

Research Update:

Portland, TX Series 2026 Certificate Obligations, Tax Notes Assigned 'AA' Rating; Outlook Is Stable

January 27, 2026

Overview

- S&P Global Ratings assigned its 'AA' long-term rating to [Portland](#), Texas' proposed \$15.4 million series 2026 combination tax and limited pledge revenue certificates of obligation (COs) and approximately \$1.3 million series 2026 tax notes.
- At the same time, S&P Global Ratings affirmed its 'AA' long-term rating on the city's outstanding general obligation (GO) bonds and COs.
- The outlook is stable.

Rationale

Security

A limited ad valorem tax, levied on all taxable property within the city, secures the certificates, tax notes, and GO bonds. The certificates are also secured by a limited pledge of the city's waterworks and sewer system's surplus revenue of the. Given the limitation of the pledge for the waterworks and sewer system's surplus revenue, the certificates are rated based on the city's ad valorem tax pledge. We do not differentiate between the city's limited-tax debt and its general creditworthiness since the ad valorem tax is not derived from a measurably narrower tax base and there are no limitations on the fungibility of resources. The certificates will fund street and utility system improvements, while the tax notes will be used to purchase equipment and vehicles.

Credit highlights

Our view of Portland's general creditworthiness reflects the city's growing tax base, balanced operations, and maintenance of robust reserves, with an elevated debt burden partly offsetting those credit strengths.

Portland is a mostly residential community along the Gulf Coast, approximately seven miles north of Corpus Christi, where many residents work. Industrial development in the Corpus Christi metro area has helped fuel residential development in Portland, with over 3,000 lots under

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development across eight subdivisions. Given this development activity, and expectations for steady economic growth (see, "[Economic Outlook U.S. Q1 2026: Steady As She Goes But On A Narrow Path](#)," Nov. 24, 2025), we expect the city's assessed value (AV) will also grow during the outlook period.

The city maintains robust general fund reserves, despite recent drawdowns in support of capital projects. For fiscal 2025, the city adopted a balanced budget but expects year-end results to show a \$600,000 increase in the general fund balance. Similarly, for fiscal 2026, the city adopted a balanced budget and has no plans to draw down its general fund reserves during the next few years. Management did note that the city has \$3 million above its fund balance requirement that it could use to fund one-time items. We, therefore, expect the city's financial performance to be at least balanced during the outlook period, supported by continued economic growth, with excess reserves potentially supporting one-time capital needs.

After this issuance, the city will have approximately \$118 million in net direct debt outstanding, including sales tax revenue debt. While the city's debt burden and fixed costs are elevated, they are reflective of its strong growth, and AV increases have allowed the city to maintain a relatively stable property tax rate. The city anticipates issuing an additional \$47.5 million of tax-secured debt during the next two years, but we do not expect this will significantly increase the city's debt burden or debt service costs, as \$17.5 million is expected to be self-supporting by the utility system.

Credit fundamentals supporting the 'AA' rating include the city's:

- Income metrics that are significantly better than those of the county, with ongoing residential development helping to attract commercial development.
- Balanced operations, including regular transfers from the utility system for administrative costs, with recent general fund drawdowns attributable to capital spending. Property taxes, which account for 47% of budgeted general fund revenue, have benefited from average annual AV growth of 10% during the last five years.
- Robust general fund reserves that we expect will be maintained well above the city's fund balance policy minimum of 25% of operating expenditures. The city has one privately placed debt obligation outstanding, but we do not consider it a contingent liquidity risk.
- Budgeting practices that, in combination with regular monitoring, have generally led to better than budgeted year-end results. While the city does not maintain a formal financial forecast, the city annual updates a five-year capital improvement plan with funding sources identified. The city also maintains basic debt, investment, and fund balance policies. Management has implemented policies and practices to help mitigate its exposure to cyber security threats.
- Elevated debt burden and debt service costs that are reflective of the city's growth needs. In our view, pension and other postemployment benefits (OPEB) are not an immediate budgetary pressure due to adequate pension funding status and a limited OPEB liability. For more information, see "[Pension Spotlight: Texas](#)," April 4, 2023.
- For information on our institutional framework assessment for Texas municipalities, see "[Institutional Framework Assessment: Texas Local Governments](#)," Sept. 9, 2024.

Environmental, social, and governance

Given its location near the Gulf Coast, the city is exposed to elevated environmental physical risks from hazards such as hurricanes and inland flooding. However, the city maintains robust

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available reserves that provide a significant cushion to address unexpected expenditures or revenue declines.

We also view the city's environmental risk as elevated due to the area's susceptibility to drought conditions. Portland, and the surrounding area, is currently experiencing a prolonged and historic drought. The city purchases its water from the San Patricio Municipal Water District, which obtains its water from Corpus Christi. The drought has stressed Corpus Christi's water supply (see, "[Corpus Christi, TX Utility System Revenue Debt Rating Outlook Revised To Negative From Stable](#)," Oct. 24, 2025), requiring the implementation of stage three drought restrictions. Portland city officials indicate the city is exploring options to diversify its water supply from being solely reliant on Corpus Christi, including developing their own wells within the next 18-24 months, but that the drought and water supply stress has not negatively affected economic development within the city. While we expect the city's population and property tax base will continue to experience near-term growth, in our view, the potential for drought conditions to become more frequent and prolonged could negatively affect its long-term economic growth.

We view the city's social and governance factors as neutral within our credit rating analysis.

Outlook

The stable outlook reflects our expectation that the city will maintain robust available reserves, supported by balanced operations and tax base growth.

Downside scenario

We could lower the rating if the city were to experience financial pressure, resulting in budgetary imbalance or a material decrease in reserves.

Upside scenario

We could raise the rating if economic expansion leads to significantly improved gross county product (GCP) and income metrics, and if the city's fixed costs and debt burden were to decline to levels commensurate with those of its higher-rated peers.

Portland, Texas--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.55
Economy	3.5
Financial performance	2
Reserves and liquidity	1
Management	2.00
Debt and liabilities	4.25

Portland, Texas--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	67	--	67	63
County PCPI % of U.S.	79	--	79	77

Portland, Texas--key credit metrics

	Most recent	2024	2023	2022
Market value (\$000s)	2,562,131	1,882,753	1,947,981	1,520,488
Market value per capita (\$)	121,693	89,425	93,897	90,538
Top 10 taxpayers % of taxable value	13.6	17.0	14.2	--
County unemployment rate (%)	4.9	4.9	4.7	6.1
Local median household EBI % of U.S.	108	108	112	--
Local per capita EBI % of U.S.	100	100	103	--
Local population	21,054	21,054	20,746	16,794
Financial performance				
Operating fund revenues (\$000s)	--	17,839	16,290	18,798
Operating fund expenditures (\$000s)	--	20,873	20,263	17,469
Net transfers and other adjustments (\$000s)	--	2,685	3,096	(1,611)
Operating result (\$000s)	--	(349)	(877)	(282)
Operating result % of revenues	--	(2.0)	(5.4)	(1.5)
Operating result three-year average %	--	(2.9)	0.1	4.0
Reserves and liquidity				
Available reserves % of operating revenues	--	51.5	58.4	56.1
Available reserves (\$000s)	--	9,186	9,506	10,539
Debt and liabilities				
Debt service cost % of revenues	--	17.9	22.6	17.1
Net direct debt per capita (\$)	5,622	3,997	3,434	2,950
Net direct debt (\$000s)	118,374	84,151	71,251	49,535
Direct debt 10-year amortization (%)	47	59	--	--
Pension and OPEB cost % of revenues	--	7.0	7.0	6.0
NPLs per capita (\$)	--	455	530	355
Combined NPLs (\$000s)	--	9,579	11,000	5,957

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\$1,315,000 City of Portland, A political subdivision of the State of Texas located in San Patricio County, Texas, Tax Notes, Series 2026, dated: Date of delivery, due: February 15, 2033

Long Term Rating	AA/Stable
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US\$15,350,000 City of Portland, A political subdivision of the State of Texas located in San Patricio County, Texas, Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2026, dated: Date of delivery, due: August 15, 2051

Long Term Rating	AA/Stable
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Ratings Affirmed

Local Government

Portland, TX Limited Tax General Operating Pledge	AA/Stable
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Portland, TX Limited Tax General Operating Pledge and Water and Sewer System	AA/Stable
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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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