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Media Contact:
Chuck Finnie
(510) 583-4344
chuck.finnie@hayward-ca.gov

Hayward's strong AA+ credit rating affirmed amid coronavirus pandemic uncertainty

HAYWARD, Calif., Oct. 7, 2020—The credit rating agency Fitch Ratings has affirmed the City of Hayward's credit rating of AA+, among the highest available worldwide for government issuers of debt to finance capital improvement projects.

The AA+ rating "reflects the city's strong revenue growth prospects, moderate long-term liability, moderately-elevated fixed costs, and consistently strong reserves relative to expected revenue volatility and budget flexibility," Fitch stated in its announcement Tuesday.

In its statement, Fitch noted that the coronavirus pandemic is creating budgetary uncertainty for U.S. state and local governments, and predicted the nation's economy, as measured by its Gross Domestic Production (GDP)—or total output—won't recover fully until late 2021 at the earliest.

However, commenting specifically on Hayward, the rating agency said, it "expects the city to maintain a high level of financial resilience," noting the City's track record, by City Council policy, of maintaining General Fund operating reserves of at least 20 percent over budgeted expenditures.

The City's General Fund pays for primary municipal services such as police, firefighting and emergency paramedic services, street and public space maintenance, and libraries. The General Fund reserve serves as the City's "savings account" and helps ensure it can meet obligations during fluctuations in revenues and the economy—and in times of emergency.

In its comments on Hayward's capacity to weather the pandemic, Fitch also cited spending reductions already identified by the City in the form of elimination of vacant positions,

reduction of part-time employee payments and other areas of lowered discretion spending—and, in particular, contributions from City employee labor groups in the form of unpaid furloughs and foregoing of agreed-to cost-of-living pay adjustments.

Strong credit ratings are important for local governments and their taxpayers because they reduce the cost of borrowing to finance capital projects and create opportunities for saving on future debt-service payments.