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Error Identified In S&P U.S. Local Government General Obligation Model, Review Indicates One Rating Affected

S&P Global Ratings Feb. 3, 2021 — S&P Global Ratings has identified an error in its U.S. Local Government General Obligation Model (LG CST), which it uses to assign ratings under the following criteria: “U.S. Local Governments General Obligation Ratings: Methodology And Assumptions” (published Sept. 12, 2013).

The model error relates to the computation of budgetary and economic scores, including how metropolitan statistical areas (MSA) data may be integrated into economic score calculations.

Following the discovery of this error, we:

- Undertook a review of approximately 5,000 ratings for which we use the LG CST to determine if any might be incorrect.
- Determined that one issuer, Marysville, Calif., was affected by the model error.
- Reviewed the issuer, during which we took into account the impact of the model error as well as the particular facts and circumstances currently affecting the city’s creditworthiness. As a result, S&P Global Ratings raised its long-term rating to ‘A+’ from ‘A’ on Marysville’s pension obligation bonds outstanding. At the same time, S&P Global Ratings raised its long-term rating to ‘A’ from ‘A-’ on the city’s outstanding certificates of participation. The outlook is stable.

Until the model error has been corrected, we are adjusting our use of the model to address the potential effect of the model error and to allow for the model’s continued use in surveilling and assigning ratings consistent with our criteria.

This report does not constitute a rating action.

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