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PRESS RELEASE

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S&P Global reaffirms City of Kerrville credit rating at AA

Kerrville, Texas (Aug. 6, 2021) – S&P Global Ratings, an international leader in credit analysis, recently maintained the City of Kerrville’s credit rating at ‘AA’. The company delivered the following assessment of the city’s financial standing:

“The rating reflects our view of the city’s consistently strong budgetary performance and very strong available reserves, both of which are aided, in our opinion, by the city’s strong financial policies and practices. Located in Texas Hill Country, Kerrville’s economic base recently has expanded, reflected in new commercial and residential development. Despite the pandemic and ensuing recession, the city’s revenue was not negatively affected materially and in conjunction with cost cutting measures implemented by management at the onset of the pandemic, contributed to strong operating results in fiscal 2020. Given the city’s expectations for positive operating results in fiscal 2021 and



further tax base growth, we expect the city will continue to maintain a very strong financial position.”

S&P also wrote, “The rating reflects our view of the city’s”:

- Very strong management, with strong financial policies and practices under our (S&P’s) Financial Management Assessment (FMA) methodology;
- Strong budgetary performance, with operating results that we expect could weaken in the near term relative to fiscal 2020, which closed with an operating surplus in the general fund and break-even operating results at the total governmental fund level in fiscal 2020;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2020 of 35% of operating expenditures;
- Very strong liquidity, with total government available cash at 16.6% of total governmental fund expenditures and 2.4x governmental debt service, and access to external liquidity we consider strong;
- Adequate debt and contingent liability profile, with debt service carrying charges at 6.9% of expenditures and net direct debt that is 80.9% of total governmental fund revenue; and
- Strong institutional framework score.

S&P cited the city’s “Very strong management”:

- We view the city's management as very strong, with strong financial policies and practices under our FMA methodology, indicating financial practices are strong, well embedded, and likely sustainable.
- The city uses multiple years of historical data in its revenue and expenditure assumptions combined with forward-looking information regarding property and sales taxes, which it receives from the appraisal district and an external consulting firm, respectively. The budget can be amended as needed and the city council receives monthly budget-to-actual reports.
- Officials also maintain a five-year financial forecast that is based on conservative assumptions, with a goal of ensuring fiscal sustainability and maintaining desired reserve levels. A formal policy requires an unassigned general fund balance of 15% to 25% of expenditures to meet the city's cash flow requirements.
- In addition, city council has adopted an investment policy and receives quarterly holdings and earnings reports from an external investment management firm. Kerrville's official debt management policy requires that several long-term affordability indicators be met before issuing debt, including limiting the debt service tax rate to 25% of overall tax rate and maturities to 20 years unless the capital improvements are expected to significantly benefit the community beyond the 20-year period.

For more than 150 years, S&P Global has been gathering intelligence in every corner of the globe to deliver the credit ratings, assessments and analyses that governments,

companies and individuals depend on all over the world. The company is listed on the New York Stock Exchange under the trade symbol SPGI.