



County of Fresno

Rating Agency Scoring and Bonding Considerations

November 18, 2025



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A Limited Liability Company

Today's Presentation

- Provide overview of the County's currently outstanding debt, annual debt service and ratings.
- Present pro forma debt service numbers for a hypothetical financing generating \$50 million in proceeds for an Administration Building project.
- Provide high level summary of certain Fresno County rating metrics.
- Provide results of our analysis regarding the impact of additional debt on key rating agency debt metrics.
- Present conclusions about “affordability” of additional debt.

Role of the Municipal Advisor

- KNN has served as Municipal Advisor to Fresno County since 1993. We currently serve as Municipal Advisor to 35 California counties.
- As Municipal Advisor, we:
 - Provide independent financial analysis, advice and expertise to support informed decision making.
 - Help manage financings and protect our clients' interests throughout the financing process.
- Under SEC rules, KNN has a **fiduciary duty**, including duties of loyalty and care. By law, we must put our clients' interest ahead of our own.
- County staff asked KNN to analyze the impact of a potential \$50 million Administration Building Lease Revenue Bond financing upon the County's rating agency metrics.

Introduction to Municipal Bonds

- **WHAT:**
 - A municipal bond is a form of loan from a lender to a municipality.

- **WHY:**
 - Accelerate delivery of a capital project vs. cash funding.
 - Spread cost of capital project over useful life of the asset and ensure costs are paid by those who benefit from the project.
 - Achieve savings when cost of borrowing is lower than construction inflation or rate of earnings on available cash reserves.

- **PURPOSES:**
 - Capital improvement projects
 - Infrastructure
 - Refinancing
 - Cash Flow

Local Governments Benefit from Tax Exemption

- Most municipal bonds issued for infrastructure or capital improvements qualify to be issued on a **tax-exempt** basis.
- Bondholders do not pay Federal income tax on interest earnings.
 - As a result, bondholders typically will purchase tax-exempt bonds at lower yields than taxable bonds.
 - Allows a municipal issuer to raise capital at lower interest rates as compared to taxable/corporate bonds.
- Issuers must meet IRS requirements to qualify bonds as tax-exempt
 - For governmental purposes – not for private use
 - Reasonable expectation that proceeds will be expended in 3 years from borrowing
 - Certain invested proceeds may not earn arbitrage (earnings rate > borrowing rate)
 - Certification required to be made by issuer at time of issuance – i.e., tax certificate

Types of Financings Commonly Used to Fund Capital Improvements and New Projects

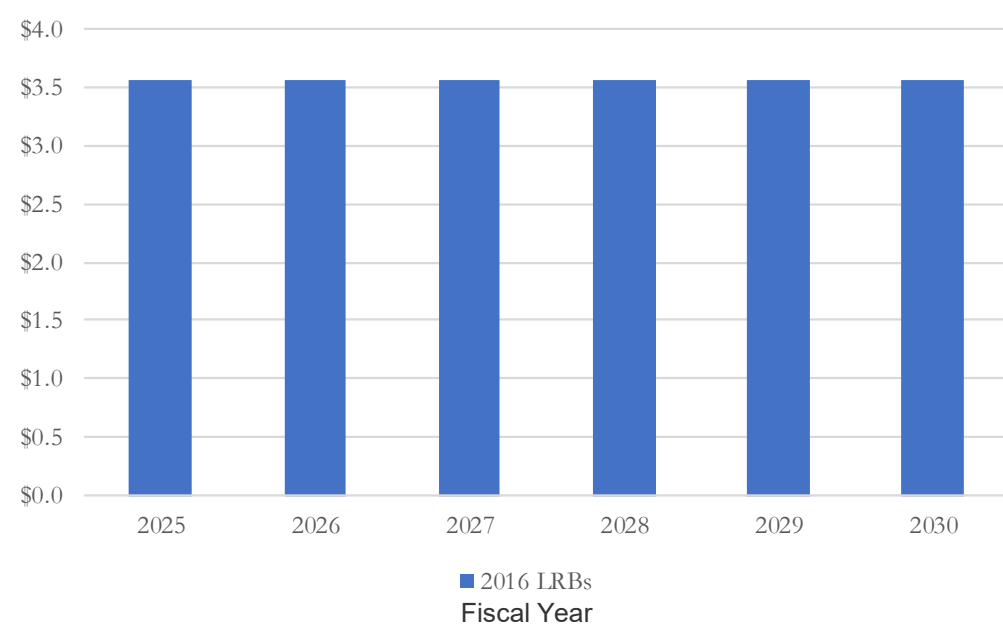
Type of Financing	Type of Issuer	Voter-Approved?	Repayment Source
General Obligation Bonds	Cities, Counties, School Districts, Special Districts	Yes	Ad Valorem Property Taxes
Lease Revenue Bonds or Certificates of Participation	Cities, Counties, Joint Powers Authorities	No	General Fund of Local Government Issuer
Enterprise Revenue Bonds	Cities, Counties, Joint Powers Authorities	No	Enterprise Fund Revenues
Community Facilities District (Mello-Roos) and Assessment District Bonds	Multiple entities, Cities, Counties, and Special Districts	Yes	Special Taxes and Assessments Approved by Property Owners within the District

Overview of Fresno County General Fund Debt

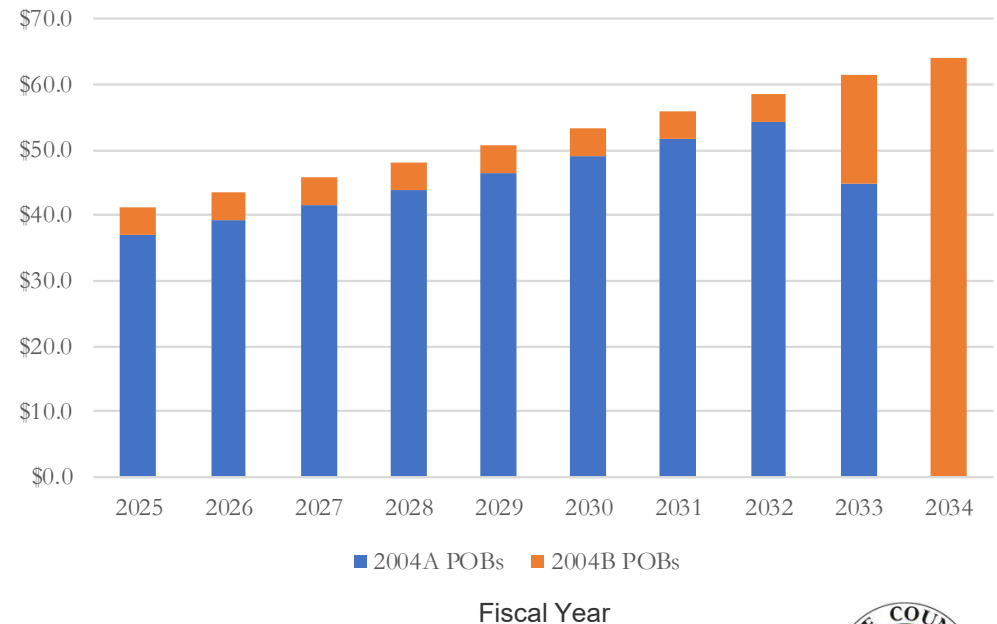
Transaction	Purpose	Original Par Amount	Outstanding Par Amount ¹	Final Maturity	Optional Call Provision	Credit Rating
General Fund						
Lease Revenue Bonds, Series 2016	Refunding of 2007 LRBs	\$37,270,000	\$18,740,000	4/1/2030	4/1/26 @ 100	AA- (S&P)
Pension Obligation Bonds, Series 2004A	Pension system funding	\$327,897,749	\$316,102,602	8/15/2032	MWC Only	AA (S&P), A+ (F)
Pension Obligation Bonds, Series 2004B	Pension system funding	\$75,000,000	\$75,000,000	8/15/2033	None	AA (S&P), A+ (F)

¹As of July 14, 2025. Outstanding par amount includes accreted interest on the 2004 Series A POB CABs.

Lease Revenue Bond Debt Service



Pension Obligation Bond Debt Service



Credit Ratings

- Higher credit ratings generally result in lower borrowing costs for issuers.
- A rating agency will assign an “issuer credit rating” which is equivalent to the rating that a hypothetical General Obligation Bond would carry.
 - In addition, a rating agency will assign a rating specific to a bond issue.
 - S&P’s LRB/COP rating generally is one notch below the issuer credit rating.
- Fresno County has a current Lease Revenue Bond rating of “AA-” from S&P.

Long-Term Ratings			
	S&P	Fitch	Moody's
Investment Grade	AAA	AAA	Aaa
	AA+	AA+	Aa1
	AA	AA	Aa2
	AA-	AA-	Aa3
	A+	A+	A1
	A	A	A2
	A-	A-	A3
	BBB+	BBB+	Baa1
	BBB	BBB	Baa2
	BBB-	BBB-	Baa3
Speculative Grade	BB	BB	Ba
	B	B	B
	CCC	CCC	Caa
	CC	CC	Ca
	C	C	C
	D	D	D

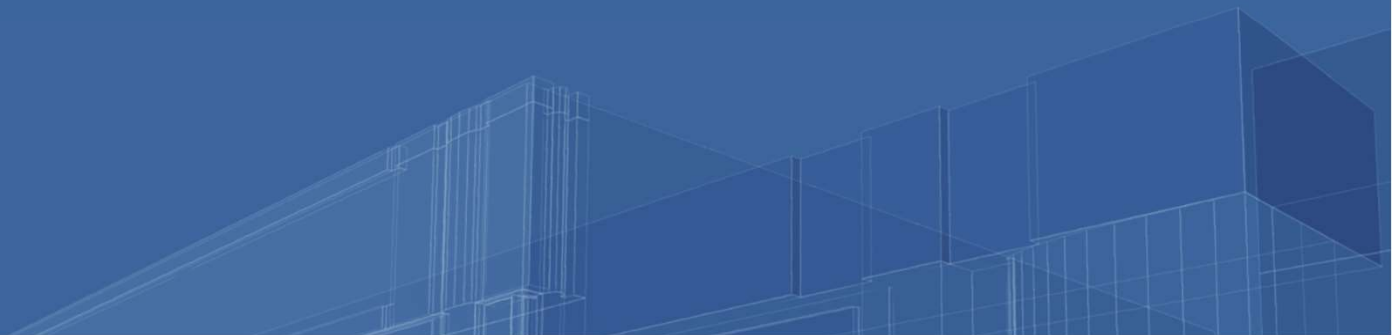
Summary of Administration Building Lease Revenue Bond Scenarios

- KNN's analysis assume the issuance of public Lease Revenue Bonds.
- Each scenario assumes an "asset transfer" structure where the County would lease an existing facility to avoid capitalizing interest and deferring principal amortization.

Scenario:	Scenario 1	Scenario 2	Scenario 3
Amortization:	20-Years	25-Years	30-Years
Final Maturity:	4/1/2046	4/1/2051	4/1/2056
Sources:			
Par Amount	\$47,685,000	\$48,745,000	\$49,680,000
Premium	2,854,331	1,802,296	870,128
Total Sources:	\$50,539,331	\$50,547,296	\$50,550,128
Uses:			
Project Fund ¹	\$50,000,000	\$50,000,000	\$50,000,000
Cost of Issuance ²	300,906	303,571	301,728
Underwriter's Discount ³	238,425	243,725	248,400
Total Uses:	\$50,539,331	\$50,547,296	\$50,550,128
True Interest Cost: ⁴	4.38%	4.69%	4.89%
Average Annual Debt Service:	\$3,826,450	\$3,458,640	\$3,231,625
Total Debt Service:	\$76,529,000	\$86,466,000	\$96,948,750

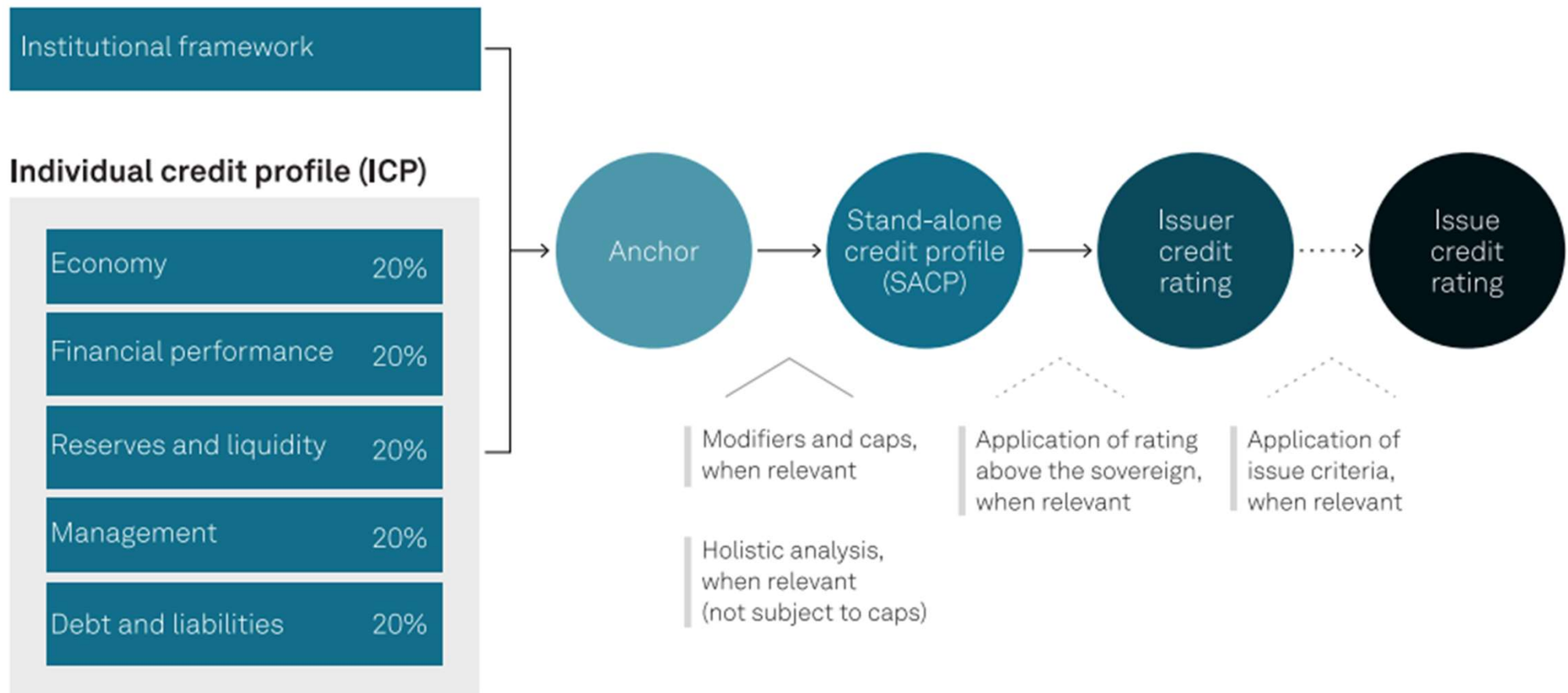
See appendix for footnotes to this analysis.

Rating Agency Metrics Scoring



S&P Rating Criteria Overview

- Standard & Poor's released new methodology for rating U.S. Governments on September 9, 2024. This was S&P's first major revision of their criteria since 2013.



Source: Standard & Poor's Methodology for Rating U.S. Governments, September 9, 2024.

S&P Individual Credit Profile Scoring Overview

- The below metrics are utilized to establish the initial assessment:

	Economy (20%) (Scoring 1 – 6)	Financial Performance (20%) (Scoring 1 – 4)	Reserve and Liquidity (20%) (Scoring 1 – 5)	Management (20%) (Scoring 1 – 4)	Debt and Liabilities (20%) (Scoring 1 – 6)
Step 1: Establish Initial Assessment (Local Government)	Gross County Product (GCP) per capita % of US GDP per capita (50%)	Three-year average operating result (%)	Available reserves (%) of revenues	Budgeting practices (35%)	Current cost for debt service and liabilities (50%)
	County Per Capita Personal Income (PCPI) % of U.S PCPI (50%)			Long-term planning (35%)	Net direct debt per capita (25%)
				Policies (30%)	Net pension liabilities per capita (25%)

- After determining the initial assessment, S&P then applies certain qualitative adjustments to arrive at the Individual Credit Profile (ICP), which determines the Anchor score.

Source: Standard & Poor's Methodology for Rating U.S. Governments, September 9, 2024.

Initial Assessment Scoring: Summary of Estimated Scoring

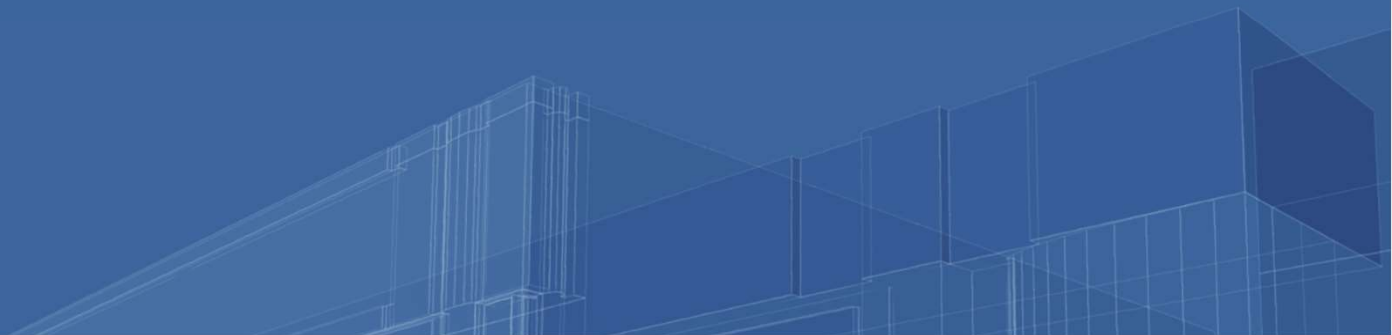
Economy		
Metric	Score	Scale
County PCPI as % of US PCPI (50%)	4	1-6
County GDP as % of US GDP (50%)	5	1-6
Total Economy Score	4.5	

Financial Performance		
Metric	Score	Scale
3-year Average of Operating Result	3	1-4
Total Financial Performance Score	3	

Reserves and Liquidity		
Metric	Score	Scale
Available Reserves as a % of Revenues	2	1-5
Total Reserves and Liquidity Score	2	

Debt and Liabilities		
Metric	Score	Scale
Current Costs for Debt Service and Liabilities as a % of Revenues (50%)	2	1-6
Net Direct Debt per Capita (25%)	2	1-6
Net Pension Liability per Capita (25%)	2	1-6
Total Debt and Liabilities Score	2	

Impact of New Debt Scenarios



The Debt Affordability Model and Rating Agency Criteria

- KNN has created a Fresno County Debt Affordability Model (DAM).
- The DAM uses various inputs from the County's financial statements to calculate key ratios that are derived from Standard & Poor's (S&P) analytical framework for determining a U.S. local government credit rating.
- Specifically, inputs to the DAM are used to calculate economic and financial measures within the S&P rating criteria for:
 - Economy
 - Financial Performance
 - Reserves and Liquidity
 - Debt and Liabilities
- The DAM also models the impacts of potential new debt on the scoring of key debt ratios.
- Note that KNN's scoring of rating agency metrics is for general planning purposes only and is not intended to be predictive of particular rating agency outcomes. We are not rating agency analysts.

Initial Assessment Scoring: Debt and Liabilities

No New Debt (Status Quo)

- Two of the Debt and Liabilities subfactors are directly impacted by the issuance of new debt:

Scoring: Current Costs for Debt Service and Liabilities % of Revenues (50%)

Status Quo	Actual	Projected	Projected	Projected	Projected	Projected
FY Ending 6/30	2024	2025	2026	2027	2028	2029
Existing Debt Service ¹ (\$000s)	\$77,053	\$72,669	\$70,632	\$69,777	\$69,846	\$71,256
Pension (FCERA) Contributions ² (\$000s)	\$225,119	\$231,873	\$238,829	\$245,994	\$253,373	\$260,975
Total Gov. Funds Rev ³ (\$000s)	\$2,373,267	\$2,444,465	\$2,517,799	\$2,593,333	\$2,671,133	\$2,751,267
Current Costs for Debt Service and Liabilities as a % of Revenues	12.73%	12.46%	12.29%	12.18%	12.10%	12.08%
Score	2	2	2	2	2	2

Scoring: Net Direct Debt per Capita (25%)

FY Ending 6/30	2024	2025	2026	2027	2028	2029
Existing Par Outstanding ¹ (\$000s)	\$651,010	\$604,155	\$557,588	\$510,011	\$460,318	\$406,966
Population ⁴	1,017,162	1,017,162	1,017,162	1,017,162	1,017,162	1,017,162
Net Direct Debt per Capita	\$640	\$594	\$548	\$501	\$453	\$400
Score	2	2	2	2	1	1

¹Includes POBs, LRBs, subscription liabilities and leases payable.

²Pension contributions assumed to grow at 3% each year.

³Total Governmental Funds Revenues assumed to grow at 3% each year.

⁴Population is assumed to remain constant. Source: Bureau of Economic Analysis, 2023.

Initial Assessment Scoring: Debt and Liabilities With Proposed 2026 Lease Revenue Bonds (20-yr)

- Addition of the 2026 LRBs (20-yr Term) does NOT impact initial assessment scores:
 - Current cost for debt service and liabilities as a % of revenues: Remains a “2” (8-14%).
 - Net direct debt per capita: Remains a “2” (\$500 - 1,500).

Scoring: Current Costs for Debt Service and Liabilities % of Revenues (50%)

Status Quo + 2026 LRB (20yr)	Actual	Projected	Projected	Projected	Projected	Projected
FY Ending 6/30	2024	2025	2026	2027	2028	2029
Existing Debt Service ¹ (\$000s)	\$77,053	\$72,669	\$70,632	\$69,777	\$69,846	\$71,256
2026 LRB (20yr) Debt Service (\$000s)				\$3,824	\$3,827	\$3,827
Pension (FCERA) Contributions ² (\$000s)	\$225,119	\$231,873	\$238,829	\$245,994	\$253,373	\$260,975
Total Gov. Funds Rev ³ (\$000s)	\$2,373,267	\$2,444,465	\$2,517,799	\$2,593,333	\$2,671,133	\$2,751,267
Current Costs for Debt Service and Liabilities as a % of Revenues	12.73%	12.46%	12.29%	12.32%	12.24%	12.21%
Score	2	2	2	2	2	2

Scoring: Net Direct Debt per Capita (25%)

FY Ending 6/30	2024	2025	2026	2027	2028	2029
Existing Par Outstanding ¹ (\$000s)	\$651,010	\$604,155	\$557,588	\$510,011	\$460,318	\$406,966
2026 LRB (20yr) Par Outstanding (\$000s)			\$47,685	\$46,245	\$44,730	\$43,140
Population ⁴	1,017,162	1,017,162	1,017,162	1,017,162	1,017,162	1,017,162
Net Direct Debt per Capita	\$640	\$594	\$595	\$547	\$497	\$443
Score	2	2	2	2	1	1

¹Includes POBs, LRBs, subscription liabilities and leases payable.

²Pension contributions assumed to grow at 3% each year.

³Total Governmental Funds Revenues assumed to grow at 3% each year.

⁴Population is assumed to remain constant. Source: Bureau of Economic Analysis, 2023.

Conclusion

- The County's outstanding debt consists of a single series of Lease Revenue Bonds maturing in FY 2029-30 and Pension Obligation Bonds maturing in FY 2033-34.
- Based on the scoring of S&P's Debt and Liabilities metrics, the County could reasonably expect to maintain its current scoring of "2" for Current Cost for DS and Liabilities as % of Revenues and current scoring of "2" for Net Direct Debt per Capita with the issuance of the 2026 LRBs, assuming current projections of pension contributions, revenues, and population.
 - Note that the County scores a "2" in the Net Pension Liability Per Capita ratio, reflecting the County's net pension liabilities. Future increases in pension liabilities and annual costs could negatively impact the scoring results.
- When considering undertaking additional debt, it is important to consider other aspects of the County's credit worthiness, including Financial Performance and Reserves and Liquidity, among others.

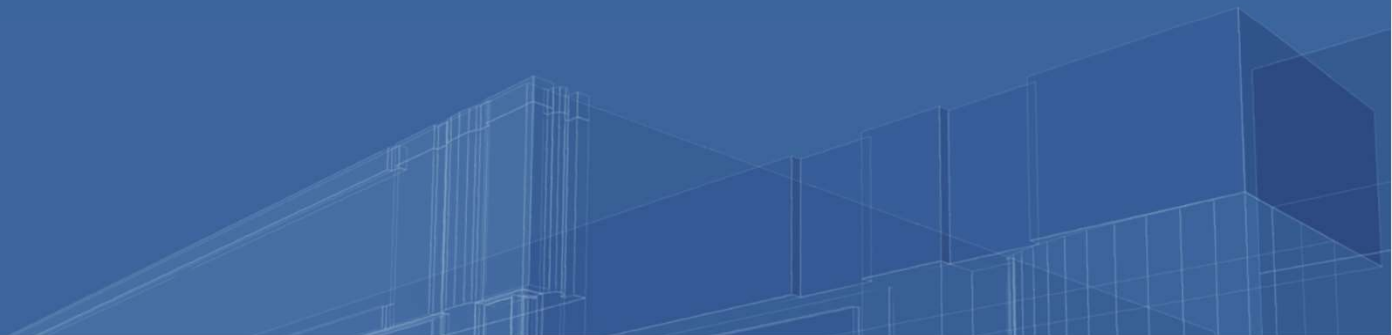
Conclusion

- The County currently scores a “3” in Financial Performance though we highlight an improvement in operating result for FY 2022-23 and 2023-24.
 - A continuation of this trend can improve the Financial Performance scoring and would be a credit positive for the issuance of new debt.
- The County scores a “2” in Reserves and Liquidity. Budgetary balance and maintenance of strong fund balances are of particular importance when considering whether to incur additional fixed obligations in the form of debt.
- Ultimately, we believe that decisions about incurring additional debt should be made in the context of budgetary affordability rather than the potential impact on rating agency metrics, which are not intended to be prescriptive. The County should be thoughtful about the budgetary tradeoffs that it will need to make to incur additional debt service without stressing the County’s budget and reserves.

Limiting Conditions

- KNN has relied on the accuracy of information received from the County, published in the County's financial statements or otherwise available publicly and has not independently verified the accuracy or completeness of such information. We assume no liability for errors in such information.
- KNN personnel are not rating agency or credit analysts and this analysis does not constitute a formal credit report for the County nor a prediction or assurance of any future ratings. Moreover, KNN's estimated scoring of various credit metrics **excludes** scoring of certain qualitative adjustments applied by the rating agency to arrive at the Individual Credit Profile (ICP), which determines the Anchor score. Further, KNN does not score the "Management" category (20%).
- This analysis is prepared exclusively for use by the County of Fresno and shall be used only for the purposes for which it was prepared - as an informational tool to assist the County with its capital and debt planning. It is not intended to be used in conjunction with, or relied upon, for any specific financing transaction, nor may it be published, in whole or in part, in any offering or other documents related to a specific financing transaction.
- The information and analyses presented in this report apply only as of the date hereof.

Appendix



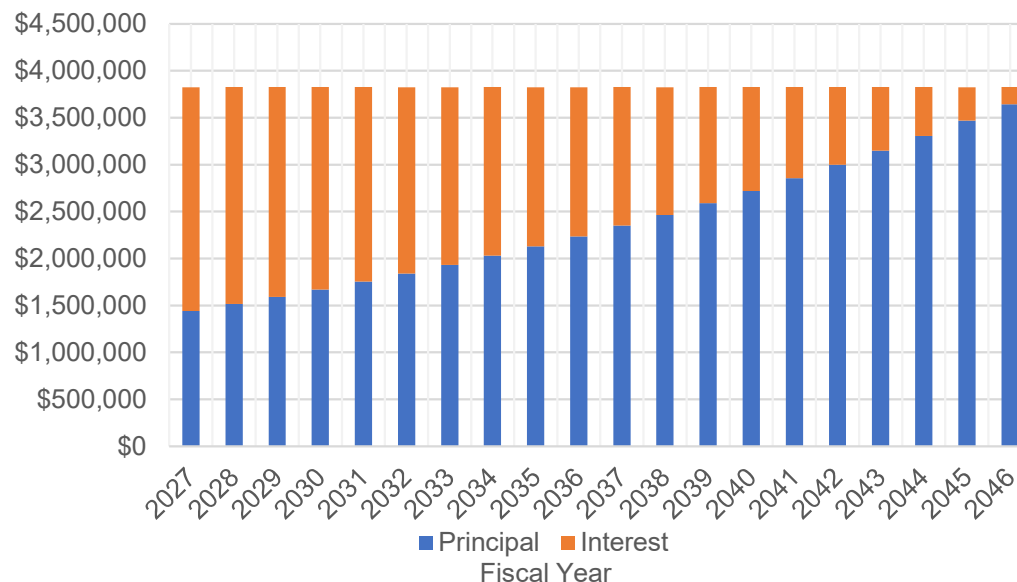
Footnotes to Lease Revenue Bond Scenarios

1. Assumes gross deposit to project fund; no interest earnings.
2. Cost of issuance includes estimated fees for bond counsel, disclosure counsel, municipal advisor, credit rating, title insurance, trustee, printer, bond rounding, etc.
3. Underwriter's discount assumes fee of \$5.00 per \$1,000 of bond par amount.
4. True Interest Cost based upon market for "AA-" category Lease Revenue Bonds as of July 18, 2025. Preliminary and subject to credit rating and market conditions.

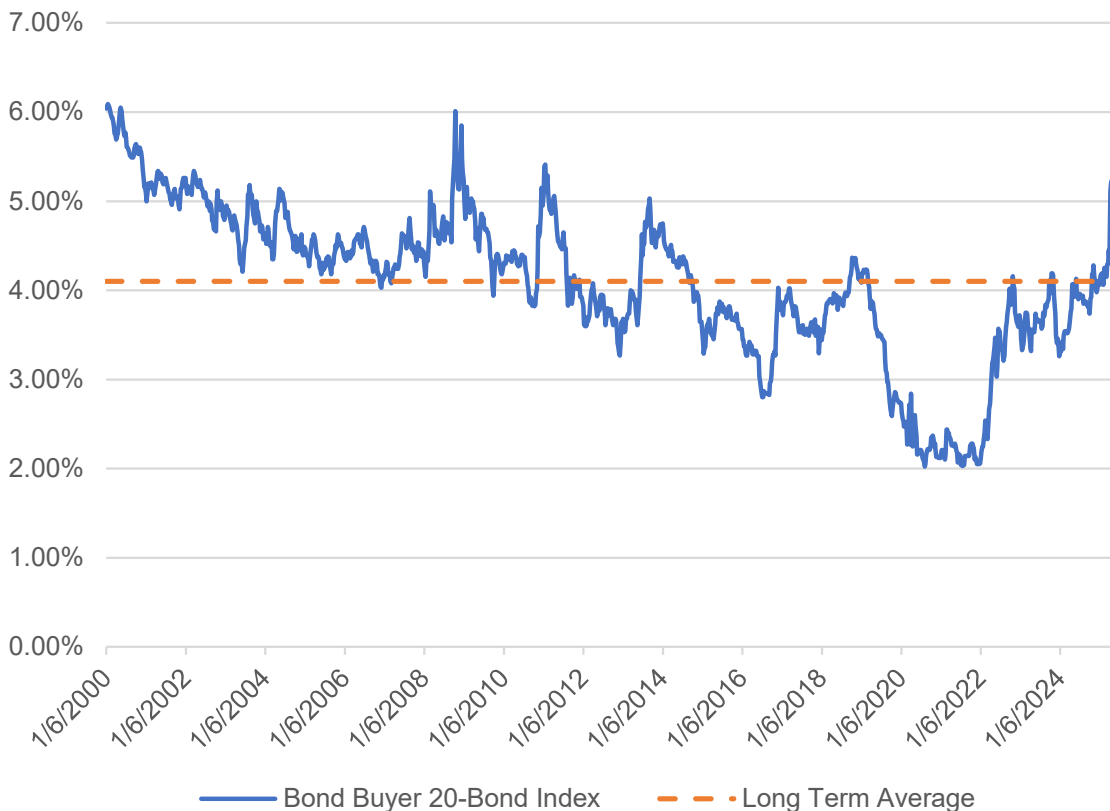
Key Features of Lease Revenue Bonds

- Contingent Obligation– does not require voter approval.
- General fund credit – covenant to annually budget and appropriate lease payments.
- Pledged asset(s) – real property pledged for term of the financing.
 - Existing asset or project to be financed by LRB proceeds. The latter may necessitate funding capitalized interest.
 - Key factors of asset pledge relevant to investors: essentiality, value and useful life.
- Subject to Abatement –Payments are subject to the use and occupancy of pledged asset(s) and can be “abated” if asset is damaged or unable to be occupied.

2026 LRB (Scenario 1 – 20-yr)



Current Tax-exempt Municipal Market



Source: *The Bond Buyer*.

*General obligation bonds maturing in 20 years are used in compiling the indexes.
The 20-bond index has an average rating equivalent to Moody's Aa2 and S&P's AA.

Factors impacting direction of rates:

- Federal Reserve policy and Treasury yields
- Inflation expectations
- Economic conditions – growth vs recession
- Supply and demand
- Tax policy changes
- State and local fiscal health and stability

Debt and Liabilities (20% of ICP)

- For local governments such as the County, the initial assessment considers the following subfactors:
 - Current cost for debt service and liabilities % of revenues (50%)
 - Net direct debt per capita (25%)
 - Net pension liability per capita (25%)

Current cost for debt service and liabilities % of revenues = The sum of annual governmental funds' debt service (principal and interest), actual employer pension contributions, and actual employer OPEB contributions, relative to total governmental revenue.

Net direct debt = Total government debt burden less offsetting/self-supporting debt.

Net pension liability = Measure of pension liability based on GASB reporting standards. NPL is calculated by subtracting the fund's plan fiduciary net position from the TPL.

Initial Assessment Scoring: Debt and Liabilities

Debt and Liabilities (20%)

Government type	Metric	Assessment					
		1	2	3	4	5	6
Local governments	Current cost for debt service and liabilities % of revenues	<8	8-14	14-20	20-25	25-30	>30
Local governments	Net direct debt per capita	<500	500-1,500	1,500-2,500	2,500-3,500	3,500-4,500	>4,500
Local governments	Net pension liabilities per capita	<500	500-1,500	1,500-2,500	2,500-3,500	3,500-4,500	>4,500

Source: Standard & Poor's Methodology for Rating U.S. Governments, September 9, 2024.

Current Costs for Debt Service and Liabilities as a % of Revenues (50%) (\$ in Thousands)		
Debt Service ¹ (\$000s)	\$	77,053
Pension Contributions ² (\$000s)	\$	225,119
OPEB Contributions (\$000s)	\$	-
Total Current Costs	\$	302,172
Total Governmental Funds Revenues ²	\$	2,373,267
Current Costs for Debt Service and Liabilities as a % of Revenues		12.73%
Initial Assessment Score		2.00

Net Direct Debt per Capita (25%) (\$ in Thousands)	
Net Direct Debt (Par) ¹ (\$000s)	\$ 651,015
Population ³	1,017,162
Net Direct Debt per Capita	\$ 640
Initial Assessment Score	2.00

Net Pension Liability per Capita (25%) (\$ in Thousands)	
Net Pension Liability ²	\$ 1,080,316
Net OPEB Liability	
Total Net Pension Liability	\$ 1,080,316
Population ³	1,017,162
Net Pension Liability per Capita	\$ 1,062
Initial Assessment Score	2.00

¹Includes POBs (Accreted interest included in Net Direct Debt for Capital Appreciation Bonds), LRBs, Subscription Liabilities, and Leases Payable.

²Source: Annual Comprehensive Financial Report FY 2023-24.

³Source: Bureau of Economic Analysis, 2023.

Initial Assessment Scoring: Economy

Economy (20%)

Government type	Metric	Assessment					
		1	2	3	4	5	6
Local governments	Real GCP per capita as a % of U.S. real GDP per capita	>110	110-95	95-85	85-75	75-65	<65
Local governments	County nominal PCPI as a % of the U.S. nominal PCPI	>100	100-90	90-80	80-75	75-70	<70

Source: Standard & Poor's Methodology for Rating U.S. Governments, September 9, 2024.

County GCP as % of US GDP (50%)	
County GCP (\$000s)	\$60,151,259
County Population	1,017,162
County GCP per capita (\$000s)	\$59
US GDP (\$000s)	\$27,720,709,000
US Population	334,914,895
US GDP per capita (\$000s)	\$83
County GDP as % of US GDP	71.45%
Ratio Score	5.00

Source: Bureau of Economic Analysis, 2023.

County PCPI as % of US PCPI (50%)	
County PCPI	\$52,728
US PCPI	\$69,810
County PCPI as % of US PCPI	75.53%
Ratio Score	4.00

Source: Bureau of Economic Analysis, 2023.

- **GCP** = Gross County Product.
- **PCPI** = Per Capita Personal Income.

Initial Assessment Scoring: Financial Performance

Financial Performance (20%)

Government type	Metric	Assessment			
		1	2	3	4
Local governments	Three-year average operating result (%)	>3	3-0	0-(3)	<(3)

Source: Standard & Poor's Methodology for Rating U.S. Governments, September 9, 2024.

3-year Average Operating Result	
Operating result (FY 2021-22)	-7.02%
Operating result (FY 2022-23)	-0.10%
Operating result (FY 2023-24)	0.84%
3-year Average of Operating Result	-2.09%
Ratio Score	3.00

Source: Annual Comprehensive Financial Report FY 2021-22 through FY 2023-24.

- **Operating Result** = (General Fund Revenue Net Transfers – General Fund Expenditures Net Transfers) / (General Fund Revenue).

Initial Assessment Scoring: Reserves and Liquidity

Reserves and Liquidity (20%)

Government type	Metric	Assessment				
		1	2	3	4	5
Local governments	Available reserves % of revenues	>15%	15%-8%	8%-4%	4%-1%	<1%

Source: Standard & Poor's Methodology for Rating U.S. Governments, September 9, 2024.

Available Reserves as a % of Revenues	
Available Reserves (\$000s)	\$196,639
Revenues (\$000s)	\$1,587,317
Available reserves as a % of revenues	12.39%
Ratio Score	2.00

Source: Annual Comprehensive Financial Report FY 2023-24.

- **Available Reserves** = General Fund Assigned and Unassigned Fund Balance.
- **Available Reserves as a % of Revenues** = Available Reserves / General Fund Revenues.