

14 JUL 2023

Fitch Affirms Marin Emergency Radio Auth, CA's Special Parcel Tax Rev Bonds at 'AA-'; Outlook Stable

Fitch Ratings - San Francisco - 14 Jul 2023: Fitch Ratings has affirmed the following bonds issued by the Marin Emergency Radio Authority, CA (MERA or the authority) at 'AA-':

--\$26.3 million 2016 special tax revenue bonds.

The Rating Outlook is Stable.

SECURITY

The bonds are payable solely from a first and prior lien on special parcel tax revenues levied and collected by the County of Marin on each taxable parcel of real property within the county.

ANALYTICAL CONCLUSION

The dedicated tax bond rating is capped by Marin County's Issuer Default Rating (IDR) of 'AAA' due to the county's role in collecting and guaranteeing the levy. Fitch has not performed the legal analysis necessary to determine that the pledged revenues would be considered special revenues under Chapter 9 of the U.S. Bankruptcy Code.

Economic Resource Base

The county's strong and stable economy benefits from its location just north of San Francisco with very high wealth levels and low unemployment. The county covers 520 square miles and serves a population of 260,000 just north of the Golden Gate Bridge, within commuting distance to San Francisco, Oakland, and Silicon Valley, and provides access to the wine country destinations of the Sonoma and Napa Valleys.

KEY RATING DRIVERS

Stable Revenue Source: The 'AA-' rating is based on the very stable pledged revenues provided by the Measure A (Marin County Emergency Communications and 911 Response Measure) special parcel tax levy. The levy is a fixed charge per parcel collected by the county, which guarantees the full levy amount under the Teeter Plan.

Strong Resilience through Economic Declines: Fitch expects that leverage on the pledged parcel tax revenues will be maintained at around 1.40x maximum annual debt service (MADS), given the

predictability of revenue and similarly expected lack of additional bonds being issued. Fiscal 2022 pledged revenues of nearly \$3.6 million covered MADS by 1.5x. The authority is able to leverage to 1.1x debt service coverage (DSC) based on the additional bonds test (ABT). Based on the assumption of the current leverage cushion, fiscal 2022 pledged parcel tax revenues could withstand a 29% drop before not fully covering MADS on the obligations. This represents 22.3x the scenario result and 20.7x the largest actual historical decline.

Diverse Tax Base: The tax base is primarily residential and there is no concentration among top taxpayers.

No IDR: Given the authority's limited operations, Fitch has not assigned an Issuer Default Rating (IDR). MERA's operations are funded through payments from MERA members (the county and 24 cities and districts in the county) and contracted out to the county.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--A significant increase in the number of parcels that increases the revenue growth prospects and financial resilience, which Fitch considers unlikely given the very stable number of parcels in Marin County.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--A significant acceleration of the decrease in the number of parcels that reduces the structure's financial resilience, which Fitch considers very unlikely given the very stable parcel trend in Marin County.

Best/Worst Case Rating Scenario

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

CURRENT DEVELOPMENTS

Parcel tax revenues pledged to the bonds provided DSC of 1.47x in fiscal 2022. Fitch does not expect MERA to issue additional debt under the program, keeping debt service around its current level through maturity, which includes MADS coverage of 1.45x. The source of payment on the bonds is a special parcel tax levy that the county collects and guarantees under the Teeter Plan.

Pledged revenues for debt service declined \$9,554 or 0.3% in fiscal 2022. Revenue has fallen modestly every year at least as far back as fiscal 2016, with a five-year CAGR of -0.2%. The number of parcels also decreased to 89,274 in fiscal 2022 from 89,316 in fiscal 2021. This decline of 0.05% typifies the parcel trend, which have increased only one year since 2006. The 10-year CAGR is -0.13%. Fitch expects the district to continue experiencing minor declines in revenues and parcels, which at this pace would not materially impact the debt service coverage cushion on the bonds through final maturity.

CREDIT PROFILE

MERA, a joint-powers authority (JPA) that includes the county, all 11 cities in the county and 13 special districts, was established in 1998 for the purpose of owning and operating a county-wide public safety, public service, and emergency radio system (the system). Its governing board, which is composed of a representative from each JPA member, has an appointed nine-member Executive Board responsible for administration and management. MERA has four contract employees and it contracts with the county for the operation and maintenance of the system.

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from Lumesis.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG Considerations

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Rating Actions

ENTITY/DEBT	RATING	RECOVERY	PRIOR
Marin Emergency Radio Authority (CA)			
• Marin Emergency Radio Authority (CA) /PropertyLT Assessment - Parcel Tax/ 1 LT	AA- ●	Affirmed	AA- ●

RATINGS KEY OUTLOOK WATCH

POSITIVE	⊕	◇
NEGATIVE	⊖	◇
EVOLVING	◊	◆
STABLE	◉	

Applicable Criteria

[U.S. Public Finance Tax-Supported Rating Criteria \(pub.04 May 2021\) \(including rating assumption sensitivity\)](#)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

FAST Econometric API - Fitch Analytical Stress Test Model, v3.0.0 (1)

Additional Disclosures

Solicitation Status

Endorsement Status

Marin Emergency Radio Authority (CA) EU Endorsed, UK Endorsed

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