

Research Update:

Mill Valley, CA Series 2026A Lease Revenue Bonds Assigned 'AA+' Rating

April 1, 2026

Overview

- S&P Global Ratings assigned its 'AA+' long-term rating to the [Mill Valley Public Financing Authority](#), Calif.'s anticipated \$15.4 million series 2026A lease revenue bonds, issued on behalf of [Mill Valley](#).
- At the same time, we affirmed our 'AAA' issuer credit rating (ICR) on the city, our 'AAA' long-term rating on the city's pension obligation bonds (POBs) outstanding, and our 'AA+' long-term rating on the city's appropriation obligations outstanding.
- The outlook is stable.

Rationale

Security

Base rental payments by the city to the authority for use of the leased asset secure the series 2026A lease revenue bonds. The city has covenanted to budget and appropriate rental payments annually to meet its obligations under the lease agreements supporting the bonds. In our view, the lease features and terms are standard for an abatement lease, and the leased asset meets our minimum requirements for seismic resilience during the life of the bonds. We rate the series 2026A bonds and previously issued appropriation obligations 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.

Proceeds will be used to finance the construction of a public works building and the remodeling of the city's golf course clubhouse.

The ICR reflects our forward-looking opinion of Mill Valley's general creditworthiness, focusing on the city's capacity and willingness to meet its financial commitments as they come due. The ICR is not specific to any financial obligation.

The city's POBs are payable from all legally available funds of the city, including the city's general fund. We rate the city's POBs on par with its general creditworthiness given our view that the city's ability to pay the obligation is closely tied to its operations and that the revenue used to secure the city's POBs is not limited in scope and is neither distinct nor separate from the city's general fund.

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Credit highlights

A desirable and affluent local economy characterized by a well-educated workforce and extraordinarily high resident incomes, which underpin strong revenue capacity and resilience through economic cycles, anchors Mill Valley's creditworthiness. Meaningful financial buffers, multiyear financial planning, stable revenue, and manageable cost pressures support the city's sound operating profile. Adding to the city's credit strengths are its extensive and well-integrated fiscal management practices and policies, which serve as the foundation of budgetary stability. Elevated housing costs and limited development capacity have contributed to modest population softness, but these factors have not impaired demand for housing and ability to retain high-income households. While retirement liabilities remain elevated compared with those of peers given the city's California Public Employees Retirement System classic plan tiers and expose the city to potential cost escalation, continued revenue growth and financial stewardship provide capacity to absorb rising costs. Overall, we expect the city's exceptional economic fundamentals, conservative financial management, and robust reserve position to support credit quality over the near term.

The rating further reflects our view of the city's:

- Economy anchored by exceptionally high resident incomes and wealth that materially exceed county and national benchmarks, supporting strong income-driven revenue capacity and resilience through economic cycles. As a predominantly residential, commuter-oriented community within Marin County, the city benefits from direct access to the broader Bay Area economy, linking resident earnings to a diverse and high-performing regional employment base. This dynamic, alongside the county's strong economic output and high-value housing market, sustains a highly desirable and affluent tax base that continues to support its durable economic base and modest growth prospects.
- Comprehensive management practices and robust formalize financial policies that support conservative budgeting, disciplined financial planning, and proactive oversight. Management supplements the annual budget with formal multiyear financial and capital planning to identify potential budgetary gaps and funding capacity. While the long-range plan is not structured as a rolling forecast, it is used as a meaningful planning and decision-making tool, and the city's capital improvement program is well developed and integrated with its broader financial framework. Formal investment, debt management, and reserve policies (15% contingency and 10% unreserved general fund) provide a structured framework for financial decision that support the sound operating profile. Last, the city is taking actions that it deems necessary to mitigate cyber risk.
- Financial performance supported by conservative budgeting strong reserve accumulation and dedicated funding streams that preserve general fund flexibility and support pay-as-you-go capacity. The city's affluent and primarily residential tax base supports stable property tax revenue, while Measure L sales tax and a municipal service tax fund infrastructure and public safety costs, reducing pressure on the general fund, and the absence of utility enterprises further limits exposure to operational risk. Reserves remain a key credit strength and are materially higher with the inclusion of legally available committed fund balances, providing meaningful financial buffers that we expect will continue to support strong financial flexibility and stability over the near term given the projected operating surplus in fiscal 2026.
- Debt profile that is manageable on a per capita basis and affordable relative to its affluent tax base with relatively low pro forma debt service carrying costs. The city's practice of funding capital on a pay-as-you-go basis has helped limited debt accumulation and, with no near-term borrowing plans, we expect its debt profile to remain stable.

- Elevated retirement liabilities on a per capita basis with associated costs above average compared with those of peers, largely reflecting unfunded liabilities associated with their classic plan tiers. While pension costs are elevated, the city's affluent tax base and high incomes provide capacity to absorb escalating contributions. Other postemployment benefit liabilities are more manageable, and the city maintains and contributes to an irrevocable trust, reflecting a prefunding approach that can help reduce long-term liability growth and balance sheet risk.
- For more information on our institutional framework assessment for California municipalities, see "[Institutional Framework Assessment: California Local Governments](#)," Sept. 9, 2024.

Environmental, social, and governance

Mill Valley faces exposure to acute and chronic physical risks, including wildfires, flooding, earthquakes, and sea-level rise. These risks could pressure credit quality through potential tax base erosion, elevated infrastructure and disaster response costs, and insurance market constraints that may influence housing demand and demographic trends over time. A layered mitigation posture that includes vegetation management and wildfire fuel reduction, seismic retrofits of critical facilities, storm drain and flood improvements, and shoreline adaptation planning meaningfully offsets the city's exposure. Regional coordination through participation in a multihazard mitigation plan supports intergovernmental emergency preparedness and preserves eligibility for state and federal hazard mitigation fundings. Dedicated fiscal mechanisms, including the city's municipal service tax and Measure C, provide stable revenue for resilience investments across these hazards, reducing the likelihood that these risks would materially pressure credit quality over the near term. We view social governance factors as neutral in our credit analysis.

Rating above the sovereign

Mill Valley's ICR and POBs qualify for a rating above the sovereign, reflecting our view that its general creditworthiness could sustain stronger credit characteristics than the U.S. in a stress scenario. In line with our "[Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions](#)," Nov. 19, 2013, we assess U.S. local governments as only moderately sensitive to country risk. We view the city as exhibiting relatively low funding interdependency with the federal government, as local derived revenues represent the majority of total governmental funds revenue and Mill Valley further benefits from independent treasury management. Furthermore, there is no precedent for negative federal intervention affecting a local government's revenue in the U.S.

Outlook

The stable outlook reflects our expectation that Mill Valley will maintain its sound operating profile, supported by its exceptionally strong economic base and financial stewardship amid effective management of long-term cost pressures.

Downside scenario

We could lower the rating in the unlikely event that financial performance weakens, resulting in a material decline in reserves that are no longer supportive of the rating. We could also take negative rating action if the long-term liability profile weakens, materially resulting in higher fixed costs that reduce financial flexibility relative to that of similarly rated peers.

Mill Valley, California--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	1.84
Economy	1.0
Financial performance	2
Reserves and liquidity	1
Management	1.70
Debt and liabilities	3.50

Mill Valley, California--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita as % of U.S.	171	--	171	172
County PCPI as % of U.S.	261	--	261	258
Market value (\$000s)	8,528,599	8,142,649	7,767,898	7,279,073
Market value per capita (\$)	623,071	594,875	567,870	531,125
Top 10 taxpayers as % of taxable value	2.4	2.4	2.4	2.4
County unemployment rate (%)	3.8	3.8	3.9	3.5
Local median household EBI as % of U.S.	210	--	210	212
Local per capita EBI as % of U.S.	236	--	236	247
Local population	13,688	13,688	13,679	13,705
Financial performance				
Operating fund revenue (\$000s)	--	38,716	37,773	47,003
Operating fund expenditures (\$000s)	--	36,618	33,986	42,598
Net transfers and other adjustments (\$000s)	--	(2,354)	(1,873)	(3,727)
Operating result (\$000s)	--	(256)	1,914	678
Operating result as % of revenue	--	(0.7)	5.1	1.4
Operating result three-year average %	--	1.9	5.7	7.5
Reserves and liquidity				
Available reserves as % of operating revenue	--	22.1	22.3	15.5
Available reserves (\$000s)	--	8,566	8,433	7,284
Debt and liabilities				
Debt service cost as % of revenue	--	2.7	2.2	2.5
Net direct debt per capita (\$)	1,834	708	775	838
Net direct debt (\$000s)	25,102	9,693	10,604	11,479
Direct debt 10-year amortization (%)	76	74	74	--
Pension and OPEB cost as % of revenue	--	14	13	12
NPLs per capita (\$)	--	4,012	4,015	4,065
Combined NPLs (\$000s)	--	54,923	54,923	55,714

Financial data may reflect analytical adjustments and is 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. EBI--Effective buying income. GCP--Gross county product. NPL--Net pension liability. OPEB--Other postemployment benefits. PCPI--Per capita personal income.

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Ratings List

New Issue Ratings

US\$15.410 mil Lease Revenue Bonds (Mill Valley) ser 2026A due 10/1/2035

Long Term Rating AA+/Stable

Ratings Affirmed

Mill Vy, CA Issuer Credit Rating AAA/Stable

Local Government

Mill Vy, CA General Fund Pledge AAA/Stable

Mill Vy, CA Lease Appropriation AA+/Stable

Mill Vy, CA Unlimited Tax General Obligation AAA/Stable

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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