



# AGENDA REPORT

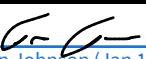
**TO:** Jestin D. Johnson  
City Administrator

**FROM:** Bradley Johnson  
Director of Finance

**SUBJECT:** Informational Report on Ratings for  
GO Bonds, Series 2025

**DATE:** January 7, 2026

City Administrator Approval

  
Jestin Johnson (Jan 15, 2026 16:03:48 PST)

Date: 01/15/2026

## RECOMMENDATION

**Staff recommends that the City Council Receive An Informational Report On The Ratings For The General Obligation Bonds Series 2025 (Measure U) From Moody's Investor Service And Standard And Poor's Ratings.**

## EXECUTIVE SUMMARY

This informational report provides an update on the affirmation of the City of Oakland's (the "City") long-term credit ratings and the sale results of the General Obligation Bonds, Series 2025 (Measure U) (the "Series 2025 Bonds"). The City's current credit ratings (Aa2/AA-/A) remain investment grade and carry a negative outlook from Moody's Investors Services ("Moody's"), S&P Global Ratings ("S&P") and Fitch Ratings ("Fitch") (collectively, the "Rating Agencies"). The negative outlook is largely attributable to ongoing structural budget challenges and diminished financial flexibility. The City recently presented its credit fundamentals to Moody's and S&P in anticipation of receiving credit ratings for the Series 2025 Bonds. Both Moody's and S&P affirmed the ratings.

This report delves into credit ratings, what they are and why they matter, the factors that the Ratings Agencies consider, City's credit strengths and weaknesses, and the potential steps that the City may undertake with the goal of returning the current credit ratings to a stable outlook.

## BACKGROUND / LEGISLATIVE HISTORY

The City priced its Series 2025 Bonds on December 4, 2025. As part of the issuance process the City requested credit ratings from Moody's and S&P as recommended by the financing team. In September 2025, the City met with both ratings agencies, and in October 2025, Moody's and S&P issued their respective credit ratings reports (the "Credit Reports"), see Attachment A and Attachment B, herein. The Credit Reports each provide an analysis of the strengths and weaknesses for assessing creditworthiness as identified by each agency under their respective methodologies.

The credit ratings themselves are independent assessments of a government's ability and willingness to meet its financial obligations; they influence investor confidence and thus, impact the borrowing costs, and the City's financial flexibility. The City's credit ratings were downgraded in the past year by all three major credit rating agencies.

### **City of Oakland's Current Ratings:**

RATING AGENCY	CREDIT RATING	OUTLOOK
MOODY'S INVESTORS SERVICE	Aa2	Negative
S&P GLOBAL RATINGS	AA-	Negative
FITCH RATINGS	A	Negative

In their most recent reports from October 2025 in connection with the Series 2025 Bonds, both Moody's and S&P cited structural deficits, rising public safety costs, and expenditure growth that outpaces revenues as key concerns.

A negative outlook from the Ratings Agencies signals the expectation of a meaningful chance -- typically about one-in-three -- the potential for the Issuer's rating being downgraded within the outlook horizon of 12 – 24 months, if there are no positive material changes.

### **Series 2025 Bonds Sale Results**

On December 4, 2025, the City priced its \$334 million of the Series 2025 Bonds comprising \$285 million new money and \$49 million refunding of existing bonds for debt service savings. The new money component will fund affordable housing, roadway safety and infrastructure improvements, and renovations to parks, libraries, senior centers, and other public facilities under the City's Measure U Authorization.

Investors placed \$638 million in orders for the \$334 million of bonds offered by the City, oversubscribing by almost 2.0x with broad investor demand with orders placed by 26 investment firms. This performance afforded the City the opportunity to lower the final interest rates offered to investors and reduce its borrowing cost. Overall, the City achieved an all in true interest cost of 3.99% on the tax-exempt bonds and \$4.7 million of present value savings (or 8.7% of refunded par) on the refunding bonds. The Bonds are payable from ad valorem taxes.

### **ANALYSIS AND POLICY ALTERNATIVES**

The presentation of this report supports the Citywide priority of **responsive, trustworthy government**. This report communicates the City's current credit ratings on the City's outstanding general obligation bonds and steps the City may undertake with the goal of returning the current ratings to a stable outlook.

### **What Are Credit Ratings?**

Credit ratings measure the relative risk of default and are based on economic, financial, and governance factors. Higher ratings reduce borrowing costs and improve market access.

## What Do Rating Agencies Care About?

- **Economy:** Income levels, tax base strength, economic growth
- **Financial Performance:** Operating results, structural balance, reserves
- **Liquidity & Reserves:** Ability to absorb shocks
- **Management:** Budgeting practices, long-term planning
- **Debt & Liabilities:** Pension/OPEB burdens, fixed costs

## Why Are Ratings Important?

- Lower interest rates on bonds → savings for taxpayers
- Shows sound and prudent fiscal responsibility

## Rating Agency Views on City's Credit Fundamentals

### Credit Strengths:

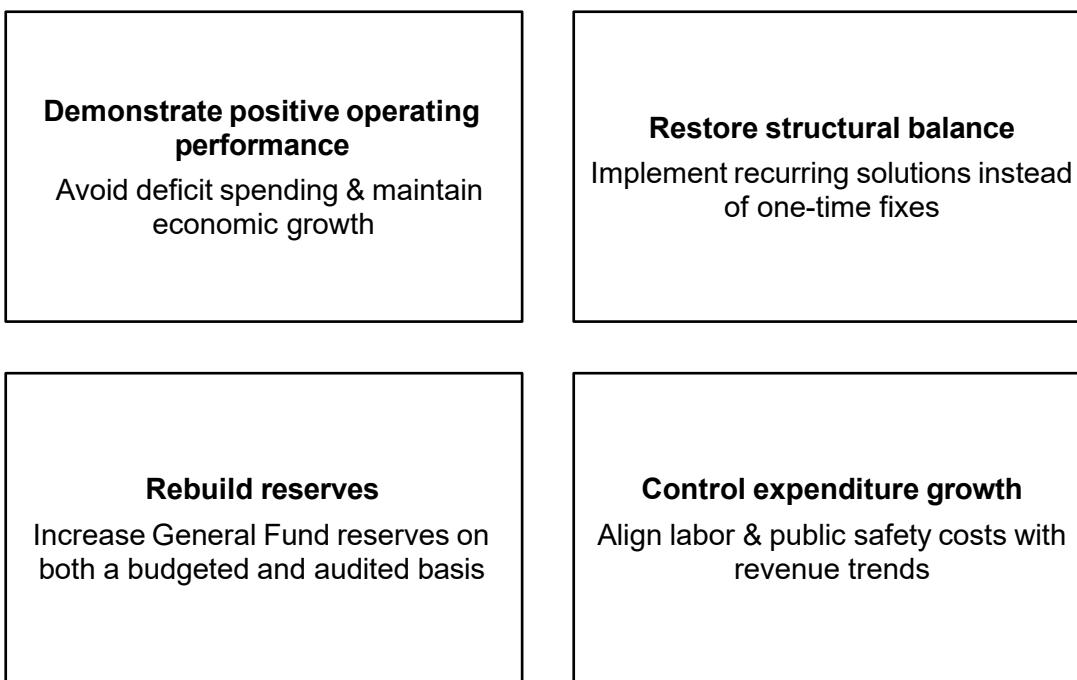
According to both S&P and Moody's, the City benefits from a large and diverse economy that plays a critical role in the regional landscape, providing a strong foundation for revenue generation. The rating agencies note that the City has historically maintained robust reserves, which have supported financial flexibility during periods of economic stress, although these reserves have been reduced in recent fiscal years. They also highlight the City's significant tax base and long-term property value growth as factors that contribute to the City's overall fiscal stability and its capacity to fund essential services.

### Credit Weaknesses:

Moody's and S&P identify several key challenges pointing to structural deficits projected in future years, driven by expenditure growth that continues to outpace revenue growth, particularly due to escalating public safety costs. They emphasize that rising fixed costs and growing pension liabilities further constrain the City's financial flexibility, creating long-term pressure on the City's budget. Additionally, the rating agencies view the decline in reserve levels toward policy minimums as a weakness, reducing the City's ability to absorb unexpected fiscal shocks and maintain a strong credit profile.

The ratings agencies outline the steps needed that may return the City's rating to a stable outlook in their credit rating reports, which are summarized below. Typically, a credit rating is returned to stable outlook from a negative outlook before it is considered for an upgrade.

## Steps to Return to Stable Outlook



## FISCAL IMPACT

This item is for informational purposes only and does not have a direct fiscal impact or cost.

## PUBLIC OUTREACH / INTEREST

This item did not require additional public outreach other than posting on the City's website.

## COORDINATION

This report was prepared by the Finance Department, Treasury Bureau in coordination with the Office of the City Administrator.

## SUSTAINABLE OPPORTUNITIES

**Economic:** This informational report summarizes steps that may result in the potential improvement in the City's credit ratings. Improving credit ratings may reduce borrowing costs for capital projects, potentially lowering property tax rates.

**Environmental:** There are no environmental impacts associated this report.

**Race & Equity:** There are no race & equity impacts associated with this report.

**ACTION REQUESTED OF THE CITY COUNCIL**

Staff recommends that the City Council Receive An Informational Report On The Ratings For The General Obligation Bonds Series 2025 (Measure U) From Moody's Investor Service And Standard And Poor's Ratings

For questions regarding this report, please contact David Jones, Treasury Administrator, at 510-238-6508.

Respectfully submitted,

  
Bradley Johnson (Jan 14, 2026 09:18:17 PST)

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Attachments (4):

- (A): Series 2025 Bonds Credit Ratings and Sales Result Presentation
- (B): Moody's Rating Report
- (C): S&P Rating Report
- (D): Fitch Rating Report