

## CITY COUNCIL MEMORANDUM

**City Council Meeting:** March 13, 2025

**Department:** Admin-Finance

**Subject:** La Vernia, Texas - General Obligation Credit Rating Update

### Summary:

Following interviews with Lindsey Wheeler and Victor from Specialized Public Finance, as well as a review by S&P Global Ratings, the 'AA' long-term rating for La Vernia, Texas' outstanding certificates of obligation has been affirmed. The rating has also been removed from criteria observation.

- **Outlook: Stable**

- The rating reflects the methodology for rating U.S. governments, as published on September 9, 2024, on RatingsDirect.

### Goal:

The stable outlook suggests that La Vernia's general fund performance will remain stable and that the city will continue to raise utility user rates to balance enterprise operations without overburdening the general fund.

### Downside Scenario

The rating could be downgraded if financial performance deteriorates, depleting already low reserves, or if risks in utility operations negatively impact the general fund.

### Upside Scenario

An unlikely upgrade could occur if the local economy expands, accompanied by significant growth in reserves and the development of more formalized financial planning.

### Community Benefit:

A favorable credit rating with S&P Global brings several key advantages to the community:

- **Lower Borrowing Costs:** A strong credit rating often leads to lower interest rates on bonds and loans, saving taxpayer money.
- **Increased Investor Confidence:** A solid credit rating assures investors of the municipality's financial stability, attracting more investment for projects and development.
- **Access to Capital:** A good rating enables easier access to capital for infrastructure projects or to address budget shortfalls.
- **Economic Stability and Growth:** A high credit rating fosters economic growth and investment, creating a more attractive environment for businesses and residents.
- **Favorable Debt Refinancing Terms:** A strong rating allows for more favorable terms when refinancing existing debt, reducing the financial burden of past borrowing.
- **Better Financial Reputation:** A good credit rating boosts the municipality's reputation for responsible management, enhancing public trust and investment opportunities.

In summary, a solid credit rating allows municipalities to manage finances more efficiently, secure necessary funding, and reduce costs, ultimately benefiting the community.

**Recommended Action:**

No action is required at this time. This update is being shared for informational purposes.