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San Francisco's Sluggish Recovery Puts S&P Credit Rating at Risk.

- **Outlook on the city's debt cut to negative from stable by S&P**
- **Rating firm cites slow revenue recovery and swelling budget**

San Francisco's sluggish recovery from the pandemic, coupled with growing budgetary expenditures, threatens to deteriorate the city's ability to repay its debt, according to S&P Global Ratings.

The outlook on the city-county's outstanding general obligation and appropriation debt was cut to negative from stable this week by the ratings company. The weakness in the city's commercial real estate market and tourism activity were factors that drove the move, S&P said. Adding to the city's burdens, San Francisco's budget expenditures outpaced revenue growth in fiscal 2023.

"We believe management will be challenged to make the cuts needed to restore it to budgetary balance during the outlook horizon, which could lead to rating pressure if the city's general fund reserves decline precipitously," S&P said in a release.

Persistent work-from-home habits, inordinately expensive real estate, homelessness and crime are colliding to threaten the city's growth and its spot among the world's top-tier metropolises.

A change in outlook doesn't necessarily mean that the credit rating will be adjusted. However, a top credit rating is often a point of pride for public officials, and losing it could make it more expensive for the city to borrow in the municipal-bond market.

The ratings company also affirmed its AAA long-term rating and underlying rating on San Francisco's outstanding general obligation debt, citing ample general fund reserves that give the city-county room to weather projected deficits during the next two years.

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