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Oxnard, CA Outlook Revised To Stable From Negative On General Funds Stabilization; Ratings Affirmed

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NEW YORK (S&P Global Ratings) Sept. 26, 2016--S&P Global Ratings revised its outlook on Oxnard Financing Authority and City of Oxnard, Calif. to stable from negative. At the same time, S&P Global Ratings affirmed its 'A+' issuer credit rating on Oxnard and affirmed its 'A' rating on the financing authority's bonds, issued on behalf of the city. S&P Global Ratings also affirmed its 'A' rating on the authority's lease revenue project and refunding bonds series 2014, issued for the city.

"The outlook revision is based on preliminary 2016 results showing stabilization of the general funds together with ratification of labor contracts with several major employee unions over a two-year horizon," said S&P Global Ratings credit analyst Michael Stock.

The 'AA+/A-1' ratings on the authority's series 2003B and 2006 bonds, which reflect our view of the letters of credit provided by MUFG Union Bank (A+/Negative/A-1) and the application of the low-correlation joint criteria.

The series 2014 bonds are payable from revenue received by the Oxnard Financing Authority that consists of base rental payments made by the city, under the master lease. The bonds were issued by the authority. Under a lease, the city (as lessee) will pay base rental payments to the authority (as lessor).

The rating reflects our assessment of the following factors for the city, specifically its:

- Adequate economy, with projected per capita effective buying income at 67.8% and market value per capita of $88,126, though that is advantageously gaining from access to a broad and diverse metropolitan statistical area (MSA);
- Adequate management, with "standard" financial policies and practices under our Financial Management Assessment methodology;
- Weak budgetary performance, with an operating deficit in the general fund but an operating surplus at the total governmental fund level in fiscal 2015;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2015 of 17% of operating expenditures;
- Very strong liquidity, with total government available cash at 90.2% of total governmental fund expenditures and 15.0x governmental debt service, and access to external liquidity we consider strong;
- Very weak debt and contingent liability profile, with debt service carrying charges at 6.0% of expenditures and net direct debt that is 85.1% of total governmental fund revenue, as well as a large pension and other postemployment benefit (OPEB) obligation and the lack of a plan to sufficiently address the obligation; and
- Strong institutional framework score.

The stable outlook reflects our opinion of the size and depth of the city's tax base as well as the local and regional economies' general strength. In addition, the outlook is supported by our view of the city's still very strong assigned and unassigned general fund balances, despite the drawdown in reserves, and adequate management practices. We do not anticipate raising the ratings during the two-year outlook horizon.

We could raise the ratings should the city's operations improve and its overall debt profile moderate.

We could lower the ratings if the city is unable to continue on its path of building stronger financial controls, resulting in a negative trend in operations leading to significant deterioration in budgetary flexibility and liquidity.

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 www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.