Research Update:

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

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Overview

- S&P Global Ratings assigned its 'AA' long-term rating to Monrovia, California's $55 million series 2026 lease revenue bonds.
- At the same time, we affirmed our 'AA+' issuer credit rating and long-term rating on the city's pension obligations bonds (POBs) outstanding and our 'AA' long-term rating and underlying rating on the city's appropriation debt outstanding.
- The outlook is stable.

Rationale

Security

Revenue from the Monrovia Financing Authority, consisting of an interest in base rental payments by the city, secures the lease revenue bonds. The city makes base rental payments from general revenue pursuant to the facility leases, and the payments are subject to annual appropriation. Consistent with our "Issue Credit Ratings Linked to U.S. Public Finance Obligors' Creditworthiness" criteria, Nov. 20, 2019, we rate the lease revenue bonds one notch below our view of the city's general creditworthiness to reflect the risk of nonappropriation inherent in the lease structure. The proceeds from the 2026 financing will fund various capital projects for the city's public facilities, including the city's community center, recreation park, and 102 fire station.

The ICR reflects our forward-looking opinion of Monrovia's overall 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 any source of legally available funds. In addition, the city has pledged its retirement tax revenue to pay for debt service on the bonds. We rate the POBs on par with the city's general creditworthiness, based on 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 POBs is not limited in scope and is not distinct or separate from its general fund.

Credit highlights

The rating reflects our view of the city's strong economy, comprehensive management profile, and solid financial performance, which has resulted in a healthy fund balance. Partly offsetting these strengths, in our view, are Monrovia's somewhat elevated long-term liability costs, although we note that a large portion of debt costs are overstated because they have dedicated revenue sources and therefore are not a heavy operational burden.

The city has posted budget surpluses in three of the past four years, with the most recent deficit occurring in 2024. This deficit resulted primarily from nonrecurring capital acquisitions and costs associated with the 2020 Bobcat Fire. While the city's total fund balance remains healthy at approximately 40% of revenue, the unassigned fund balance remains negative as a result of ongoing Bobcat Fire repair costs. Management anticipates a recovery of the unassigned fund balance in 2027, following expected reimbursements from state and federal partners. Looking ahead, the city expects to maintain positive financial performance in 2026, supported by growing property and sales tax revenue tied to robust redevelopment and economic activity. Furthermore, officials have no intention of reducing the fund balance in the near term. Consequently, we expect the financial position to remain strong, underpinned by sound management fundamentals and expanding revenue streams.

Following this issuance, the city plans to issue approximately $20 million in additional debt over the next few years to fund planned City Hall renovations. Although annual liability and per capita debt costs remain somewhat elevated, most debt outstanding is supported by dedicated revenue streams. This includes the POBs outstanding, which represent 56% of total debt outstanding. We note that the city's pension override tax generated nearly $9.5 million in 2025, fully covering the applicable annual debt service. Given these dedicated revenue sources, we expect debt service requirements to remain affordable for the foreseeable future.

The rating further reflects our view of the following:

- Per capita gross county product for Los Angeles County is 122% of the U.S. level, and per capita personal income is 114%, both of which are in line with or slightly below 'AA+' rating medians. Monrovia is experiencing continued economic growth from planned residential and commercial development supported by a diverse regional economy with ample access to employment opportunities.
- Operating results are typically positive, as evident in a recent history of surplus results. We note that the 2025 result is somewhat understated, as these figures include one-time costs. Officials expect positive financial results for the foreseeable future. Operations remain supported by various parcel taxes and sales tax measures that have largely been used to support lease obligations outstanding but could be used for general purposes if necessary. Reserves remain healthy and are expected to increase in 2027 as the city receives reimbursements related to the Canyon Park fire of 2020.
- The city has an affordable long-term liability profile, with some debt plans over the next few years that our analysis incorporates. We expect per capita net pension liabilities to change little in the near term given strong historical funding and a recent pension bond used to prefund certain retroactive employee benefits. The city maintains formal pension and OPEB policies that continue to guide its funding of retirement obligations.
- The city's budgeting practices are comprehensive and include long-term capital and financial planning. It also has formal investment, debt, and reserve policies. Last, the city has implemented policies and practices to mitigate cyber risk.
- For more information on our institutional framework assessment for California municipalities, see "Institutional Framework Assessment: California Local Governments," Sept. 9, 2024.

- Los Angeles County remains susceptible to water stress, wildfires, and seismic events. Since the Bobcat Fire of 2020, the city has made a significant effort to redesign roads and reposition forestry to direct water back into the canyon, providing dry land with additional moisture to lessen the possibility of prolonged fire spread and assist with mud and debris removal. In addition, officials continue to work with residents to remove debris and shrubbery that can increase fire spread.

Outlook

The stable outlook reflects our expectation that Monrovia will maintain very strong reserves in the near term given strong economic activity and a history of strong budgetary performance.

Downside scenario

We could lower the rating if the city enters a period of structural imbalance, resulting in a financial environment that we no longer consider comparable to that of similarly rated peers.

Upside scenario

We could raise the rating if the city's economic base grows and expands, debt moderates, income levels increase to those of peers, and reserves grow to levels more comparable to those of higher-rated peers.

Monrovia, California--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	1.80
Economy	1.0
Financial performance	2
Reserves and liquidity	1
Management	1.00
Debt and liabilities	4.00

Monrovia, California--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita as % of U.S.	122	--	122	122
County PCPI as % of U.S.	115	--	115	113
Market value ($000s)	8,137,135	7,843,526	7,413,787	7,132,340
Market value per capita ($)	221,491	213,499	199,505	189,619
Top 10 taxpayers as % of taxable value	8.3	8.3	7.7	8.1
County unemployment rate (%)	5.0	5.7	5.8	5.1
Local median household EBI as % of U.S.	120	120	122	123
Local per capita EBI as % of U.S.	115	115	118	120
Local population	36,738	36,738	37,161	37,614
Financial performance				
Operating fund revenue ($000s)	--	56,463	52,031	54,760

Monrovia, California--key credit metrics

	Most recent	2025	2024	2023
Operating fund expenditures ($000s)	--	67,963	63,773	52,711
Net transfers and other adjustments ($000s)	--	12,053	8,892	1,768
Operating result ($000s)	--	553	(2,850)	3,817
Operating result as % of revenue	--	1.0	(5.5)	7.0
Operating result three-year average %	--	0.8	8.0	13.4
Reserves and liquidity				
Available reserves as % of operating revenue	--	30.9	30.8	39.7
Available reserves ($000s)	--	17,453	16,038	21,721
Debt and liabilities				
Debt service cost as % of revenue	--	11.5	11.6	11.3
Net direct debt per capita ($)	4,777	3,540	3,744	3,951
Net direct debt ($000s)	175,497	130,062	139,141	148,621
Direct debt 10-year amortization (%)	39	46	46	--
Pension and OPEB cost as % of revenue	--	10	9	10
NPLs per capita ($)	--	983	971	1,026
Combined NPLs ($000s)	--	36,099	36,099	38,579

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$55.015 mil lse rev bnds (Monrovia) (Capital Projects) ser 2026 dtd 9/30/2026 due 12/1/2045	
Long Term Rating	AA/Stable
Ratings Affirmed	
Monrovia, CA Issuer Credit Rating	AA+/Stable
Local Government	
Monrovia, CA General Fund Pledge	AA+/Stable
Monrovia, CA Lease Appropriation	AA/Stable
Monrovia, CA Unlimited Tax General Obligation	AA+/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.