

# RatingsDirect®

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## Summary:

# Fullerton, California; General Obligation

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Rationale

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Credit Profile		
Fullerton judgment oblig bnds		
Long Term Rating	AA/Stable	Upgraded

Rationale

S&P Global Ratings raised its long-term rating to 'AA' from 'AA-' on Fullerton, Calif.'s 2013 taxable judgment obligation bonds (JOBs), based on the application of its "Issue Credit Ratings Linked To U.S. Public Finance Obligors' Creditworthiness" criteria, published Jan. 22, 2018, on RatingsDirect. The outlook is stable.

The JOBs are secured by the city's absolute and unconditional obligation to make debt service payments, without any right of set-off or counterclaim. The city is obligated to satisfy the obligations from any legally available funds. The bonds do not constitute an obligation of the city for which it must levy or pledge any form of taxation. We rate the JOBs on par with our view of the city's general creditworthiness. Our assessment of the city's general creditworthiness reflects our view of the city's:

- 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, and
- Low to moderate overall net debt burden.

We believe that these pledges share the same presumed claim on all resources of the government and that these resources are fungible. The fungibility of resources and the ability to manage those resources drive our view of the obligor's ability and willingness to pay. This represents a change from our past approach, in which these pledges often led to ratings that were one notch below the general creditworthiness. We typically view non-ad valorem pledges as general operating pledges and believe these pledges are inseparable from operations. In our opinion, continued payment for the pledge depends on the successful operation of the entity. For additional information and for examples of when we might rate an issue a notch or more below the obligor's general creditworthiness, please see the published criteria.

The JOBs refunded the city's obligations related to a recent court judgment and a settlement agreement; JOB proceeds were used to help restore its self-insurance fund to its targeted 70% of potential liabilities confidence level. The city sought and received judicial validation in June 2013 that the JOBs are valid and binding obligations of the city under state laws.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors,

have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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December 6, 2018

City of Fullerton  
303 West Commonwealth Avenue  
Fullerton, CA 92832  
Attention: Mr. Michael O'Kelly, Director of Administrative Services

Re: ***Fullerton Judgment Obligation Bonds, California***

Dear Mr. O'Kelly:

S&P Global Ratings has reviewed the rating on the above-listed obligations. Based on our review, we have raised our credit rating from "AA-" to "AA" while affirming the stable outlook. A copy of the rationale supporting the rating and outlook is enclosed.

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