



**2017 ANNUAL CONFERENCE  
SCOTTSDALE**

# **The Ratings Process and Surveillance Ratings**

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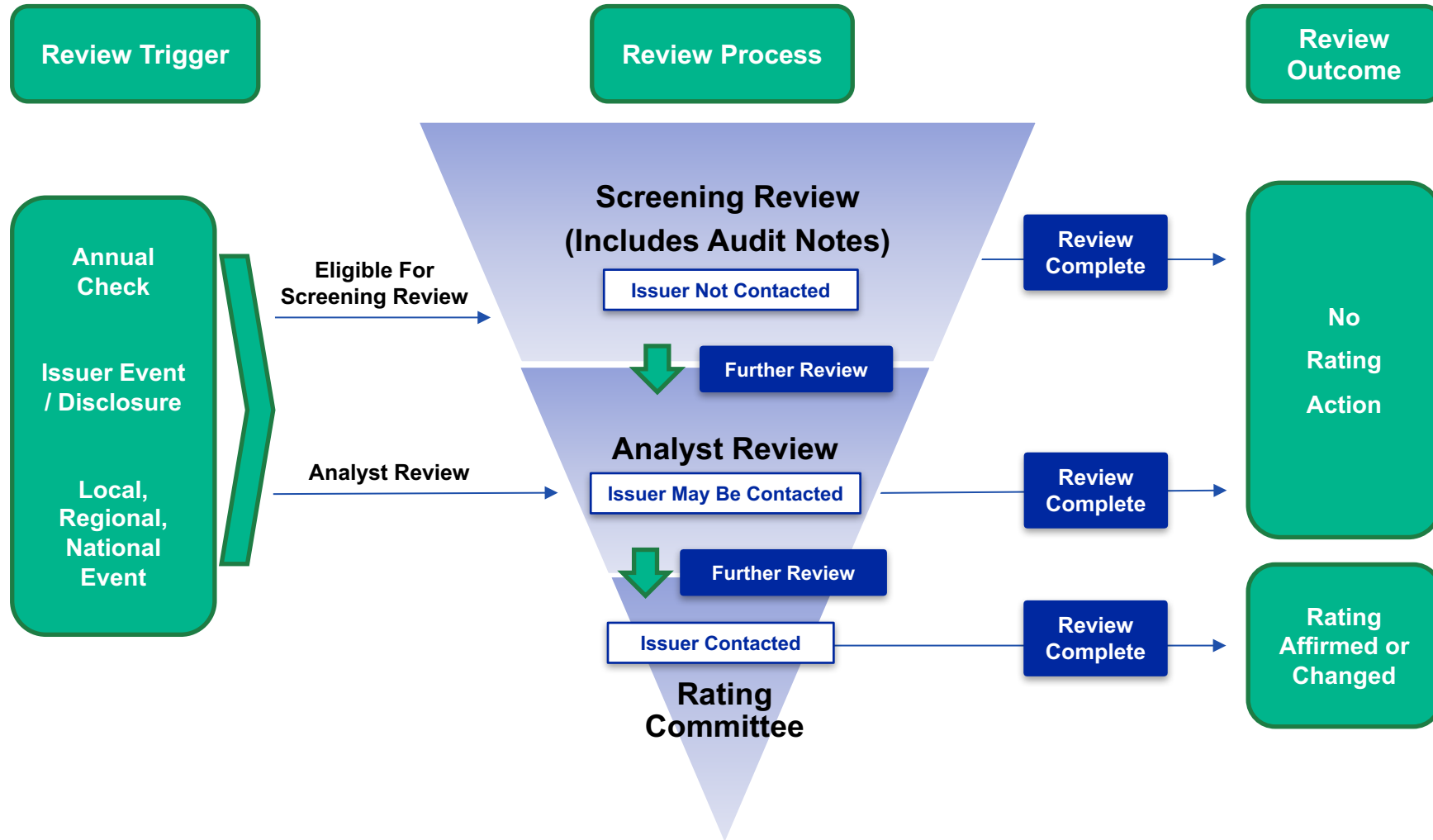
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**Moody's Surveillance  
and  
Annual Issuer Comment Reports**

# Moody's Framework for Monitoring US Municipal Ratings

- **Once a credit rating is assigned, Moody's monitors it on a continuing basis for possible changes in absolute and relative creditworthiness**
- **The surveillance framework includes three types of evaluations: screening reviews, analyst reviews and rating committees**
- **Ratings can be withdrawn due to a lack of sufficient information**
- **Surveillance can take place in response to changes in the credit environment**

# Moody's Local Government Surveillance



# Surveillance Review Types for US Municipal Ratings

	Screening Review	Analyst Review	Rating Committee
States		X	X
Local Governments	X	X	X
Healthcare	X	X	X
Higher Education	X	X	X
Housing		X	X
Infrastructure		X	X
Municipal Supported Products Group		X	X



# Annual Issuer Comment Reports (AICR)

## What Are Moody's Annual Issuer Comment Reports?

The Annual Issuer Comment Report is a research publication that provides recent information related to credit factors for **US cities, counties** and **school districts** with outstanding Moody's **general obligation** (and related) ratings as well as **municipal utilities** with outstanding Moody's **revenue** ratings.

- The reports present a summary and assessment of key **economic, demographic, financial** and **operating information** considered for each issuer drawn from Moody's databases in the context of Moody's ratings methodology. The reports do not announce rating actions.
- As long as Moody's maintains a rating on any portion of an issuer's debt, we monitor that rating at least once annually, even if an issuer does not ask Moody's to rate new debt.
- The Annual Issuer Comment report **will fill a market gap** for thousands of cities, counties, school districts and municipal utilities with outstanding Moody's rated debt and **provide a research update in the context of our key factors** considered in our methodology.



### ISSUER COMMENT

27 September 2017

#### RATING

General Obligation (or GO Related) <sup>1</sup>

Aa2 No Outlook

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## City of Grapevine, TX

Annual Comment on Grapevine

### Issuer Profile

The City of Grapevine is located along Grapevine Lake in Tarrant County in north central Texas, approximately 20 miles northwest of downtown Dallas. The county has a population of 1,914,526 and a moderate population density of 863 people per square mile. The county's median family income is \$69,896 (quartile) and the July 2017 unemployment rate was 3.8% (quartile) <sup>2</sup>. The largest industry sectors that drive the local economy are retail trade, health services, and manufacturing.

### Credit Overview

The credit position for Grapevine is very good, and its Aa2 rating is slightly stronger than the median rating of Aa3 for US cities. The notable credit factors include a robust financial position, strong wealth and income levels and an ample tax base. The credit position also reflects a manageable debt burden and a moderate pension liability.

**Finances:** Grapevine has a very healthy financial position, which is relatively favorable when compared to the assigned rating of Aa2. The fund balance as a percent of operating revenues (64.1%) is far above the US median. However, this percentage decreased dramatically from 2012 to 2016. In addition, the cash balance as a percent of operating revenues (57.6%) is much higher than other Moody's-rated cities nationwide.

**Economy and Tax Base:** The economy and tax base of Grapevine are very strong and are slightly favorable relative to its Aa2 rating. The median family income is a robust 154.2% of the US level. Furthermore, the full value per capita (\$140,269) is materially above the US median, and grew markedly from 2012 to 2016. Lastly, the total full value (\$6.9 billion) is much stronger than other Moody's-rated cities nationwide.

**Debt and Pensions:** Overall, the debt and pension liabilities of Grapevine are mid-ranged, yet they are unfavorable when compared to the assigned rating of Aa2. The net direct debt to full value (1.8%) is higher than the US median, and increased from 2012 to 2016. Furthermore, the Moody's-adjusted net pension liability to operating revenues (1.5x) is roughly equivalent to the US median.

# Annual Issuer Comment Reports

## How Does the Process Work?

We notify each issuer at least two weeks in advance that we plan to publish an Annual Issuer Comment report.

- In addition, a draft of the report is provided to each issuer for review and comment to check for factual accuracy and any inadvertent inclusion of non-public information prior to publication.
- We ask issuers for their review and feedback within three business days. Issuers can request additional if they need it.
- Each report contains information for the appropriate contact people at Moody's. All questions related to the content of the reports can be addressed to the contact provided.
- Since we are filling a market gap for updated Moody's research on rated issuers, we will not omit issuers from publication due to an issuer request.

If you have any questions, please contact Chandra Ghosal at 212-553-1095.

EXHIBIT 2  
Available fund balance as a percent of operating revenues decreased from 2012 to 2016



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3  
Full value of the property tax base increased from 2012 to 2016



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

EXHIBIT 4  
Moody's-adjusted net pension liability to operating revenues increased from 2012 to 2016



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service



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