Memorandum

CITY OF DALLAS

DATE November 8, 2024

TO Honorable Mayor and Members of the City Council

SUBJECT **Kroll Bond Rating Agency Affirms City of Dallas General Obligation 'AA+' Rating, Revises Outlook to Stable from Positive**

On November 1, 2024, Kroll Bond Rating Agency (KBRA) affirmed the 'AA+' credit rating on the City's General Obligation bonds and revised the outlook to Stable from Positive, as part of a statutorily required annual review. KBRA's surveillance report states that the revised outlook reflects "the continued, very low funding levels for the City's pension plans," according to available audited financials. The report also notes, "however, a new strategy has been approved by City Council to support the pension plans and management reports that the biennial budget includes the funding to begin plan implementation." Further, "the City's sizable tax-base and strong financial position help to largely mitigate the burden posed by elevated pension liabilities, in KBRA's view."

The City maintains a high grade investment rating. According to the report, "the City's long-term rating remains otherwise anchored by its sound financial profile; disciplined, forward-looking financial management practices; healthy reserves; and ample liquidity." KBRA notes key credit considerations for the rating, including a "strong financial profile reflecting fiscally conservative financial management practices, solid reserves, and healthy liquidity," a "growing tax and resource base, and unemployment rates which have trended below the state average," and the "ability to achieve budgetary balance through operating expense reductions and without the use of reserves, while simultaneously reducing the property tax rate" as credit positives. KBRA's consideration of the City's credit challenges include elevated pension costs, "low pension funded ratios" having the potential to restrict future financial flexibility, and a "partial reliance on sales tax receipts for operations." The City's General Obligation rating sits one notch below the highest rating for KBRA and will continue to be monitored as pension plan changes are implemented.

Attached is the published report for your review. Please let me know if you need additional information.

Jack Ireland
Chief Financial Officer

c: Kimberly Bizor Tolbert, City Manager (I)
Tammy Palomino, City Attorney
Mark Swann, City Auditor
Bilierae Johnson, City Secretary
Preston Robinson, Administrative Judge
Dominique Artis, Chief of Public Safety (I)
Alina Ciocan, Assistant City Manager
Dev Rastogi, Assistant City Manager
M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager
Donzell Gipson, Assistant City Manager (I)
Robin Bentley, Assistant City Manager (I)
Elizabeth Saab, Chief of Strategy, Engagement, and Alignment (I)
Directors and Assistant Directors

City of Dallas, TX – G.O.

Issuer: City of Dallas, TX		
Affirmed	**Rating**	**Outlook**
General Obligation Bonds	AA+	Stable *from Positive*
Equipment Acquisition Notes	AA+	Stable *from Positive*
Certificates of Obligation	AA+	Stable *from Positive*

Methodology:

U.S. Local Government G.O. Methodology

ESG Global Rating Methodology

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Rating Summary: The Outlook revision to Stable from Positive on the City of Dallas' ("the City's") General Obligation (G.O.) credit reflects the continued, very low funding levels for the City's pension plans (54.1%, 34.4% and 38.6% for the Employees' Retirement Fund (ERF), Dallas Police and Fire System Combined Plan (Combined Plan), and Dallas Police and Fire System Supplemental Plan, respectively). In KBRA's view, such levels suggest future financial flexibility may be restricted should pension reforms, as further discussed below, fail to materially improve and sustain plan funding. The City's policies to reduce the net pension liability (NPL) have not achieved results anticipated by KBRA.

While the NPL equals a manageable 2.87% of the full market value of the City's rapidly growing assessment base in 2023, it does pose a high per capita burden. The City's contributions to its two largest plans – the ERF and the Combined Plan – remain below the actuarially determined contribution (ADC). In recent months, however, a new strategy has been approved by City Council to support the pension plans and management reports that the biennial budget includes the funding to begin plan implementation.

The City's long-term rating remains otherwise anchored by its sound financial profile; disciplined, forward-looking financial management practices; healthy reserves; and ample liquidity. As a regional hub for technology, healthcare, finance and tourism, Dallas is among the nation's top-ranked cities for economic growth, with robust employment expansion and declining poverty levels.

The City's G.O. obligations include the G.O. Bonds, Equipment Acquisition Notes, and Certificates of Obligation. The G.O. Bonds and Equipment Acquisition Notes are secured by a pledge of an annual ad valorem tax levied on all taxable property within the City. Certificates of Obligation are additionally secured by a limited pledge of surplus revenues generated by the City's Municipal Drainage Utility System in an amount not to exceed $1,000. KBRA does not make an analytical rating distinction between the G.O. Bonds/Equipment Acquisition Notes and the Certificates of Obligation.

The State Constitution and the City Charter limit the ad valorem tax rate to $2.50 per $100 of taxable assessed valuation (TAV) for all purposes, including payment of debt service. The State Attorney General will not approve debt if, based on then current taxable property values, more than $1.50 of the maximum $2.50 is required for aggregate general obligation debt service, inclusive of the bonds being proposed. In addition, the Texas Property Tax Reform and Transparency Act of 2019 (SB2) caps the City's ability to grow property tax revenue (without voter approval) at 3.5% per year. Revenue to pay voter approved debt is excluded from the SB2 cap, as is revenue growth from new construction. In KBRA's view, the combination of conservative forecasting and disciplined expenditure controls support the City's ability to maintain structurally balanced operations within the more constrained property tax revenue framework imposed by SB2. The FY 2025 budget reflects the ninth consecutive fiscal year in which the property tax rate has been reduced. The City's proposed tax rate is $0.7047 per $100 of TAV for FY 2024-2025.

Dallas is the primary economic driver in the Dallas-Fort Worth-Arlington metropolitan statistical area (MSA), which is the fourth largest MSA in the nation behind New York, Los Angeles, and Chicago. The City is the 3rd largest city in the State of Texas (the "State") and 9th largest in the nation, with a population of approximately 1.3 million. The City's growing employment base has fueled both domestic and international migration. The City's tax base remains diverse, with the 10 largest taxpayers accounting for less than 4% of TAV. Full market value (FMV) per capita is approximately $172,579, which KBRA views as favorable.

The City's sizable tax-base and strong financial position help to largely mitigate the burden posed by elevated pension liabilities, in KBRA's view. Pension reforms enacted in 2017 have eliminated the prospect of the Police and Fire pension plan's insolvency, mandated increased contributions, and reduced the net pension liability, but have not materially improved the funded ratio of the three pension plans. While pension costs are expected to remain elevated, overall fixed costs are affordable, especially given the City's practice of rapid direct debt amortization. In the context of its otherwise conservative fiscal controls, the City's plan for pension funding, which projects a long ramp-up to full funding, may serve to limit long-term financial flexibility, in KBRA's view.

KBRA views the City's historical financial performance as very strong, reflecting a trend of healthy operating surpluses and strong reserve levels. Detailed Financial Management Performance Criteria (FMPC) originally adopted by City Council in 1978, as periodically revised, provide a policy framework for fiscal decision making and are an important contributor to the City's strong governance profile. Pursuant to the FMPC, the City maintains an unassigned General Fund (GF) balance, which includes Emergency and Contingency Reserves, of at least 50 days and not more than 70 days of GF operating expenditures less debt service. Primary General Fund revenue sources are property taxes and sales taxes, accounting for 54% and 26% of FY 2023 revenues, respectively. The City has maintained ample liquidity as evidenced by growth in year-end Governmental Funds. The City ended FY 2023 with 144 days cash on hand (DCOH), comparable to the 145 days registered the prior year, but significantly above FY 2020 and FY 2021, which registered 117 DCOH and 123 DCOH, respectively.

The City's FY 2025 budget and planned FY 2026 budget continue to project unassigned fund balance greater than 60 days. However, due to rapidly growing pension and overtime costs, the General Fund is forecast to be out of structural balance beginning in FY 2027; however, it is stated that the City will implement budget reductions and/or revenue increases so as to not allow the imbalance to occur.

Key Credit Considerations

The ratings were affirmed because of the following key credit considerations:

Credit Positives

- Strong financial profile reflecting fiscally conservative financial management practices, solid reserves, and healthy liquidity.
- Robust economic growth, evidenced by a diverse, growing tax and resource base, and unemployment rates which have trended below the state average.
- History of achieving budgetary balance through operating expense reductions and without the use of reserves, while simultaneously reducing the property tax rate.

Credit Challenges

- Pension costs are expected to remain elevated. Low pension funded ratios have the potential to restrict future financial flexibility.
- Partial reliance on sales tax receipts for operations exposes revenue base to economic fluctuation.

Rating Sensitivities

▪ Tangible progress in addressing full funding of the actuarially determined pension contributions while maintaining robust financial strength.	+
▪ Deviation from the City's practice of conservative budgeting would increase credit risk.	-

Key Ratios	
Population CAGR Growth 2013 to 2023	
City	0.35%
State	1.44%
United States	0.58%
Top 10 Taxpayers as a % of Total Assessed Value	3.9%
Assessed Property Value 10-Yr CAGR Through FY 2023	7.9%
Unassigned General Fund Balance as % of Expenditures at FYE 2023	23.1%
Direct and Overlapping Debt as a % of Full Market Value in FY 2023	3.1%
Direct Debt Amortized Within 10 Years	75%
Fixed Costs as a % of Governmental Expenditures in FY 2023	19.5%

Rating Determinants (RD)	
1. Management Structure and Policies	AAA
2. Debt and Additional Continuing Obligations	AA-
3. Financial Performance and Liquidity Position	AAA
4. Municipal Resource Base	AA+

RD 1: Management Structure and Policies

The City's strong management practices include a comprehensive budget process, a two-year balanced budget requirement, active financial monitoring, defined reserve policies, and five-year revenue and expenditure projections for the General Fund and each of the enterprise funds. Detailed Financial Management Performance Criteria (FMPC) establish a targeted unassigned General Fund balance, including Emergency and Contingency Reserves, of not less than 50 days and not more than 70 days of General Fund expenditures, less debt service. The City's fiscal year begins October 1 and ends on September 30. The FY 2024 Emergency Reserve was budgeted at $50 million which is unchanged from the prior year.

RD 2: Debt and Additional Continuing Obligations

While the City has successfully relied upon pay-go financing, rapid debt amortization and the careful management of other continuing obligations to maintain a moderate pace of growth in total long-term liabilities, the adequacy of pension funding remains an area of credit focus. The City's FY 2023 fixed cost burden inclusive of pension contributions ($248.0 million), OPEB benefit payments ($10.3 million) and annual debt service ($330 million), accounted for 19.5% of governmental fund expenditures, comparable to the 19.8% registered the prior year. KBRA considers this level somewhat elevated but affordable given the City's robust tax base and ample reserves.

Figure 1

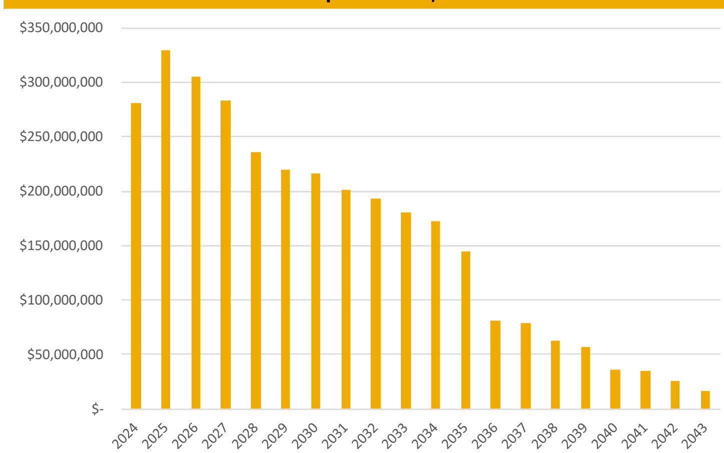
Direct Debt Outstanding as of September 30, 2024 (dollars in thousands)		
Direct Debt Type		
General Obligation Bonds	$	2,902,776
Equipment Acquisition Notes		147,689
Certificates of Obligation		616,976
Total Direct Debt	**$**	**3,667,441**

Source: City of Dallas

The debt burden remains manageable on a full market value basis, with overall direct and overlapping debt equal to 3.1% of full market value, but somewhat elevated on a per capita basis, at $5,363. Debt amortization is rapid, with 75% paid down in 10 years and 100% in 20 years. Debt service as a percentage of governmental expenditures remains affordable at 10.3%.

Figure 2

Annual Debt Service Requirements
General Obligation Bonds
as of September 30, 2023



Source: Dallas 2024 Proposed Budget. Does not include Commercial Paper Notes.

The 2025 capital improvement budget reflects $1.25 billion of voter approved bonds, of which it is anticipated that $250 million will be issued in each of fiscal years 2025 and 2026, with the remaining $750 million to be issued in the future.

Local Government Pension Obligation

The City participates in three single employer defined benefit pension plans: the Employees' Retirement Fund (ERF), Dallas Police and Fire System Combined Plan (DPFS Combined Plan) and the Dallas Police and Fire System Supplemental Plan (DPFS Supplemental Plan). Pension reforms enacted in 2017 have eliminated the prospect of the Police and Fire pension plan's insolvency, increased contributions, and reduced the net pension liability. However, the funding progress of the three plans has fluctuated. The fiduciary net position as a percentage of the total pension liability improved reaching 80.3% for ERF, 41.8% for the DPFS Combined Plan, and 45.7% for the small DPFS Supplemental Plan as of the December 31, 2021 measurement date. The combined NPL of $4.03 billion was equal to 2.0% of FMV and $3,100 per capita.

However, there was a downward shift in the funding level as of the December 31, 2022 measurement date due to changes in actuarial assumptions as well as investment losses. The fiduciary net position as a percentage of total pension liability was only 54.1% for ERF, 34.4% for the DPFS Combined Plan, and 38.6% for the small DPFS Supplemental Plan. The combined NPL increased to $6.46 billion from $4.03 billion in the prior year and equated to 2.87% of FMV and $4,959 per capita, a manageable burden on the large tax base but a relatively high per capita burden.

Figure 3

Pension Funding Status and Annual Contributions
FYE September 30 (dollars in millions)

	As of December 31, 2022 Measurement Date				FY 2023		
($ in MMs)	**Total Pension Liability**	**Fiduciary Net Position**	**Net Pension Liability (NPL)**	**Fiduciary Net Position as a % of Total Pension Liability**	**Actual Contribution**	**Actuarially Determined Contribution (ADC)**	**Actual Contribution as a % of ADC**
Employees' Retirement Fund (ERF)	6,503	3,516	2,986	54.1%	73	110	66.3%
Dallas Police and Fire System Combined Plan (Combined Plan)	5,255	1,807	3,448	34.4%	172	248	69.1%
Dallas Police and Fire System Supplemental Plan (Supplemental Plan)	43	17	26	38.6%	4	4	100.0%
Total	**$11,800**	**$5,339**	**$6,461**		**$248**	**$362**	**68.6%**

Source: City of Dallas ACFR

The $248 million pension contribution remains manageable at 8.6% of FY 2023 governmental fund expenditures.

Within the past few months, the Dallas City Council approved plans that will allow the Dallas Police and Fire Pension System and the Employee Retirement Fund to be fully funded in 30-years. The new strategy is to implement an ADC rate with a five-year phase in period. This strategy meets the Texas Pension Review Board requirements and is expected to ensure the long-term financial soundness of both pension systems. The FY 2025 and FY 2026 biennial budget includes the funding needed to begin implementation of the approved plans.

RD 3: Financial Performance and Liquidity Position

The primary General Fund revenue sources are property taxes and sales taxes, which account for 54% and 26% of FY 2023 revenues, respectively. In addition to the General Fund, other sizable components of governmental operations are the Debt Service Fund, Internal Service Funds, and the Water Utilities Fund.

FY 2023 Audited Financial Results

Financial operations reflect a continuing trend of healthy surpluses and strong General Fund reserves. General Fund revenue growth of 6.4% in FY 2023 reflects healthy growth in ad valorem tax revenues due to growing property tax valuations and new property, but growth was lower than that of expenses, which registered a year-over-year increase of 13.4% primarily driven by increased capital outlay expenditures coupled with growth in public safety payroll expenditures. Nonetheless, the city ended with a positive $25 million net change in fund balance.

During the period FY 2019 through FY 2023, the General Fund balance has grown at a healthy CAGR of 12%. Moreover, unassigned General Fund balance levels have consistently met or exceeded the City's policy. As of FYE 2023, unassigned General Fund balance grew to a robust $386.7 million, or 87 days of General Fund operating expenses less debt service, exceeding the FMPC's 50-day minimum.

Liquidity

The City maintains ample liquidity as evidenced by consistent growth in year-end fund balance. The FY 2023 governmental funds cash position was $1.11 billion, equating to a very strong 144 DCOH, with an additional $163.2 million of pooled cash and cash equivalents held in Internal Service Funds.

Figure 4

General Fund Summary Statement of Income and Balance Sheet FYE September 30 (Audited GAAP Basis) (dollars in thousands)	2019	2020	2021	2022	2023
Statement of Income					
Revenues					
Ad Valorem Tax	677,607	728,339	775,518	804,207	871,923
Sales Tax	320,413	314,385	354,288	407,309	425,543
Franchise Fees	135,697	120,944	120,445	132,060	132,888
Services to Others	109,491	102,021	118,897	121,958	116,491
Other	67,600	61,586	57,800	60,374	76,968
Total Revenues	1,310,808	1,327,275	1,426,948	1,525,908	1,623,813
Expenditures					
Public Safety	774,182	792,917	849,288	910,006	971,553
General Government	167,958	150,372	173,809	184,653	184,702
Culture and Recreation	141,594	132,749	134,021	150,457	163,458
Other	196,919	209,401	221,193	232,063	354,726
Total Expenditures	1,280,653	1,285,439	1,378,311	1,477,179	1,674,439
Excess (Deficiency) of Revenues Over (Under) Expenditures	30,155	41,836	48,637	48,729	(50,626)
Other Financing Sources (Uses)	10,745	5,641	7,230	(6,916)	75,578
Net Change in Fund Balance	**40,900**	**47,477**	**55,867**	**41,813**	**24,952**
Beginning Fund Balance	256,254	297,154	344,631	400,498	442,313
Ending Fund Balance	**297,154**	**344,631**	**400,498**	**442,311**	**467,265**
Balance Sheet					
Assets					
Cash and Cash Equivalents	277,654	328,272	385,525	384,022	420,389
Receivables	119,530	128,026	153,927	226,275	229,072
Other	30,643	32,930	31,309	37,967	39,703
Total Assets	427,827	489,228	570,761	648,264	689,164
Liabilities					
Accrued Payroll	28,339	8,569	11,916	16,270	19,765
Accounts Payable	35,684	35,215	53,387	29,513	51,520
Other	13,416	44,083	45,187	24,383	17,112
Total Liabilities	77,439	87,867	110,490	70,166	88,397
Deferred Inflows of Resources (Unavailable Revenue)	53,234	56,730	59,773	135,787	133,502
Fund Balance					
Nonspendable	13,385	15,385	16,006	18,723	23,069
Restricted	11,185	8,724	6,627	5,653	-
Committed	1,250	2,000	2,000	3,000	3,000
Assigned	37,109	41,071	51,565	44,347	54,453
Unassigned	234,225	277,451	324,300	370,588	386,743
Total Fund Balance	**297,154**	**344,631**	**400,498**	**442,311**	**467,265**
Unassigned Fund Balance as a % of Expenditures	18.3%	21.6%	23.5%	25.1%	23.1%

Source: City of Dallas ACFRs

FY 2024 and FY 2025 Budget Overview

The FY 2024 budget reflected a 12.9% increase over FY 2023 budget in General Fund spending, with a focus on public safety – registering a 10% increase year over year. The City reduced the property tax rate again in 2024, while simultaneously benefitting from continued growth in property values. The budget for the first year of the biennial budget, 2024, was $4.62 billion. Some other key budget elements included major investments in public works projects, stormwater and drainage initiatives, employee compensation, housing and homeless solutions, and workforce, education and equity initiatives. The 2024 budget saw property taxes accounting for 57% of total general fund revenues, followed by sales tax at 26% of the total. The budget depicted a 4.4% increase in sales taxes year over year. The certified property tax values increased 10.5% in FY 2024 – from a combination of new construction (2.1%) and reappraisals (8.4%).

Even with the growth in property tax revenues and improved sales tax revenue, the City is facing a structural deficit beginning in FY 2027 due in part to salaries and benefits; however, the City has historically made expense adjustments to achieve balanced operations and the budget notes that corrective actions, if necessary, would again be made again to achieve balance.

The planned FY 2025 budget is $4.55 billion. Similar to the FY 2024 budget, property taxes are expected to account for 58% of total general fund revenues, followed by sales taxes at 25% of the total. Sales taxes are budgeted to increase 5.5% over the prior year. The five-year forecast through FY 2029 depicts unrestricted cash reserves of at least 44 days per year.

RD 4: Municipal Resource Base

Incorporated in 1856, Dallas is approximately 385 square miles in area and is the county seat of the County of Dallas. The City, which is spread across four counties (Dallas, Collin, Denton and Rockwall) is the primary economic driver in the Dallas-Fort Worth-Arlington metropolitan statistical area (MSA), which is the fourth largest MSA in the nation behind the New York, Los Angeles, and Chicago. The City is the 3rd largest city in the State of Texas and 9th largest in the nation with a population of approximately 1.3 million. Population growth in Dallas (3.6% since 2013) has lagged the State and the nation. The City's growing employment base has fueled both domestic and international migration with foreign-born residents making up 23.9% of the City's population in 2022.

Figure 5

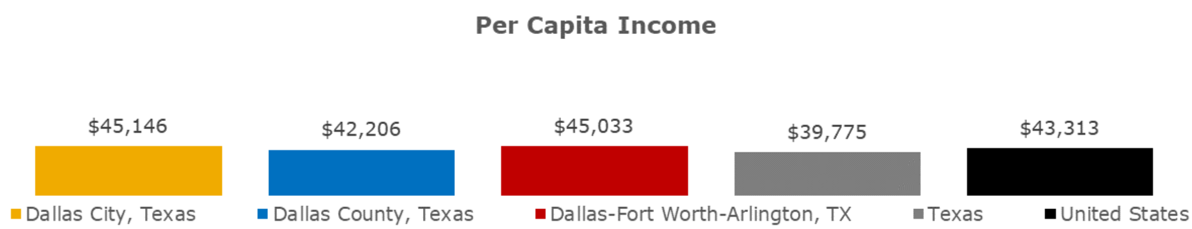
	2013	2023	% Δ 2013 to 2023	10 Year CAGR (2023)
Dallas City, Texas	1,257,676	1,302,859	3.6%	0.35%
Dallas County, Texas	2,480,331	2,606,358	5.1%	0.50%
Dallas-Fort Worth-Arlington, TX	6,812,373	8,100,037	18.9%	1.75%
Texas	26,448,193	30,503,301	15.3%	1.44%
United States	316,128,839	334,914,896	5.9%	0.58%

Source: U.S Census, ACS 1-Year Estimates *

** The Census Bureau did not release its standard 2020 ACS 1-year estimates because of the impacts of the COVID-19 pandemic.*

The City's per capita income has historically exceeded the State and National averages, representing 113.5% of the State and 104.2% of the nation.

Figure 6



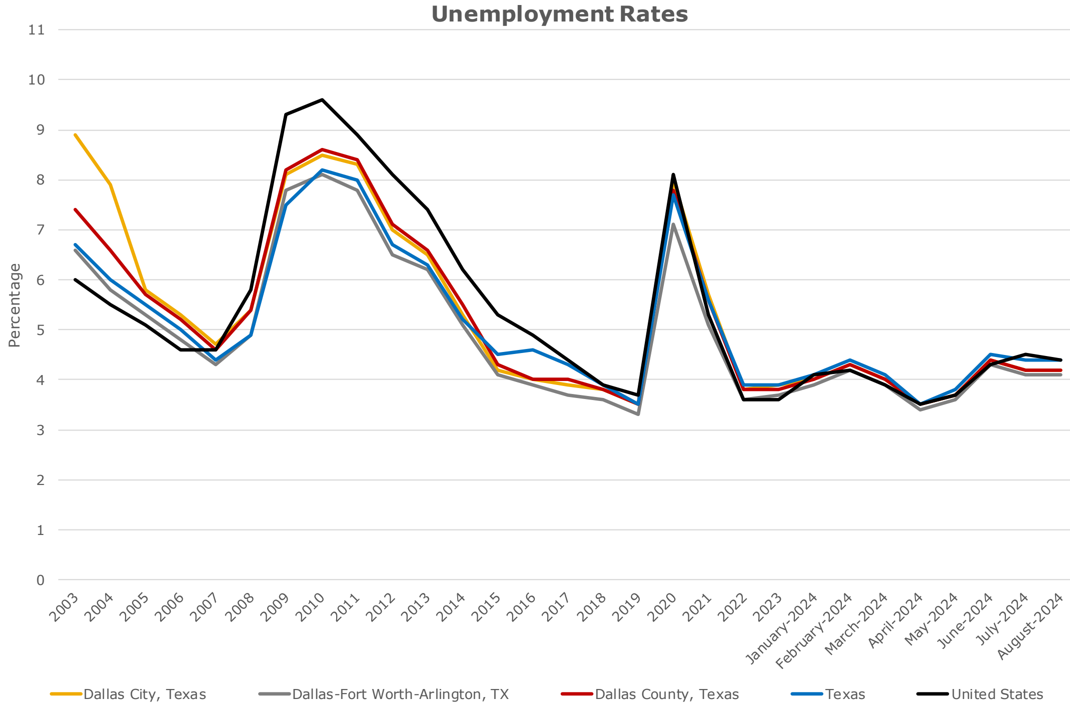
As of 2023

	2013	**2023**	**% Δ 2013 to 2023**	**Comparison**
Dallas City, Texas	$28,522	$45,146	58.3%	-
Dallas County, Texas	$27,433	$42,206	53.9%	107.0% of County
Dallas-Fort Worth-Arlington, TX	$29,738	$45,033	51.4%	100.3% of MSA
Texas	$26,327	$39,775	51.1%	113.5% of State
United States	$28,184	$43,313	53.7%	104.2% of U.S.

Source: U.S. Census, ACS 1-Year Estimates

As of August 2024, the City's unemployment rate was 4.2%, below both the State and the nation which each registered 4.4%.

Figure 7



	Dallas City, Texas	Dallas County, Texas	Dallas-Fort Worth-Arlington, TX	Texas	United States
August-2024	4.2	4.2	4.1	4.4	4.4
July-2024	4.2	4.2	4.1	4.4	4.5
Great Recession Peak	8.5	8.6	8.1	8.2	9.6
Point Δ Since Great Recession Peak	-4.3	-4.4	-4.0	-3.8	-5.2

Source: U.S Bureau of Labor Statistics
Not Seasonally adjusted

Bankruptcy Assessment

KBRA has consulted outside counsel on bankruptcy matters and the following represents our understanding of the material bankruptcy issues relevant to the City and the Obligations.

Eligibility to be a Debtor
To be a debtor under the municipal bankruptcy provisions of the U.S. Bankruptcy Code (Chapter 9), a local governmental entity must, among other things, (a) qualify under the definition of "municipality" in the Bankruptcy Code and (b) be specifically authorized to file a bankruptcy petition by the state in which it is located.

The City is a political subdivision and municipal corporation of the State of Texas organized and existing under state law, and thus is a "municipality" as defined under the Bankruptcy Code.

As to authorization, Texas state law specifically authorizes any municipality in the state that has the power to incur indebtedness through the action of the municipality's governing body to file a Chapter 9 petition. Thus, the City has the authority under Texas state law to incur indebtedness and, hence, it is specifically authorized under Texas state law to file a Chapter 9 petition, subject to the further threshold requirements of the Bankruptcy Code, for commencement of a Chapter 9 case.

Treatment of the Obligations in a Chapter 9 Case
The principal of and interest on the Obligations are payable from a direct and continuing ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property in the City.

Chapter 9 provides for post-petition recognition of (i) a security interest represented by a pledge of specific special tax revenues or municipal enterprise revenues (each "special revenues") and also (ii) a statutory lien on revenues pledged for municipal obligations. In contrast, the pledge of general ad valorem property taxes for a general purposes obligation of a municipality, such as the pledge of City ad valorem property taxes to pay the Obligations, is not recognized as a security interest or lien that survives the filing of a petition under Chapter 9.

Accordingly, because (a) the funds pledged to pay the Obligations are not from a separate, dedicated source of revenues that meets the definition of "special revenues" under Chapter 9, and (b) there is no statutory lien imposed on the pledged ad valorem tax revenues levied to pay the Obligations, if the City were to file a petition commencing a Chapter 9 proceeding holders of the Obligations should be treated as unsecured creditors of the City.

ESG Management

KBRA typically analyzes Environmental, Social, and Governance (ESG) factors through the lens of how issuers plan for and manage relevant ESG risks and opportunities. More information on KBRA's approach to ESG risk management in public finance ratings can be found here. Over the medium-term, public finance issuers will likely need to prioritize ESG risk management and disclosure with the likelihood of expansions in ESG-related regulation and rising investor focus on ESG issues.

KBRA analyzes many sector- and issuer-specific ESG issues but our analysis is often anchored around three core topics: climate change, with particular focus on greenhouse gas emissions; stakeholder preferences; and cybersecurity. Under environmental, as the effects of climate change evolve and become more severe, issuers are increasingly facing an emerging array of challenges and potential opportunities that can influence financial assets, operations, and capital planning. Under social, the effects of stakeholder preferences on ESG issues can impact the demand for an issuer's product and services, the strength of its global reputation and branding, its relationship with employees, consumers, regulators, and lawmakers, and, importantly, its cost of and access to capital. Under governance, as issuers continue to become more reliant on technology, cybersecurity planning and information management are necessary for most issuers, regardless of size and industry.

A detailed discussion of ESG management considerations pertaining to the City can be found in our October 27, 2023 rating report.