

**MEMORANDUM  
OFFICE OF THE  
AUDITOR-CONTROLLER  
COUNTY OF PLACER**

**TO:** Honorable Board of Supervisors  
**FROM:** Andrew C. Sisk, Auditor-Controller  
**DATE:** October 10, 2013  
**SUBJECT:** Continuing Disclosure Certificate – Notice of Material Event

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**ACTION REQUESTED**

No action is requested at this time. This is an informational item only.

**BACKGROUND**

Attached for your information and review is the Notice of Material Event relating to the Continuing Disclosure Certificate of Participation for the South Placer Justice Center Courthouse. The annual disclosure certificate for this notice was presented as an informational item at the February 26, 2013 Board meeting.

**FISCAL IMPACT**

This action has no fiscal impact to the County

NOTICE OF A MATERIAL EVENT  
PURSUANT TO RULE 15c2-12

In accordance with that certain Continuing Disclosure Certificate, dated December 6, 2007, executed by Placer County, California (the "County"), the County hereby provides notice of a material event relating to the following securities (the "Certificates"):

**\$34,850,000**  
**CERTIFICATES OF PARTICIPATION**  
**(2007 South Placer Justice Center Courthouse Financing Project)**  
**Evidencing Direct, Undivided Fractional Interests of the**  
**Owners Thereof in Lease Payments to be Made by the**  
**COUNTY OF PLACER, CALIFORNIA**  
**As the Rental for Certain Property Pursuant to a**  
**Lease Agreement with the**  
**Placer County Public Financing Authority**

Maturity (December 1)	CUSIP Number
2013	725907 DY2
2014	725907 DZ9
2015	725907 EA3
2016	725907 EB1
2017	725907 EC9
2018	725907 ED7
2019	725907 EE5
2020	725907 EF2
2021	725907 EG0
2022	725907 EH8
2023	725907 EJ4
2024	725907 EK1
2025	725907 EL9
2026	725907 EM7
2027	725907 EN5

Moody's Investors Service ("Moody's") has downgraded to Aa3 from Aa2 its rating of the Certificates. Moody's rating action is attached.

# MOODY'S

## INVESTORS SERVICE

### Rating Action: Moody's downgrades Placer County, CA's COPs to Aa3; Affirms Aa1 Issuer Rating and Baa2 Special Tax rating

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Global Credit Research - 30 Aug 2013

#### **\$42.78 million of debt affected**

New York, August 30, 2013 – Moody's Investors Service has downgraded to Aa3 from Aa2 the rating on Placer County, CA's Lease Revenue Certificates of Participation. We have also affirmed the county's Aa1 Issuer Long Term Rating and Baa2 Special Tax rating.

#### RATINGS RATIONALE

The downgrade creates a two-notch rating distinction between the county's Lease Revenue and Issuer Rating which reflects the less secure pledge supporting lease revenue bonds compared to the county's general obligation pledge. We have revised our view of both the probability of default and loss given default of unsecured obligations relative to California general obligation bond pledge (represented by the Issuer rating) and have implemented a minimum two-notch rating distinction from the general obligation pledge for these unsecured obligations. The County's 2007 Lease Revenue Certificates of Participation are unsecured, absolute and unconditional obligations payable from any legally available funds. This pledge has a notable disparity to the special, unlimited tax general obligation pledge that provides a baseline for our estimate of the county's credit quality. The Aa3 rating continues to reflect the very minimal debt burden on General Fund finances and the expectation that the county will easily be able to make debt service payments.

The affirmation of the Aa1 Issuer Rating reflects the county's large tax base showing signs of recovery from the weakened economy, healthy reserves expected to remain stable, conservative management practices and a very minimal debt burden.

The affirmation of the Baa2 rating on the 2011 Special Tax Refunding Bonds issued by the county on behalf of the Community Facilities District No. 2001-1 (Dry Creek – West Placer) reflects the diverse and developed district with above average wealth levels, strong tax administration, as well as sound coverage and cash funded reserves.

#### STRENGTHS

- Minimal debt burden
- Conservative financial management
- Healthy reserves

#### CHALLENGES

- Fiscal pressure from increasing salary and benefits costs

#### WHAT COULD MOVE THE RATING UP

- Substantial increase in assessed values
- Significant increase in the county's reserves

#### WHAT COULD MOVE THE RATING DOWN

- Significant declines in county's assessed values
- Deterioration of the county's financial position

#### PRINCIPAL METHODOLOGY

The principal methodology used in the general obligation rating was General Obligation Bonds Issued by US Local Governments published in April 2013. An additional methodology used to rate the certificates of participation was The Fundamentals of Credit Analysis for Lease-Backed Municipal Obligations published in December 2011. The principal methodology used in the special tax rating was Moody's Outlines Approach to Analyzing Land Secured Debt Financings published in December 2008. Please see the Credit Policy page on [www.moody.com](http://www.moody.com) for a copy of these methodologies.

#### REGULATORY DISCLOSURES

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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Karolina Norris  
Associate Analyst  
Public Finance Group  
Moody's Investors Service, Inc.  
600 North Pearl Street  
Suite 2165  
Dallas, TX 75201  
U.S.A.  
JOURNALISTS: 212-553-0376  
SUBSCRIBERS: 212-553-1653

Christian Richard Ward  
Analyst  
Public Finance Group  
JOURNALISTS: 212-553-0376  
SUBSCRIBERS: 212-553-1653

Releasing Office:  
Moody's Investors Service, Inc.  
250 Greenwich Street  
New York, NY 10007  
U.S.A.  
JOURNALISTS: 212-553-0376  
SUBSCRIBERS: 212-553-1653

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