# Standard & Poor’s raises Costa Mesa’s credit rating to its highest level of AA+

The City of Costa Mesa received excellent financial news this week as its credit ratings with Standard & Poor’s jumped from AA to AA+, the highest possible rating issued by the financial services company for this type of financing.

The new improved ratings were issued in a report that came out today. This upgraded rating is the direct result of significant research by Standard & Poor’s during many meetings and discussions with Costa Mesa administrative and finance staff to analyze the city’s financial procedures and practices.

The high rating will allow the city to get the best rate possible for the sale of bonds that will be used to complete the Lions Park Projects.

“This is great news for the city and this AA+ rating assures the taxpayers of Costa Mesa that we will be able to complete the Lions Park projects with lower financing costs,” Mayor Katrina Foley said. “Congratulations to the current and former city councils, city staff and the Finance and Pension Advisory Committee for the prudent fiscal policies and management that helped us achieve this accomplishment.”

The Standard & Poor’s report also credited the effort to responsibly manage city reserves and debt. Indeed, Standard & Poor’s report cited several reasons for this top rating.

Click here to see the full report.

According to Standard & Poor’s, the following findings played into the rating being raised to the top level.

- Very strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Very strong management, with strong financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Strong budgetary performance, with operating surpluses in the general fund and at the total governmental fund level in fiscal 2016;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2016 of 54% of operating expenditures;
- Very strong liquidity, with total government available cash at 81.8% of total governmental fund expenditures and 26.4x governmental debt service, and access to external liquidity we consider strong;
- Strong debt and contingent liability position, with debt service carrying charges at 3.1% of expenditures and net direct debt that is 21.9% of total governmental fund revenue, as well as low overall net debt at less than 3% of market value, but a large pension and other postemployment benefit (OPEB) obligation; and
- Strong institutional framework score.