

Research Update:

Petaluma, CA Series 2026 Lease Revenue Bonds Assigned 'AA' Rating

July 1, 2026

Overview

- S&P Global Ratings assigned its 'AA' long-term rating to [Petaluma Public Financing Authority](#), California's estimated \$22.7 million series 2026 lease revenue bonds issued for the City of [Petaluma](#).
- The outlook is stable.

Rationale

Security

The lease revenue bonds are secured by lease payments made by the city to the authority for use of the leased asset. We have reviewed the lease under our criteria and view the lease terms as standard. Furthermore, the leased asset meets our minimum requirements for seismic resilience during the term of the bonds. 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.

The 2026 lease revenue bonds will finance a portion of the construction costs for a new public safety facility for the city, consolidating operations for its emergency operations center, police, and fire departments.

Credit highlights

Petaluma has demonstrated stable and solid credit quality, characterized by strong local incomes, a growing tax base, and stable economy, as well as consistent financial and debt profiles facilitated by well-embedded and prudent financial management policies and practices.

Petaluma's economy remains a key credit strength, as it serves as a bedroom community to San Francisco as well as a tourist destination in southern Sonoma County. Local incomes have remained higher than national levels; the population is relatively steady; and a diverse tax base demonstrates steady year-over-year growth in the past decade, totaling more than \$14 billion as of fiscal 2026, and consisting of a mix of residential, retail, and commercial properties. The city has a strong trend of posting break-even to positive results net of capital transfers, driven by steadily growing revenues supported by several sales tax measures approved by voters in recent

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years. Petaluma's approved fiscal 2027 budgetary assumptions incorporate increasing macroeconomic uncertainty stemming from higher energy costs, inflation, and declining consumer sentiment, as well as expenditures' outpacing revenue. As a result, the budget incorporates expenditures cuts, including freezing vacant staff positions, reducing cost-of-living increases, reorganizing some departments, as well as the use of about \$270,000 in reserves, which the city will draw from its unassigned fund balance. The city has maintained available reserves at about 20% of operating revenue, in compliance with its emergency reserve policy that requires it to maintain reserves of at least 15%. We don't expect our view of reserves to change even with the budgeted draw from fund balance. We view the city's debt and liability profile as affordable relative to its budget and tax base, and on par with that of peers; we expect it will remain unchanged during the outlook horizon, as the city does not plan to issue new-money debt over the next several years.

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

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

- Healthy local economy with continued economic development including several new residential and commercial projects;
- Consistent financial profile with a trend of break-even to positive results driven by conservative budgeting practices leading to positive variances and steady emergency reserve fund balance in compliance with the city's policy;
- Prudent and well embedded financial policies and practices that have facilitated consistent performance including conservative budget assumptions, budget-to-actual reports provided to the board quarterly, annual five-year financial forecast and five-year capital improvement plan that is updated every year and identifies costs and funding sources, updates on investment holdings and performance shared with the board quarterly, a formal reserve policy of maintaining a minimum of 15% of general fund revenues, cyber risk mitigation practices that we view as consistent with our view of management practices and the overall credit; and
- Manageable debt and liability profile, with no additional medium-term debt plans, and current costs averaging about 14% of total governmental fund revenue, on par with those of peers. For more information on our view of California pensions and recent trends, see "[Pension Spotlight: California](#)," Oct. 17, 2023.
- Steady operating environment despite levy limitations and active voter process. 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

We view the city as facing elevated environmental risk due to the region's susceptibility to wildfires, drought, and earthquakes. The county is highly susceptible to wildfire, most recently experiencing a significant wildfire in 2017, which remains the county's primary natural hazard threat. County voters approved the Measure H sales tax in March 2024, with no sunset date, to fund new and ongoing fire operational costs and mitigation measures. We believe seismic risks have been substantially managed through the state's strong building codes, and the county has a formal climate action and resiliency office that engages in planning for wildfires and other natural disaster risks. We view the city's social and governance factors as neutral in our credit analysis.

Outlook

The stable outlook reflects our expectation of continued sound financial performance and financial flexibility, supported by a growing tax base and prudent financial management policies and practices.

Downside scenario

We could lower the rating if the city's budgetary performance deteriorates, or if growing capital needs become a drain on financial resources, leading to budgetary instability and, subsequently, a material weakening of the reserve position.

Upside scenario

Other rating factors remaining consistent, we could raise the rating if ongoing economic expansion leads to materially improved wealth and income indicators and fund balance levels improve commensurate with those of higher-rated peers.

Petaluma, California--credit summary

Institutional framework (IF)	2.0
Individual credit profile (ICP)	1.8
Economy	2.0
Financial performance	2.0
Reserves and liquidity	1.0
Management	1.0
Debt and liabilities	3.0

Petaluma, California--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita as % of U.S.	94	--	--	94
County PCPI as % of U.S.	120	--	--	120
Market value (\$000s)	14,443,231	13,748,253	12,936,525	12,311,101
Market value per capita (\$)	244,411	232,651	220,043	207,821
Top 10 taxpayers as % of taxable value	5.5	6.0	5.7	5.8
County unemployment rate (%)	4.0	4.0	4.1	3.6
Local median household EBI as % of U.S.	143	--	143	142
Local per capita EBI as % of U.S.	144	--	144	140
Local population	59,094	59,094	58,791	59,239
Financial performance				
Operating fund revenue (\$000s)	--	77,358	72,525	70,260
Operating fund expenditures (\$000s)	--	75,394	70,918	63,210
Net transfers and other adjustments (\$000s)	--	5,345	(8,751)	(6,042)
Operating result (\$000s)	--	7,309	(7,144)	1,008
Operating result as % of revenue	--	9.4	(9.9)	1.4

Petaluma, California--key credit metrics

	Most recent	2025	2024	2023
Operating result three-year average %	--	0.3	(0.5)	2.1
Reserves and liquidity				
Available reserves as % of operating revenue	--	21.6	13.1	24.3
Available reserves (\$000s)	--	16,701	9,507	17,071
Debt and liabilities				
Debt service cost as % of revenue	--	0.8	0.9	0.9
Net direct debt per capita (\$)	1,944	1,104	1,160	1,200
Net direct debt (\$000s)	114,897	65,237	68,214	71,093
Direct debt 10-year amortization (%)	38	52	48	--
Pension and OPEB cost as % of revenue	--	14	14	13
NPLs per capita (\$)	--	2,220	2,232	2,291
Combined NPLs (\$000s)	--	131,195	131,195	135,722

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.

Ratings List

New Issue Ratings

US\$22,670,000 Petaluma Public Financing Authority, 2026 Lease Revenue Bonds, (Public Safety Facility), dated: Date of delivery, due: May 01, 2055

Long Term Rating AA/Stable

US\$28,845,000 City of Petaluma, California, 2026 Sales Tax Bonds, (Sonoma County Measure H), dated: Date of delivery, due: May 01, 2055

Long Term Rating AA/Stable

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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