CITY OF LOS ALAMITOS

2015 CERTIFICATES OF PARTICIPATION

Rating Presentation to Standard & Poor’s

August 4, 2015
• Introduction

• Section 1
  – Overview of City of Los Alamitos
  – City Demographic and Statistical Data

• Section 2
  – City Financial Overview & Management

• Section 3
  – Financing Plan
INTRODUCTION

Overview
<table>
<thead>
<tr>
<th>CITY OF LOS ALAMITOS</th>
<th>Bret M. Plumlee, City Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuer</td>
<td>Jason Al-Imam, Administrative Services Director/Treasurer</td>
</tr>
<tr>
<td>Best Best &amp; Krieger, LLP</td>
<td>Kim Byrens, Esq.</td>
</tr>
<tr>
<td>Special Counsel and Disclosure Counsel</td>
<td>Mrunal Shah, Esq.</td>
</tr>
<tr>
<td>Fieldman, Rolapp &amp; Associates</td>
<td>Tom Johnsen, Principal</td>
</tr>
<tr>
<td>Financial Advisor</td>
<td>Josh Lentz, Vice President</td>
</tr>
</tbody>
</table>
• City will execute, deliver and sell the 2015 Certificates of Participation ("2015 Certificates")
  – Advance Refund the outstanding 2006 Certificates of Participation
  – Provide funds to finance certain public facilities

• 2015 Certificates are secured by Lease Payments made by the City to the Los Alamitos Public Facilities Corporation pursuant to a Lease Agreement.
SECTION 1
Los Alamitos City Overview
• Located in the northwest section of coastal Orange County
  – 4.3 sq. miles in area
  – Northwest section of Orange County
  – Neighboring communities include, Long Beach, Seal Beach, Cypress and Garden Grove
City Governance

City Council

• Incorporated in March 1960
  – Council-Manager form of government
  – 5 council members elected bi-annually to four year alternating terms
  – City Council annually elects a Mayor from its members
  – City Manager appointed by Council
  – City Attorney appointed by Council under contract

• City staff:
  – 50 full-time employees
Stable Population

Source: City of Los Alamitos.
Los Alamitos Median Household Income is 156% of the national average.
Los Alamitos Average Effective Buying Income is 142% of the national average.

Source: Nielsen Reports.
Unemployment Trend

Source: State of California, Employment Development Department.
* Preliminary – Unemployment Rates for the month of May 2015.
Single Family Residential Sales Value History

Median Home Values
Home Values June 2005 through July 2015

Source: Zillow.
SECTION 2
Financial Overview & Financial Management
• Well-established financial management policies and practices
  – Reserve
  – Investments
• City has received unmodified/unqualified audit opinions for numerous years
• Stable revenue base and fund balance history
• Established record of conservative budgeting practices
• Legally available funds for debt service is the General Fund
Budgeting Practices

- Council sets priorities for funding for the next year
- Departments prepare the operating budget
- Capital budget are prepared and/or updated every year
- Budget appropriations are adopted in May/June each year
- City utilizes zero-based budgeting practices
### General Fund Budgets & Results

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year 2014-15 Budget</th>
<th>Fiscal Year 2014-15 Projections</th>
<th>Fiscal Year 2015-16 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Taxes</td>
<td>$3,193,049</td>
<td>$3,193,049</td>
<td>$3,303,616</td>
</tr>
<tr>
<td>Sales &amp; Use Taxes</td>
<td>2,992,000</td>
<td>3,019,000</td>
<td>3,272,000</td>
</tr>
<tr>
<td>Utility Users Taxes</td>
<td>2,217,598</td>
<td>2,247,598</td>
<td>2,291,944</td>
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<tr>
<td>Transient Occupancy Tax</td>
<td>115,000</td>
<td>115,000</td>
<td>120,000</td>
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<tr>
<td>Franchise Fees</td>
<td>676,284</td>
<td>676,284</td>
<td>687,600</td>
</tr>
<tr>
<td>Licenses and Permits</td>
<td>742,902</td>
<td>742,902</td>
<td>746,915</td>
</tr>
<tr>
<td>Fines and Forfeitures</td>
<td>594,900</td>
<td>694,900</td>
<td>660,000</td>
</tr>
<tr>
<td>Investment Earnings</td>
<td>38,000</td>
<td>38,000</td>
<td>57,000</td>
</tr>
<tr>
<td>Revenue from other Agencies</td>
<td>98,403</td>
<td>98,403</td>
<td>122,330</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>1,282,564</td>
<td>1,282,564</td>
<td>1,494,074</td>
</tr>
<tr>
<td>Miscellaneous Revenues</td>
<td>68,519</td>
<td>68,519</td>
<td>75,500</td>
</tr>
<tr>
<td>Interfund Transfers</td>
<td>388,317</td>
<td>370,817</td>
<td>365,667</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$12,407,536</td>
<td>$12,547,036</td>
<td>$13,196,646</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Expenditures</td>
<td>$12,295,072</td>
<td>$12,181,826</td>
<td>$13,195,015</td>
</tr>
<tr>
<td>Non-Operating Expenditures(^{(1)})</td>
<td>1,215,000</td>
<td>1,300,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>$13,510,072</td>
<td>$13,481,826</td>
<td>$13,195,015</td>
</tr>
<tr>
<td><strong>Surplus/(Deficit)</strong></td>
<td>$(1,102,536)</td>
<td>$(934,790)</td>
<td>$1,631</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Non-Operating Expenditures in Fiscal Year 2014-15 included a $1.1 million transfer to two new capital internal services funds, which will be used to fund future police capital expenditures and future capital improvements for facilities, streets, parks and the pool.

Source: City of Los Alamitos Adopted Budget of the City of Los Alamitos for Fiscal Years 2014-2015.
## General Fund Revenues & Expenditures

### Revenues

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>Fiscal Year 2009-10</th>
<th>Fiscal Year 2010-11</th>
<th>Fiscal Year 2011-12</th>
<th>Fiscal Year 2012-13</th>
<th>Fiscal Year 2013-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes</td>
<td>$7,635,625</td>
<td>$7,949,816</td>
<td>$7,613,069</td>
<td>$8,636,170</td>
<td>$8,904,575</td>
</tr>
<tr>
<td>Licenses and permits</td>
<td>603,776</td>
<td>628,684</td>
<td>1,246,716</td>
<td>693,917</td>
<td>936,914</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>321,428</td>
<td>87,636</td>
<td>25,808</td>
<td>24,238</td>
<td>21,338</td>
</tr>
<tr>
<td>Charges for services</td>
<td>897,830</td>
<td>1,335,210</td>
<td>1,319,167</td>
<td>1,454,247</td>
<td>1,367,472</td>
</tr>
<tr>
<td>Investment earnings</td>
<td>28,216</td>
<td>206,000</td>
<td>9,991</td>
<td>7,513</td>
<td>1,746</td>
</tr>
<tr>
<td>Fines and forfeitures</td>
<td>612,442</td>
<td>597,316</td>
<td>438,839</td>
<td>614,835</td>
<td>709,809</td>
</tr>
<tr>
<td>Contributions</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>158,662</td>
<td>224,447</td>
<td>189,225</td>
<td>31,547</td>
<td>374,554</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td><strong>$10,257,979</strong></td>
<td><strong>$10,843,709</strong></td>
<td><strong>$10,842,815</strong></td>
<td><strong>$11,462,467</strong></td>
<td><strong>$12,316,408</strong></td>
</tr>
</tbody>
</table>

### Expenditures

<table>
<thead>
<tr>
<th>EXPENDITURES</th>
<th>Fiscal Year 2009-10</th>
<th>Fiscal Year 2010-11</th>
<th>Fiscal Year 2011-12</th>
<th>Fiscal Year 2012-13</th>
<th>Fiscal Year 2013-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>General government</td>
<td>$2,071,156</td>
<td>$1,845,374</td>
<td>$2,076,986</td>
<td>$1,845,032</td>
<td>$2,062,217</td>
</tr>
<tr>
<td>Public safety</td>
<td>492,0546</td>
<td>473,5873</td>
<td>490,8321</td>
<td>527,8040</td>
<td>587,4051</td>
</tr>
<tr>
<td>Community development</td>
<td>562,022</td>
<td>525,541</td>
<td>623,121</td>
<td>737,071</td>
<td>829,492</td>
</tr>
<tr>
<td>Recreation and community services</td>
<td>1,156,890</td>
<td>1,526,633</td>
<td>1,569,593</td>
<td>1,888,587</td>
<td>1,619,944</td>
</tr>
<tr>
<td>Public works</td>
<td>1,561,556</td>
<td>1,558,760</td>
<td>1,603,338</td>
<td>1,764,285</td>
<td>1,685,820</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td><strong>$10,272,170</strong></td>
<td><strong>$10,192,181</strong></td>
<td><strong>$10,781,359</strong></td>
<td><strong>$11,513,015</strong></td>
<td><strong>$12,071,524</strong></td>
</tr>
</tbody>
</table>

*Note: Does not include any Transfers-In or Transfers-Out.*

*Source: City of Los Alamitos FY 2009-10 through FY 2013-14 Comprehensive Annual Financial Reports*
On July 21, 2014 the City Council approved a Fund Balance Policy for the General Fund which set forth the following General Fund Reserves:

- **Reserve For Emergencies** – the amount set aside for emergencies is 25% of the General Fund’s budgeted operating expenditures. The amount reserved for emergencies at June 30, 2014 and June 30, 2015 was $3,123,565 and $3,273,754, respectively.

- **PERS Reserves** – the fund balance policy sets forth the policy objective to maintain a funded ratio near 80% of the actuarial accrued pension liability. The 6/30/2013 CalPERS actuarial valuation reports reflect a funded ratio of 77% ($39,740,128 of assets compared to an accrued liability of $51,592,623) based on the combined funded status for both the miscellaneous and safety plans. The City has also set aside $3,150,000 of General Fund reserves for PERS, which brings the City’s combined funded ratio to 83%.

- **Workers Compensation/Liability Reserves** – $250,000 has been set aside.

- **Other Post Employment Benefit (OPEB) Reserves** – $250,000 has been set aside based on the actuary’s recommended level of reserves.

- **Los Alamitos Boulevard Revitalization Project Reserves** – $200,000 has been set aside.

- **Undesignated Reserves** – any amounts in excess of the reserves established above are maintained in undesignated reserves.
• On June 16, 2014, the City Council approved the 2014-15 Budget, which included the transfer of $1.1 million from General Fund reserves to establish two new internal service funds. These funds will be used to fund police capital expenditures and future capital improvements for facilities, streets, parks and the pool.

• These funds will be replenished in future years to provide funds for capital improvement projects and equipment.
General Fund Balance Reserves and Designations

Notes:
(1) The City adopted GASB 54 in 2011 which changed the fund balance classification terminology.
(2) In 2014, the City Council adopted a new fund balance policy that set aside amounts for emergencies, PERS, OPEB, etc.

Source: City of Los Alamitos
Revenue Breakdown

Source: City of Los Alamitos
Tax Revenue Breakdown

Source: City of Los Alamitos

- Property Taxes, $3,109,888
- Sales & Use Taxes, $2,836,328
- Utility Users Taxes, $2,188,435
- Transient Occupancy Tax, $112,866
Los Alamitos receives approximately 10% out of the 1% Property Tax Allocation.
Assessed Valuations

Note: Data labels represent total value of secured and unsecured assessed value.

Secured Tax Charges & Delinquencies

Top 15 Principal Property Taxpayers represent 16.28% of the Total Local Secured Assessed Valuation

FY 2014-15 Local Secured Assessed Valuation: $1,669,324,000.
Sales Tax Revenues

Debt Ratios

### FISCAL YEAR

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bonded Debt</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certificates of Participation</td>
<td>$212,779</td>
<td>$215,675</td>
<td>$215,675</td>
<td>$215,675</td>
<td>$215,675</td>
<td>2046</td>
</tr>
<tr>
<td><strong>Total Bonded Debt</strong></td>
<td>212,779</td>
<td>215,675</td>
<td>215,675</td>
<td>215,675</td>
<td>215,675</td>
<td></td>
</tr>
<tr>
<td><strong>Equipment &amp; Facility Leases</strong></td>
<td>10,332</td>
<td>2,940</td>
<td>2,940</td>
<td>-</td>
<td>-</td>
<td>3 years various</td>
</tr>
<tr>
<td><strong>Total Debt Service</strong></td>
<td>$223,111</td>
<td>$218,615</td>
<td>$218,615</td>
<td>$215,675</td>
<td>$215,675</td>
<td></td>
</tr>
<tr>
<td><strong>General Fund Revenues</strong></td>
<td>$12,547,036</td>
<td>$13,196,646</td>
<td>$13,460,579</td>
<td>$13,729,790</td>
<td>$14,004,386</td>
<td></td>
</tr>
<tr>
<td><strong>Debt Ratio</strong></td>
<td>1.78%</td>
<td>1.66%</td>
<td>1.62%</td>
<td>1.57%</td>
<td>1.54%</td>
<td></td>
</tr>
</tbody>
</table>

*Source: City of Los Alamitos.*
Pension Obligations

- The 6/30/2013 CalPERS actuarial valuation reports reflect a funded ratio of 77% ($39,740,128 of assets compared to an accrued liability of $51,592,623) based on the combined funded status for both the miscellaneous and safety plans. The City has also set aside $3,150,000 of General Fund reserves for PERS, which brings the City’s combined funded ratio to 83%.

- The City has done everything possible within existing laws and contract to limit the City’s pension costs going forward.

- The City has a multiple tier retirement plan with benefits varying by plan for both miscellaneous and safety employees. The retirement formulas for classic and PEPRA employees is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Miscellaneous</th>
<th>Safety</th>
</tr>
</thead>
<tbody>
<tr>
<td>Classic</td>
<td>2.7% at 55</td>
<td>3% at 50</td>
</tr>
<tr>
<td>PEPRA</td>
<td>2% at 62</td>
<td>2.7% at 57</td>
</tr>
</tbody>
</table>

- The City pays its full required annual employer contribution.

- The City has negotiated with its two bargaining groups for employees to pay 100% of their employee share of PERS by 2016.

- The City has prepaid the annual unfunded PERS obligation for the past two fiscal years, which has created approximately $50,000 of savings.
• City funds its obligations based on pay-as-you go basis

• OPEB obligation (unfunded actuarial accrued liability) is $2,724,394 as of June 30, 2014

• ARC of $243,447 for FY 2013-14

• The City has set aside $250,000 for OPEB based on the actuary’s recommend level of reserves
SECTION 3
Financing Plan
Legal Structure Overview

- Lease-leaseback between the City and the Los Alamitos Public Facilities Corporation
- 2015 Certificates secured by base rental payments to be made pursuant to the lease agreement
- No debt service reserve fund
- City has covenanted in Lease Agreement to annually appropriate funds for Base Rental Payments
- Pledged Assets*
  - Laurel Park
- Security Features
  - 24 months rental interruption insurance
  - Public liability insurance
  - Property & casualty insurance
  - CTLA leasehold title insurance (principal of bonds)

*City may later substitute, add or remove property
Estimated Fiscal Year Debt Service

Fiscal Year

Refunding  New Money

2016  $57,782
2018  $100,000
2020  $150,000
2022  $200,000
2024  $250,000
2026  $207,725
2028  $208,650
2030  $209,500
2032  $210,131
2034  $210,697
2036  $211,000
2038  $210,900
2040  $207,600
2042  $209,100
2044  $207,200
2046  $209,800

Fiscal Year Debt Service

$0  $50,000  $100,000  $150,000  $200,000  $250,000  $300,000  $350,000  $400,000  $450,000  $500,000

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Financing Timing

- **Monday, August 10, 2015**
  - Underlying rating received from S&P
  - Council Meeting to approve financing documents

- **Wednesday, August 26, 2015**
  - Price 2015 Certificates

- **Wednesday, September 9, 2015**
  - Close 2015 Certificates
• Exceptional financial strength and demographic and economic factors
• Strong management practices
• Prudent fiscal management and long range planning
• Engaged management
  – Seasoned management team
  – Involved City Council
Questions & Further Discussion