



December 10, 2024

6:00 PM

Council Chambers

ATTENDEES:	Phillip Poole	Chairperson
	Riley Swanston	Member
	Robert Fitzgerald	Member
	Michael Bachand	Member
	Geordan Strain	Member
	Sharon Schmitz	Member
	L. Kelly Jones	Mayor
	Brandy Barrett	City Administrator
	Kevin Reaves	Police Chief
	Crystal Dozier	City Secretary
ABSENT:	David Motley	Member

CALLED TO ORDER at 6:00 PM by Chairman Phillip Poole.

CITIZEN COMMENTS

- There were no citizen comments.

BRIEFING & ACTION ITEMS:

- A. Approval of the October 8, 2024, meeting minutes.
 - MOTION to approve the October 8, 2024, meeting minutes.**
 - **MADE** by Robert Fitzgerald. **SECOND** by Sharon Schmitz.
 - **Motion passed** by a vote of 6 Ayes and 0 Nays.

- B. Review and discuss templates for optional long-term budget.
 - No action was taken on this discussion item.

- C. Discuss and tentatively set the next meeting date.
 - Next meeting tentatively set for February, before the council meeting.

ADJOURNED at 6:42 pm.

MINUTES APPROVED on this 11th day, of February 2025.

Phillip Poole, Chair

ATTESTED TO BY:

Crystal R. Dozier, TRMC, CMC
City Secretary

CALL TO ORDER

CITIZEN COMMENTS

This is an opportunity for citizens to address the board on any matter over which they have authority, whether it is or is not posted on the agenda. The board is not permitted to discuss or take action on any presentations concerning an item not listed on the agenda. Citizens may speak up to three (3) minutes or the time limit determined by the mayor or presiding officer.

BRIEFING & ACTION ITEMS:

- A. Approval of the December 10, 2024, meeting minutes.
- B. Review and discuss the draft interactive model for optional long-term budget modeling. *(The draft interactive spreadsheet will be reviewed during this meeting. Ms. Barrett has also included an educational document on S&P 2024 GO rating criteria.)*
- C. Discuss and tentatively set the next meeting date.

ADJOURN:

The board reserves the right to retire into executive session concerning any of the items listed on this agenda, whenever it is considered necessary and legally justified under the Open Meeting Act.

This facility is wheelchair accessible and handicapped parking spaces are available. Requests for accommodations for the hearing impaired must be made 48 hours prior to this meeting. Please contact the City Secretary's Office at (817) 710-2503 for assistance.

A quorum of the council or other committee and boards may be present at this meeting; however, no other council, board or committee discussion or action will be taken. I certify that the above notice was posted on the bulletin board at the Westworth Village City Hall, 311 Burton Hill Road, Westworth Village, Texas, and City website, on this, the 7th day of February 2025, at 5pm, in accordance with Chapter 551 of the Texas Government Code.



Crystal R. Dozier, TRMC, CMC
City Secretary



RATING AGENCY
METHODOLOGY
UPDATES



S&P GENERAL OBLIGATION CRITERIA

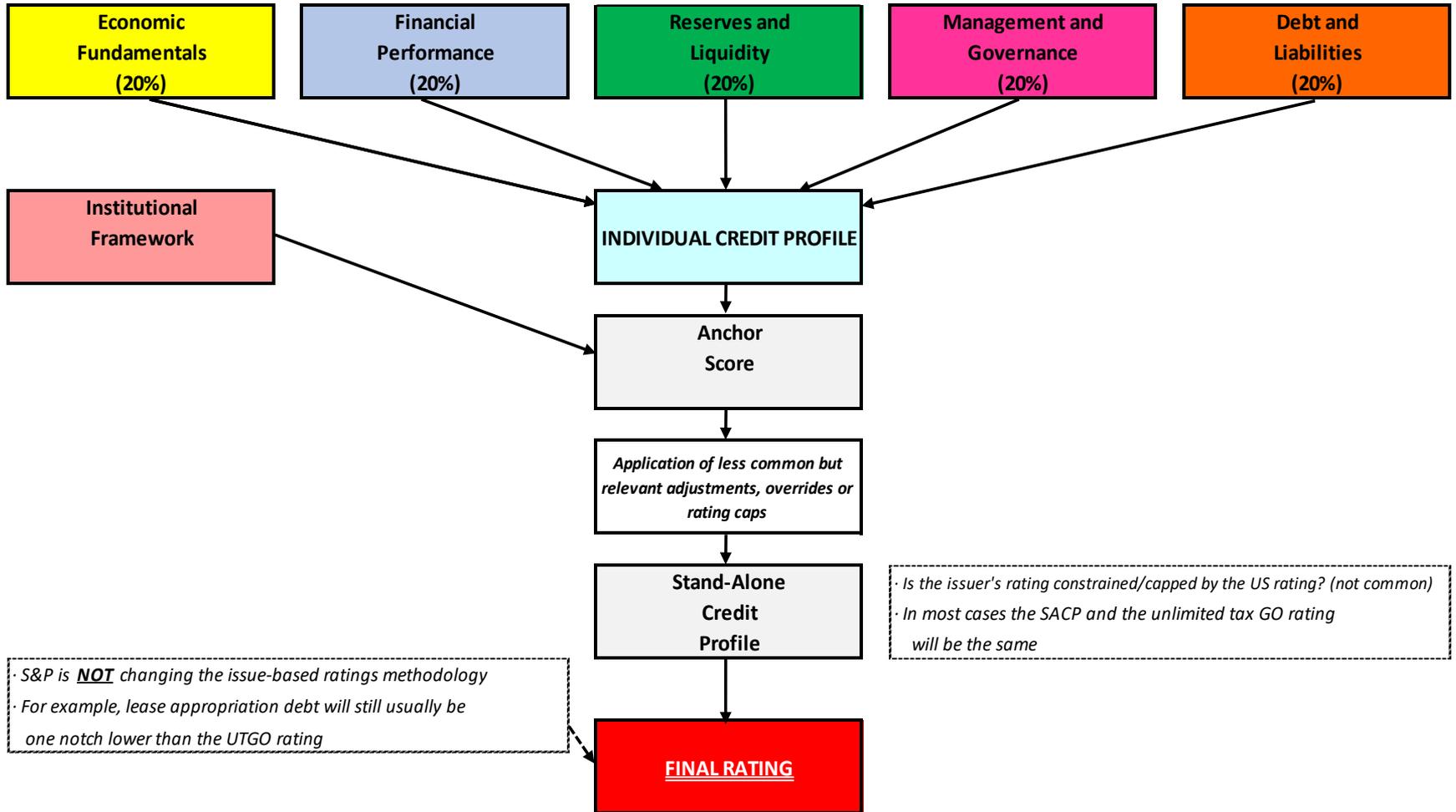
SEPTEMBER 11, 2024

SUMMARY

EFFECTIVE DATE SEPTEMBER 9, 2024

- S&P will now use a 'scorecard' approach to assign ratings to most general obligation bonds:
 - States (had previously been rated using a scorecard)
 - Local governments (had previously been rated using a scorecard)
 - K-12 districts (scorecards new to this sector)
 - Special districts such as park districts, library districts, fire protection districts and similar political subdivisions that provide general government-type services (scorecards new to this sector)
- Will NOT include tax-secured debt of the following issuers. They will continue to be rated by their respective sector's criteria:
 - Infrastructure districts such as Texas MUDs, Colorado metro districts and similar political subdivisions that provide enterprise-type services such as water and sewer service
 - GO healthcare districts
 - GO water districts
 - Community college districts
 - Transportation infrastructure enterprises
 - Charter schools

SUMMARY



Source: S&P Global Ratings. "Methodology for Rating US Governments" (Sept. 9, 2024); HilltopSecurities

ECONOMIC FUNDAMENTALS

SCORECARD INPUTS FOR THIS KEY CREDIT FACTOR ARE COMPLETELY NEW AND BASED ON STATE OR COUNTY REAL GDP AND NOMINAL PER CAPITA PERSONAL INCOME (PCPI), BOTH AS A PERCENTAGE OF THE US

LEVEL OF GOVERNMENT	METRIC	SCORING SCALE ('1' is the most favorable)					
		1	2	3	4	5	6
States	Real Gross State Product per capita as a pct of US Real GDP per capita	>110	95-110	85-95	75-85	65-75	<65
States	State nominal PCPI as a pct of US nominal PCPI	>100	90-100	80-90	75-80	70-75	<70
Local Governments	Real gross county product per capita as a pct of US real GDP per capita	>110	95-110	85-95	75-85	65-75	<65
Local Governments	County nominal PCPI as a pct of the US nominal PCPI	>100	90-100	80-90	75-80	70-75	<70

TAKEAWAYS

- REMOVES TAXABLE ASSESSED VALUATION
- STILL INCLUDES FACTORS THAT MIGHT ADJUST THIS SUB-SCORE, SUCH AS TAX BASE OR EMPLOYMENT BASE CONCENTRATION; EXTREMELY STRONG OR WEAK INCOME INDICATORS; AND THE PRESENCE OF A STABILIZING INSTITUTION SUCH AS A UNIVERSITY OR STATE CAPITAL

Source: S&P Global Ratings. "Methodology for Rating US Governments" (Sept. 9, 2024)

FINANCIAL PERFORMANCE

OPERATING RESULT IS DEFINED AS

$$\text{OPERATING REVENUES} - (\text{OPERATING EXPENDITURES} + \text{NET TRANSFERS IN/OUT})$$

OPERATING REVENUES

LEVEL OF GOVERNMENT	METRIC	SCORING SCALE ('1' is the most favorable)					
		1	2	3	4	5	6
States	State budgetary performance over economic cycles	Surpluses during expansions and budgetary balance during economic declines will be <50% reliant on one-time measures	Balanced results during economic expansions and budgetary balance during economic declines may be more than 50% reliant on one-time measures	Balanced operating results may be achieved during economic expansion and budget balance during economic declines may be more than 75% reliant on one-time measures	Limited focus on structural budgetary balance; regular deficits carried into future fiscal years	Reserved for qualitative assessments when S&P views there to be structural imbalance and whether there is a credible plan to correct it	
Local Governments	Three-year average operating result (pct)	>3	0 – 3	(-3) – 0	< (-3)		

TAKEAWAYS

- LOOKS AT A MULTI-YEAR TREND RATHER THAN MOST RECENT FISCAL YEAR
- CAN BE ADJUSTED/OVERRIDDEN IF S&P VIEWS THERE TO BE REASONABLE CONTEXT BEHIND A TREND, SUCH AS ONE-TIME REVENUES OBSCURING THE BIG PICTURE OR DECLINING SCHOOL ENROLLMENT THAT WILL CHANGE FUTURE REVENUES

Source: S&P Global Ratings. "Methodology for Rating US Governments" (Sept. 9, 2024)

RESERVES AND LIQUIDITY

AVAILABLE RESERVES IS DEFINED AS THE ANNUAL DOLLAR AMOUNT OF NON-OBLIGATED RESERVES A GOVERNMENT HAS IN ITS OPERATING FUNDS AT FISCAL YEAR-END, WHICH CAN INCLUDE BUDGET STABILIZATION FUNDS. FOR ENTITIES THAT REPORT ON A CASH BASIS, THE CRITERIA USES CASH BALANCES INSTEAD OF FUND BALANCES.

LEVEL OF GOVERNMENT	METRIC	SCORING SCALE ('1' is the most favorable)					
		1	2	3	4	5	6
States	Budget-based reserves	There is a formal target relative to annual revenue or spending of >8%. There is a demonstrated track record of restoring any draws on reserves	There is a formal target relative to annual revenue of between 4% to 8%. There is a demonstrated track record of restoring any draws on reserves	There is a formal target relative to annual revenue of between 1% to 4%. There is a demonstrated track record of restoring any draws on reserves	There is no formal target, or reserves are funded at <1%, or there is no process for accumulating reserves. No additional fund are identified or available	Reserved for qualitative assessments when S&P views there to be no reserve targets, weak liquidity, the government is deeply delaying payments on certain non-debt obligations to preserve cash, or reliance on interfund borrowing	
Local Governments	Available reserves as a pct of revenues	>15	8-15	4-8	1-4	<1	

TAKEAWAYS

- ASSUME THAT “NON-OBLIGATED” MEANS AVAILABLE FOR ANY LAWFUL PURPOSE, BY EITHER ADMINISTRATIVE OR ELECTED OFFICIAL ACTION, AND REGARDLESS OF WHETHER (IN GASB-54 TERMINOLOGY) FUND BALANCE IS UNASSIGNED, ASSIGNED OR COMMITTED
- BUDGET STABILIZATION FUNDS HAVE MANY NAMES BUT ARE TYPICALLY KNOWN AS RAINY DAY FUNDS

Source: S&P Global Ratings. “Methodology for Rating US Governments” (Sept. 9, 2024)

MANAGEMENT

PRESERVES THE CONCEPTS OF THE FINANCIAL MANAGEMENT ASSESSMENT, BUT STREAMLINES IT TO THREE KEY SUB-FACTORS FROM SEVEN PREVIOUSLY

		SCORING SCALE ('1' is the most favorable)					
CONCEPT	WEIGHT	1	2	3	4	5	6
Budgeting Practices	35%	Budgets are forward-looking with robust monitoring and transparent reporting constantly throughout the year	Budgets are built on realistic assumptions with sufficient – but perhaps less formal or less regular – monitoring	Budgets are based on limited historical data and optimistic assumptions, with informal monitoring and reactive budget amendments that don't occur in real time	Budgets contain unrealistic assumptions and lack ongoing monitoring throughout the year	Subjectively assigned based on a preponderance of evidence, when S&P views there to be a “challenging management and governance environment, or a management team that is understaffed, or lacks relevant skills or experience.”	Subjectively assigned based on a preponderance of evidence, when S&P views there to be “issues related to leadership competency, knowledge, or credit culture.”
Long-term Planning	35%	Robust culture of multi-year financial and capital planning with realistic assumptions and funding sources, all supporting long-term goals that include structural balance	One multi-year financial or capital plan exists, based on historical trends. Plans are regularly updated but not all funding sources are identified	Plans might exist, but assumptions are optimistic, don't include funding sources or are not regularly updated	No multi-year planning exists or only done when needed		
Policies	30%	Robust policies exist that speak to investments; debt management; reserves and liquidity; and consider the whole of government. Monitoring and reporting is strong	Policies exist that speak to investments; debt management; reserves and liquidity, but are basic, informal or boilerplate. Still, they are supported by regular reporting	Some policies exist (formally or informally) but there is little or no ongoing reporting	No policies exist, or there is clear evidence that they are not followed		

Source: S&P Global Ratings. “Methodology for Rating US Governments” (Sept. 9, 2024)

DEBT AND LIABILITIES (STATE GOVERNMENTS)

CURRENT COST FOR DEBT SERVICE AND LIABILITIES IS DEFINED AS

TOTAL GOVERNMENTAL FUNDS' PRINCIPAL AND INTEREST + ACTUAL PENSION CONTRIBUTION
+ ACTUAL OPEB CONTRIBUTION

TOTAL GOVERNMENTAL FUNDS REVENUES

METRIC	WEIGHT	SCORING SCALE ('1' is the most favorable)					
		1	2	3	4	5	6
Current cost for debt service and liabilities (%)	50%	<3	3 – 6	6 – 9	9 - 12	12 – 15	>15
Net direct debt per capita (\$)	25%	<500	500 – 1,500	1,500 – 2,500	2,500 – 3,500	3,500 – 4,500	>4,500
Net pension liabilities per capita (\$)	25%	<500	500 – 1,500	1,500 – 2,500	2,500 – 3,500	3,500 – 4,500	>4,500

Source: S&P Global Ratings. "Methodology for Rating US Governments" (Sept. 9, 2024)

DEBT AND LIABILITIES (LOCAL GOVERNMENTS)

CURRENT COST FOR DEBT SERVICE AND LIABILITIES IS DEFINED AS

TOTAL GOVERNMENTAL FUNDS' PRINCIPAL AND INTEREST + ACTUAL PENSION CONTRIBUTION
+ ACTUAL OPEB CONTRIBUTION

TOTAL GOVERNMENTAL FUNDS REVENUES

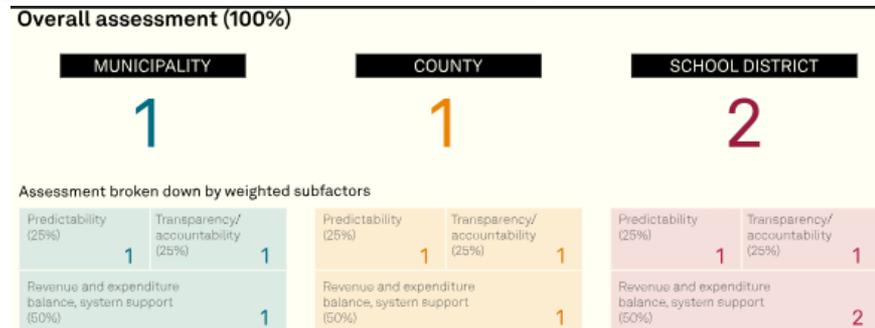
METRIC	WEIGHT	SCORING SCALE ('1' is the most favorable)					
		1	2	3	4	5	6
Current cost for debt service and liabilities (%)	50%	<8	8 – 14	14 – 20	20 – 25	25 – 30	>30
Net direct debt per capita (\$)	25%	<500	500 – 1,500	1,500 – 2,500	2,500 – 3,500	3,500 – 4,500	>4,500
Net pension liabilities per capita (\$)	25%	<500	500 – 1,500	1,500 – 2,500	2,500 – 3,500	3,500 – 4,500	>4,500

Source: S&P Global Ratings. "Methodology for Rating US Governments" (Sept. 9, 2024)

WHAT IS “INSTITUTIONAL FRAMEWORK” ?

Same concept that S&P has been using since 2013

- Institutional Framework” (“IF”) is S&P’s opinion of the powers a state does or does not explicitly give to local governments; ongoing support from the state; and the likelihood of extraordinary support in times of distress.
 - For the states themselves, IF scores are based on the powers a state has (or does not have) to affect/achieve desired financial outcomes
- Barring changes in law (state constitutional amendments, voter-initiated propositions), IF scores do not change frequently. S&P updated the IF scores for each state concurrent with the new criteria’s Sept-2024 release
- Three components:
 - Predictability (25%) – can the government forecast its revenues and expenditures in a reliable and accurate manner?
 - Budgetary balance and system support (50%) – can the government finance the services it provides on a continuous basis; and to what degree (if any) does a higher unit of government provide both ongoing support and extraordinary support?
 - *This is the most heavily-weighted factor*
 - Transparency and accountability (25%) – how good, how thorough and how timely is the financial information?
- Each similar unit of government within a state receives the same IF score (see example, right)



Source: S&P Global Ratings. “Texas Local Governments Institutional Framework Assessment” (Sept. 9, 2024)

HOW DOES S&P PUT IT ALL TOGETHER?

- The lower-case letters imply that this is the starting point for the rating committee’s deliberations. It’s not the final rating
- Adjustors and modifiers within the individual credit profile scoring are mostly the same, such as taxpayer concentration, extremely strong income indicators or management weaknesses
- Even if there are no rating caps, modifiers or other adjustments, the final rating could still be +/- 1 notch from this table, usually attributable to peer comparisons
 - Ex: a California school district (IF score = 2) with an individual credit profile score of 3.5, and with no unusual characteristics that would trigger modifiers or caps, would have an issuer credit rating of ‘a’. All other things being equal, the GO rating would probably be ‘A’

		INDIVIDUAL CREDIT PROFILE SCORE (derived from the five key credit factors)										
		1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0
INSTITUTIONAL FRAMEWORK SCORE	1	aaa	aaa	aa+	aa	aa-	a+	a	a-	bbb	bb+	bb-
	2	aaa	aa+	aa	aa-	a+	a	a-	bbb+	bbb-	bb	b+
	3	aa+	aa	aa-	a+	a	a-	bbb	bbb-	bb+	bb-	b
	4	aa-	a+	a	a-	bbb+	bbb	bb+	bb	bb-	b	b-
	5	a	a-	bbb+	bbb	bbb-	bb+	bb-	b+	b	b-	b-
	6	bbb+	bbb	bbb-	bb+	bb	bb-	b+	b	b-	b-	b-
	7											

Source: S&P Global Ratings. “Methodology for Rating US Governments” (Sept. 9, 2024)

TAKEAWAYS

Other Important Items

- On September 9, 2024, S&P [placed 436 issuers](#) on an “Under Criteria Observation” status, meaning those are the ratings that stand the highest chance of being impacted
- The approach to issue-specific ratings will not change. For example, lease-secured obligations will typically be rated one notch lower than the GO rating
- S&P aims to have all reviews of existing ratings completed within 6 months



If you have any questions, please do not hesitate to contact your HilltopSecurities representative

Expected Impacts to Existing Ratings

Sector	Impact
States	No ratings will be impacted
Counties	2%, about half up and half down, generally + / - one notch
Municipalities	4%, about half up and half down, generally + / - one notch
K – 12 Districts	5%, about half up and half down, generally + / - one notch
Special Districts	5%, about half up and half down, generally + / - one notch

S&P Global Ratings. “[Ratings On 436 Issuers Placed Under Criteria Observation Following Publication Of New U.S. Government Methodology.](#)” (Sept. 9, 2024)

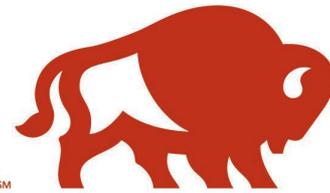
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