Release Date: ***October 15, 2008***
Office of Mayor Phil Hardberger: ***207-7083***

Mayor Hardberger announces first ‘AAA’ bond rating in City’s history

Mayor Phil Hardberger Tuesday announced that Standard and Poor’s Ratings Service has upgraded San Antonio’s general obligation bond rating to the highest level possible –‘AAA’ rating.

The upgrade from the previous ‘AA+’ rating marks the first time San Antonio has achieved such a rating.

“This is great news for San Antonio and proof positive that we’re doing things right in our city,” Mayor Hardberger said. “The outstanding leadership we have in City Manager Sheryl Sculley has allowed us to thrive despite problems in the national economy.”

In a press release, Standard & Poor’s announced the upgrade and cited the city’s “maintenance of strong financial reserves and continued diversification of the local economy” as primary reasons.

City Manager, Sheryl Sculley said, “I am very pleased with the upgrade by Standard & Poor’s to ‘AAA’. It reflects our diverse local economy and our commitment to strong financial management which allows the City to remain well positioned in these changing economic times.” She also said, “This upgrade means it will cost less to borrow money to fund many of the City’s capital projects.”

Municipal bond ratings are issued by three major services: Standard and Poor’s, Moody’s Investors Service and Fitch Ratings. San Antonio’s general obligation rating by Moody’s is ‘Aa1’ and by Fitch is ‘AA+’. Both of these are also strong ratings at one notch below ‘AAA'.

San Antonio joins Phoenix, Arizona as the only other city with a population of one million or more to be rated ‘AAA’ by Standard & Poor’s. There are currently no cities with a population of one million or more that are rated ‘AAA’ by any two of the three major rating agencies.

This is the second general obligation ratings upgrade that the City has received in the past year. Last fall, Moody’s upgraded the City’s general obligation bond rating from ‘Aa2’ to the current ‘Aa1’ rating.

Mayor Hardberger said local leaders have long known that San Antonio’s diverse economy, advantage.

“This really reinforces what we’ve known all along, and we’re proud to be recognized for it,” he said.

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Who: Standard & Poor's Rating Services

What: Awarded San Antonio its highest bond rating

Why: Strong financial reserves, diversified economy

Result: Lower interest rates on bonds, savings for taxpayers

Tracy Idell Hamilton - Express-News

For the first time in its history, the city of San Antonio has received the highest possible bond rating from one of the “big three” rating agencies, officials said Wednesday.

Standard & Poor's Rating Services based its rating increase — from AA+ to AAA — on the city's “maintenance of strong financial reserves and continued diversification of the local economy.”

The boost means that over the long term, San Antonio and its taxpayers could save millions because the city would be able to get lower interest rates on the bonds it sells. It also means San Antonio's bonds will be more attractive to buyers.

“In the near term, it's going to reassure a lot of investors,” said Jorge Rodriguez, managing director of Coastal Investments, one of the city's financial advisers. “In this market, it's going to make all the difference in terms of market acceptance.”

The higher rating will affect not only future bond sales, but also the city's outstanding debt of about $1 billion in general obligation bonds and tax notes, said Horacio Aldrete-Sanchez, director of S&P's state and local government ratings.

San Antonio's “core fundamentals are solid,” Aldrete-Sanchez said, “and the city's financial policies, in our view, mean it will be able to face the challenges of a slowing economy, and will be in a good position to recover strongly.”

Mayor Phil Hardberger was thrilled by the news, and he gave City Manager Sheryl Sculley much of the credit.

Her leadership, he said, “has allowed us to thrive, despite problems in the national economy.”

Sculley called it “a fabulous response and reward” for three years of hard work.

When she arrived in San Antonio in late 2005, Sculley found a finance department with more than two dozen vacancies, an inability to issue periodic financial reports, and city coffers with a 3 percent reserve.

“The council that hired me had a clear idea that it wanted to improve the financial management of the city,” she said, “and this council has continued to support that.”

She reorganized the finance department, including leadership changes, and had it begin releasing monthly financial statements.

The council receives quarterly financial reports, and last year, the city manager instituted a mid-year budget review.

She also suggested increasing the city's general fund reserves to 10 percent, which consecutive City Councils have supported.

In three years, it went from 3 percent to 9 percent, and will hit 10 percent in 2010.

Aldrete-Sanchez said the city's reserve was one thing S&P looked at when making its decision. The city's increasingly diverse economy was another.

San Antonio used to rely heavily on the military and tourism, he said. Today, those industries are joined by strong biomedical, manufacturing and large data service center sectors.

Hardberger said he had hoped to boost the city's rating to AAA when he first came on board, he said, but was told it was too ambitious of a goal with just four years in office.

“Even Sheryl told me it would be unlikely,” he said.

That San Antonio's rating has increased when other cities around the country face downgrades, he said, “is just extraordinary.”

San Antonio joins Phoenix as the only other city with populations over 1 million to have general obligation bond ratings of AAA by S&P, according to the city, and this is the second rating increase it has received in the past year.

Last fall, Moody's upgraded San Antonio from Aa2 to Aa1. Fitch recently reaffirmed its rating at AA+.

Both ratings are considered one notch below AAA.

Web Posted: 10/23/2008 12:00 CDT

High bond rating rewards city's fiscal management

The city of San Antonio's strong fiscal stewardship got some important recognition last week.

Standard & Poor's Rating Service, one of the top three bond rating agencies in the nation, boosted the city's rating to a top-tier AAA.

As an Express-News report noted, the top rating could save the city millions of dollars in interest costs and make San Antonio's general obligation bonds more attractive to investors.

That's good news for city officials and taxpayers.

The agency's announcement said the better rating was based on San Antonio's “maintenance of strong financial reserves and continued diversification of the lcoal economy.”

City Manager Sheryl Sculley has pushed to increase the city's reserve since her arrival, and under the leadership of Mayor Phil Hardberger, City Council has followed her advice.

City Council has increased the reserve from 3 percent of the general fund to 9 percent at Sculley's strong recommendation.

Sculley's goal is a reserve of 10 percent.

The bond rating is a testament to the improvement in the city's financial management since Sculley's arrival in 2005.

Phoenix is the only other city with a population exceeding a million that has earned the AAA general obligation bond rating, the Express-News reported.

In addition to the increased reserve, Sculley has implemented quarterly financial reports and a mid-year budget review, the newspaper noted.

The development should help block future efforts to use reserve funds for annual spending needs and desires.

Sculley and those City Council members that supported increasing the city's reserve deserve kudos for wise budget management.

We hope the other major bond rating agencies follow Standard Poor's with AAA ratings for San Antonio.

Source: City of San Antonio’s website (http://www.sanantonio.gov/news/NewsMayorCouncil/nrMayorbondrating.asp)