



City of Fullerton

January 14, 2020

Debt Profile, Credit Summary,
Refinancing Opportunities





Debt Profile and S&P Credit Summary



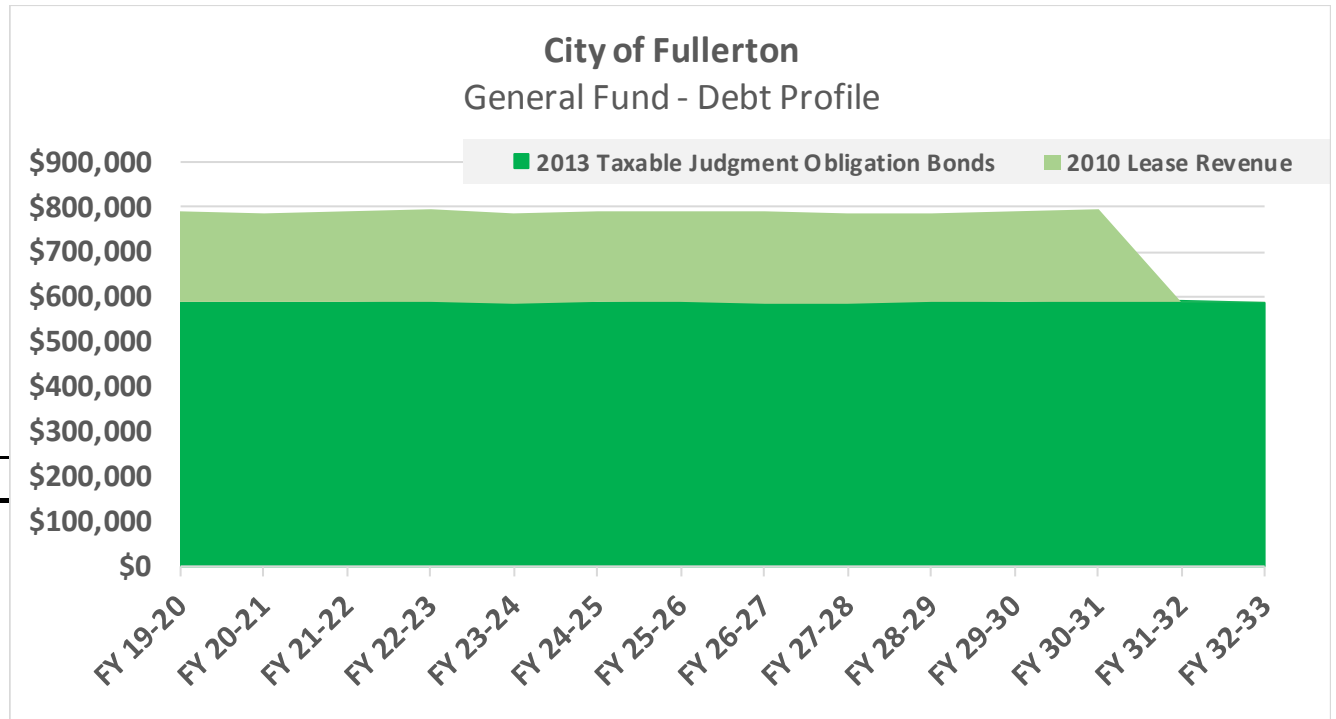
Review of Outstanding Bond Debt

Issue Date	Name of Issue	Description	Issue Amount	Outstanding	Prepayment Features	Final Maturity
General Fund Debt						
9/5/2013	2013 Tax Judgement Obligation	Taxable Judgement Obligation Bond	\$ 7,250,000	\$ 5,615,000	4/1/2023 @ 100	4/1/2033
12/29/2010	2010 Lease Revenue Bond	Taxable Recovery Zone Economic Development Bonds	\$ 4,435,000	\$ 1,865,000	N/A	5/1/2031
General Fund Debt			\$ 11,685,000	\$ 7,480,000		
Water & Sewer Enterprise Debt						
3/11/2014	Water Rev Ref 2014	Water Revenue Refunding Bonds	\$ 6,810,000	\$ 4,775,000	9/1/2024 @ 100	9/1/2033
Enterprise Debt			\$ 6,810,000	\$ 4,775,000		
Private-Purpose Fund						
5/14/2014	CFD 2014 Special Tax Bonds	CFD Special Tax	7,570,000	7,385,000	9/1/2023 @ 100	9/1/2044
10/31/2012	CFD 2012 Special Tax Ref Bonds	CFD No. 1 Special Tax Ref	19,040,000	14,950,000	9/1/2022 @ 100	9/1/2032
2/10/2015	2015 Tax Allocation Ref Bonds	Merged Redevelopment Project Area	11,975,000	6,385,000	9/1/2022 @ 100	3/1/2025
12/27/2005	2005 Tax Allocation Rev Bonds	Redevelopment Projects	74,600,000	43,040,000	9/1/2015 @ 100	9/1/2027
Private Purpose Debt			\$ 113,185,000	\$ 71,760,000		



General Fund Debt – Debt Service Schedule

	2013 Taxable Judgment Obligation	2010 Lease Revenue	Combined
FY 19-20	588,125	203,636	791,761
FY 20-21	587,948	199,168	787,115
FY 21-22	586,815	203,839	790,654
FY 22-23	589,215	203,085	792,300
FY 23-24	585,190	202,118	787,308
FY 24-25	587,850	200,937	788,787
FY 25-26	589,490	199,543	789,033
FY 26-27	585,110	202,936	788,046
FY 27-28	584,965	200,903	785,868
FY 28-29	588,800	198,657	787,457
FY 29-30	587,400	201,198	788,598
FY 30-31	589,500	203,312	792,812
FY 31-32	589,800		589,800
FY 32-33	588,300		588,300
TOTAL	8,228,508	2,419,331	10,647,839





General Fund Debt – S&P Credit Summary of JOB

- In December 2018, S&P upgraded the City's rating from "AA-" to "AA" for the following reasons:
- Established and relatively stable property tax base with access to the greater Los Angeles labor market and strong income levels;
- Maintenance of an at least strong available fund balance position;
- Low to moderate overall net debt burden;
- Secured by the City's absolute and unconditional obligation to make debt service payments, without any right of set-off or counterclaim;
- Bonds do not constitute an obligation of the City for which it must levy or pledge any form of taxation;
- Bonds were used to refund the City's obligations related to a recent court judgment and settlement agreement;
- Proceeds were used to help restore its self-insurance fund to its targeted 70% of potential liabilities confidence level.



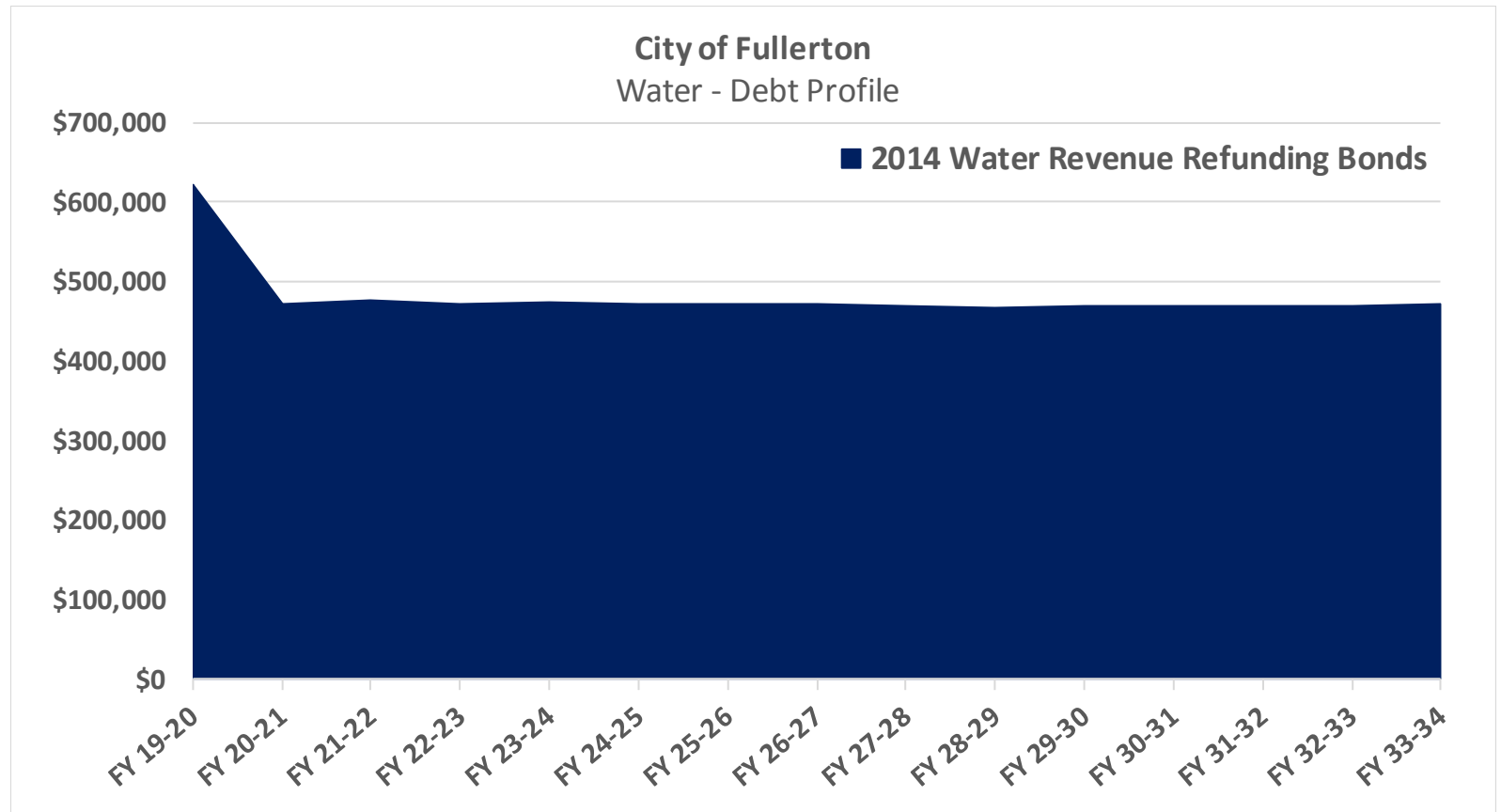
2010 Lease Revenue Bonds – Leased Assets

- The City has leased the following properties for the 2010 Lease Revenue Bonds
 - Transportation Center Parking Facility
 - Consists of an existing City-owned parking structure and related land known as the “Transportation Center Parking Facility”
 - Located in the heart of central downtown Fullerton and serves the surrounding commercial uses, consisting primarily of restaurants, banks, and specialty retail
 - Was originally built in 1986
 - Amerige Park Property
 - Consists of a City-owned park
 - Located in the central downtown core area of the City and covers approximately 10 net acres
 - The property has been improved with 4,000 sq. ft. of permanent, concrete block construction bleachers with poured concrete seating areas, team dugout enclosures with metal benches, metal mesh batting cages, asphalt paved basketball court, a 14,400 sq. ft. poured concrete tennis court, a 320 sq. ft. club house structure and a permanent score board structure at the north end of the site



Water – Debt Service Schedule

2014 Water Revenue Refunding Bonds	
FY 19-20	621,213
FY 20-21	472,313
FY 21-22	477,013
FY 22-23	471,313
FY 23-24	475,213
FY 24-25	472,506
FY 25-26	472,750
FY 26-27	471,875
FY 27-28	470,250
FY 28-29	467,875
FY 29-30	469,625
FY 30-31	470,375
FY 31-32	470,125
FY 32-33	468,875
FY 33-34	471,500
TOTAL	7,222,819





Water Enterprise – S&P Credit Summary

- In February 2014, S&P assigned its “AAA” rating to the City’s series 2014 water revenue refunding bonds
- S&P also affirmed the “AAA” underlying rating (SPUR) on the City’s series 2004 Water Revenue certificates of participation (COPs), which are refunded by the series 2014 bonds
- The ratings reflect the following views:
 - Virtually built-out service area and primarily residential customer base with strong income levels;
 - Affordable rates, even after taking into consideration rate increases recommended by a recent rate study;
 - Historically strong financial performance, and very strong projected debt service coverage of over 10x beginning in fiscal year 2015; and
 - Strong liquidity, with unrestricted cash equivalent to 195 days of operating expenses at the end of fiscal year 2013.
- The City’s population grew at an average rate of 0.6% during the past 10 years;
- The service area’s income levels are considered strong based on the City’s median household effective buying income, which was 119.5% of the national median for 2012;
- During the past 36 months, the City’s unemployment rates from 5.9% to 10.4% with the average rates tracking 0.3% above the nation’s rates and 2.0% below the state’s rates.



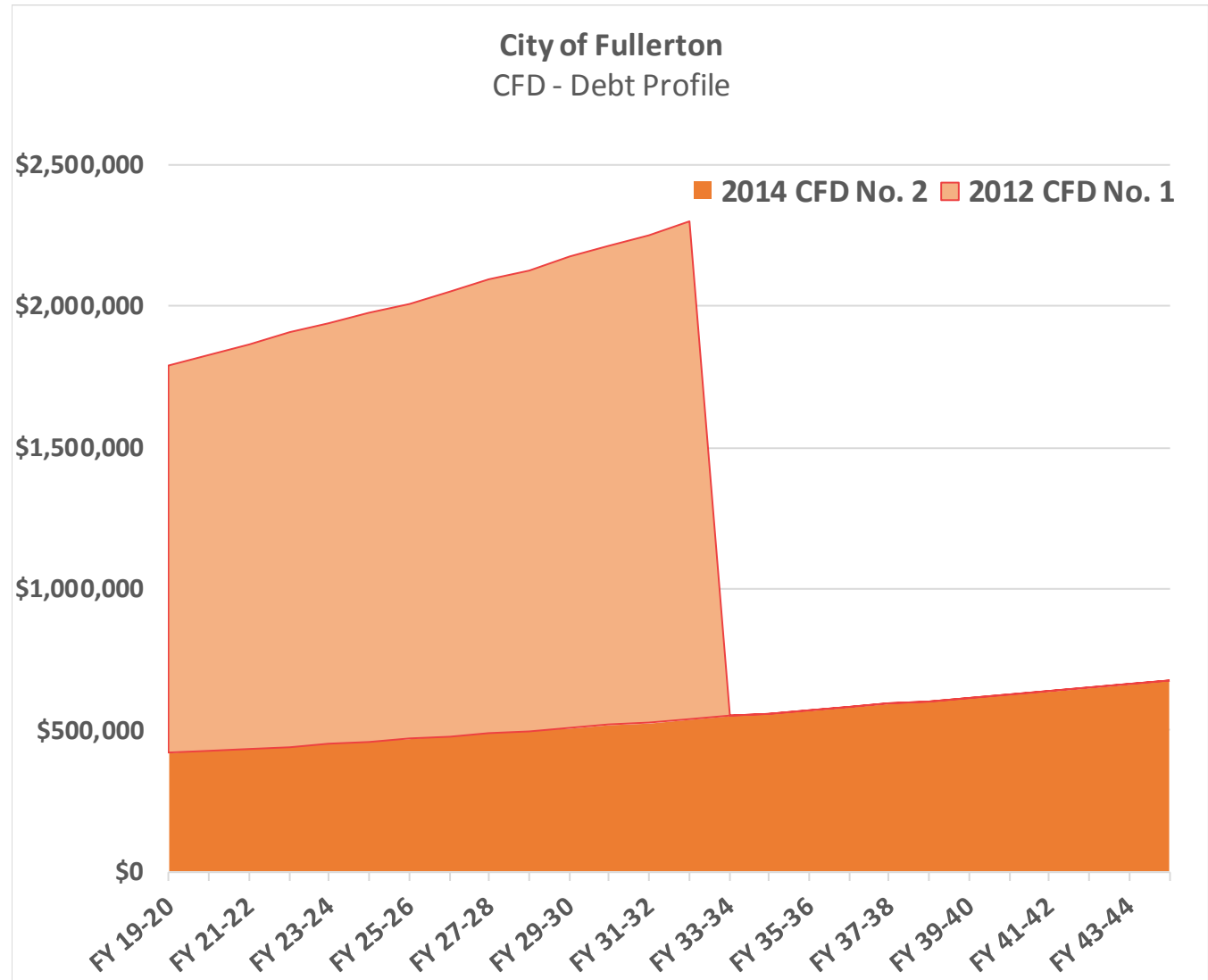
Water Enterprise – S&P Credit Summary

- The water system's customer base is stable, primarily residential, and very diverse
- The number of system connections grew at an average annual rate of 0.3% during the past 9 months
- Water supply is primarily derived from local groundwater, and more expensive imported water is utilized as a supplemental source
- During the past five years, groundwater averaged about 66% of the total water supply portfolio
- Water rates are affordable and, based on a recently updated rate study, we anticipate that rates will remain affordable even after the recommended rate increase
- The five-year capital improvement program (CIP) is manageable, and consists of a variety of renewal replacement projects, primarily related to the distribution system
- Total spending on the CIP is estimated at \$27.8 million and \$18.8 million of this amount is for mainline replacement projects
- Management reports the funding strategy for the CIP will be on a pay-as-you-go basis;
- Operating revenues related to water sales totaled \$25.5 million in fiscal year 2013, down 4.2% from the previous year;
- Based on pro forma debt service, senior-lien DSC was calculated at 4.2x for fiscal year 2014 rising to over 10x by fiscal year 2017



Communities Facilities Districts – Debt Service Schedule

	2012 CFD No. 1	2014 CFD No. 2	Combined
FY 19-20	1,370,040	419,325	1,789,365
FY 20-21	1,396,909	427,525	1,824,434
FY 21-22	1,425,603	435,425	1,861,028
FY 22-23	1,465,008	442,600	1,907,608
FY 23-24	1,484,013	453,900	1,937,913
FY 24-25	1,513,388	459,700	1,973,088
FY 25-26	1,539,013	469,375	2,008,388
FY 26-27	1,570,638	477,750	2,048,388
FY 27-28	1,602,888	490,250	2,093,138
FY 28-29	1,631,444	496,875	2,128,319
FY 29-30	1,665,250	507,625	2,172,875
FY 30-31	1,698,125	517,375	2,215,500
FY 31-32	1,725,750	526,125	2,251,875
FY 32-33	1,757,875	538,750	2,296,625
FY 33-34		550,125	550,125
FY 34-35		560,250	560,250
FY 35-36		569,125	569,125
FY 36-37		581,625	581,625
FY 37-38		592,625	592,625
FY 38-39		602,125	602,125
FY 39-40		615,000	615,000
FY 40-41		626,125	626,125
FY 41-42		635,500	635,500
FY 42-43		648,000	648,000
FY 43-44		663,375	663,375
FY 44-45		676,500	676,500
TOTAL	21,845,940	13,982,975	35,828,915





Communities Facilities District – S&P Credit Summary

- In March 2019, S&P raised its long-term rating to “A+” from “A-” on the Fullerton Communities Facilities District No. 1, Calif.’s series 2012 special tax refunding bonds;
- The bonds are secured by per-parcel assessments collected from real property within the district, levied annually according to the CFD’s rate and method of apportionment
- The ratings reflect our view of the:
 - Strong economic fundamentals, reflecting strong incomes, a healthy labor market, property values that have recovered beyond pre-recession levels following modest real estate market volatility, strong population growth, and participation in the broad and diverse Los Angeles-Long Beach-Anaheim metropolitan statistical area;
 - Strong district characteristics, demonstrated by very low levels of tax base concentration, a mature development status and entirely residential nature, adequate size in the range of 400 to 1,500 total parcels, and an adequate overall value-to-lien ratio; and
 - Adequate-to-strong financial profile, reflecting an ability to withstand high levels of delinquency as indicated by the maximum-loss-to-maturity ratio, low taxpayer concentration, a fully funded debt service reserve, and low rates of payer delinquency



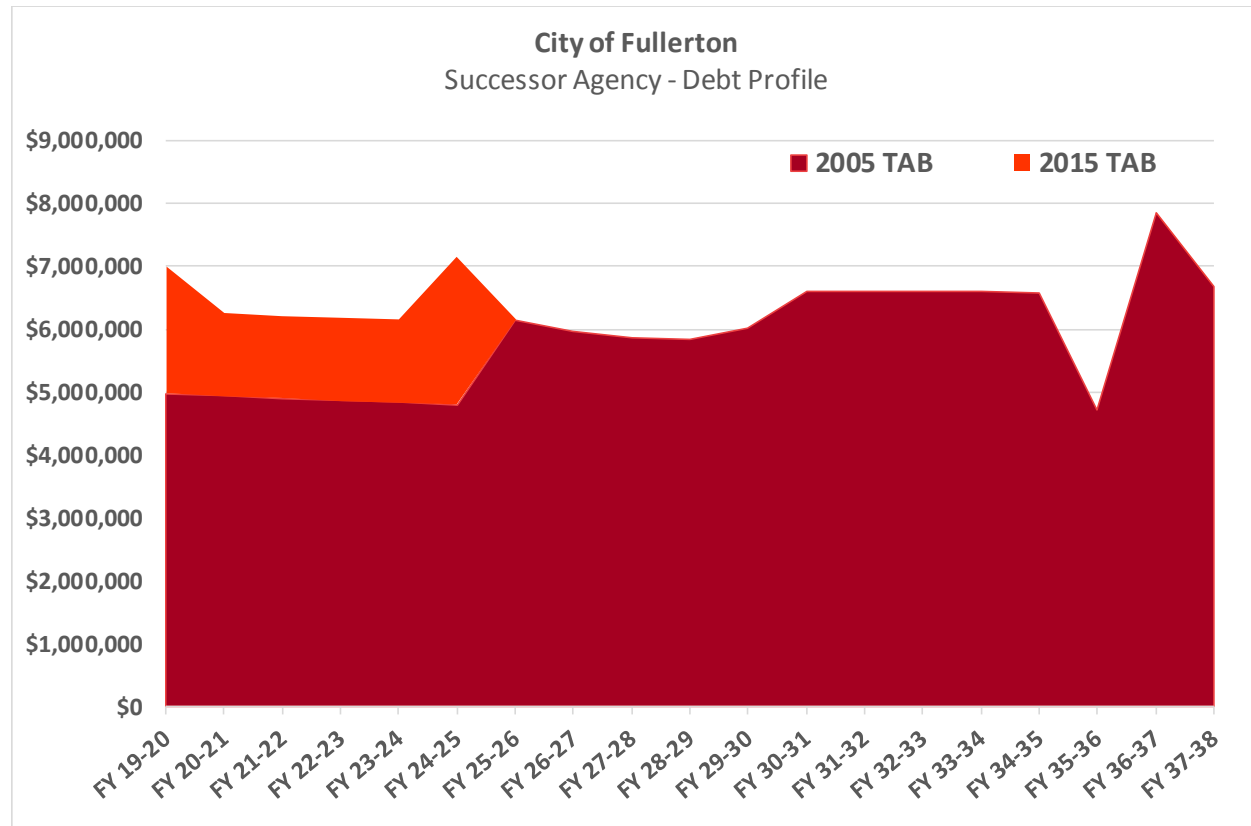
Communities Facilities District – S&P Credit Summary

- The Fullerton Communities Facilities District No. 1, Calif.'s series 2012 special tax refunding bonds is more commonly known as Amerige Heights;
- The county incomes are strong with a median household effective buying income at 124.7% of the national average
- Fullerton city population was largely stable over the 10-year period ending fiscal 2018 with an average growth rate of 6.4% comparing adequately to the national average of 7.8%
- The local real estate market experienced an elevated degree of price volatility in the midst of the recession at 15.4% in 2008 compared to with the national level of 9.9%
- According to the index, general real estate prices have in the area have appreciated more than 42%
- The district's rate and method provides for a maximum tax levy that escalates by 2% annually
- The maximum tax levy would provide debt service coverage of about 1.44x annually
- The district has flexibility under California law to raise the levy in the instance of special tax delinquencies, these increases are limited to 10% annually
- The outlook reflects the expectation that the local economy and real estate market will remain stable in the near term, given the district's access to broad and diverse metropolitan statistical area, strong incomes, and low unemployment rates.



Successor Agency – Debt Service Schedule

	2005 TAB	2015 TAB	Combined
FY 19-20	4,978,988	2,012,700	6,991,688
FY 20-21	4,937,556	1,316,250	6,253,806
FY 21-22	4,904,781	1,311,625	6,216,406
FY 22-23	4,862,031	1,309,625	6,171,656
FY 23-24	4,843,288	1,314,875	6,158,163
FY 24-25	4,796,706	2,342,125	7,138,831
FY 25-26	6,155,869		6,155,869
FY 26-27	5,959,494		5,959,494
FY 27-28	5,872,119		5,872,119
FY 28-29	5,834,619		5,834,619
FY 29-30	6,005,119		6,005,119
FY 30-31	6,606,619		6,606,619
FY 31-32	6,605,122		6,605,122
FY 32-33	6,597,000		6,597,000
FY 33-34	6,588,750		6,588,750
FY 34-35	6,577,750		6,577,750
FY 35-36	4,711,000		4,711,000
FY 36-37	7,854,375		7,854,375
FY 37-38	6,677,875		6,677,875
TOTAL	111,369,059	9,607,200	120,976,259





Successor Agency – S&P Credit Summary

- In January 2015, S&P assigned its “A” rating to the Successor Agency to the Fullerton Redevelopment Agency, Calif.’s tax allocation refunding bonds, series 2015;
- The ratings reflect our view of the:
 - Good recent assessed value (AV) growth in the project area, which contributes to coverage from pledged revenues;
 - Predominantly residential project area located in a mature northern Orange County city near the greater Los Angeles area; an
 - Merged project area’s low volatility ratio of 0.06
- Partly offsetting the preceding credit strengths is the opinion of:
 - The agency’s cash management since dissolution, as the agency has released pledged revenues semi-annually to pay other obligations, and bond documents that direct the agency to request only 50% of full annual debt service on all bonds in the first half of the year; and
 - Moderate taxpayer concentration of 25% in the merged project area, together with projected AV losses from appeals and one-time escaped assessments



Successor Agency – S&P Credit Summary

- The series 2015 bonds are secured by tax revenues in the redevelopment obligation retirement fund;
- The Fullerton Public Financing Authority's series 2005 tax allocation bonds are secured by authority revenues, which consist of loan payments made from tax increment revenue gathered by the merged project area
- The 2015 indenture specifies that the 2015 bonds are secured by an equal pledge and lien of tax revenues securing the 2005 bonds
- The agency's merged project area was created in 2006 and its AV grew by an annual average of 5.6% between 2011 and 2015. The 2015 tax roll includes several large estimated escaped assessments accounting for approximately 5.4% of total AV in 2015
- Based on the projected losses, MADS coverage from annual pledged revenues is calculated to be 1.90x for the 2015 bonds and 1.72x for the 2005 bonds
- Volatility for the merged area is 0.06 which is considered low
- Under the 2015 indenture, the agency commits that it will request at least 50% of annual debt service due on all bonds in the January-June ROPS period, and the balance in the second half
 - This weakens the credit quality of the bonds by enforcing a semi-annual cash flow that releases pledged revenue and increases administrative risk
- The City's median household effective buying income is strong at 124% of the national level



Successor Agency – S&P Credit Summary

- In October 2013, S&P affirmed its “A” underlying rating (SPUR) on California Statewide Communities Development Authority’s taxable revenue bonds, series 2005A;
- Repayments from eight redevelopment agencies on a several basis secure the series 2005A bonds;
- The obligation of the redevelopment agencies to repay their loans is subordinate to any of their existing tax allocation bond debt;
- In the event that any of the individual redevelopment agencies does not repay the bond trustee on a timely basis, county auditors will withhold property tax collections due to the sponsoring city of the redevelopment agency on a first lien basis in an amount equal to the agency’s loan payments and remit them to the bond trustee
- The pledged intercept of property taxes covers all citywide property taxes that the city sponsoring a redevelopment agency would have otherwise received, but does not include redevelopment agencies’ tax allocation revenues pledged to debt service
- The stable outlook reflects the view of high coverage of debt service by interceptable property taxes and the credit quality of the cities sponsoring each redevelopment agency in the pool



Refinancing Opportunities



Refinancing of 2005 Tax Allocation Bonds

- A refinancing of the City's 2005 Tax Allocation Bonds would produce significant savings based on all-time historic low interest rates
- Interest rate on the 2019/20 Bonds would be 1.4% vs. 5.0% on the 2005 Bonds
- Savings could be realized on an upfront or annual basis. Our based case scenario provides savings on a level basis
 - \$793K annual savings and \$6.3 million
 - \$6 million or 14% of refinanced principal

Period Ending	2005 Debt Svc.	New Debt Svc.	Annual Savings	Present Value Savings		City's Annual Savings	City's PV Savings
	A	B	C=A-B	D=P.V. of C		E=C*15.78%	F=D*15.78%
9/1/2020	5,647,997	4,854,625	793,372	787,989		125,194	124,345
9/1/2021	6,722,244	5,928,750	793,494	778,199		125,213	122,800
9/1/2022	6,723,000	5,932,000	791,000	765,190		124,820	120,747
9/1/2023	6,721,000	5,929,500	791,500	755,222		124,899	119,174
9/1/2024	6,716,500	5,926,000	790,500	743,968		124,741	117,398
9/1/2025	4,809,000	4,016,000	793,000	736,123		125,135	116,160
9/1/2026	8,038,000	7,244,250	793,750	726,747		125,254	114,681
9/1/2027	6,840,750	6,048,000	792,750	715,904		125,096	112,970
TOTAL	52,218,491	45,879,125	6,339,366	6,009,340		1,000,352	948,274
	PV Savings as % of Refinanced Principal			14.0%			



Program Timing

- From Start (Kick-Off Call or Meeting) to Finish (Receipt of Funds), a Typical Transaction Can Take Approximately 3 Months

Date	Action	Responsibility
<u>MONTH 1</u> (Application Period; Council Approval)	Kick-Off Call/Meeting	All
	Distribute 1 st Drafts of Bond Documents (Board Resolution, Indenture, Installment Sales Agreement, etc.)	BC
	Distribute 1 st Draft of Preliminary Official Statement (POS)	UWC
	Submit Documents & Staff Report for Board Meeting	City
	Council Approval of Documents	City
	Conference Call to Review Documents	All
<u>MONTH 2</u> (Finalize Documents, POS; Credit Package)	Draft of CSCDA Staff Report Distributed	Conduit Issuer
	2 nd Draft of Documents and POS Distributed	BC; UWC
	Conference Call to Review Documents	All
	Deadline to Submit Docs & Staff Report for Board Package	Conduit Issuer
	Issuer Board Approval	Conduit Issuer
	3 rd Draft of POS Distributed (if Necessary)	UWC
	Send Credit Package to Rating Agency; Bond Insurer	UW
	Rating Agency Credit Rating Call	All
<u>MONTH 3</u> (Credit Rating; Price/ Close Bonds; Receive Funds)	Receive Credit Rating	All
	Receive Bond Insurance Bid	All
	Print/Post POS	UW
	Pre-Market Bonds to Investors	UW
	Pre-Pricing Call	UW
	Pricing Call	UW
	Pre-Closing	All
	Closing (Funds Delivered to City)	All



Recent Transactions: City of Salinas

- **First City in County to Issue COPs Backed By New Measure X Funds Passed by Voters in 2016**
 - *Finance Plan:* Funding for Street Improvement Programs to Mitigate traffic, Ensure Pedestrian Safety, Update Intersections, Facilitate Future Growth
 - *Key Projects:* Boronda Road, Alisal Street, Laurel Drive
- **City Issued \$37.5M of COPs in June 2018**
 - Generated >\$40.6M in Proceeds
 - 1.64x Debt Service Coverage
 - Received “A+” Underlying S&P Rating
- **Favorable Interest Rates and Construction Prices**
 - Average Interest Rate of 3.59% (28-Years)



\$37,500,000 CSCDA - City of Salinas Certificates of Participation, Series 2018B (T.R.I.P. Total Road Improvement Program)		
S&P Underlying Rating	A+	
Insured Rating	AGM (AA)	
10 Year Treasury	2.90%	
10 Year MMD	2.47%	
Maturity	Coupon	Yield
2019	4.00%	1.51%
2020	4.00%	1.65%
2021	4.00%	1.77%
2022	5.00%	1.88%
2023	5.00%	2.00%
2024	5.00%	2.13%
2025	4.00%	2.24%
2026	4.00%	2.37%
2027	5.00%	2.47%
2028	5.00%	2.55%
2029	5.00%	2.64%
2030	4.00%	2.83%
2031	5.00%	2.81%
2032	5.00%	2.85%
2033	5.00%	2.92%
2034	5.00%	2.96%
2035	5.00%	3.00%
2036	5.00%	3.03%
2037	5.00%	3.05%
2038	5.00%	3.07%
2041	5.00%	3.15%
2046	3.50%	3.70%



Recent Transactions: City of Claremont

- **Sixth City in County to Utilize CSCDA TRIP Program to Fund Transportation Related Projects**
 - *Finance Plan:* Safety Accessibility, 'Complete Street' Standards, Sustainability Measures, Improve Aesthetics
 - *Key Projects:* Improvements to Foothill Boulevard (Historic Route 66)
- **City Issued \$3.3M of COPs in May 2018**
 - Generated \$3.5M in Proceeds
 - 4.15x Debt Service Coverage
 - Backed by Prop C, Measures R and M
- **Average Interest Rate of 3.00% (15-Years)**



\$3,330,000 CSCDA - City of Claremont Certificates of Participation, Series 2018A (T.R.I.P. Total Road Improvement Program)		
S&P Underlying Rating	AA	
Insured Rating	N/A	
10 Year Treasury	2.97%	
10 Year MMD	2.43%	
Maturity	Coupon	Yield
2019	3.00%	1.64%
2020	3.00%	1.77%
2021	5.00%	1.88%
2022	5.00%	1.96%
2023	5.00%	2.05%
2024	5.00%	2.17%
2025	5.00%	2.26%
2026	5.00%	2.32%
2027	5.00%	2.41%
2028	5.00%	2.48%
2029	5.00%	2.58%
2030	5.00%	2.66%
2031	5.00%	2.73%
2032	3.00%	3.23%
2033	3.13%	3.33%

Regulatory Disclosure

Disclosure of Conflicts of Interest and Legal or Disciplinary Events. Pursuant to Municipal Securities Rulemaking Board (“MSRB”) Rule G-42, on Duties of Non-Solicitor Municipal Advisors, Municipal Advisors are required to make certain written disclosures to clients and potential clients which include, amongst other things, Conflicts of Interest and any Legal or Disciplinary events of Urban Futures, Inc. (“UFI”) and its associated persons.

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It should be noted that other forms of compensation (i.e. hourly or fixed fee based) may also present a potential conflict of interest regarding UFI’s ability to provide advice regarding a municipal security transaction. These other potential conflicts of interest will not impair UFI’s ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Issuer.

Other Municipal Advisor Relationships. UFI serves a wide variety of other clients that may from time to time have interests that could have a direct or indirect impact on the interests of another UFI client. These other clients may, from time to time and depending on the specific circumstances, have competing interests. In acting in the interests of its various clients, UFI could potentially face a conflict of interest arising from these competing client interests. UFI fulfills its regulatory duty and mitigates such conflicts through dealing honestly and with the utmost good faith with its clients.

If UFI becomes aware of any additional potential or actual conflict of interest after this disclosure, UFI will disclose the detailed information in writing to the issuer or obligated person in a timely manner.

Legal or Disciplinary Events. UFI does not have any legal events or disciplinary history on UFI’s Form MA and Form MA-I, which includes information about any criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations and civil litigation. The Issuer may electronically access UFI’s most recent Form MA and each most recent Form MA-I filed with the Commission at the following website: www.sec.gov/edgar/searchedgar/companysearch.html.

There have been no material changes to a legal or disciplinary event disclosure on any Form MA or Form MA-I filed with the SEC. If any material legal or regulatory action is brought against UFI, UFI will provide complete disclosure to the Issuer in detail allowing the Issuer to evaluate UFI, its management and personnel.