

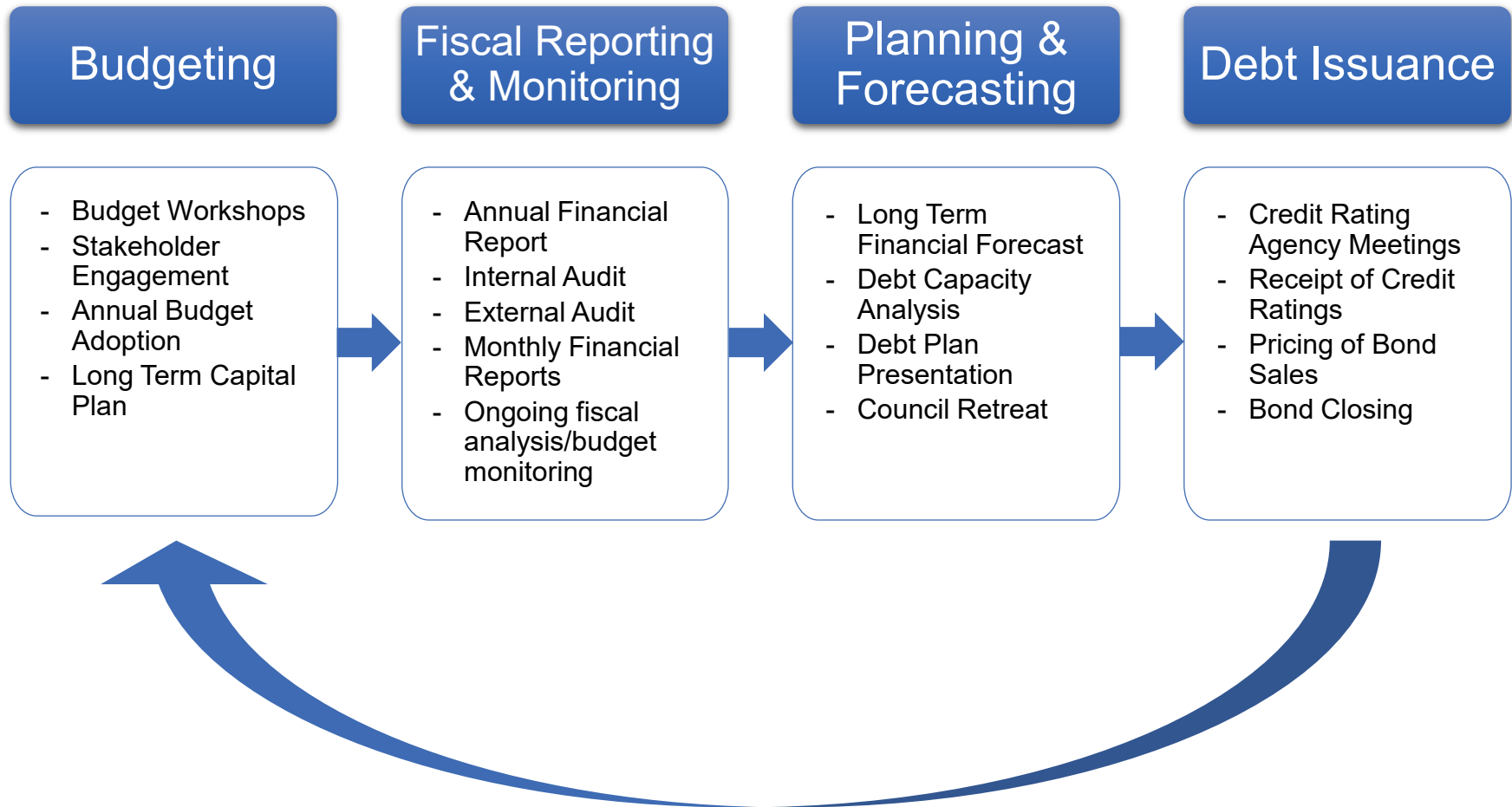
# 2023 OVERVIEW OF CREDIT RATING AGENCY MEETINGS

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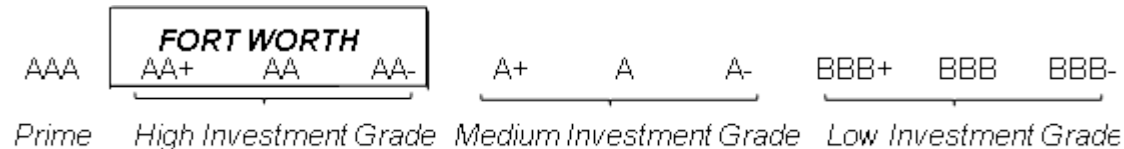
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# City of Fort Worth Annual Business Cycle



## Background

- Each year, the City seeks ratings on its bonded debt issuances from three of the four major credit rating agencies on a rotational basis.
  - While only one rating is required for each bonded debt issuance, the City seeks additional ratings in order to improve the marketability of its bonds.
- Bonds issued by businesses and governments are rated by credit agencies on a letter-based system ranging from AAA to D. For context, below is the investment grade rating scale:



## Background Continued

- For the 2023 bonded debt issuances, the City sought credit rating opinions from the following credit rating agencies:

Agency	Credit Types
S&P Global Ratings	General Obligation Bonds Water/Sewer System Revenue Bonds Drainage Utility System (Stormwater) Revenue Bonds
Moody's Investors Service	General Obligation Bonds Water/Sewer System Revenue Bonds Drainage Utility System (Stormwater) Revenue Bonds
Kroll Bond Rating Agency	General Obligation Bonds Only

## Background Continued

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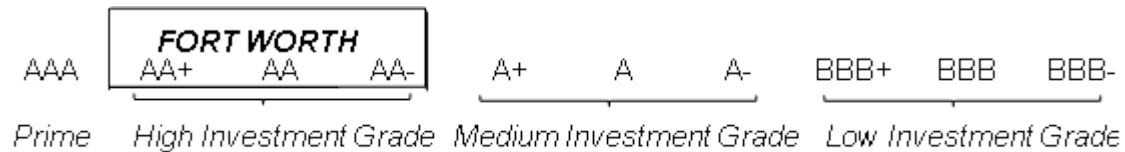
City management and staff met in-person with the credit rating agencies on Friday, April 21<sup>st</sup>. The topics discussed included but are not limited to:

- City Overview
- Economic Development Overview
- Financial Update
  - FY22 Results / Key Drivers
  - Federal Funding Update
  - FY23 Initial Projections / Priorities
- Pension and OPEB Plans
  - Overview/Funding Status
- 2023 Financing Plans
  - Details by Issuance / Key Deadlines
- Culture & Tourism
  - Sector Overview / Growth Areas
  - Convention Center Expansion
- Water and Sewer Overview
  - Overview of System and Key Financial and Operational Metrics
  - CIP and Debt Overview
- Drainage (Stormwater) Overview
  - Overview of System and Key Financial and Operational Metrics
  - CIP and Debt Overview

# 2023 Credit Rating Summary



Credit Type	S&P Global	Moody's	Kroll
General Obligation Bonds	Rating: AA Outlook: Stable	Rating: Aa3 Outlook: Stable	Rating: AA+ Outlook: Positive
Water/Sewer System Revenue Bonds	Rating: AA+ Outlook: Stable	Rating: Aa1 Outlook: Stable	Not Rated
Drainage Utility System (Stormwater) Revenue Bonds	Rating: AA+ Outlook: Stable	Rating: Aa1 Outlook: Stable	Not Rated



# Credit Rating Commentary – General Obligation

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## Key Credit Strengths

- Strong financial management policies and an experienced, effective management team.
- Robust economic growth, evidenced by a diverse, growing tax and resource base, and unemployment rates which have historically trended below the State average.
- Strong financial reserves and liquidity, bolstered by conservative budgeting practices and formal fiscal policies and monitoring practices.
- Growing tax and population base, currently the fifth largest city in Texas
- Stable financial trend supporting healthy reserves
- Legal flexibility to reform pension benefits prospectively

## Key Rating Concerns

- Ability to absorb increasing pension contributions while maintaining financial strength.
- Reliance on sales taxes exposes the City's revenue base to economic fluctuations; deviation from conservative budgeting practices would also increase risk.
- Large unfunded pension liability despite the implementation of multiple benefit reforms
- High fixed costs that are expected to continue as the city issues new money to fund infrastructure improvements and expansions



# Credit Rating Commentary – Water & Sewer Utility System

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## Key Credit Strengths

- Large service area that extends well beyond city limits; growing customer base
- Affordable utility rates anticipated to remain so despite possible rate increases
- Strong fiscal management and capital planning
- Ample debt service coverage and low direct debt profile

## Key Rating Concerns

- Below median liquidity for the rating category
- Weak legal provisions
- Financial margins that are healthy but anticipated to narrow given future debt plans

## Credit Rating Commentary – Drainage (Stormwater) Utility

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### Key Credit Strengths

- Large and diverse service area with a stable customer base
- Affordable utility rates anticipated to remain so despite possible rate increases
- Strong fiscal management and capital planning
- Favorable debt service coverage on both gross and net revenue
- Manageable debt profile
- Strict separation of assets and accounts from general obligation credit

### Key Rating Concerns

- Adequate legal provisions weakened by lack of debt service reserve
- Liquidity level below that of peers
- Financial margins that are healthy but anticipated to narrow given future debt plans

## Key Dates



	Property Tax	Enterprise Revenue
Rating Meetings		April 21
<b>Receive Ratings</b>		<b>May 1</b>
POS Posted	May 3	May 10
Pricing	May 10	May 17
Closing	June 8	June 15

## Final Pricing/Bid Results – General Obligation Bonds

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- **General Purpose Bonds, Series 2023**
  - Received bids from six (6) financial institutions
  - Winning bidder: Morgan Stanley & Co, LLC
  - True Interest Cost (TIC): 3.47%
  
- **Combination Tax and Revenue Certificates of Obligation, Series 2023**
  - Received bids from four (4) financial institutions
  - Winning bidder: Wells Fargo Bank, N.A.
  - True Interest Cost (TIC): 3.64%
  
- **Tax Notes, Series 2023**
  - Received bids from seven (7) financial institutions
  - Winning bidder: J.P. Morgan Securities, LLC
  - True Interest Cost (TIC): 2.67%

- 2023 Rating Agency Presentation
- 2023 Debt Financing Plan Overview
- Credit Rating Agency Reports
  - Moody's Investors Service
  - S&P Global Ratings
  - Kroll Bond Rating Agency
  - Fitch Ratings

The reports listed above (and a wealth of other information about the City's debt) is available on the City's Investor Relations webpage located at:

<https://www.fortworthtexasbonds.com>

- At the top of the page, hover over "Bonds" and click on "Roadshow".

# Questions?

