



Published December 20th, 2023

Moraga assigned AAA rating from S&P Global

By Vera Kochan

In order to avoid any confusion, the AAA rating given to the town of Moraga by Standard & Poors Global Ratings (S&P), has nothing to do with the American Automobile Association. Quite simply put, it means that Moraga has achieved an exemplary credit rating.

Town Manager Scott Mitnick broke the good news in a Dec. 5 memo to staff, "This would not be possible if it were not for the incredible governing leadership of Town Council, having a visionary Planning Commission, and the dedication to best practices by each member of the E-Team [Executive-Team] and Town staff." He also made an announcement to the Town Council during its Dec. 6 Special Meeting.

According to an S&P Credit Highlights Summary, with regards to the town's Appropriations and General Obligation, "S&P Global Ratings assigned its `AAA' issuer credit rating (ICR) to Moraga, Calif., and its `AA+' long-term rating to the town's anticipated \$4.7 million series 2023 refunding certificates of participation (COPs). At the same time, S&P Global Ratings affirmed its `AA+' long-term rating on the town's series 2013 COPs. The outlook is stable."

Moraga's credit overview from S&P took many things into consideration and should not come as a surprise to most residents. Upper-income levels are comparable to many municipalities in California, and property values have increased dramatically during the past 20 years. Thanks to the town's governing body, new statutes have helped to secure the state's certification of the Housing Element in a timely manner, while setting sights on adding approximately 123 high-end homes in the next decade. Land use regulations will allow low-density retail and commercial property owners the ability to add multi-family housing units. Also included in the report, was the voter approved Measure K special sales tax from 2013 with a sunset date of 2033, which has helped the town balance its budget while making great strides to improve infrastructure and maintenance. S&P also recognized that Moraga made it through COVID's fallout with the help of federal grant support, proving that it could handle challenges when necessary thanks to an available general fund balance and policy-mandated reserve minimum. It is worth mentioning that although S&P recognized that Moraga could potentially face Mother Nature's wrath in the form of earthquakes, wildfires and inland flooding, they give kudos to the Moraga-Orinda Fire District for developing evacuation programs and fuel mitigation strategies to minimize the risks.

S&P's report stated, "The rating further reflects our view of the town's very strong economic profile in the San Francisco Bay Area, with some of the strongest market value per capita in the state despite limited commercial or industrial land uses that can elevate this figure," and the "very strong budgetary flexibility and liquidity but fluctuating budgetary performance even after our adjustments for one-time factors, which we understand primarily reflect surges and troughs in discretionary capital spending rather than major year-to-year operational changes."

? Additionally, "strong management and good institutionalized financial policies and practices, including a robust budget-building process, midyear budget updates to council, policy-required maintenance of five-year long-term financial and capital plans, formal debt and investment policies, a robust policy-mandated reserve minimum of 50% of expenditures, and a strong state institutional framework score for municipalities required to maintain federal single audits," and lastly, a "very strong debt-and-contingent liability profile, with a low debt burden and modest annual pension costs relative to those of state and national peers." "The AAA credit rating reflects not just the current political stability, State certified Housing Element, strong demographics, and local geography," said Mitnick, "it equally reflects the best financial management and budgetary practices that former Chief Financial Officer Annie To put into place during her tenure with the town."

In his Dec. 12 memo to staff, Mitnick wrote, "The Town of Moraga 2023 Refunding Certificates of Participation (COPs) were funded this morning via a highly competitive bidding process. The winning bid went to Fidelity Capital Markets (based in Boston, Mass.) at an amazing 2.477% interest rate. As a reminder, we were anticipating a refunding in the low 3s . maybe close to 3.0%. The current 2013 COPs have an average rate of about 4.85%. This level of bidding and the rate achieved was well below what was anticipated . by at least 50 bps [basis points]."

Mitnick revealed that the town's recent AAA overall credit rating from S&P along with a Nov. 21 in-person rating agency presentation made all the difference.

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