

# RatingsDirect®

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## Summary:

# Mountain View, California; Appropriations; General Obligation

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## Table Of Contents

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Rationale

Outlook

Related Criteria And Research

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### Credit Profile

Mountain View ICR

*Long Term Rating*

AAA/Stable

Affirmed

## Rationale

Standard & Poor's Ratings Services affirmed its 'AAA' issuer credit rating (ICR), with a stable outlook, on Mountain View, Calif. based on Standard & Poor's local general obligation criteria, published Sept. 12, 2013, on RatingsDirect.

Standard & Poor's also affirmed its 'AA+' rating, with a stable outlook, on the city's series 2001 and 2003 certificates of participation (COPs).

The COP rating further reflects our assessment of the city's covenant to budget and appropriate lease payments annually. The series 2003 COPs represent an interest in lease payments made by the city, as lessee, to Mountain View Revitalization Authority, as lessor, for the use of the city's public safety headquarters in downtown Mountain View. The series 2001 COPs represent an interest in lease payments made by the city, as lessee, to Mountain View Capital Improvements Financing Authority, as lessor, for the use of city hall and a community theater complex. The leases are subject to abatement in the event of damage or destruction, but Mountain View has agreed to retain sufficient rental-interruption insurance to meet two years' maximum annual debt service.

The rating further reflects our opinion of the following factors for Mountain View:

- We consider Mountain View's local economy very strong with projected per capita effective buying income of 211% of the national average. Market value is roughly \$246,000 per capita. According to the U.S. Bureau of Labor Statistics, Santa Clara County unemployment was 6.8% in 2013. We believe city residents benefit from Mountain View's participation in the broad and diverse San Jose-Sunnyvale-Santa Clara metropolitan statistical area (MSA).
- Mountain View's management conditions are, in our view, strong with "good" financial management practices under our Financial Management Assessment methodology, indicating that financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them.
- In our opinion, budgetary flexibility is very strong with available general fund reserves maintained in excess of 30% of expenditures for the past several fiscal years. Audited information shows Mountain View closed fiscal 2013 on June 30 with an available, assigned and unassigned, general fund balance of \$41.5 million, or 40% of operating expenditures. Consistent with, what we regard as, the city's conservative budgeting strategy, city officials expect available reserves to decrease slightly to \$38.5 million but remain, in our view, still very strong in excess of 30% of budgeted expenditures.
- In our view, overall budgetary performance is strong with mostly balanced general fund operations and a 24.6% operating surplus reported across all governmental funds in fiscal 2013. Management attributes the significant surplus across all governmental funds partially to increased revenue from new economic development and

increased service charges and fees. Apart from a \$6.6 million nonrecurring land purchase, officials expect mostly balanced operations for the general fund and across all governmental funds in fiscal 2014.

- Supporting Mountain View's finances is, what we consider, very strong liquidity with available cash in excess of 100% of debt service expenditures and total governmental funds expenditures in fiscal 2013. Based on its past COPs issuance, we believe Mountain View has strong access to capital markets to provide liquidity, if necessary.
- In our opinion, Mountain View's debt and contingent liabilities profile is very strong with debt service of 5.7% of total governmental funds expenditures and net direct debt of 51.5% of total governmental funds revenue. In our view, overall net debt is a low 2.7% of estimated market value. We consider principal debt amortization above average with officials planning to retire approximately 71% over the next 10 years. We understand city officials do not expect to issue additional debt over the next two years. Mountain View contributes to the California Public Employees' Retirement System, and it has contributed 100% of the annual required contribution (ARC) in each of the past three audited fiscal years. In fiscal 2013, the city contributed \$14.1 million. Mountain View also participates in the California Employers Retirees' Benefit Trust, through which it provides other postemployment benefits (OPEB). In fiscal 2013, it contributed \$4.3 million toward OPEB, which exceeded the ARC of \$3.9 million. Combined pension and OPEB expenditures accounted for, in our view, a slightly above-average 13% of total government expenditures in fiscal 2013.
- We consider the Institutional Framework score for California cities with \$500,000 or more in federal awards expended annually and two or more federal programs strong.

## Outlook

The stable outlook reflects Standard & Poor's opinion of Mountain View's very strong financial flexibility and liquidity, supported by strong management. We believe, what we consider, Mountain View's very strong economy and participation in the broad and diverse San Jose-Sunnyvale-Santa Clara MSA provide additional rating stability. Therefore, we do not expect to change the rating within the outlook's two-year period. Although not expected, if financial performance and flexibility were to deteriorate significantly, however, we could lower the rating.

## Related Criteria And Research

### Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Appropriation-Backed Obligations, June 13, 2007
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013

### Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: California Local Governments

### Ratings Detail (As Of July 2, 2014)

Mountain View 2003 rfdg certs of part bnds (Rfdg And Cap Projects)

*Long Term Rating* AA+/Stable Affirmed

**Mountain View certs of part (City Hall/Comnty Theatre Complex Refincg) ser 2001 dtd 07/01/2001 due 08/01/2002-2015**

*Unenhanced Rating* AA+(SPUR)/Stable Affirmed

**Ratings Detail (As Of July 2, 2014) (cont.)**

Many issues are enhanced by bond insurance.

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