

News from the:

City of Atascadero

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Atascadero: S&P Global Ratings Assigned 'AA-'

ATASCADERO PUBLIC FINANCING AUTHORITY 2025A LEASE REVENUE BONDS

The City of Atascadero is excited to announce that Standard & Poor's Global Ratings has assigned its long-term credit rating of "AA-" for the Atascadero Public Financing Authority series 2025A Lease Revenue Bonds. The Rating Services reports the outlook is stable. According to S&P Global Ratings, the stable outlook reflects their opinion that the City maintains "above-average economic metrics, mostly positive financial performance, ample available reserve position, and above-average financial management policies and practices".

The Rating Service evaluated a number of factors including management policies and practices, increasing secured assessed valuations, growth of the local economy, the diversity in the tax base, operating results, debt and liability profiles, and environmental, social and governance factors.

The S&P Global Ratings report went on to state, "the city's main revenue sources will remain steady, providing balanced general fund operating results. We also expect the city will maintain its available reserve position well above 20% of operating revenues, given its minimum reserve policy, budgetary practices, and long-term financial planning that extend seven years, providing the city with time to make any appropriate budget adjustments as needed."

"We are proud to receive an AA- rating from S&P Global Ratings, which reflects the City of Atascadero's long-standing commitment to sound financial management, strategic planning, and responsible stewardship of public resources. This strong rating will help us save money on borrowing costs and invest in critical public safety infrastructure that will serve our community for generations to come, said Mayor Charles Bourbeau."

Working together to **serve**, build **community** and enhance **quality of life**.

“This rating is a direct result of the City Council’s fiscal discipline, our staff’s dedication to long-term planning, and the ongoing support of our community. With these bond proceeds, we can move forward on essential upgrades to our fire and police facilities, ensuring they are safe, modern, and resilient, said City Manager Jim Lewis.”

Bond proceeds will be used to replace the outdated and structurally deficient Fire Station No. 1 with a newly constructed, approximately 17,000-square-foot fire station. The new Fire Station No. 1 will also include an attached Emergency Operations Center. The project further includes the renovation and modernization of Fire Station No. 2 to bring the facility into compliance with current safety standards, applicable codes, and operational requirements. In addition, the project provides for improvements to the City’s Police Headquarters to enhance operational efficiency and align the facility with modern policing standards. These improvements are expected to include upgraded security systems, refreshed interior finishes, improvements to restrooms and locker rooms, and the construction of a new, detached dispatch building of approximately 1,112 square feet. The rating will lower costs of borrowing and is a testament to the strengthening economic conditions and strong leadership and management of Atascadero.

For the full S&P analysis, please visit www.atascadero.org.

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Research Update:

Atascadero, CA Series 2025A Lease Revenue Bonds Assigned 'AA-' Rating; Outlook Stable

September 26, 2025

Overview

- S&P Global Ratings assigned its 'AA-' long-term rating to the Atascadero Public Financing Authority, Calif.'s estimated \$29.5 million series 2025A lease revenue bonds, issued for the city of Atascadero.
- The outlook is stable.

Rationale

Security

The lease revenue bonds represent an interest in lease payments made by the city to the authority for use of the leased asset. We have reviewed the lease under our criteria and view the lease terms as standard. Furthermore, the leased asset meets our minimum requirements for seismic resilience during the term of the bonds. Consistent with our [Issue Credit Ratings Linked To U.S. Public Finance Obligors' Creditworthiness](#), Nov. 20, 2019, we rate the bonds one notch below our view of the city's general creditworthiness to reflect our view of the risk of nonappropriation inherent to the lease structure.

Bond proceeds will be used to finance the reconstruction of the city's fire station No. 1, renovations to fire station No. 2, and improvements to the police headquarters.

Credit highlights

The rating reflects the city's above-average economic metrics, mostly positive financial performance, ample available reserve position, and above-average financial management policies and practices.

Atascadero is the largest city in San Luis Obispo County at 26.2 square miles, and its third most populous. The city is located about midway between San Francisco and Los Angeles on Highway 101, and about 17 miles inland. It is both a bedroom community and a retail hub for the region and has a highly diverse tax base. The city's secured assessed valuation has grown by about 67% in

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the past 10 years to a peak of \$5.5 billion in 2026. Management expects the growth to continue, with annual property value increases and many economic development projects underway.

After posting mostly surplus operating results in the past 10 years, the city reports that its 2025 estimated actuals show a small general fund operating deficit of 1.5% of revenues driven by some one-time capital, and we do not expect this to continue given its long-term financial forecast. The city does biennial budgets and the adopted budget for fiscal years 2026 and 2027 shows small operating general fund surpluses. In addition to the city's general sales-and-use tax revenues, voters have approved two sales tax measures that account for approximately \$9.8 million, or 25% of total general fund revenues. Sales tax Measure F-14 was approved by voters in 2014 and was expected to sunset in 2027; however, voters approved Measure L-24 in November 2024, which extended the measure without a sunset date. Measure F-14 is primarily used for repairing and maintaining neighborhood roads and other roadways. Measure D-20 was approved by voters in November 2020 without a sunset date and is intended as the main source of debt service payments on the proposed 2025A bonds.

Given the city's diverse operating revenue streams, financial management, track record of mostly positive operating results, and ample available reserves, we believe it will continue to maintain its financial position over the next two years.

The rating further reflects our view of the following credit factors:

- Gross county product and income levels are above average, with consistent annual growth.
- Operating results are mostly positive, revenue streams are diverse, and available reserves have averaged 55% of revenues annually in the last five fiscal years. Local sales-and-use taxes account for about 38% of total general fund revenues and property taxes for about 33%. As noted above, the city also benefits from two additional voter-approved sales tax measures without sunset dates, which provide approximately 25% of operating revenues annually.
- Management policies and practices are above average and include regular use of realistic revenue and expenditure assumptions that incorporate historical trends and third-party data and tools. Management presents formal quarterly financial status reports to city council, allowing for budget adjustments during the midyear review, if necessary. The city has a seven-year long-term financial forecast for the general fund and maintains a comprehensive capital plan that is updated biennially. Management also maintains formal debt, investment, and reserve policies to maintain an unrestricted general fund balance minimum of 20% of recurring general fund operating expenditures. We understand the city also conducts cyber security training and is taking measures to mitigate cyber risks.
- The debt-and-liability profile is manageable, in our view, and the city has no additional debt plans. Pensions and other postemployment benefits are also manageable, in our view, although costs continue to rise annually. For more information on California pensions, see "[Pension Spotlight: California](#), Oct. 17, 2023.
- For more information on our institutional framework assessment for California cities, see "[Institutional Framework Assessment: California Local Governments](#), Sept. 9, 2024.

Environmental, social, and governance

We view environmental risk as somewhat elevated, given the region's exposure to various physical risks, including drought, flooding, wildfires, and seismic events. However, we believe California's strong building codes serve to substantially mitigate risk of material tax base effects

associated with seismic activity. We view the city's social and governance factors as neutral in our credit analysis.

Outlook

The stable outlook reflects our view that the city's main revenue sources will remain steady, providing balanced general fund operating results. We also expect the city will maintain its available reserve position well above 20% of operating revenues, given its minimum reserve policy, budgetary practices, and long-term financial planning that extend seven years, providing the city with time to make any appropriate budget adjustments as needed.

Downside scenario

We could lower the rating if the city's financial performance deteriorates and it draws available reserves materially below its reserve policy without a credible plan to restore them.

Upside scenario

We could raise the rating if the city's economic metrics materially improve, with income levels comparable to those of higher-rated peers, and the city maintains balanced-to-positive operating results that we believe are sustainable while effectively managing economic growth.

Atascadero, California--Credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	1.80
Economy	1.5
Financial performance	2
Reserves and liquidity	1
Management	2.00
Debt and liabilities	2.50

Atascadero, California--Key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	96	--	96	98
County PCPI % of U.S.	105	--	105	103
Market value (\$000s)	5,397,873	5,142,267	4,829,600	4,534,952
Market value per capita (\$)	181,046	172,472	161,579	152,991
Top 10 taxpayers % of taxable value	3.6	3.8	3.6	4.0
County unemployment rate (%)	4.3	4.1	3.6	3.2
Local median household EBI % of U.S.	117	117	116	118
Local per capita EBI % of U.S.	116	116	108	106
Local population	29,815	29,815	29,890	29,642
Financial performance				
Operating fund revenues (\$000s)	--	38,831	41,001	38,491
Operating fund expenditures (\$000s)	--	39,079	40,915	30,986

Atascadero, California--Key credit metrics

	Most recent	2024	2023	2022
Net transfers and other adjustments (\$000s)	--	290	(4,233)	492
Operating result (\$000s)	--	42	(4,147)	7,997
Operating result % of revenues	--	0.1	(10.1)	20.8
Operating result three-year average %	--	3.6	6.4	11.5
Reserves and liquidity				
Available reserves % of operating revenues	--	54.2	51.1	64.2
Available reserves (\$000s)	--	21,044	20,956	24,730
Debt and liabilities				
Debt service cost % of revenues	--	1.8	1.9	2.1
Net direct debt per capita (\$)	1,199	699	729	746
Net direct debt (\$000s)	35,751	20,851	21,786	22,100
Direct debt 10-year amortization (%)	29	52	--	--
Pension and OPEB cost % of revenues	--	9.0	9.0	9.0
NPLs per capita (\$)	--	1,234	1,263	1,181
Combined NPLs (\$000s)	--	36,806	37,742	35,006

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings List

New Issue Ratings

US\$29.5 mil lse rev bnds ser 2025A due 11/01/2055

Long Term Rating AA-/Stable

New Rating

Local Government

Atascadero, CA Lease Appropriation AA-/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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