FitchRatings

# Fitch Rates San Francisco CA’s $87.7MM GO's 'AAA'; $288.8MM COPs ‘AA+’; Negative Outlook

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Fitch Ratings - San Francisco - 30-Oct-2025
Fitch Ratings has assigned the following ratings to San Francisco's (city and county) (CA) obligations:

--$87,665,000 taxable general obligation bonds (health and recovery 2020) series 2025G at ‘AAA’;

--$269,950,000 refunding certificates of participation (COPs) series 2025-R1 (multiple capital facilities projects) at ‘AA+’;

--$3,070,000 refunding certificates of participation (COPs) series 2025-R2 (port facilities project) (Non-AMT) at ‘AA+’;

--$15,750,000 refunding COPs series 2025-R3 (port facilities project) (AMT) at ‘AA+’.

The GO bonds will be sold competitively Nov. 5. Proceeds of the bonds will be used to make permanent investments in permanent supportive housing facilities and/or shelters.

The refunding COPs series 2025-R1 will sell via negotiation Nov. 6. Proceeds will be used to refinance the city’s COPs (Moscone Convention Center Expansion Project), series 2017B for debt service savings.

The refunding COPs series 2025-R2 and 2025-R3 will sell via negotiation Nov. 13. Proceeds will be used to refinance the city’s COPs (Port Facilities Projects), series 2013B and 2013C for debt service savings.

The Rating Outlook is Negative.



RATING ACTIONS

| ENTITY | RATING | PRIOR |
| --- | --- | --- |
| San Francisco (City & County) (CA) [General Government] | | |

| ENTITY | RATING | | | PRIOR |
|---|---|---|---|---|
| San Francisco (City & County) (CA) /General Obligation - Unlimited Tax/1 LT | LT | AAA | Affirmed | AAA |
| San Francisco (City & County) (CA) /Lease Obligations - Standard/1 LT | LT | AA+ | Affirmed | AA+ |

**View Additional Rating Details**

The 'AAA' GO rating and IDR incorporate the city's 'aaa' financial resilience assessment, which reflects expectations that available reserves will remain above 15% of spending, the minimum reserve level for this assessment given its 'Midrange' level of budgetary flexibility. The city ended fiscal 2024 with a roughly $84 million operating deficit on $2.56 billion of spending, resulting in available fund balance of about 38% of spending. The ratings also reflect the city's 'Midrange' long-term liability burden, 'Weak' population trend, 'Strong' demographic level and somewhat concentrated economy largely driven by the information and technology sector.

The Negative Rating Outlook reflects San Francisco's persistently large budgetary gaps, which the city has closed primarily using various nonrecurring resources, including pandemic aid, fund balance and other one-time sources. The fiscal 2026 adopted budget improved upon that practice by including a material level of ongoing spending cuts, primarily by eliminating funded but mostly vacant positions. The Five-Year Financial Plan has not yet been updated to include these ongoing spending reductions, but estimates based on the adopted budget indicate a reduction in the structural deficit to about $650 million-$700 million in fiscal 2028 from $959 million.



The rating incorporates a negative notch additional analytical factor (AAF), which reduces the headroom at the current 'AAA' rating, due to the city's reliance on non-recurring revenues to close budget gaps. This negative notch could be removed if the city nears structural balance, or an additional negative notch might be applied resulting in a downgrade if the city fails to make further progress in closing the budget gap over the next two budget cycles as planned.

The ratings further reflect the application of two positive additional analytical factor (AAF) notches. The first positive factor recognizes the city's role as the center of an important and growing MSA with a vital role in the national economy. The city's exceptionally high market value per capita and strong record of voter-approved revenue initiatives underpin a greater capacity to tap into revenue-generating resources and account for the second positive AAF.

The 'AA+' COP rating reflects the slightly higher optionality associated with appropriation obligations.

## RATING SENSITIVITIES

### Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

-- Failure to implement available policy measures, as needed, to continue progress in reducing the structural deficit resulting in material use of nonrecurring measures to balance budgets;

-- Expected or actual available reserves sustained below 15% of spending, resulting in 'aa' or lower financial resilience assessment;

-- While not expected in the near term, a roughly 50% increase in long-term liability burden metrics;

-- Weakened demographic and economic performance including, but not limited to, greater population loss, rising unemployment and lower resident income.

## Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

Revision of the Rating Outlook to Stable depends on the city making demonstrable progress in closing its budget gap through ongoing measures.

## SECURITY

--The series 2025G GO bonds are payable from unlimited ad valorem property tax revenue.

--The refunding COPs series 2025-R1 and R2 are payable from lease payments made by the city for use and occupancy of the Pier 27 Cruise Terminal.

--The refunding COPs series 2025R are payable from lease payments made by the city for use and occupancy of a portion of a skilled nursing facility, the county jail, an office building and a portion of the city's convention facilities.

--The city covenants to budget and appropriate for lease payments, which are subject to abatement.

## Fitch's Local Government Rating Model

The Local Government Rating Model generates Model Implied Ratings, which communicate the issuer's credit quality relative to Fitch's local government rating portfolio. (The Model Implied Rating will be the Issuer Default Rating except in certain circumstances explained in the applicable criteria.) The Model Implied Rating is expressed via a numerical value calibrated to Fitch's long-term rating scale that ranges from 10.0 or higher (AAA), 9.0 (AA+), 8.0 (AA), and so forth down to 1.0 (BBB- and below).

Model Implied Ratings reflect the combination of issuer-specific metrics and assessments to generate a Metric Profile and a structured framework to account for Additional Analytical Factors not captured in the Metric Profile that can either mitigate or exacerbate credit risks. Additional Analytical Factors are reflected in notching from the Metric Profile and are capped at +/-3 notches.

## RATINGS HEADROOM & POSITIONING

San Francisco Model Implied Rating: 'AAA' (Numerical Value: 10.63)

-- Metric Profile: 'AA+' (Numerical Value: 9.63)

-- Net Additional Analytical Factor Notching: +1.0

Individual Additional Analytical Notching Factors:

-- Revenue Capacity: +1.0

-- Non-Recurring Support or Spending Deferrals: -1.0

-- Economic and Institutional Strength: +1.0

San Francisco's Model Implied Rating is 'AAA'. The associated numerical value of 10.63 is in the middle of the range for a 'AAA' rating.

## KEY RATING DRIVERS

## FINANCIAL PROFILE

**Financial Resilience - 'aaa'**

San Francisco's financial resilience is driven by the combination of its 'Midrange' revenue control assessment and 'Midrange' expenditure control assessment, culminating in a 'Midrange' budgetary flexibility assessment.

-- Revenue control assessment: Midrange

-- Expenditure control assessment: Midrange

-- Budgetary flexibility assessment: Midrange

-- Minimum fund balance for current financial resilience assessment: >=15.0%

-- Current year fund balance to expenditure ratio: 37.9% (2024)

-- Lowest fund balance to expenditure ratio for the fiscal-year period 2020-2024: 37.9% (2024)

**Revenue Volatility - 'Strongest'**

San Francisco's weakest historic three-year revenue performance is neutral to the Model Implied Rating.

The revenue volatility metric is an estimate of potential revenue volatility based on the issuer's historical experience relative to the median for the Fitch-rated local government portfolio. The metric helps to differentiate issuers by the scale of revenue loss that would have to be addressed through revenue raising, cost controls or utilization of reserves through economic cycles.

-- Lowest three-year revenue performance (based on revenues dating back to 2005): 5.7% increase for the three-year period ending fiscal 2010

-- Median issuer decline: -4.3% (2024)

Financial Profile Additional Analytical Factors and Notching: 0.0 notch (for Revenue Capacity and Non-Recurring Support or Spending Deferrals)

Fitch has applied a -1 notch Additional Analytical Factor for the city's current reliance on nonrecurring measures to balance its fiscal 2025 and 2026 budgets. Should the reliance on one-time measures be sustained or increased, there could be an additional negative notch applied.

The city's exceptionally high market value per capita and strong record of voter approved revenue initiatives underpin a greater capacity to tap into revenue-generating resources.

The negative one-notch and positive one-notch Additional Analytical Factors offset each other, resulting in 0.0 notch adjustment in financial profile.

## DEMOGRAPHIC AND ECONOMIC STRENGTH

**Population Trend - 'Weak'**

Based on the median of 10-year annual percentage change in population, San Francisco's population trend is assessed as 'Weak'.

Population trend: 0.4% 2023 median of 10-year annual percentage change in population (26th percentile)

**Unemployment, Educational Attainment and MHI Level - 'Strong'**

The overall strength of San Francisco's demographic and economic level indicators (unemployment rate, educational attainment, median household income [MHI]) in 2024 are assessed as 'Strong' on a composite basis, performing at the 78th percentile of Fitch's local government rating portfolio. This is due to relatively very high education attainment levels and median-issuer indexed adjusted MHI, midrange unemployment rate.

-- Unemployment rate as a percentage of national rate: 97.5% 2024 (50th percentile), relative to the national rate of 4.2%

-- Percent of population with a bachelor's degree or higher: 60.2% (2023) (95th percentile)

-- MHI as a percent of the portfolio median: 150.4% (2023) (88th percentile)



**Economic Concentration and Population Size - 'Midrange'**

San Francisco's population in 2023 was of sufficient size to qualify for Fitch's highest overall size category but this is offset by the somewhat concentrated economy.

The composite metric acts asymmetrically, with most issuers (above the 15th percentile for each metric) sufficiently diversified to minimize risks associated with small population and economic concentration. Downward effects of the metric on the Metric Profile are most pronounced for the least economically diverse issuers (in the 5th percentile for the metric or lower). The economic concentration percentage shown below is defined as the sum of the absolute deviation of the percentage of personal income by major economic sectors relative to the U.S. distribution.

-- Population size: 819,151 (2023) (above the 15th percentile)

-- Economic concentration: 63.1% Analyst Input (from 5th to 10th percentile) (vs. 60.9% 2024 Actual)

Demographic and Economic Strength Additional Analytical Factors and Notching: +1.0 notch (for Economic and Institutional Strength)

A 1.0-notch uplift has been applied under the demographic and economic strength AAF reflecting Fitch's view of San Francisco's economic importance and resilience, as the city center of the San Francisco-Oakland-Berkeley, CA metropolitan statistical area (MSA). The MSA plays a vital role in the national economy, accounting for 3.3% of the U.S.

GDP in 2022, according to BEA data. San Francisco is also one of several predominant employment centers within the state and home to numerous institutional anchors.

## Analyst Inputs to the Model

Analyst inputs to the model reflect metric adjustments to account for historical data anomalies, forward-looking performance shifts or nonrecurring events that may otherwise skew the time series.

The analyst input for the economic concentration metric reflects the use of the median for all counties statewide for several economic sectors where personal income data are not reported.

# LONG-TERM LIABILITY BURDEN

**Long-Term Liability Burden - 'Midrange'**

San Francisco's carrying costs to governmental expenditures and liabilities to governmental revenue remain strong while liabilities to personal income remain weak. The long-term liability composite metric in 2024 is at the 57th percentile, roughly in line with Fitch's local government rating portfolio.

-- Liabilities to personal income: 8.2% Analyst Input (29th percentile) (vs. 7.3% 2024 Actual)

-- Liabilities to governmental revenue: 121.9% Analyst Input (77th percentile) (vs. 109.3% 2024 Actual)

-- Carrying costs to governmental expenditures: 12.3% Analyst Input (69th percentile) (vs. 11.7% 2024 Actual)

## Analyst Inputs to the Model

This is a text exhibit 'Long Term Liability- Forward Looking Analyst Inputs to Model'. See instructions in side pane.

The city's fiscal 2024 audited direct debt has been adjusted to reflect debt issued since the fiscal 2024 audit, including the 2025 series A-F GO bonds, three series of COPs, and the current GO bond issuance, and scheduled amortization of outstanding principal through fiscal 2025.



# PROFILE

San Francisco benefits from one of the strongest economic resource bases in the U.S. notwithstanding the recent slowdown in employment growth in the technology sector. The region is home to the world's largest information technology industry cluster, which has driven extraordinary wealth creation and sustained population growth for many years. The San Francisco Bay area's economy benefits from the rapidly growing artificial intelligence (AI) sector, with many of the leading firms headquartered within the city, further fueling wealth creation. The greater Bay Area also has large health care, biotechnology, higher education, retail, professional services, finance, tourism and governmental sectors. Incomes and educational attainment are far above national averages, while poverty rates are well below average.

As noted, the city's economic profile benefits from exceptional income and wealth indicators. Per capita personal income is over 2.5 times the national average and assessed value per capita for fiscal 2025 is about $432,000. The city's largest private employers include Salesforce, Uber, Sutter Health, Kaiser Permanente, and Wells Fargo & Company. Between 2008 and 2020, growth in technology jobs drove rapid labor force and employment gains.

The city's post-pandemic economic recovery has been tepid and according to the city's Office of Economic Analysis, the average weekly in-office attendance is steady at about 40% of pre-pandemic levels, among the lowest in the country. Bridge crossings into the city remain below pre-pandemic numbers. BART, the inter-county transit system, shows ridership has inched up but remains around one-third pre-pandemic levels, and the citywide MUNI bus and light rail system has just over 60% of its pre-pandemic ridership. The city serves as a major tourist and convention destination, but tourism remains weak, as evidenced by weekly hotel occupancy rates consistently below 2019's rate of 80%. Several firms have announced and implemented layoffs in recent months.

## Date of Relevant Committee

08-Sep-2025

## Sources of Information

In addition to sources of information identified in Fitch's applicable criteria specified below, this action was informed by data from DIVER by Solve.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

## ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of ‘3’ means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch’s ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.



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**Applicable Criteria**

U.S. Public Finance Local Government Rating Criteria (pub.02-Apr-2024)(includes rating assumption sensitivity)

**Applicable Models**

U.S. Local Government Rating Model, v1.2.0 (1)

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