S&P Global
Ratings

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Summary:

Alameda, California; Appropriations; General Obligation

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Credit Profile		
Alameda APPROP		
Long Term Rating	AA+/Stable	Upgraded
Alameda APPROP		
Long Term Rating	AA+/Stable	Upgraded
Alameda GO		
Long Term Rating	AAA/Stable	Upgraded

Credit Highlights

- S&P Global Ratings raised its long-term rating to 'AAA' from 'AA+' on Alameda, Calif.'s general obligation (GO) debt outstanding.
- At the same time, S&P Global Ratings raised its long-term rating to 'AA+' from 'AA' on the city's certificates of participation (COPs) outstanding.
- The raised ratings reflect our view that the city will continue its record of strong-to-very-strong financial performance, which has significantly improved its available fund balances in preparation for possible adverse economic conditions in fiscal 2023, while continuing to lower its debt burden and sustain its strong economic growth.
- The outlook is stable.

Security

Unlimited ad valorem taxes levied on taxable property within the city secure the GO bonds. The COPs have an interest in base rental payments that the city makes, as lessee, for the use of certain properties under a covenant to budget and appropriate. The COPs are rated one notch below our view of the city's general creditworthiness to account for appropriation risk.

The city is eligible to be rated above the sovereign because we believe it can maintain better credit characteristics than the U.S. in a stress scenario. Under our criteria "Ratings Above The Sovereign," published Nov. 19, 2013, on RatingsDirect, U.S. state and local governments are considered moderately sensitive to country risk.

Credit overview

Alameda is built out in most of its service area but is undergoing a boom in residential and commercial development, including two major redevelopments, one that will convert a former naval air base to mixed-use residential and another that will expand public transit throughout the island. While we recognize that rising interest rates could create downward pressure on housing turnover and make it more difficult for developers to finance apartment projects, we believe the city will continue to participate in the county's long-term housing demand growth.

We view the city as demonstrating very strong financial performance in the last three audited fiscal years. The city reported a significant general fund surplus of about 16% of expenditures in fiscal 2022, largely due to strong double-digit growth in sales tax, transient occupancy tax, and transfer tax revenue along with one-time COVID-19-related relief funds. For fiscal 2023, management is estimating a small negative general fund net result of about 2% of expenditures due to spending down the COVID relief funds and a one-time payment to Alameda Unified School District for the renovation of a shared swim center. However, due to better-than-budgeted sales tax revenues and transfer tax receipts, management anticipates that revenue will exceed current estimates. As of the start of fiscal 2023, the city's total available general fund reserves are at $78 million, or 76% of expenditures. The city expects modest decreases in the fund balance tied to one-time capital expenditures and spending down of federal grants. However, we anticipate that its financial position will remain very strong for the foreseeable future, with management adjusting its budget to align with increasing service demands or changes in the city's revenue environment.

The ratings further reflects our opinion of the city's:

- Very strong local economy situated in the broad and diverse San Francisco Bay area;
- Positive operating results the past four audited fiscal years and maintenance of very strong general fund reserves and liquidity;
- Strong management, with good financial policies and practices, including realistic budget assumptions; budget-to-actual reports provided to the council quarterly; ten-year financial forecast; biannual comprehensive capital improvement plan; updates on investment holdings and performance to the council quarterly; a formal minimum of 25% of expenditures reserve policy; coupled with strong institutional framework; and
- Strong debt and contingent liability profile, with current debt plans unlikely to add materially to the city's debt burden, and prefunded pension liabilities, reducing exposure to rising retirement benefits.

Environmental, social, and governance

We view the city as facing elevated physical risk because of its exposure to earthquakes as well as to flooding due to sea level rise. In 2019, the city adopted a climate action and resiliency plan that identifies projects underway to mitigate the effects of sea level rise. The city's Community Facilities District No. 22-1 has recently issued green bonds to finance a seawall project. We believe seismic risks are partially mitigated by the state's strong building codes. We consider the city's social and governance risks neutral in our credit analysis. For more information, see "Through The ESG Lens 3.0: The Intersection of ESG Credit Factors and U.S. Public Finance Credit Factors," published March 2, 2022, on RatingsDirect.

Outlook

The stable outlook reflects our view that the city's financial profile will remain very strong, supported by positive momentum in the local economy and a robust framework of financial policies and practices. The outlook also reflects our view that the city is well positioned to weather any short-term budgetary volatility introduced by a potential recession in 2023.

Downside scenario

We could lower the rating if the city's budgetary performance becomes imbalanced, resulting in a material drawdown of its available reserves or liquidity.

Alameda, California -- Key credit metrics				
	Most recent	**Historical information**		
		2022	**2021**	**2020**
Very strong economy				
Projected per capita EBI % of U.S.	168.0			
Market value per capita ($)	230,367			
Population		77,437	80,284	
County unemployment rate (%)			6.1	
Market value ($000)	17,804,353	16,159,217	15,501,891	
Ten largest taxpayers % of taxable value	8.8			
Very strong budgetary performance				
Operating fund result % of expenditures		16.4	19.9	14.7
Total governmental fund result % of expenditures		18.9	27.3	10.5
Very strong budgetary flexibility				
Available reserves % of operating expenditures		75.8	77.9	58.2
Total available reserves ($000)		78,189	72,138	53,216
Very strong liquidity				
Total government cash % of governmental fund expenditures		237.6	211.4	169.9
Total government cash % of governmental fund debt service		10,663.0	10,091.5	8,863.1
Strong management				
Financial Management Assessment	Good			
Strong debt & long-term liabilities				
Debt service % of governmental fund expenditures		2.2	2.1	1.9
Net direct debt % of governmental fund revenue	39.6			
Overall net debt % of market value	2.6			
Direct debt 10-year amortization (%)	76.5			
Required pension contribution % of governmental fund expenditures		16.4		
OPEB actual contribution % of governmental fund expenditures		3.4		
Strong institutional framework				
EBI--Effective buying income. OPEB--Other postemployment benefits.				

Data points and ratios may reflect analytical adjustments.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.