

# Memorandum



CITY OF DALLAS

DATE November 15, 2024

TO Honorable Mayor and Members of the City Council

SUBJECT **Moody's Investor Service Affirms City of Dallas General Obligation 'A1' Rating, Revises Outlook from Stable to Negative**

Late yesterday, Moody's Investors Service (Moody's) released an update to their credit analysis of the City of Dallas General Obligation credit and other related ratings. Moody's has affirmed the City's ratings and revised the General Obligation outlook from stable to negative. According to Moody's, the City "benefits from a strong and diverse economy that continues to grow at a pace that exceeds that of the nation." The report also notes that "the negative outlook reflects the expected credit impact of Proposition U." Further, "going forward, the city will face budget challenges given required increases to its pension plans, growing public safety expenses, and reduced financial flexibility following voter approval of Proposition U." The revised credit outlook is not a rating downgrade, it is an indication of an expected direction of the credit rating's movement to be reviewed over the next 18-24 months. As a reminder, City Charter amendments do not take effect until after the City Council by resolution enters an order declaring that the amendments have been adopted. City Council is scheduled to meet on Tuesday, November 19, 2024, to accept the canvassing report and approve the resolution.

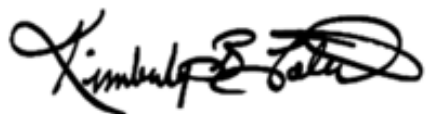
Proposition U included on the November 5, 2024, ballot requires the City to calculate the year over year growth in revenues (excess revenue) not restricted to a limited purpose under state or federal law, and then appropriate no less than 50 percent of such excess revenue to fund the Dallas Police and Fire Pension System (DPFPS) in the amount directed by the City Council. Any monies remaining shall be appropriated to the public safety objectives, which include police officer pay and hiring additional police officers.

Based on our initial review, we believe in the FY 2024-25 Adopted Budget, the City allocated more than 50 percent of the year over year growth (excess revenue) in General Fund revenues for DPFPS and public safety objectives. Also, on August 14, 2024, and September 11, 2024, the City Council approved plans that will allow both DPFPS and the Employees' Retirement Fund to be fully funded in 30 years. The plans include a five-year step up to an Actuarially Determined Contribution. The City of Dallas FY 2024-25 Adopted Budget adopted by the City Council and FY 2025-26 planned budget include the funding for these plans. Staff is continuing to evaluate the financial impact of Proposition U.

We will continue to keep you informed of further developments regarding this matter. Attached is the published Moody's report for your review. Should you have any questions, please contact me or City Controller, Sheri Kowalski at [sheri.kowalski@dallas.gov](mailto:sheri.kowalski@dallas.gov).

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Service First, Now!



Kimberly Bizor Tolbert  
City Manager (I)

c: Tammy Palomino, City Attorney  
Mark Swann, City Auditor  
Billieae Johnson, City Secretary  
Preston Robinson, Administrative Judge  
Dominique Artis, Chief of Public Safety (I)  
Dev Rastogi, Assistant City Manager

M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager  
Alina Ciocan, Assistant City Manager  
Donzell Gipson, Assistant City Manager (I)  
Robin Bentley, Assistant City Manager (I)  
Jack Ireland, Chief Financial Officer  
Elizabeth Saab, Chief of Strategy, Engagement, and Alignment (I)  
Directors and Assistant Directors