

Government Finance Officers Association of Texas

‘An Introduction to the KBRA Rating Approach’



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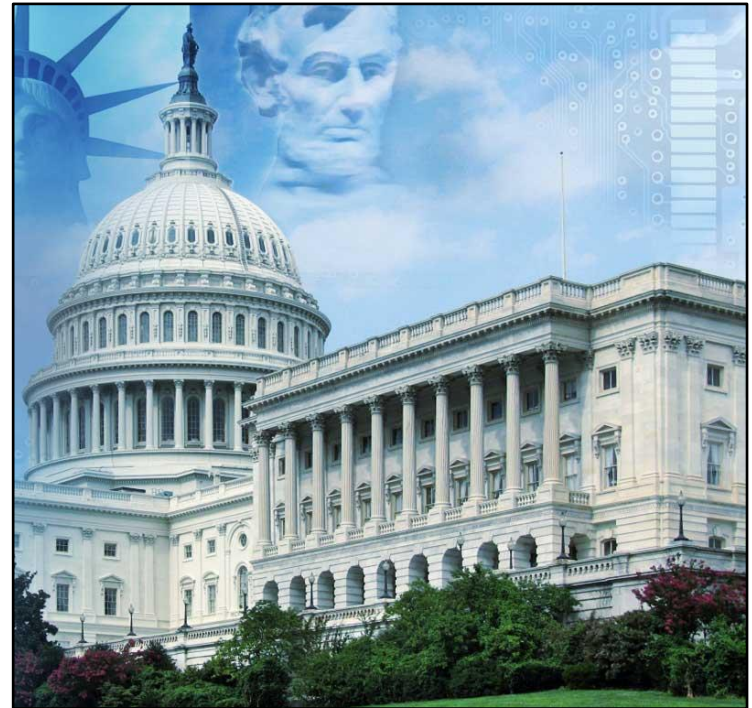
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KBRA Rating Approach – Local Government General Obligation Bonds

The ability and willingness of a municipality to pay its General Obligation Debt. KBRA conducts a comprehensive review of a municipality's:

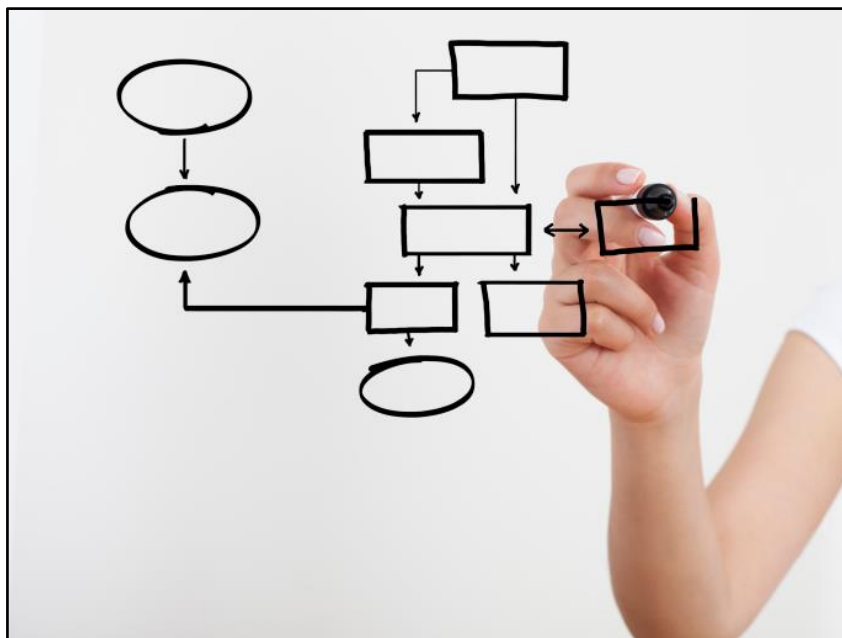
- Governance and Management Structure & Policies
- Municipal Resource or Economic Base
- Debt and Additional Continuing Obligations (Pension & OPEB)
- Financial Performance and Liquidity

KBRA's comprehensive approach supported by detailed and data rich credit report. Tear sheet provides a quick synopsis.



KBRA Local Government General Obligation Bond Rating Determinant Example

KBRA Local G.O. Rating Determinant #1: Governance and Management Structure & Policies



- ❖ Operating within **50** Unique State Statutory Frameworks
- ❖ Financial Management Procedures and Policies:
 - Budget Process
 - Forecasting
 - Reporting

KBRA Rating Approach – Water & Sewer Revenue Bonds

KBRA focuses on the following five major factors when assessing debt issued by municipal retail water and sewer utility systems:

- Management
- Legal Mechanics & Security Provisions
- Service Area Economy
- System Characteristics
- Financial Metrics
- Debt Structure & Capital Plan Requirements



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KBRA Municipal Water and Sewer Revenue Bond Rating Determinant Example

KBRA Municipal Water & Sewer Revenue Bond Rating Determinant #4: System Characteristics



- Customer Base
- Customer Concentration
- Water Supply & Water Allocation Rights
- System Condition
- Capacity and Usage Constraints

KBRA Recent Rating Determinant Examples – Local General Obligation and Water & Sewer Revenue Bonds

City of Birmingham, Alabama

Rating Determinant #1 – Governance and Management Structure & Policies

- Strong Management Structure and Policies
- Mayor-Council Act of 1955
- Rigorous Financial Monitoring and Reporting Requirements



City of Chicago, Illinois

Second Lien Wastewater Transmission Project Revenue Bonds

Rating Determinant #4 – System Characteristics

- Strong Customer Base Profile
- Diverse Customer Base with no Ratepayer Concentration
- Ample Water Supply from Lake Michigan
- Aged System with Limited Collection and Conveyance
- No System Capacity or Usage Constraints



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