

Research Update:

Walnut Creek, CA Assigned 'AAA' Issuer Credit Rating; Series 2025 Lease Revenue Bonds Rated 'AA+'

November 14, 2025

Overview

- S&P Global Ratings assigned its 'AAA' issuer credit rating (ICR) to the City of [Walnut Creek, Calif.](#)
- At the same time, we assigned our 'AA+' long-term rating to the city's anticipated \$50.66 million series 2025 lease revenue bonds.
- The outlook is stable.

Rationale

Security

The ICR reflects our view of the city's general creditworthiness and does not incorporate the features of any specific debt instrument.

The lease revenue bonds represent an interest in lease rental payments by Walnut Creek, as lessee, to the [Walnut Creek Joint Powers Financing Authority](#), as lessor. We have reviewed the lease under our criteria and view the lease terms as standard. Furthermore, the leased assets meet our minimum requirements for seismic resilience during the term of the bonds. Consistent with our "[Issue Credit Ratings Linked To U.S. Public Finance Obligors' Creditworthiness](#)," Nov. 20, 2019, we rate the bonds one notch below our view of the city's general creditworthiness to reflect our view of the risk of nonappropriation inherent to the lease structure. We note that the city's intended source of payment for the series 2025 lease revenue bonds is the receipts from its 10-year Measure O sales tax, which voters approved in November 2022.

Proceeds from the series 2025 bonds will finance the construction of the city's Aquatic and Community Center at Heather Farm Park, fund other various capital improvements, and pay the cost of issuance.

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Credit highlights

The rating reflects our view of Walnut Creek's robust tax base, history of strong financial performance, and robust available reserve position, supported by sophisticated financial management, all of which we expect will be maintained over the outlook horizon.

The city's historically strong financial performance has supported its favorable reserve position that remains well above its formal policy levels. The city has a multipronged reserve policy approach: Its fiscal emergency reserve requirement is a minimum of 5% of general fund property tax, sales tax, and program revenues and an additional 5% of pension and medical costs. In addition, it maintains a catastrophic emergency committed fund balance policy, requiring 10% of general fund expenditures; we have factored these committed funds into our calculation of available reserves. Fiscal 2025 estimated actuals reflect a surplus of about 10% of revenue, with revenues and expenditures both outperforming initial projections, which management attributes to conservative budget assumptions. Its fiscal 2026 and fiscal 2027 biennial budget projects continued positive operating results, and management anticipates healthy year-end results moving forward given ongoing efforts to reduce expenditures and conservative budgeting practices. Management anticipates some level of reserve use from its facilities reserve (assigned fund balance) and general fund contingency reserve (unassigned fund balance) for planned one-time expenditures, but it notes that draws will not be material and that total available reserves will remain well above its formal policy levels. We do not expect these draws will change our view of the city's fund balance levels. Furthermore, we anticipate the city's financial position will be stable given its track record of healthy financial performance and historically supporting a favorable reserve position, which provides a cushion to withstand potential budgetary pressures without negatively affecting our view of credit quality.

For more information, see "[U.S. Local Governments Credit Brief: California Counties And Municipalities Means And Medians](#)," Oct. 31, 2025.

Credit fundamentals supporting the rating include the following:

- Its affluent and primarily residential tax base is located in the San Francisco Bay Area, with favorable per capita economic output metrics and local incomes that serve as credit strengths. Management anticipates sustained assessed value growth for the foreseeable future given the level of ongoing development in the area.
- Historically positive financial performance has supported the growth and maintenance of its robust available reserve position. Management anticipates continued positive operating performance moving forward due to conservative budgeting practices, which we expect will continue to support an above-average reserve position relative to those of similarly rated peers.
- Institutionalized financial practices include conservative budgeting, budget-to-actual reports that are provided to the council quarterly, maintenance of a long-term financial plan and long-term capital plan, and formalized policies for debt management, investment management, and reserves. The city is taking steps to reduce cybersecurity risks.
- The city's long-term liabilities profile is manageable, with costs that we expect will remain affordable for the foreseeable future given that the city has no future debt plans and has cash-funded its capital needs historically.
- We do not consider its pension liability to be a near-term source of budgetary pressure. In addition, the city maintains an irrevocable Section 115 pension trust that was established to

mitigate the impacts of rising pension costs and currently holds a balance of nearly \$32 million.

- For more information on how we evaluate California municipalities, see "[Institutional Framework Assessment: California Local Governments](#)," Sept. 9, 2024.

Environmental, social, and governance

In our view, the city has elevated exposure to certain physical risks, given the region's exposure to wildfires, droughts, and earthquakes, which could weaken its underlying economic base or influence demographic trends. We believe that strong state building codes have helped substantially mitigate risks related to seismic activity. We also understand that that the city is a participant in the 2024 Contra Costa City Hazard Mitigation Plan and continues to assess its facilities and take active measures to help mitigate present risks. We view the city's social and governance factors as neutral within our credit rating analysis.

Rating above the sovereign

We rate Walnut Creek's lease revenue bonds higher than the sovereign, because we believe the city can maintain better credit characteristics than the nation in a stress scenario. Under our criteria titled "[Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions](#)," Nov. 19, 2013, U.S. local governments are considered to have moderate sensitivity to country risk because the city predominantly derives its revenue from local sources and has independent taxing authority as well as independent treasury management from the federal government.

Outlook

The stable outlook reflects our expectation that the city will maintain its favorable reserve position and stable operating performance over the two-year horizon, supported by a comparatively large and expanding tax base and prudent financial management.

Downside scenario

We could lower the rating if financial performance materially weakens, resulting in operational imbalance and a significant deterioration of general fund reserves, without a credible plan to correct it.

Walnut Creek, California--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	1.25
Economy	1
Financial performance	1
Reserves and liquidity	1
Management	1
Debt and liabilities	2.25

Walnut Creek, California--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	101	--	101	102
County PCPI % of U.S.	147	--	147	146
Market value (\$000s)	26,061,645	24,541,352	22,554,647	21,679,325
Market value per capita (\$)	373,290	351,515	319,132	309,806
Top 10 taxpayers % of taxable value	9.2	11.2	11	10.3
County unemployment rate (%)	4.7	4.5	3.9	3.4
Local median household EBI % of U.S.	162	162	163	165
Local per capita EBI % of U.S.	198	198	208	217
Local population	69,816	69,816	70,675	69,977
Financial performance				
Operating fund revenues (\$000s)	--	118,212	102,384	87,054
Operating fund expenditures (\$000s)	--	96,745	89,202	83,467
Net transfers and other adjustments (\$000s)	--	-4,181	-2,220	-1,435
Operating result (\$000s)	--	17,286	10,962	2,152
Operating result % of revenues	--	14.6	10.7	2.5
Operating result three-year average %	--	9.3	--	--
Reserves and liquidity				
Available reserves % of operating revenues	--	61.4	61.4	61.2
Available reserves (\$000s)	--	72,557	62,896	53,239
Debt and liabilities				
Debt service cost % of revenues	--	0.1	0.1	0.1
Net direct debt per capita (\$)	730	5	6	8
Net direct debt (\$000s)	50,949	370	450	537
Direct debt 10-year amortization (%)	100	100	100	100
Pension and OPEB cost % of revenues	--	--	--	--
NPLs per capita (\$)	--	2,225	2,198	2,081
Combined NPLs (\$000s)	--	155,336	155,336	145,593

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings List

New Issue Ratings

ICR

Long Term Rating AAA/Stable

US\$50.660 mil lse rev bnds ser 2025 dtd 12/17/2025 due 06/01/2033

Long Term Rating AA+/Stable

New Rating

Local Government

Walnut Creek, CA Lease Appropriation AA+/Stable

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Ratings List

Walnut Creek, CA Unlimited Tax General Obligation	AAA/Stable
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The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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