



## **Rating Action: Moody's Ratings assigns A1 to Philadelphia, PA's 2025 City Service Agreement Bonds**

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03 Sep 2025

New York, September 03, 2025 -- Moody's Ratings (Moody's) has assigned A1 ratings to the City of Philadelphia, PA's proposed transactions as noted below. We maintain an A1 issuer rating on the city. The outlook is stable. Philadelphia has about \$9.5 billion of debt outstanding.

- Philadelphia Authority for Industrial Development, PA's City Service Agreement Revenue Bonds (Rebuild Project), Series 2025A, proposed par amount: \$128.8 million

- Philadelphia Authority for Industrial Development, PA's City Service Agreement Revenue Refunding Bonds (Cultural and Commercial Corridors Program), Series 2025B, proposed par amount: \$41.7 million

- Philadelphia Redevelopment Authority, PA's City Service Agreement Revenue Bonds, Series A of 2025 (City of Philadelphia H.O.M.E. Plan) (Federally Taxable), proposed par amount: \$315 million

- Philadelphia Redevelopment Authority, PA's City Service Agreement Revenue Bonds, Series B of 2025 (City of Philadelphia H.O.M.E. Plan) (Tax-Exempt), proposed par amount: \$85 million

### **RATINGS RATIONALE**

Philadelphia's A1 issuer rating captures its very low leverage and a financial position at its strongest level in many years. The city's financial projections show reserves (currently about 12% of revenue on a Moody's-adjusted basis) moderating over the next few years, though management has always been very conservative in its forecasts, one of several positive governance attributes. A low leverage burden (long-term liabilities are just 185% of revenue) will remain a key strength relative to peers. Philadelphia's commitment to funding its pension plan has contributed to the city having among the lowest leverage burdens of any big city.

The rating also incorporates a growing economy with substantial institutional presence including major universities, hospitals, and other significant employers.

Philadelphia's biggest credit weakness is its challenging demographic profile, and it lags most other big cities in economic growth and income levels (resident income is 75% of the US median, the lowest among the 20 biggest cities). Other credit considerations include a hefty long-term capital plan, which could modestly add to leverage incrementally over time, although existing general fund-supported debt service drops dramatically after FY29, providing future flexibility.

The A1 ratings on the city's bonds, including the proposed transactions noted above, reflect the city's unconditional commitment to pay debt service, whether through a general obligation pledge or, as in the case of the Service Agreement Bonds, through a separate agreement obligating the city to make payments sufficient to cover debt service.

### **RATING OUTLOOK**

The stable outlook recognizes that the city will preserve its fiscal integrity even as it spends down its historically high reserves, thanks to comprehensive long-term planning and effective state supervision. Leverage will remain low and the city will remain a regional economic engine powered by numerous institutional anchors, albeit one with a challenging demographic profile.

## FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Sustained available fund balance ratio above 15% of revenue
- Material income growth and reduction in poverty

## FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Indication that available fund balance could slip below 6% of revenue
- Significant increase in leverage arising from heavy capital needs
- Economic underperformance relative to the nation or region

## PROFILE

Philadelphia is the sixth-largest city in the United States, with a population of 1.6 million and a nominal gross domestic product of \$120 billion.

## METHODOLOGY

The principal methodology used in these ratings was US Cities and Counties published in July 2024 and available at <https://ratings.moody.com/rmc-documents/425429>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody.com> for a copy of this methodology.

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