of Victoria, TX Venue Hotel Occupancy Taxes and Motor Vehicle Rental Taxes	A-/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.