Moody’s Confirms Sunnyvale’s Aaa Credit Rating
*Cites Exceptionally Strong Budget Management, Financial Profile*

SUNNYVALE, Calif. – Moody’s Investors Services has confirmed a Aaa issuer credit rating for the City of Sunnyvale, one of only eight California cities – including Beverly Hills, Newport Beach, and Palo Alto – to hold Moody’s highest rating. Moody’s initiated a review of 32 California cities, including Sunnyvale, late last year. Their review of Sunnyvale concluded with a report issued January 18 citing Sunnyvale’s exceptionally strong budget management and financial profile as the basis for renewing its Aaa rating.

“This is a prize certainly,” stated City Manager Gary Luebbers. “But far more important to me is what it stands for in terms of Sunnyvale’s ongoing commitment to strong financial decision-making and good governance in general.”

According to Moody’s, Sunnyvale’s “very sound long term fiscal policies” have enabled the city to maintain “exceptionally strong reserves.” Sunnyvale currently has over $88 million, or equivalent to more than 70% of its annual general fund revenue, in reserve. The report also made special note that the City is making substantial contributions toward its pension and retiree benefit expenses. For example, Sunnyvale established a trust with $10 million from its reserves to pay for future retiree healthcare costs, and is contributing 19% more than the PERS Annual Required Contribution for its pension costs specifically to minimize the City’s future liability.
Moody’s also said that Sunnyvale “continues to be a desirable commercial area of Silicon Valley” and is benefiting from the region’s robust acceleration from the recession. With companies like Lockheed, Yahoo and Apple as Sunnyvale’s top three largest employers, the report credited the City’s strong employer base in the technology sector with helping to boost developer fee revenue and keep the City’s unemployment rate well below state and national averages at 7.8%. Based on the fact that the City’s economy is exiting the recession at a faster rate than most portions of the country, the agency projected the City’s “already very large $25 billion tax base will continue to grow in the short to mid-term.”

Moody’s also took action to create at least a two-grade separation between the issuer rating and Certificates of Participation rating for California cities. Certificates of Participation are similar to lease revenue bonds and are typically used by cities to fund capital projects. The separation in ratings reflects Moody’s belief that Certificates of Participation are relatively less secure than general obligation bonds. This was a consistent action for all cities and resulted in a Aa2 Certificate of Participation rating for both Sunnyvale and Santa Monica, the only other Aaa city under review. The Aa2 rating is still very high and has no effect on Sunnyvale’s overall credit rating.

Moody’s initiated its review because of concerns over municipal bankruptcies and bond defaults compounded by the economic recession and limitations California cities have on their ability to raise taxes. Though Sunnyvale is in very good financial condition, the agency was looking comprehensively across the state to reassess investment risk and credit-worthiness.

Moody’s rates 95 California cities and Sunnyvale has held their highest issuer credit rating since 2009 when the agency began issuing that type of rating for cities. Standard & Poor’s also confirmed its highest AAA rating for Sunnyvale in May 2012.

The complete Moody’s Ratings Update is available online to subscribers at Moodys.com or to journalists by contacting Moody’s at (212) 553-0376.

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