



# ATTACHMENT A

## City of Oakland

### General Obligation (GO) Credit Ratings

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## What is a Credit Rating?

- ◆ **What Is a Credit Rating:** An alphabetic and/or numeric symbol that indicates an issuer's credit quality and measures the risk of default and an issuer's ability to repay principal and interest
- ◆ **Who Determines the Credit Rating:** Independent, private rating agencies use market-accepted, objective assessments based upon published criteria
  - Agencies: Moody's, S&P Global Ratings, Fitch Ratings
- ◆ **Who Uses the Credit Rating:**
  - Institutional and Retail Investors (buyers of a municipality's bonds)
  - Commercial lenders (for lines of credit, bank loans, etc.)
- ◆ **Why are Credit Ratings Important:**
  - Higher ratings = broader investor base & lower interest costs
  - Market access: Issuers with non-investment grade ratings ("BBB-") have trouble accessing the capital markets

INVESTMENT GRADE RATINGS		
MOODY'S	S&P	FITCH
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-

*\*Highlighted ratings indicate the respective underlying general obligation ratings for the City of Oakland*



## Factors That Determine a Credit Rating

- Rating agencies use market-accepted criteria and published rating methodologies to provide a rating for a specific municipality and bond issuance. Their rating factors include:
  - Economy:** Income levels, economic output, volatility, growth prospects
  - Financial Performance:** Operating results over time, structural balances
  - Reserves & Liquidity:** Available reserves as % of revenue, liquidity
  - Management:** Budgeting practices, long-term planning, policies, governance
  - Debt & Liabilities:** Long-term liabilities ratio, fixed-costs ratio, debt service burden, net direct debt per capita, pension/OPEB liabilities
  - Nothing Factors:** Factors that consider things like local resources, limited scale in operations, population size, and governance issues that provide some discretion on rating outcome
  - Other Considerations:** Strengths or weaknesses that are not fully reflected in the application of the criteria; peer rating analysis

Source:

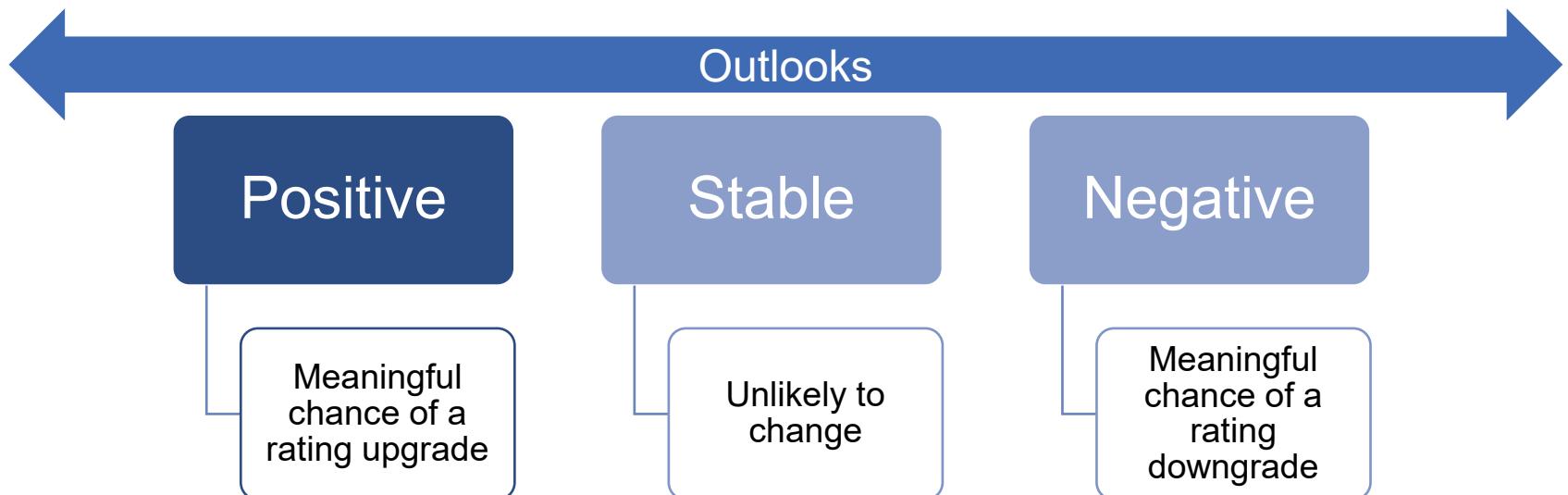
Methodology For Rating U.S. Governments, [spglobal.com/ratings](http://spglobal.com/ratings) ( September 9, 2024)

Rating Methodology, US Cities and Counties, [moodys.com](http://moodys.com) (July 24, 2024)



## Credit Rating Outlooks

- ◆ A rating outlook is the forward-looking opinion of a credit rating agency about the potential direction of a credit rating over a defined period, typically 12–24 months
- ◆ **Why do outlooks matter?**
  - Influences Borrowing Costs: A negative outlook can increase borrowing costs because it signals higher perceived risk to investors





## Oakland GO Credit Rating Movement

- ◆ Current Ratings (as November 20, 2025)
  - **Moody's Investors Service:** Aa2 (Negative Outlook)
  - **S&P Global Ratings:** AA- (Negative Outlook)
  - **Fitch Ratings:** A (Negative Outlook)

INVESTMENT GRADE RATINGS		
MOODY'S	S&P	FITCH
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-



- December 5, 2024, rating was lowered to "Aa2/Negative" from "Aa1/Stable"
- October 9, 2025, rating and outlook were affirmed "**Aa2/Negative**"



- November 20, 2024, rating placed on CreditWatch with negative implications
- February 19, 2025, rating lowered to "AA-/Negative" from "AA+/Watch Neg"
- October 6, 2025, rating and outlook were affirmed at "**AA-/Negative**"



- November 27, 2024, rating was lowered to "A/Negative" from "AA-/Stable"
- May 30, 2025, rating and outlook were affirmed at "**A/Negative**"



## Oakland's Credit Rating Strengths\*

### Large and Diverse Economic Base

- Central location in the San Francisco Bay Area, with strong property wealth and a diverse tax base
- Assessed value per capita is high, and the economy includes major sectors like logistics, tech, healthcare, and transportation

### Voter Support for Revenue Measures

- Strong local support for supplemental revenues

### Liquidity

- Maintenance of high cash and investment levels

### Management Actions

- Proactively identified and enacted balancing actions in 2025 to close fiscal gap



## Oakland's Credit Rating Challenges\*

### Structural Budget Imbalance

- **Expenditure growth outpacing** revenue growth, driven largely by public safety overspending
- Projected out year **deficits**
- Reliance on optimistic assumptions in budgets (Proposed 2026 revenue tax measure)

### Declining Financial Flexibility

- **Reserves below** policy targets in fiscal 2024; although improving, flexibility remains limited

### High Fixed Costs and Liabilities

- Elevated **pension and OPEB liabilities** (over \$3 billion combined) and annual fixed costs
- Long-term liabilities ratio remains very high compared to national medians



## Upside and Downside Scenarios

### ◆ Negative Outlook:

- Reflects near-term financial headwinds and anticipated structural deficits driven by **expenditure growth** (especially public safety costs) outpacing revenue growth
- Future budget reductions will be needed to restore long-term sustainability

### ◆ Moody's Outlook:

- Upside: Rating could be upgraded if there is a meaningful increase in financial flexibility with general purpose reserves exceeding 30%; and significant decline in **long-term liabilities** ratio to below 200%
- Downside: Rating could be downgraded if structural budget adjustments are not implemented and sustained decline in the available fund balance ratio to below 20% of operating revenues

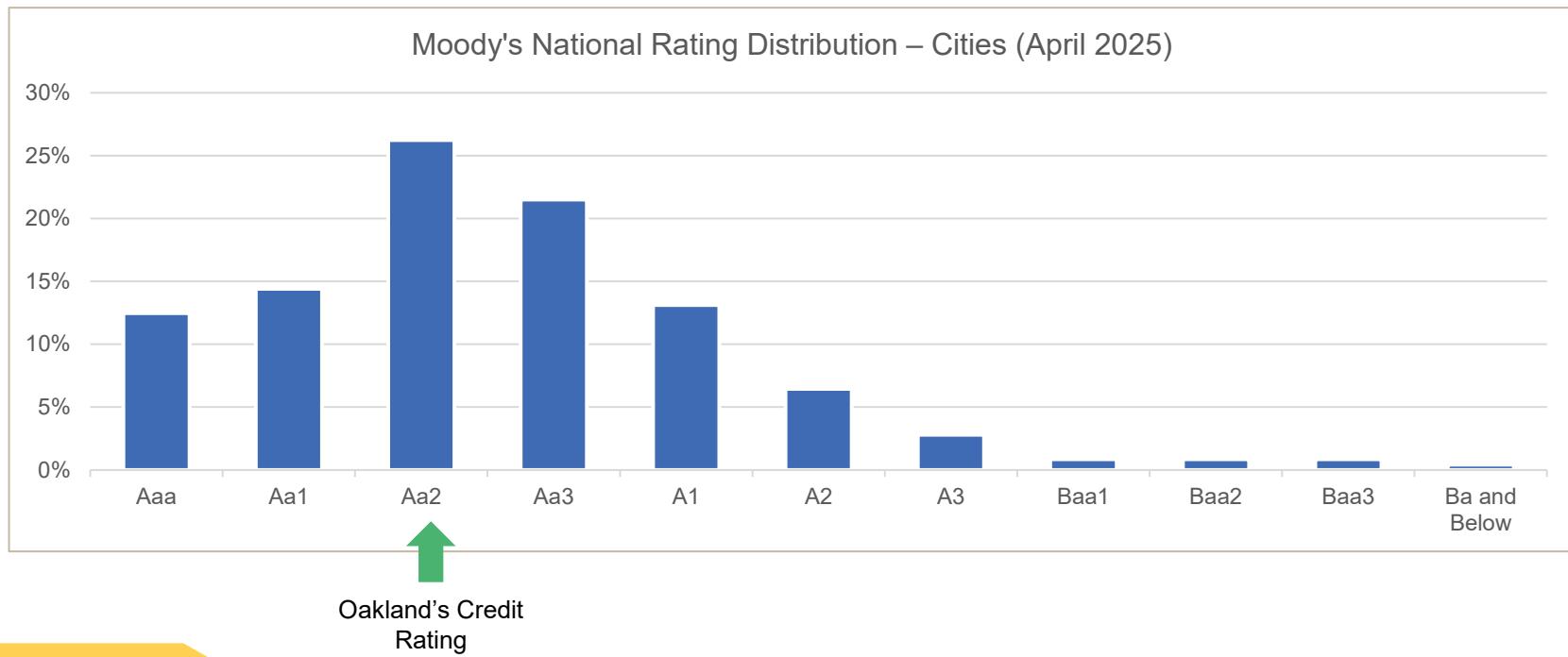
### ◆ S&P Outlook:

- Upside: Outlook could return to stable if the City **sustainably eliminates deficit spending, achieves positive operating performance**, and maintains economic growth in line with national trends
- Downside: Rating could be lowered if structural budget challenges persist, and reserves are a level below the rating level



## Moody's – Macro Credit Factors US Cities

- Positive Trends: Strong property values, revenue growth, and stable reserves support credit quality
- Risks: Slower economic growth and reliance on one-time federal aid may pressure future budgets
- Structural Improvement: Declining pension liabilities and manageable fixed costs enhance long-term sustainability





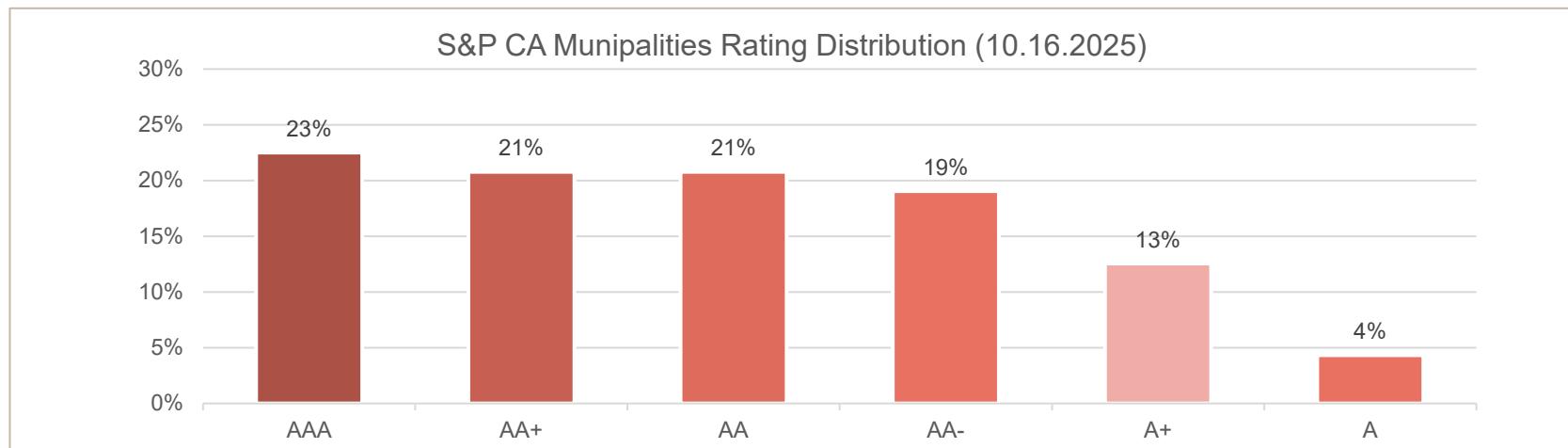
## S&P Macro Credit Factors – California Local Governments

### ◆ Economic & Revenue Environment

- Slower economic growth; property value growth moderating; sales tax collections slowing
- Expiration of federal stimulus

### ◆ Budgetary Pressures

- Many municipalities forecast general fund deficits
- Operating costs (labor, benefits, goods) rising faster than revenues



Oakland's Credit Rating  
↑



# City of Oakland – 2025 General Obligation Bond Sale Summary

## ● **Successful Bond Sale – December 4, 2025**

- Sold \$334.3 million in General Obligation Bonds (negotiated sale)
- Strong investor demand allowed the City to secure lower-than-estimated interest rates

## ● **Strong Investor Interest**

- \$638 million in total investor orders for \$334 million offered
- 26 institutional investment firms participated

## ● **Effective Interest Rates**

- Tax-Exempt Bonds: 3.99%
- Taxable Bonds: 5.55%

## ● **Taxpayer Savings**

- \$4.7 million in present-value savings from refunding bonds
- Reduced long-term debt service obligations

# Thank You

