

C O U N T Y O F T U L A R E

M I L L E N N I U M F U N D



July 30, 2024

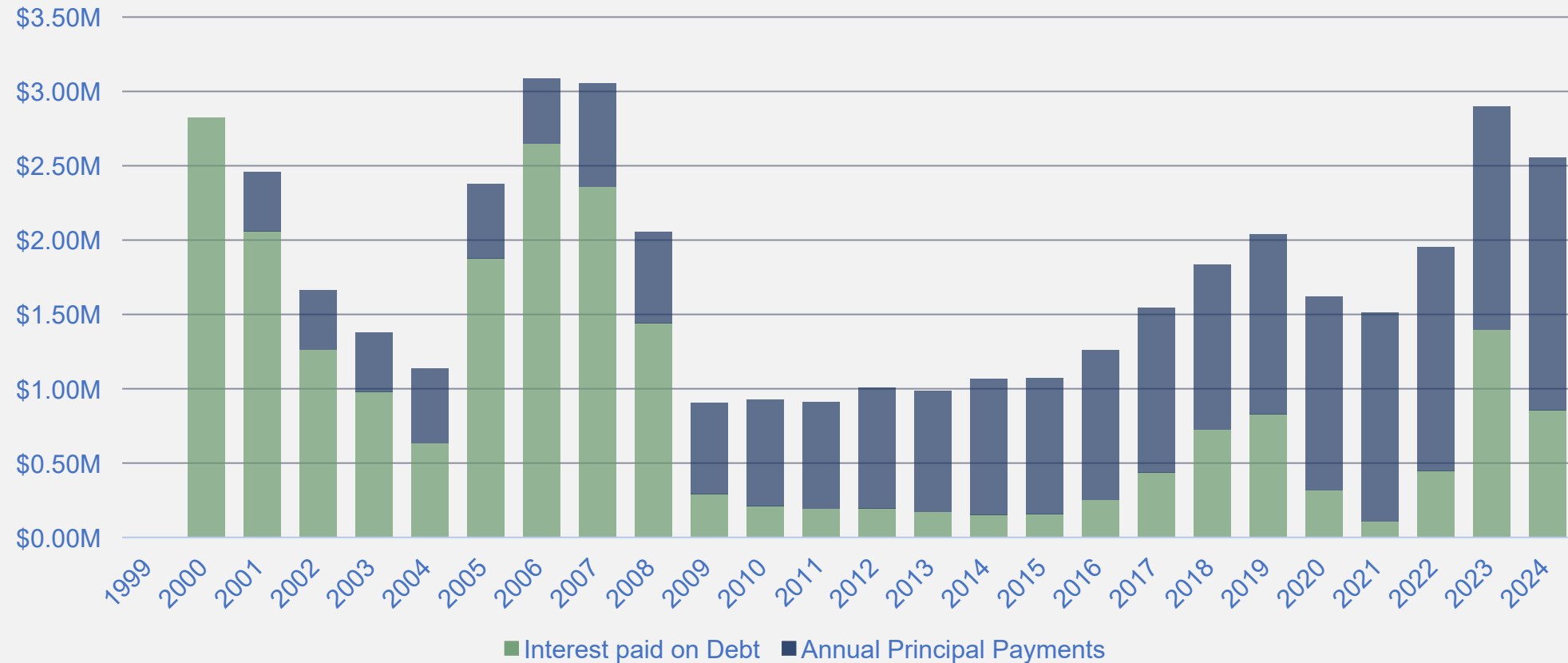
OVERVIEW

- Millennium Fund Recap
- Proposed Millennium Capital Project Fund
- Bond Payoff Opportunity
- Key Program Goals
- Investment Policy and Strategy
- Management of Funds
- Implementation Terms and Timeline
- Board Actions

MILLENNIUM FUND RECAP

- **1999 - Millennium Fund established**
 - Tobacco settlement revenues, approximately \$4.1M annually (as of April 2024)
 - County issued \$45M in Variable Rate Bonds to fund public capital improvements through Tobacco Settlement Revenue
- **2006 – Bonds refunded and moved to Private Placement**
 - Private placement reduced costs
 - Provided an interest rate of LIBOR + 25 basis points until 2023
- **Current Environment-** Variable SOFR Rate (beginning 2023)
 - 5.69% is far above historical average
 - Higher Bond payment reduces investment return

PRINCIPAL VS. INTEREST PAYMENTS



PROPOSED PROGRAM

MILLENNIUM CAPITAL PROJECT FUND

BOND PAY OFF OPPORTUNITY

- Remaining Debt: **\$23.69 million**
- Bond Payoff: **11% Discount**
- Final Principal Payment: **\$21.09 million**
- Savings: **\$2.60 million**

BOND PAYOFF BENEFITS

- **Financial Stability**
 - Reduces long-term debt obligations
 - Enhanced Credit Rating
 - Unencumbers Collateral
- **Long-Term Growth**
 - Accelerates future investments
 - High interest rate environment
- **Strategic Resource Allocation for Capital Projects**
 - One-time funds for one-time purposes
 - Aligns with County's Capital Improvement Plans (CIP)

KEY PROGRAM GOALS

- Proposed long-term program goals:
 - Designate the purpose of the Millennium Capital Project Fund to be used solely for Capital Projects/Maintenance costs
 - Authorize the perpetual Tobacco Settlement funds to be deposited into the fund on an annual basis or as received from the State
 - Pay off remaining debt to maximize investment returns
 - Allow for a maximum annual draw of \$4.5 million annually
 - Adopt an investment policy that allows for long-term investments and potentially higher investment returns

PFM ASSET MANAGEMENT

Millennium Capital Project Fund Program of Tulare County

Investment Recommendations

July 30, 2024

Presented by:
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pfmam.com

PFM Asset Management LLC

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Program Objectives

- ▶ Millennium Capital Project Fund Program (“MCPFP” or “Program”) funds will be invested in a longer-duration portfolio separate from the County Pool funds, to be used consistent with the original use of proceeds.
 - ▶ Funded by annual tobacco settlement receipts
- ▶ MCPFP will have a separate Investment Policy and strategy, reflecting:
 - ▶ Program objectives
 - ▶ A longer investment horizon
 - ▶ Broader investment parameters (full CA Government Code)
 - ▶ Annual spending targets for approved projects



Millennium Capital Project Fund Program Investment Policy

- ▶ Permitted investments expanded in line with **California Government Code §53600 et. seq.**
- ▶ Fund withdrawals will be allowed up to \$4.5 million per year for approved public capital improvement projects and related repair and maintenance
- ▶ Consistent with the long-term perpetual nature of the Program to annually fund capital projects, the asset types below may exceed 5 years to maturity, but limited to 10.5 years maximum:
 - ▶ U.S. Treasuries
 - ▶ Federal Agencies or U.S. Government Sponsored Enterprises, including agency-backed mortgage-backed securities (“MBS”)
 - ▶ Municipal obligations
- ▶ Securities with maturities in excess of 5 years may not exceed 50% of the portfolio
- ▶ Investment performance will be measured quarterly to a selected benchmark
 - ▶ Benchmark to be constructed to match the investment risk, constraints, and cash flow needs of the Program



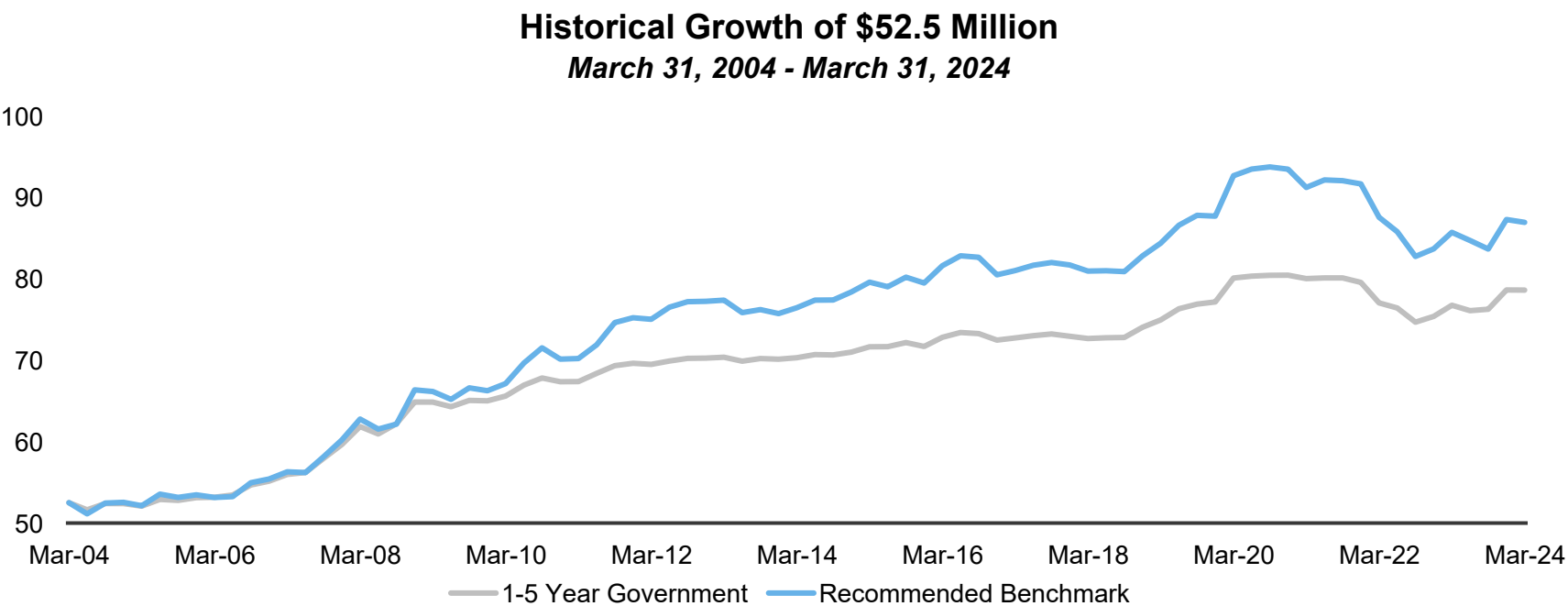
Proposed Investment Strategy and Benchmark

- ▶ Recommended benchmark:
 - ▶ 60% 1-5 Year AAA-A Government and Corporate Index
 - ▶ 40% 5-10 Year US Treasury Index

- ▶ Recommended strategy:
 - ▶ Maturities out to 10 years
 - ▶ Use of corporates and other non-government securities to enhance yield
 - ▶ Broad diversification
 - ▶ Portfolio initially structured slightly longer than the benchmark to lock in today's historically high yields



Historical Modeled Growth of \$52.5 Million



March 31, 2004, through March 31, 2024		
Index/Strategy	Annualized Total Return	Cumulative Value of \$52.5 Million
1-5 Year Government Index	2.04%	\$78.6 million
Recommended Benchmark	2.55%	\$86.9 million

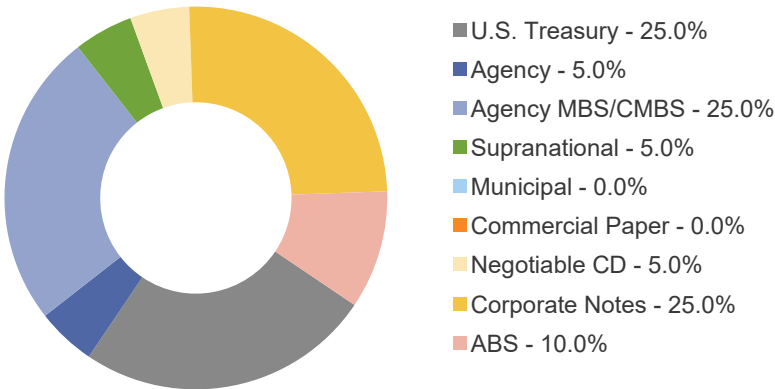
Source: Bloomberg, as of May 31, 2024; ICE BofA Indices. Millennium Capital Project Fund Program recommended benchmark is 60% 1-5 Year AAA-A Corporate and Government Index and 40% 5-10 Year US Treasury Index. All figures annualized.

Sample MCPFP Portfolio

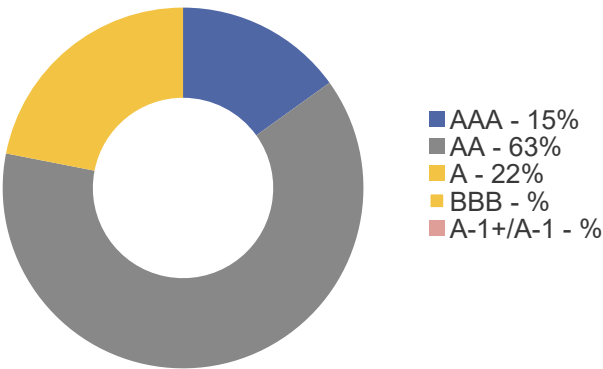
Sample Portfolio Statistics

Investment Par Amount	\$52,500,000
Duration	4.35 years
Gross Yield	4.73%

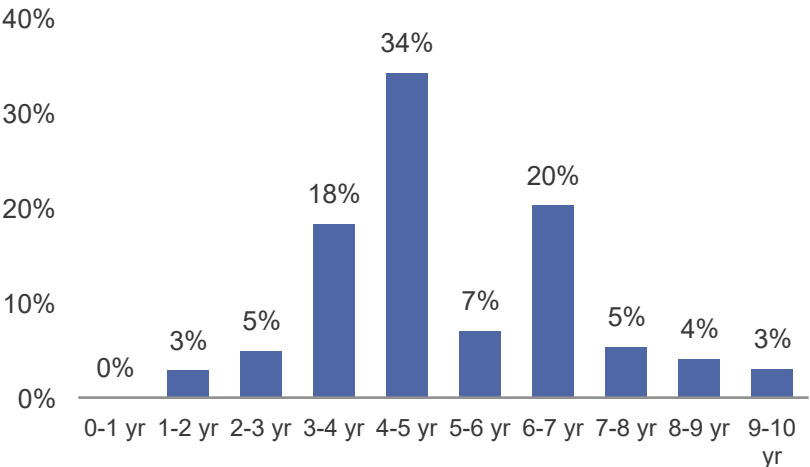
Sector Allocation



Credit Quality

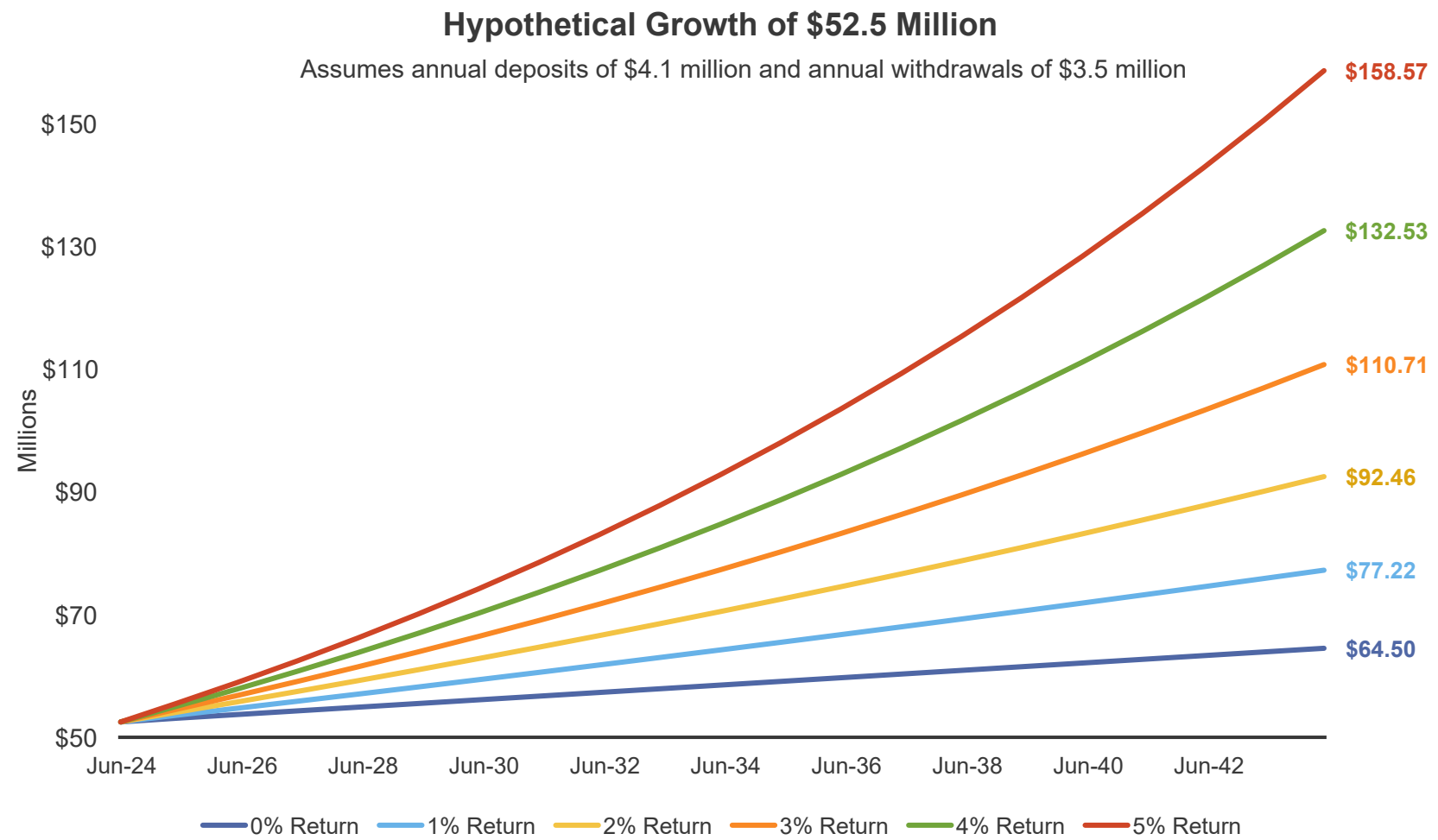


Maturity Distribution



• Data Source: Bloomberg. Data as of June 24, 2024.
• Sample portfolio structured by PFMAM. Please see important disclosures at the end of this presentation.

Hypothetical Growth of \$52.5 Million



For illustrative purposes only.

Summary

- ▶ Millennium Capital Project Fund Program Investment Policy allows for broad investment in compliance with California Government Code, and includes parameters and requirements to prioritize safety.
- ▶ Program portfolio will be managed to a longer-term strategy and designed to support annual withdrawals of \$4.5 million annually
 - ▶ Suggested benchmark: 60% 1-5 Year AAA-A Government and Corporate Index and 40% 5-10 Year US Treasury Index
 - ▶ Portfolio holdings will be diversified with maturities laddered out to 10.5 years



Important Notes to Sample Portfolio

- ▶ *Sample portfolio is provided for illustrative purposes only and is not a recommendation.*
- ▶ *Portfolio based on assumed investment noted on each respective page.*
- ▶ *Yield source Bloomberg as of June 24, 2024.*
- ▶ *Ratings shown are S&P, or the equivalent Moody's or Fitch rating.*
- ▶ *Security universe sourced from Bloomberg and Market Axess and further limited to those issuers permitted by PFMAM's internal Approved Credit List.*
- ▶ *Actual yields and security availability may vary at time of purchase.*
- ▶ *As economic and market conditions may change in the future, so may PFMAM's recommendations as to the sale and purchase of securities in the portfolio.*



Disclaimer

Investment advisory services are provided by PFM Asset Management LLC (“PFMAM”), an investment adviser registered with the U.S. Securities and Exchange Commission and a subsidiary of U.S. Bancorp Asset Management, Inc. (“USBAM”). USBAM is a subsidiary of U.S. Bank National Association (“U.S. Bank”). U.S. Bank is a separate entity and subsidiary of U.S. Bancorp. U.S. Bank is not responsible for and does not guarantee the products, services or performance of PFMAM. The information contained is not an offer to purchase or sell any securities. Additional applicable regulatory information is available upon request.

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AUDITOR-CONTROLLER TREASURER-TAX COLLECTOR

MANAGEMENT OF FUNDS



PFM Manages Investments

Guided by:

- Investment Policy and Strategy,
- Amended and Restated Millennium Capital Project Fund Program



Custody Agreement with Bank

Tobacco Settlement Funds placed in long and short-term investments



Annual Draw

Auditor/Controller completes annually through Board approval

COUNTY COUNSEL

TERMS OF BOND REDEMPTION

- New Agreement between the County, the PFA, FMS, and Bank of New York, Mellon to:
 - Prepay Bond Principal and Interest at a discounted price
 - Redeem Bonds
 - Terminate leasehold interests on collateral from 2006 Refunding Bonds
 - Release from original agreement
- Board of Supervisors to adjourn and convene as Tulare County Public Finance Authority (TCPFA)

TERMS OF NEW PROGRAM

- Terms governing the Millennium Capital Project Fund:
 - Resolution approving the restated Program
 - Exhibit A: Amended and Restated Millennium Capital Project Fund
 - Exhibit B: Millennium Capital Project Fund Investment Policy
- Delegation of Authority of Fund Oversight to County Treasurer
- Approval of new Administrator Agreement with PFM Asset Management, LLC

TIMELINE

- July 31, 2024, Last CIP request for \$3 Million from current Millennium Fund Account
- August 1, 2024, Last Principal Payment on Bond debt: \$1.7 million
- August 13, 2024, Bond redemption: \$21.09 million + Interest (\$200k estimate)
- After August 13th payment, File the Prepayment and Redemption Agreements with the Recorder to release Collateral
- Custody account transfer

REQUESTED ACTION

TULARE COUNTY BOARD OF SUPERVISORS

Requested Action

1. Adopt a Resolution authorizing the prepayment of the principal of and interest on lease payments, and related bond principal and interest, and optional redemption of and with respect to the Tulare County Public Financing Authority Refunding Bonds, Series 2006 (Millennium Fund Program) (federally taxable), approving the Form and authorizing the execution and delivery of a Lease Prepayment, Bond Redemption, and Termination of Leasehold Interests and Release Agreement with respect to said Bonds, and authorizing official actions and execution of documents related thereto.
 - a) Approve the Lease Prepayment, Bond Redemption, and Termination of Leasehold Interests and Release Agreement with respect to said Bonds, subject to County Counsel review and approval, in an amount not to exceed \$21,290,000.
 - b) Direct the Clerk of the Board to record the agreement with the Clerk-Recorder.
 - c) Approve the necessary budget adjustments per the attached AUD 308 (4/5ths vote required).

TULARE COUNTY BOARD OF SUPERVISORS

Requested Action

2. Approve a Resolution approving an amended and restated Millennium Capital Project Fund Program, approving an Investment Policy for said Program, approving and authorizing the Board Chair to sign an Agreement with PFM Asset Management LLC to serve as Administrator of said Program, and authorizing official actions and execution of documents related thereto.
 - a) Approve the Amended and Restated Millennium Capital Project Fund Program.
 - b) Approve the Millennium Capital Project Fund Program Investment Policy for said program.
 - c) Approve the delegation of authority to the County Treasurer over said Program.
 - d) Approve the agreement with PFM Asset Management LLC to serve as Administrator of said Program, effective July 30, 2024 through July 29, 2029.
3. Approve the updated County of Tulare Financial Policy.
4. Authorize the Board Chair to sign the Agreements.