

# Richmond, CA Upgraded Three Notches To 'AA-' From 'A-' On Restored Budgetary Performance And Stronger Economy

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SAN FRANCISCO (S&P Global Ratings) May 31, 2019--S&P Global Ratings raised its issuer credit rating (ICR) on Richmond, Calif., three notches to 'AA-' from 'A-'. At the same time, S&P Global Ratings raised its long-term rating and underlying rating (SPUR) on the Richmond Joint Powers Financing Authority's series 2009 and 2016 lease revenue bonds to 'A+' from 'BBB+'.

S&P Global Ratings also assigned its 'A+' long-term rating to the Richmond Joint Powers Financing Authority, Calif.'s lease revenue refunding bonds, series 2019A and series 2019B issued on behalf of the city of Richmond.

The outlook on all ratings is stable.

"The upgrade is based on our view of the city's restored budgetary performance, with general fund surpluses reported in each of the past four fiscal years coupled with the adoption of several formalized policies and practices that has strengthened our view of the city's financial management," said S&P Global Ratings credit analyst Li Yang.

The restored budgetary performance was due to Richmond's implementation of cost-control measures during the past several years including staff reductions and cost-sharing measures related to health care expenditures. The local economy has also recovered and expanded during the past several years, resulting in growth in property tax and sales tax revenues. Due to these factors, and a half-cent sales tax increase (Measure U) that was passed in 2014, the city returned to balanced operations. We anticipate that Richmond will maintain its general fund reserves at a level we consider strong, or above 8% as a percent of operating expenditures at a minimum.

The stable outlook reflects our view of Richmond's strong local economy and growth in the city's major revenue streams, both property tax and sales tax revenues, which have helped the city maintain its strong financial profile. The outlook also reflects our expectation that reserve levels will remain strong and in compliance with the city's reserve policy during the next two years, and that the city will manage its debt and ongoing expenditures sufficiently to avoid any future structural imbalances. We do not expect to change the rating during the next two years.

Should the local economy continue to strengthen, reflecting higher income and wealth metrics, if the city's pension costs represent a smaller portion of the city's budget, and if the city keeps reserves at very strong levels in the current year and projected for the next few years, we could raise the rating.

Should Richmond's financial performance deteriorate to the point of resulting in structural imbalance either because of an unexpected decline in revenues or because the city is unable to

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manage its debt and pension-related costs, we could lower the rating.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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