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San Diego, California: Fitch New Issue Report

The upgrade of the city's IDR and GO rating to 'AA+' from 'AA' reflects implementation of Fitch's new "U.S. Public Finance Local Government Rating Criteria". The 'AA+' rating incorporates the city's 'aa' financial resilience assessment, which reflects a limited budgetary flexibility and an expectation that available reserves will be maintained between 17.5% and 25% of spending (compared to the current 19%). The rating also reflects the city's midrange long-term liability burden (42nd percentile of the Fitch local government rating portfolio), midrange population trend (42nd percentile) and strong demographic and economic level, the composite of which is at the 64th percentile of Fitch's local government portfolio. The rating further reflects the application of positive additional analytical factor notches that recognize the city's role as the center of an important and large MSA with a vital role in the national economy. The 'AA' rating for the lease revenue bonds and commercial paper notes reflects the slightly higher optionality associated with the requirement to budget and appropriate for their debt service.

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