



## **S&P Global Ratings Affirms City of Santa Fe Bond Ratings at AA, AA+, AAA, and Outlook Stable; Removes City from CreditWatch**

***Agency says City has strong economic profile, solid financial performance, and good financial management practices and policies***

**SANTA FE, June 14, 2023** – S&P Global Ratings, an independent rating agency, has affirmed the City of Santa Fe's bond ratings with a stable outlook, and removed the City from CreditWatch.

Mayor Alan Webber says, "I'm extremely gratified that S&P has given the City a clean bill of health. Their evaluation says it best: 'Fiscal transparency and well-established financial practices and policies should enable continued strong budgetary performance.' Our Finance team is doing an outstanding job and we should all feel good about this S&P announcement."

City Manager John Blair says: "S&P's affirmation of the bond ratings is a meaningful indication that the City's finances are stable, secure, and that City financial leadership has taken appropriate measures to ensure financial resilience."

Emily K. Oster, Finance Director of the City of Santa Fe, says: "I am proud to receive these positive bond ratings and recognition from S&P of the City's stable financial position. These ratings are a testament to our city's strong financial health and build on Mayor Webber's commitment to financial responsibility."

### **In characterizing the City's rating outlook as "stable," S&P highlighted the following key factors:**

- Good financial management practices and policies despite delayed financial reporting, with an institutional framework score that they view as very strong for mayor-council municipalities required to produce audits in New Mexico;
- Strong economic profile, supported by stable employment sectors, very strong resident incomes, and the city's status as a regional tourism destination;
- Solid financial performance, partially due to sizable growth in gross receipts tax (GRT) collections throughout the pandemic;
- A strong debt burden, although with limited certainty about the sizing of future debt plans.

In their analysis of the City's financial position, S&P said, "Notably, the city also saw a sharp increase in GRT revenues as pandemic restrictions eased and tourism returned in force. These taxes on goods and services account for nearly two-thirds of general fund revenues and fiscal 2022 showed a more-than-20% increase from previous-year collections."

**S&P's ratings of the City's bonds are:**

Bond Type	S&P Global Rating	Amount Outstanding at 6/30/2021
Water Utility	AAA	\$32.2M
Wastewater Utility	AA+	\$13.6M
Senior Lien Gross Receipts Tax Revenue	AA+	\$56.7M
Subordinate Lien Gross Receipts Tax Revenue (including Gasoline Tax and Refunding)	AA	\$56.7M
General Obligation	AA	\$17.9M

About the Wastewater Utility, S&P said, "The rating [AA+] reflects the strength of the financial profile, with exceptionally strong liquidity reserves and coverage metrics that we anticipate will remain healthy in the long term."

S&P noted that due to recent staff turnover, combined with changes to the City's independent auditing firm, the City has faced challenges completing financial statement on a timely basis. However, Santa Fe has dedicated resources and worked closely with consultants to provide information that S&P deems sufficient to maintain the City's ratings, notably a full draft audit for fiscal 2021 and estimates for fiscal 2022 and current data for 2023.

**The report summary also noted the following:**

- The changes implemented by the City should enable timely reporting and S&P expects future delays will be unlikely.
- S&P assessed the City's environmental, social, and governance (ESG) risks and deem them to be neutral considerations in their credit rating analysis. While the City has faced delays in financial reporting, they don't believe this represents an elevated governance risk.

**Outlook from S&P**

The stable outlook reflects S&P's expectation that the local economy will continue to support pledged revenue stability and that, despite likely debt issuance in the near term, coverage will be maintained at strong-to-very strong levels, likely contributing to strong fiscal performance over the two-year outlook horizon. The outlook further reflects S&P's expectation of timely financial reporting going forward.