

# MOODY'S

## RATINGS

### **Rating Action: Moody's Ratings assigns Aa2 to San Francisco, CA's 2025-R1 Refunding COPs (Multiple Capital Improvement Projects) and Aa3 to 2025-R2 & -R3 Refunding COPs (Port Facilities Project); outlook is stable**

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31 Oct 2025

New York, October 31, 2025 -- Moody's Ratings (Moody's) has assigned a Aa2 rating to the City & County of San Francisco, CA's proposed \$270.0 million Refunding Certificates of Participation, Series 2025-R1 (Multiple Capital Improvement Projects) and a Aa3 rating to its proposed \$3.1 million Refunding Certificates of Participation, Series 2025-R2 (Port Facilities Project) (Non-AMT) and \$15.8 million Refunding Certificates of Participation, Series 2025-R3 (Port Facilities Project) (AMT). Concurrently, we affirmed the respective outstanding parity certificates of participation (COPs) at Aa2 and Aa3. We maintain a Aa1 issuer rating for the city. The city's outstanding debt includes \$1.6 billion COPs and other lease-backed obligations. The outlook is stable.

#### RATINGS RATIONALE

The Aa1 issuer rating incorporates the city's currently robust financial profile, strong management practices and diverse revenue sources supported by a favorable property tax structure. Although refunds for property tax appeals have been growing, the city reserves funds for the estimated potential appeal refunds annually, mitigating the financial risk, and budgets lower revenue in future years. Consistent with our prior review, we expect fiscal 2025 financial results to be stable given reported budget-balancing measures. While the city's biennial budget was balanced through a combination of expenditure reductions and use of reserves to close a projected \$817.5 million shortfall, the city faces projected future deficits that will require structural budget changes. Management has a track record of conservative budgeting and scenario planning for economic downturns. Moreover, we anticipate that the city's reserves will drop further but remain consistent with the Aa1 rating level.

The rating incorporates the city's very large tax base, with unusually strong resident incomes at 152.3% of US and assessed value per capita of \$420,080 as of fiscal 2025. While GDP growth in the metropolitan statistical area is stronger than the US over the five years ending in 2023, the city's economic recovery from the pandemic has been uneven, with growth in employment from artificial intelligence, but slow growth in other sectors. The city's long-term liabilities ratio is elevated at 324.9% of revenue, though nearly 80% of the city's debt is self-supporting enterprise debt. The fixed cost ratio rose slightly to 18.0% in 2024 and will remain manageable.

The Aa2 on the COPs backed by a master lease for multiple capital improvement projects is rated one notch below the city's Aa1 issuer rating. The notching reflects the standard California abatement lease for a mix of leased assets that is predominately more essential.

The Aa3 on COPs backed by a lease of port property is rated two notches below the city's Aa1 issuer rating. The notching reflects the standard California abatement lease for a property we consider less essential.

#### RATING OUTLOOK

The COPs will carry the stable outlook on the city's long-term ratings, which reflects our expectation that the city's financial position will stabilize following draws on reserves needed to manage expenditure growth outpacing revenue growth. While the city is projecting deficits through 2028, capable budget management and strong financial policies will support the city's ability to minimize these deficits and maintain a financial profile consistent with the Aa1 rating level.

Key consideration in our near-term reviews will be any worsening of the economic trajectory affecting revenues that would outpace the city's ability to meet its projected financial results. Such indicators would include an additional year of GDP decline, worsening of commercial vacancy rates and rents, a trend of greater successful commercial property valuation appeals, or slow management response to make spending adjustments should revenue receipts not materialize as forecasted.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Greater certainty regarding long-term economic recovery or reinvention
- Meaningful financial outperformance relative to expectations
- Reduction of long-term liabilities or fixed cost burdens

#### FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Meaningful fund balance and reserve drawdowns consistent with forecast
- Inability to develop long-term solutions for the city's most pressing economic challenges
- Material growth to long-term liabilities

#### PROFILE

The City & County of San Francisco is the economic, employment and cultural center of the San Francisco Bay Area and Northern California. With about 831,000 residents, the city encompasses over 93 square miles, of which 49 square miles are land and the balance comprising tidelands and a portion of San Francisco Bay. Its combined city-county organization is unique in California, with governance by a board of supervisors elected from eleven districts and a mayor elected citywide who serves as chief executive officer.

#### METHODOLOGY

The principal methodology used in these ratings was US Cities and Counties published in July 2024 and available at <https://ratings.moody.com/rmc-documents/425429>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody.com> for a copy of this methodology.

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