

**Rating Action: Moody's revises outlook to stable on the City & County of San Francisco, CA; assigns Aaa to 2022-R1 GO bonds**

---

15 Apr 2022

**Concurrently, Moody's downgrades Moscone Center COPs and LRBs**

New York, April 15, 2022 -- Moody's Investors Service has assigned an Aaa rating to the City & County of San Francisco, CA's \$370.7 million General Obligation Refunding Bonds Series 2022-R1. Concurrently, Moody's affirmed the Aaa ratings on the city's approximately \$3 billion in outstanding general obligation unlimited tax (GOULT) bonds and the Aa1 and Aa2 ratings on approximately \$830 million in lease-backed obligations. Moody's has also downgraded approximately \$453.8 million of lease-backed obligations and certificates of participation (COPs) secured by leases of the city's Moscone Convention Center to Aa2 from Aa1. The outlook on all series of debt has been revised to stable from negative.

**RATINGS RATIONALE**

The assignment and affirmation of the Aaa GOULT rating largely reflects the city's outperformance relative to budget and its maintenance of a strong financial position through the pandemic. Property taxes levied against the city's primarily residential tax base have proven resilient and the city's balance sheet has been bolstered by significant pandemic-related aid. The city will continue to face several headwinds in the near term as various core revenue streams will be slow to rebound and key segments of the city's economy will continue to experience a sluggish recovery from the pandemic. Governance is a key driver of the rating action as the city's management demonstrated the ability to balance operations and maintain strong reserves during a period of extreme uncertainty.

The Aaa rating continues to reflect the city's very strong financial position, exceptionally large tax base, and status as a premier technology and innovation ecosystem. The city also benefits from very strong resident wealth and incomes and voter willingness to approve supplemental revenues. The city maintains a moderate combined debt, pension, OPEB, and lease burden.

The downgrade to Aa2 from Aa1 on lease revenue bonds and COPs secured by leases of the city's Moscone Convention Center reflects the anticipation of prolonged weakness in the dedicated, but unpledged, hotel gross receipts taxes that the city has earmarked for debt repayment. The weak performance of hotel tax revenues through the pandemic reduces the uplift provided by this revenue stream in prior years. The Aa2 lease rating, which is now two notches off the Aaa GOULT rating, also considers the less essential nature of the convention center in regards to government operations.

The affirmation of outstanding Aa1 ratings for lease-backed obligations reflect the standard one notch distinction from the city's Aaa GO bond rating, which we apply to abatement leases secured by more essential assets and to equipment leases where the term matches the useful life of the leased assets. The affirmation of outstanding Aa2 ratings for lease-backed obligations reflect the standard two notch distinction from the city's Aaa GO bond rating, which we apply to abatement leases secured by less essential assets.

**RATING OUTLOOK**

The revision of the outlook to stable reflects the expectation that the city's finances will remain strong in the near term despite modest projected deficits in fiscals 2022 and 2023. The stable outlook assumes the economic headwinds the city faces will linger and that the city's social risks, including income inequality, homelessness, and pandemic-related population decline will persist but remain manageable in the current outlook horizon. The stable outlook also incorporates our assumption that the city will be able to absorb various downward property reassessments through the remainder of calendar year 2022 and potentially into 2023 with only a modest impact on the city's tax base and general fund.

**FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS**

- Not applicable

## FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Deterioration of the city's financial position to a materially weaker level
- Prolonged weakening of the city's economy including population loss, taxable value declines, and increased social pressures
- Material increase in debt, pension or OPEB liabilities

## LEGAL SECURITY

The GO bonds are paid from a voter-approved, unlimited ad valorem property tax pledge of all taxable property within the city boundaries.

The Lease Revenue Bonds Series 2008-1 and 2008-2, Refunding COPs Series 2011A and Certificates of Participation Series 2017B, rated Aa2, are secured by rental payments under standard abatement lease agreements for certain portions of the Moscone Convention Center, assets we consider less essential. The obligations are partially repaid with available, but non-pledged, revenue sources.

The remaining Aa1-rated obligations are secured by rental payments under standard abatement lease agreements for assets that we view as more essential or for equipment with a strong lease structure where the lease term matches the useful life of the leased assets. The Aa2-rated obligations are secured by rental payments under standard abatement lease agreements for assets that we view as less essential.

## USE OF PROCEEDS

Proceeds of the current issuance will be used to refund the city's 2012D, 2012E, 2014A, 2014C, and 2014D GO bonds for net present value savings.

## PROFILE

The City and County of San Francisco is the economic, employment and cultural center of the San Francisco Bay Area and Northern California (Aa2 stable). The city encompasses over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay. Silicon Valley is about a 40-minute drive to the south, and the Napa/Sonoma wine country is about an hour drive to the north. The city has approximately 890,000 residents.

San Francisco's combined city-county organization is unique in California. The City is governed by a board of supervisors, elected from eleven districts, and a mayor who serves as chief executive officer, elected citywide. The City has over 36,000 employees and operates the San Francisco Airport Commission (A1 stable), San Francisco Public Utilities Commission Water Enterprise (Aa2 stable), Hetch Hetchy Water and Power, San Francisco Municipal Transportation Agency (Aa2 negative), San Francisco General Hospital, San Francisco Public Utilities Commission Wastewater Enterprise (Aa2 stable), San Francisco Port Commission (Aa3 negative), Laguna Honda Hospital and CleanPowerSF (A2 stable).

## METHODOLOGY

The principal methodology used in the general obligation ratings was US Local Government General Obligation Debt published in January 2021 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM\\_1260094](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1260094) . The principal methodology used in the lease ratings was Lease, Appropriation, Moral Obligation and Comparable Debt of US Local Governments Methodology published in March 2022 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM\\_1317546](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1317546) . Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of these methodologies.

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

For ratings issued on a program, series, category/class of debt or security this announcement provides certain

regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on [www.moody's.com](http://www.moody's.com).

The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

These ratings are solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website [www.moody's.com](http://www.moody's.com).

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at [http://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC\\_1288235](http://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC_1288235).

At least one ESG consideration was material to the credit rating action(s) announced and described above.

The Global Scale Credit Rating on this Credit Rating Announcement was issued by one of Moody's affiliates outside the EU and is endorsed by Moody's Deutschland GmbH, An der Welle 5, Frankfurt am Main 60322, Germany, in accordance with Art.4 paragraph 3 of the Regulation (EC) No 1060/2009 on Credit Rating Agencies. Further information on the EU endorsement status and on the Moody's office that issued the credit rating is available on [www.moody's.com](http://www.moody's.com).

The Global Scale Credit Rating on this Credit Rating Announcement was issued by one of Moody's affiliates outside the UK and is endorsed by Moody's Investors Service Limited, One Canada Square, Canary Wharf, London E14 5FA under the law applicable to credit rating agencies in the UK. Further information on the UK endorsement status and on the Moody's office that issued the credit rating is available on [www.moody's.com](http://www.moody's.com).

Please see [www.moody's.com](http://www.moody's.com) for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on [www.moody's.com](http://www.moody's.com) for additional regulatory disclosures for each credit rating.

Joseph Manoleas  
Lead Analyst  
REGIONAL\_WEST  
Moody's Investors Service, Inc.  
405 Howard Street  
Suite 300  
San Francisco 94105  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

John Nichols  
Additional Contact  
REGIONAL\_SOUTHWEST  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

Releasing Office:  
Moody's Investors Service, Inc.  
250 Greenwich Street  
New York, NY 10007

U.S.A  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653



© 2022 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

**CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.**

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources

MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$5,000,000. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moodys.com](http://www.moodys.com) under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for

credit ratings opinions and services rendered by it fees ranging from JPY100,000 to approximately JPY550,000,000.

MJKB and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.