

CREDIT OPINION

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City of Oakland, CA

Update to credit analysis

Summary

Oakland, CA's (Aa2 negative) credit quality is underpinned by a large and diverse tax base that will continue to experience moderate growth, supporting strong property wealth per capita. The city benefits from its central positioning in the San Francisco Bay Area, which remains a credit strength despite regional economic slowing.

Following erosion of general fund reserves below policy targets in fiscal 2024, estimates for fiscal 2025 show improvements in fund balance, supported by \$130 million in balancing actions. However, a long-term structural imbalance remains that will require further budget reductions, and management's continued ability to align ongoing revenue with ongoing expenditures will remain a key credit factor. The city's elevated long-term liabilities and fixed cost ratios are also incorporated into its rating.

Credit strengths

- » Large and diverse tax base in San Francisco Bay Area
- » Demonstrated voter support for supplemental local revenue

Credit challenges

- » Reduced financial flexibility with expenditure growth outpacing revenue growth
- » Elevated long-term liabilities and fixed cost ratios
- » Social challenges related to housing affordability and homelessness

Rating outlook

The negative outlook incorporates the near term financial headwinds facing the city that will require future budget reductions to reestablish long-term financial sustainability. Expenditure growth continues to outpace revenue growth largely because of public safety costs exceeding budget, leading to out year budget gaps.

Factors that could lead to an upgrade

- » Meaningful increase in financial flexibility with general purpose reserves exceeding 30%
- » Significant decline in long-term liabilities ratio to below 200%

Factors that could lead to a downgrade

- » Management's inability to make timely budget adjustment to preserve a sound financial position
- » Sustained decline in the available fund balance ratio to below 20%

- » Meaningful growth in fixed costs and long-term liabilities to above 20% and 450%, respectively

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moodys.com> for the most updated credit rating action information and rating history.

Key indicators

Exhibit 1

Oakland (City of) CA

	2021	2022	2023	2024	Aa Medians
Economy					
Resident income ratio (%)	103.4%	106.4%	104.9%	N/A	114.1%
Full Value (\$000)	\$69,954,466	\$74,099,351	\$80,125,813	\$85,412,303	\$2,888,367
Population	437,548	437,825	438,072	N/A	22,430
Full value per capita (\$)	\$159,878	\$169,244	\$182,906	N/A	\$125,640
Annual Growth in Real GDP	11.0%	-0.5%	3.4%	N/A	2.0%
Financial Performance					
Revenue (\$000)	\$1,471,501	\$1,541,744	\$1,637,561	\$1,624,613	\$52,335
Available fund balance (\$000)	\$504,574	\$652,073	\$707,851	\$632,098	\$29,526
Net unrestricted cash (\$000)	\$1,138,494	\$1,315,259	\$1,445,672	\$1,504,922	\$41,432
Available fund balance ratio (%)	34.3%	42.3%	43.2%	38.9%	57.1%
Liquidity ratio (%)	77.4%	85.3%	88.3%	92.6%	79.6%
Leverage					
Debt (\$000)	\$843,955	\$985,356	\$878,215	\$948,081	\$37,305
Adjusted net pension liabilities (\$000)	\$5,400,947	\$4,757,707	\$3,707,299	\$3,384,030	\$45,496
Adjusted net OPEB liabilities (\$000)	\$779,622	\$703,261	\$576,305	\$533,572	\$4,376
Other long-term liabilities (\$000)	\$227,507	\$224,278	\$238,972	\$248,955	\$1,726
Long-term liabilities ratio (%)	492.8%	432.7%	329.8%	314.8%	210.2%
Fixed costs					
Implied debt service (\$000)	\$67,809	\$59,195	\$68,817	\$61,006	\$2,477
Pension tread water contribution (\$000)	\$171,893	\$139,772	\$177,733	N/A	\$1,199
OPEB contributions (\$000)	\$29,517	\$43,003	\$43,420	\$43,179	\$179
Implied cost of other long-term liabilities (\$000)	\$15,851	\$15,957	\$15,664	\$16,600	\$115
Fixed-costs ratio (%)	19.4%	16.7%	18.7%	18.4%	9.6%

For definitions of the metrics in the table above please refer to the [US Cities and Counties Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [US Cities and Counties Median Report](#).

The real GDP annual growth metric cited above is for the San Francisco-Oakland-Berkeley, CA Metropolitan Statistical Area.

Sources: US Census Bureau, Oakland (City of) CA's financial statements and Moody's Ratings, US Bureau of Economic Analysis

Profile

The City of Oakland is in the County of Alameda on the eastern shore of the San Francisco Bay, approximately seven miles from downtown San Francisco (Aa1 stable) via the San Francisco-Oakland Bay Bridge. It has a diverse economic base and some of the major industries include retail trade, transportation, logistics, high-tech, science research and healthcare. The city's population is 426,457.

Detailed credit considerations

Economy: large Bay Area tax base poised for continued growth

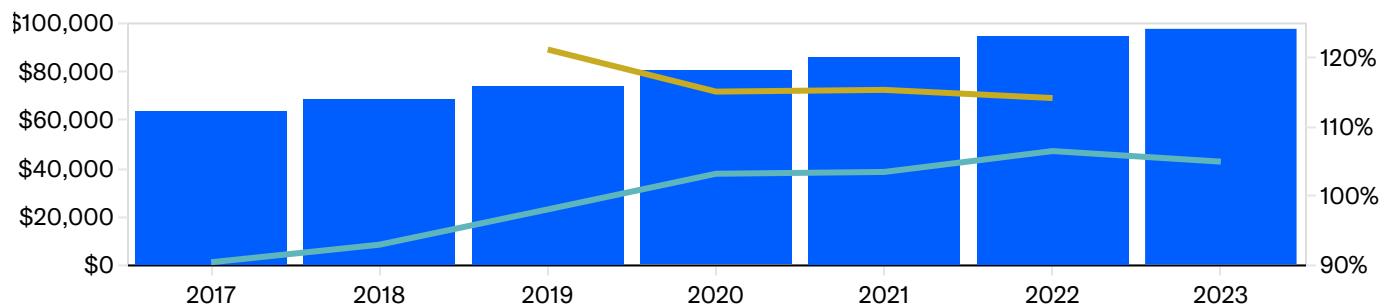
Oakland will continue to benefit from a large tax base with firm integration in the economically diverse San Francisco Bay Area, all of which will support ongoing, solid tax base growth and strong property wealth. The city's assessed value (AV) reached \$90 billion in fiscal 2026, significantly higher than the Aa national median of \$2.8 billion. The growth supports strong property wealth, reflected in an assessed value per capita of \$205,575. The 10 largest taxpayers comprise less than 4% of total AV, illustrating a diverse tax base.

The city and local economy benefit from being a transportation hub. All Bay Area Rapid Transit (BART, Aa1 stable) lines go through Oakland; the Port of Oakland (A1 stable) is the third largest port in California and the 9th largest in the US by container volume; and Oakland International Airport is the third largest in the San Francisco Bay Area by passenger volume. Moody's economic growth metric for the city has been a strong 1.7%, an indication that the area has performed well with real gross domestic product (GDP) growth outpacing the nation. The city has a stable residential population with a resident income ratio of 104.9%, slightly below the Aa national median (114.1%).

Exhibit 2

Resident income continues to steadily improve

■ Median household income (\$) — Resident income ratio (%) — Median resident income ratio



Source: US Census Bureau - American Community Survey 5-Year Estimates; US Bureau of Economic Analysis; Moody's Ratings

Financial operations: sound financial position challenged by near-term financial headwinds

City management will remain challenged by near-term financial headwinds that affect the city's financial flexibility. Macroeconomic factors such as high interest rates, which have slowed real estate sales, and higher costs associated with inflation have led to losses in revenue and increases in expenses. Most notably, the city is facing a structural deficit with expenditure growth outpacing revenue growth.

Positively, in fiscal 2025 management made progress toward improving the general purpose fund following an erosion of reserves in fiscal 2024 below policy targets. Total general purpose fund reserves are expected to improve to \$75 million (9.3% of appropriations) in fiscal 2025, up from \$22.8 million (2.6%) at the end of fiscal 2024. Management identified and enacted \$130 million in balancing actions in fiscal 2025, including a \$25 million reduction in police overtime, the cancellation of police trainee academies, temporarily closing two fire stations, and over \$15 million in personnel cuts. The city also received roughly \$25 million in unanticipated real estate transfer tax from the sale of a large building downtown, \$10 million of which was used for labor agreements and \$15 million was set aside to rebuild reserves.

The city's operating revenue primarily consists of governmental funds (95% of revenue), and the largest sources of revenue are local property taxes (35%) and other local taxes (37%). Public safety is the largest governmental fund expenditure (35%) followed by general government (22%). Over the past five years revenue have grown by 5% annually on average, while expenditures have grown faster at 7%. The city has adopted a balanced budget through fiscal 2027, however out-year shortfalls will remain a challenge as expenditure growth continues to outpace revenues.

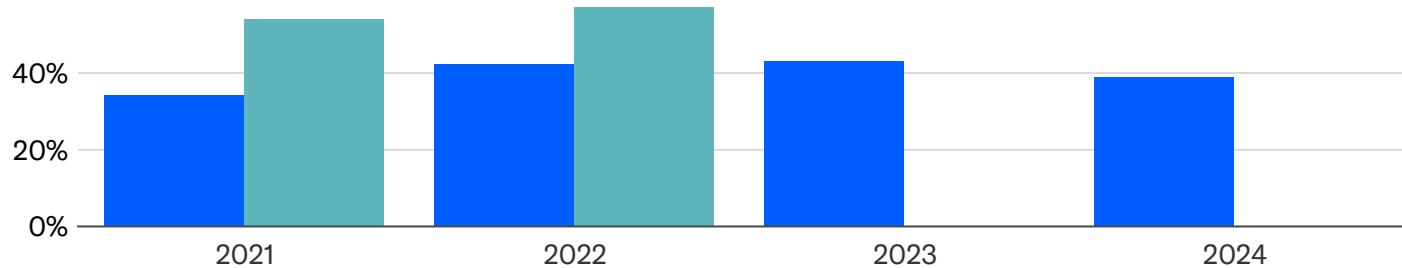
The city benefits from a strong history of voter approval of several supplemental local tax measures. The fiscal 2026 budget includes an estimated \$22 million in annual sales tax that will be generated from Measure A, approved by voters in April 2025. The city has proposed an additional long-term tax revenue measure that would generate \$40 million that will go to voters in June 2026.

The city also faces challenges similar to many large urban cities such as an increase in homelessness and declining housing affordability. The city's management team has various strategies to address these challenges such as partnering with Alameda County on programs and funding, and issuing general obligation (GO) bonds under Measure KK and Measure U for affordable housing developments.

Exhibit 3

Fund balance remains strong

■ Available fund balance ratio ■ Median available fund balance ratio



Source: Audited financial statements; Moody's Ratings

Liquidity

Liquidity will likely decline in the near-term given current financial headwinds. General fund cash and investments remained strong in fiscal 2024 at \$842 million or 86% of general fund revenue.

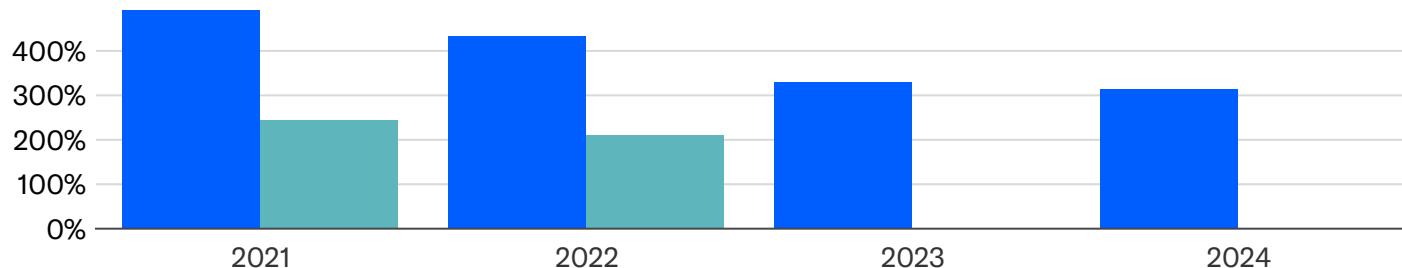
Leverage: long-term liabilities ratio will remain elevated

The city's long-term liabilities ratio will remain elevated, largely driven by the city's adjusted net pension liability and ongoing debt plans. A significant retirement of outstanding debt will occur in the coming years, including \$74.3 million of combined pension obligation bonds, lease revenue bonds and coliseum authority lease revenue bonds that mature in fiscal 2026 and fiscal 2027. However, the city has a large amount of authorized unissued debt (\$35.8 million under Measure DD, \$32.5 million under Measure KK and \$464 million under Measure U), and plans to regularly issue bonds to support the city's capital plans. The city's fixed costs are also high at 18.4% of operating revenue when compared to the Aa national median at 9.6%, but these costs are comparable to those of other large cities in California.

Exhibit 4

Leverage is elevated and above medians

■ Long-term liabilities ratio ■ Median long-term liabilities ratio



Source: Audited financial statements; Moody's Ratings

Pensions and OPEB

Oakland's adjusted net pension liability remains the main driver of the city's overall elevated leverage profile. Positively, Oakland is one of the few cities in California that is authorized to levy a "property tax override" to fund pension obligations. The revenue generated by this 0.0705% of AV levy are currently used to fund its outstanding unfunded pension liabilities and pay the debt service on the city's outstanding pension obligation bonds (POBs) which mature in 2026. Because of the strong growth in assessed value, the revenue

generated from the property tax override have been growing and the revenue (net of debt service payments for the POBs and other Police and Fire Retirement System obligations such as the actuarially determined contribution) are held in the city's restricted general fund.

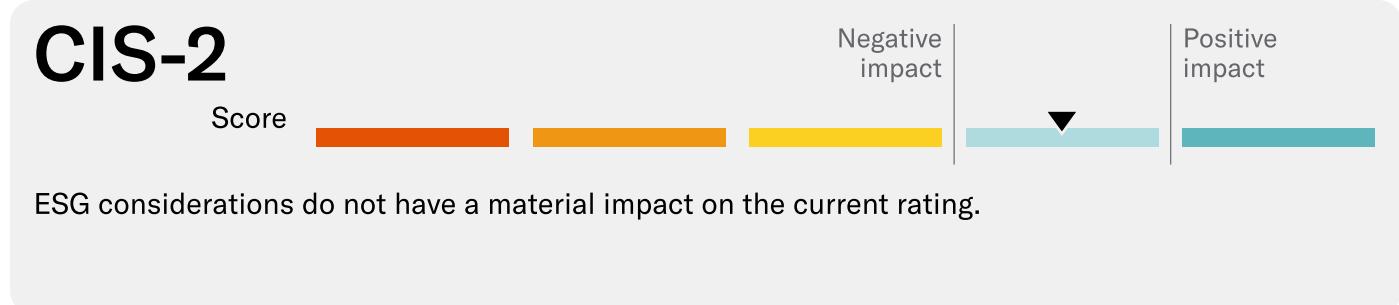
Management has taken steps to address its unfunded OPEB liability by adopting a policy of making contributions into its OPEB trust, in addition to the city's pay-as-you-go requirements. In addition, management implemented cost containment measures such as capping benefits for existing public safety employees and retirees and establishing lower cost-tiers for employees hired after Jan. 1, 2019.

ESG considerations

Oakland (City of) CA's ESG credit impact score is CIS-2

Exhibit 5

ESG credit impact score

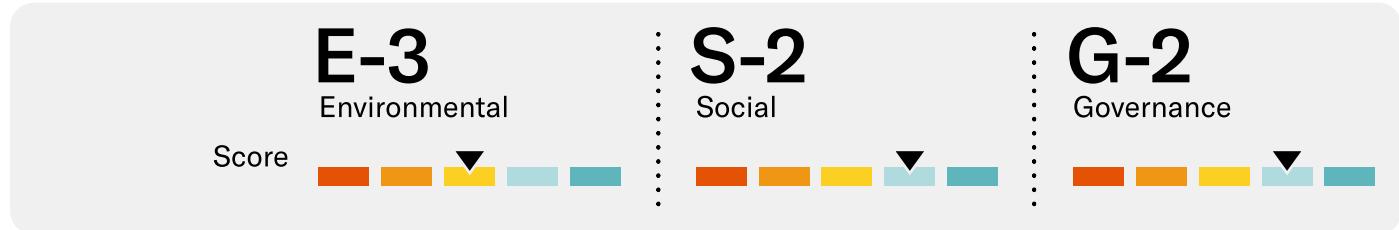


Source: Moody's Ratings

The City of Oakland's Credit Impact Score is **CIS-2**, indicating that environmental, social and governance risks have minimal impact on the city's credit ratings.

Exhibit 6

ESG issuer profile scores



Source: Moody's Ratings

Environmental

The city's environmental issuer profile score is **E-3**. Similar to many California local governments, the city's exposure to water stress is relatively high. However, this exposure is largely offset by strong regional planning and conservation efforts. The city is also exposed to sea level rise, although immediate risks are low. There is regional collaboration among flood control managers and scientists that are working to reduce flood risk and build resilience to sea level rise in the Bay Area.

Social

The City of Oakland's social issuer profile score is **S-2**, reflecting low exposure to social risks across most categories such as demographics, labor and income, health and safety as well as access to basic services. However, housing poses moderately negative risks, due to the high need for affordable housing that could lead to higher social spending than current levels. Notably, residents are supportive of the city's efforts to address this social risk and approved bond measures that included \$450 million for affordable housing.

Governance

The **G-2** issuer profile score reflects the city's institutional structure, policy credibility & effectiveness, and budget management with strong transparency & disclosure. Management produces regular financial disclosures, budget updates and long-range financial forecasts on a timely basis.

ESG Issuer Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The US Cities and Counties Methodology includes a scorecard, which summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 7

Oakland (City of) CA

	Measure	Weight	Score
Economy			
Resident income ratio	104.9%	10.0%	Aa
Full value per capita	205,575	10.0%	Aaa
Economic growth metric	1.7%	10.0%	Aaa
Financial Performance			
Available fund balance ratio	38.9%	20.0%	Aaa
Liquidity ratio	92.6%	10.0%	Aaa
Institutional Framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio	314.8%	20.0%	A
Fixed-costs ratio	18.4%	10.0%	A
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			Aa2
Assigned Rating			
			Aa2

The Economic Growth metric cited above compares the five-year CAGR of real GDP for San Francisco-Oakland-Berkeley, CA Metropolitan Statistical Area Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.

Sources: US Census Bureau, Oakland (City of) CA's financial statements and Moody's Ratings

Appendix

Exhibit 8 Key Indicators Glossary

	Definition	Typical Source*
Economy		
Resident income ratio	Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI	MHI: US Census Bureau - American Community Survey 5-Year Estimates RPP: US Bureau of Economic Analysis
Full value	Estimated market value of taxable property in the city or county	State repositories; audited financial statements; continuing disclosures
Population	Population of the city or county	US Census Bureau - American Community Survey 5-Year Estimates
Full value per capita	Full value / population	
Economic growth metric	Five year CAGR of real GDP for Metropolitan Statistical Area or county minus the five-year CAGR of real GDP for the US	Real GDP: US Bureau of Economic Analysis
Financial performance		
Revenue	Sum of revenue from total governmental funds, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services funds, excluding transfers and one-time revenue, e.g., bond proceeds or capital contributions	Audited financial statements
Available fund balance	Sum of all fund balances that are classified as unassigned, assigned or committed in the total governmental funds, plus unrestricted current assets minus current liabilities from the city's or county's business-type activities and internal services funds	Audited financial statements
Net unrestricted cash	Sum of unrestricted cash in governmental activities, business type activities and internal services fund, net of short-term debt	Audited financial statements
Available fund balance ratio	Available fund balance (including net current assets from business-type activities and internal services funds) / Revenue	
Liquidity ratio	Net unrestricted cash / Revenue	
Leverage		
Debt	Outstanding long-term bonds and all other forms of long-term debt across the governmental and business-type activities, including debt of another entity for which it has provided a guarantee disclosed in its financial statements	Audited financial statements; official statements
Adjusted net pension liabilities (ANPL)	Total primary government's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
Adjusted net OPEB liabilities (ANOL)	Total primary government's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
Other long-term liabilities (OLTL)	Miscellaneous long-term liabilities reported under the governmental and business-type activities entries	Audited financial statements
Long-term liabilities ratio	Debt + ANPL + ANOL + OLTL / Revenue	
Fixed costs		
Implied debt service	Annual cost to amortize city or county's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Ratings
Pension tread water contribution	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Ratings
OPEB contribution	City or county's actual contribution in a given period	Audited financial statements
Implied cost of OLTL	Annual cost to amortize city or county's other long-term liabilities over 20 years with level payments	Audited financial statements; Moody's Ratings
Fixed-costs ratio	Implied debt service + Pension tread water + OPEB contributions + Implied cost of OLTL / Revenue	

*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US Cities and Counties Methodology](#).

Source: Moody's Ratings

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