# Standard & Poor's Affirms City of Costa Mesa Outstanding Rating for Lions Park Bonds

The City of Costa Mesa received outstanding financial news recently as Standard & Poor's (S&P) reaffirmed the City's AA+ credit rating for the 2017 Lease Revenue Bonds for the Lions Park Project.

As previously reported, the City's underlying credit rating of AAA remains unchanged and is the highest possible rating issued by a financial services company.  The bond rating for the 2017 Lions Park Project bonds is one notch under the City's underlying rating consistent with best practices.

This news comes after Costa Mesa was able to overcome fiscal challenges brought on by the economic downturn related to the unprecedented COVID-19 pandemic for the Fiscal Year ending June 30, 2020.

"This is great news that despite the financial setbacks from the COVID-19 pandemic, we are able to maintain our strong AA+ rating for the 2017 Lease Revenue Bond," Mayor Katrina Foley said. "This is a testament to our talented Finance team and City staff. Congratulations to my fellow Council colleagues and the Finance and Pension Advisory Committee (FiPAC) whose prudent fiscal policies and budget actions helped us achieve this accomplishment, especially former Mayor Pro Tem Stephens served as liaison to the FiPAC for the past four years."

S&P is considered the largest of the country's Big Three credit-rating agencies, which also include Moody's Investors Service and Fitch Ratings. The rating is the direct result of significant research by S&P in discussions with Costa Mesa

leadership and finance staff to analyze the City's audited financial statements, procedures and practices.

The S&P report credited the City's responsible management of both its reserves and its debt. Indeed, the report cited numerous reasons for this top rating.

According to the report, S&P "reviewed governance risks and consider them better than the sector standard because of the City's very strong management profile with strong financial policies and practices, and successful economic development efforts."

"I'm so proud of our City Council, the leadership team and staff, especially our Finance team for making the tough choices to balance our budget early on in this crisis," City Manager Lori Ann Farrell Harrison said. "We were very proactive and this outstanding credit rating is a direct result of that. This is a great moment for our entire Costa Mesa team and Finance Director Carol Molina."

Costa Mesa Finance Director Carol Molina was grateful to hear this news.

"This reaffirmation from Standard & Poor's demonstrates the City's strength and commitment to long-term fiscal health," Molina said. "It's an outstanding accomplishment that is achieved through strong leadership and dedicated staff."

S&P stated that the ratings reflect its view of multiple factors including, but not limited to, the following City attributes:

- Very strong economy, with access to a broad and diverse metropolitan statistical area;
- Very strong management, with strong financial policies and practices under our financial management assessment methodology;
- Very strong budgetary flexibility, with an available

audited fund balance in fiscal 2018-2019 of 35% of adjusted operating expenditures;

- Very strong liquidity, with total government available cash at 60.9% of total governmental fund expenditures and 34.4x governmental debt service, and access to external liquidity we consider strong;
- Strong debt and contingent liability position, with debt service carrying charges at 1.8% of expenditures and net direct debt that is 16.3% of total governmental fund revenue, as well as low overall net debt at less than 3.0% of market value, but a large pension and other postemployment benefit (OPEB) obligation; and
- Strong institutional framework score, which in sum means that the City’s federal single audit results are strong.

Click here to read the full report.