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Moody's: More Than Half of Largest US Cities Maintained or Improved Credit Quality Since the Recession.

New York, November 13, 2014 — Since the onset of the Great Recession, the credit quality of 34 of the 50 largest US cities was either maintained or improved, says Moody's Investors Service. In the report "Anatomy of Successful US Cities," Moody's attributes the resiliency of these cities to their inherent strengths and robust financial management.

"By no means were these successful cities immune to the downturn, but the impact was much less severe, especially with the support of healthy tax base growth," says Jennifer Diercksen, a Moody's Analyst. "Other supporting factors were tax base diversity, a significant institutional presence, and their status as regional economic centers."

Despite the challenges of the downturn, the tax bases of the 34 successful cities increased by 6.6% on since 2008, compared with a median decline of 3.6% for all US cities with populations over 100,000.

Furthermore, the successful cities have very diverse tax bases, reducing the exposure of governments to one particular industry or large taxpayer. In addition, the stable presence of large institutions, such as federal government agencies, universities, and hospitals, benefits these cities by offsetting negative credit forces.

With healthy tax base growth, the successful cities effectively balanced their budgets, increasing revenues by 7.7% and expenditures by 7.0% between 2008 and 2013. In contrast, other US cities with populations over 100,000 saw average revenue growth of 2.0% and expenditure growth of 2.8% over the same period. The successful cities ultimately improved their reserves, which averaged 18.6% of operating revenues in fiscal 2013.

Furthermore, while these successful cities had above-average debt burdens, they were often the result of addressing the capital needs of large city infrastructure. Fixed costs, including debt service, pensions and OPEB, still remained manageable, providing these cities with budgetary flexibility.

Thirty of the 34 successful cities maintained their ratings throughout the recession, while four experienced rating upgrades. Overall, the successful cities maintain a median rating of Aa1, two notches above the sector median of Aa3.

Moody's subscribers can access this report [here](#).