



County of Fresno  
State of California

## Debt Management Policy

Auditor-Controller/Treasurer-Tax Collector  
2281 Tulare St. Room 105  
Fresno, CA 93722

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## **I. Overview – Importance of the Debt Management Policy**

The ultimate authority within the County for the County's debt management is the Board of Supervisors (Board), as the legislative body of the County.

The Board declares the importance of memorializing the County's policies, as set forth below, governing the management of the County debt. The Board, upon the recommendation of the Auditor-Controller/Treasurer-Tax Collector (ACTTC) and the Debt Advisory Committee (DAC), established the *Debt Policy* as of January 10, 2006, updated, and renamed it as the *Debt Management Policy* (this Policy) as of its revised date.

The term "debt" or "new debt" in this Policy includes bonds, financing leases (Leases), lease-purchase agreements (LPAs), and financings, as well as refundings (*i.e.*, refinancings) of any of the foregoing, unless the context indicates otherwise.

The purpose of this Policy is to provide guidelines that enable the County decision makers and staff to make informed and sound debt management decisions for the County. Accordingly, this Policy articulates principles that foster the best practices for ensuring that the County will be capable of minimizing, and fully and timely repaying its debt.

The Board further declares that this Policy enables the County to comply with California Government Code § 8855, subdivision (i) (SB 1029), which requires the issuer of any proposed debt issue of state or local government to include in its proposed debt issuance report submitted to the California Debt and Investment Advisory Commission (CDIAC) (which is no later than 30 days prior to the sale of any debt issue) the issuer's certification that it has adopted local debt policies concerning the use of debt and that the contemplated debt issuance is consistent with those local debt policies; to that end, the Board further declares that this Policy addresses each of the following required elements of California Government Code § 8855, subdivision (i)(1):

- (A) The purposes for which the debt proceeds may be used.
- (B) The types of debt that may be issued.
- (C) The relationship of the debt to, and integration with, the issuer's capital improvement program or budget, if applicable.
- (D) Policy goals related to the issuer's planning goals and objectives.
- (E) The internal control procedures that the issuer has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use.



## A. Scope of this Policy

The foundation of well-managed County debt includes a long-term commitment to maintaining and effectively using a comprehensive debt management policy that provides clear guidance to County decision makers and staff when considering, planning for, issuing, and administering County debt, which:

- Finances County capital improvements and equipment acquisitions;
- Meets the County's cash flow needs; and
- Relates to other identified County long-term financial needs.

This Policy is for the County and all related entities for which the Board acts as the legislative body. All references herein to "County" include such related entities, but such references do not change the nature of such related entities or their relationship to the County.

## B. Goals for Good Debt Management

This Policy provides decision-making tools for the authorization or issuance of debt by the County within the framework of the following goals that the Board desires for the County:

- Maintain the County's financial stability by ensuring that its financing commitments are affordable and do not create undue risk or burden for the County, and, to that end, maintain a transparent public record of the County's debt;
- Preserve the County's good credit quality, and the confidence of taxpayers, ratepayers, and the investing public in the County's finances;
- Staff need to provide decision makers with accurate, timely, and relevant information so that the decision makers can make sound, consistent decisions for the County's debt management;
- When considering the direct costs of a proposed debt issuance, the County also will consider the estimated costs of indirect or related fiscal impacts that such debt may have on the County's operations;
- Demonstrate accountability and prudence in determining whether to incur debt for the County, and in managing the County's debt, by using this Policy;
- Apply the general guiding principles, below, especially when this Policy does not provide specific guidance to unforeseen circumstances or opportunities; and
- Preserve institutional knowledge of County decision-making process and related actions so that the County maintains a consistent, seamless long-term debt management program.



## **II. General Guiding Policy Principles for Managing the County's Debt**

The following general guiding policy principles are provided to assist decision makers and staff with respect to their debt management decisions and actions. Such general guiding policy principles shall be applied in a reasonable and commonsense manner, consistent with the purpose, intent, and goals of this Policy.

- The proposed debt issuance should not be expected to cause financial instability or uncertainty for the County and the County will not incur debt in such a way that will unduly burden current or future taxpayers, ratepayers, or residents.
- The proposed debt issuance should be expected to preserve the County's good reputation in the financing markets and the County's creditworthiness.
- The County should strive to seek low interest rates for new County debt.
- When communicating with potential investors and rating agencies in connection with a proposed debt issuance, the County will comply with all applicable federal securities laws to disclose all material information relating to the County's ability to repay the debt.
- The total amount of all outstanding debt, after taking into account proposed debt, shall be reasonable for the County's current and foreseeable future anticipated needs.
- The County will not issue debt to finance the cost of current County operations, except when necessary and allowable by law (e.g. Tax and Revenue Anticipation Notes, or "TRAN").
- The County will incur debt only for the following reasons:
  - To meet the County's annual cash flow needs, by issuing a TRAN when it is allowable by law;
  - When it is necessary to do so in order to meet capital needs that cannot be practically satisfied with available funds in one budget year;
  - To reduce the amount of outstanding County debt by issuing refunding debt that will produce net savings (see VII.B., Minimizing Outstanding Debt; early retirement or refinancing of outstanding debt, below); and
  - For providing land secured financing for public improvements that benefit private commercial/industrial development (see VI.B.6, Land Secured Financings (Assessment Districts and Mello Roos Districts), below).
- The proposed debt issuance should be similar to the type of debt that has been successfully issued by California counties of similar size, and the amount of debt should not materially exceed the amount of debt of other California counties similar to the County.
- The proposed debt issuance should not expose the County to any legal or financial risk greater than that which the County would normally assume in other, similar financing transactions.



## **II. General Guiding Policy Principles for Managing the County's Debt (continued)**

- When considering the direct costs of a proposed debt issuance, the County will also consider the estimated costs of indirect or related fiscal impacts that such debt may have on the County's operations, including but not limited to:
  - The annual estimated costs of operating and staffing the new capital improvements to be financed by the debt;
  - The County's ability to obtain annual third party reimbursements to the County's federally- and state-funded programs for the costs of the debt; and
  - The annual estimated costs of administration of the debt.
- When considering a proposed debt issuance, the County will determine whether other funding sources are available to minimize the amount of debt to be incurred for capital improvements, including but not limited to:
  - Any funds available on a "one-time" basis;
  - Any collected, unspent facilities impact fees, which may be used for the capital improvement; and
  - Any Federal or State grants that may be sought.
- If the ACTTC or his or her designee, in consultation with County Counsel or his or her designee, determines that this Policy does not provide sufficient guidance with respect to a particular issue of importance to the County, the ACTTC will seek the guidance of the DAC and, if necessary, the guidance of the Board.

## **III. Prioritization of County Resources**

The County's staff and legal counsel resources are scarce and must be dedicated to the most pressing needs of the County. As a result, the County will give first priority to County financings. Second priority will be given towards financings that primarily benefit non-County parties including, without limitation, the following, in descending order:

- Financings for public improvements in which the County would be a member of a joint powers agency governed by a board of directors other than the Board;
- Holding TEFRA hearings for projects located within the unincorporated areas of the County;
- Holding TEFRA hearings for projects located within the cities of the County; and
- Land secured financings for public improvements that benefit private commercial/ industrial development (see VI.B.6, Land Secured Financings (Assessment Districts and Mello Roos Districts), below).

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## IV. Debt Advisory Committee

On February 9, 1993, the County established the DAC.

The DAC serves as a *centralized point for the County's first public vetting* of all potential financings to be issued by, for, or through the County, or approved by the County, as well as all financing matters that may involve the County (collectively, Financing Proposals) that either are proposed by departments or offices of the County or non-County parties (each, a Requester). The DAC makes the appropriate recommendation to the Board regarding all such Financing Proposals.

The ACTTC is the Chairman of the DAC. The Auditor-Controller/Treasurer-Tax Collector's staff (the ACTTC's Staff) is the primary staff to the DAC.

### A. Financing Team

The Financing Team (the Team) is comprised of permanent members, requesting members (which personnel are Requesters only from the County department or office making the Financing Proposal), and advisory members. The Financing Team advises and assists the DAC and the Board in their decision-making relating to Financing Proposals.

- The Team's permanent members include at least one representative from the ACTTC's Staff, who shall also serve as the Bond Compliance Officer for the purposes of the Post-Issuance TEB Policies (referred to below), the CAO's Office, and the County Counsel's Office (Counsel).
  - Each of the foregoing Offices shall assign senior-level representatives (or representatives who are directly supervised by senior-level personnel) to the Team who in either case are knowledgeable and experienced in County financing matters, based on their respective roles on the Team.
  - For capital improvement financings, at least one senior-level representative from the Public Works and Planning Department (PW&P) and/or the Internal Services Department (ISD) will be included as a permanent member, depending on whether PW&P and/or ISD will be involved in the development, construction, or operation of the capital improvement.
- The ACTTC will determine when to include the requesting members on the Team.
- The Team's Advisory members include an independent municipal advisor, bond counsel and disclosure counsel each of whom is nationally recognized bond counsel and disclosure counsel, as applicable, and/or other firms as deemed necessary by the ACTTC for municipal advisory assistance, and by Counsel for specialized legal assistance.
  - The same law firm may serve as bond counsel and as disclosure counsel to the County.



## A. Financing Team (continued)

The Team or its members individually will confer with other directly interested or affected agencies or entities (*e.g.*, Underwriters, bond insurance providers, the bond trustee, the State's agencies providing State-issued debt, developers, and proponents of TEFRA hearings) regarding a Financing Proposal.

Since Underwriters would be the potential buyer of the County's debt, the Team will deal with the Underwriter at arm's length. The Team will also deal at arm's length with Requesters who are non-County parties.

The County will engage any appropriate advisory members in accordance with the County's selection process for service providers per the Board's Administrative Policy No. 34 and applicable provisions of the County's Purchasing Manual.

- The appropriate permanent member will be responsible for seeking and recommending the engagement of the applicable advisory member to the Board (*e.g.*, bond counsel and disclosure counsel recommended by Counsel, or municipal advisors recommended by ACTTC).
- Advisory member costs should not be the sole factor in the engagement of an advisory member. Nevertheless, such costs should be reasonable per industry standards and minimized where possible. All reimbursable charges will be as negotiated with respect to the respective advisory members' agreements.
- Service agreements with advisory members will require that advisory members' services to the County will not result in or cause a violation by the advisory member of Government Code §§ 1090 *et seq.* [contracts made in official capacity] and §§ 87100 *et seq.* [Political Reform Act of 1974].

## B. Financing Proposals to DAC; Minimum Information and Analysis

To assist the DAC in its review, the Requester of each Financing Proposal that includes a debt issuance shall include in the minimum analysis in its Financing Proposal as required by the DAC Guidelines. The DAC reserves the right to request further information or explanation at any point in the DAC review process.

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## C. Financing Proposals to DAC; Review of Submissions

All proposed County debt issuances shall be, without exception, subject to the review and requested recommendation of the DAC to the Board prior to such County debt issuance.

The DAC reviews and takes action on Financing Proposals so that a Requester can be prepared to provide to the Board a DAC-recommended Financing Proposal that can be acted upon by the Board.

A copy of the *Debt Advisory Committee Policy Guidelines for Public Financing* (the DAC Guidelines), which sets forth the DAC's and the Team's operations, is on file with the ACTTC.

The DAC typically is requested to make a recommendation to the Board regarding a Financing Proposal:

- The results of any DAC action or lack of action, concerning a Financing Proposal shall be reported to the Board by the Requester as part of the Financing Proposal. If the Requester is a non-County party, the ACTTC or CAO shall report such information to the Board.
- The lack of any recommendation by the DAC to the Board regarding a Financing Proposal submitted to the DAC shall not prohibit an item from being considered by the Board.
- In those instances where ACTTC determines that it is impractical for the DAC to meet and act upon a Financing Proposal (but excluding a decision to recommend a proposed County debt issuances) before the next meeting of the Board, the item may be submitted by the Requester directly to the Board, provided that the Requester informs the Board why the item could not be heard by the DAC and gives the reason why such item should be heard and acted upon the Board before the next regular meeting of the DAC.

## D. Board is the Final Authority in the County for Financing Proposals

The Board is the final authority in the County for taking any actions on any Financing Proposals, including approving any proposed County debt, and all other matters related to the management of County debt.

For any agenda item presented to the Board for its requested approval in relation to a proposed County debt issuance in the bond market, the Board shall be provided with the then-current (as reasonably close as possible to the date the item is submitted to the Clerk of the Board) version of the draft bond offering document commonly known as the preliminary official statement, including its addenda.



## V. Restrictions and Limitations Applicable to All Financings

When considering any Financing Proposals, the County needs to take into account the following restrictions and limitations.

### A. Constitutional Debt Limitation

California State Constitution Article XVI, section 18 limits the amount of debt that the County may lawfully incur without approval of 2/3 of voters in an election. Judicial interpretations have created several exceptions to the foregoing rule, authorizing certain forms of long-term financings, referenced below, without the necessity of such voter approval. Unless otherwise specified, the financing methods listed in this Policy are considered exceptions to this limitation.

### B. Limitation on Municipal Advisory Relationships

Consistent with California Government Code § 53591, no investment firm that has, or has had, a “financial advisory relationship” with respect to a “new issue of bonds” shall acquire as principal either alone or as a participant in a syndicate or other similar account formed for the purpose of purchasing, directly or indirectly, from the County, as issuer, or any County-sponsored issuer (e.g., Fresno County Financing Authority, the FCFA), all or any portion of the issue, or arrange for the acquisition or participation by a person controlling, controlled by, or under common control with the investment firm, unless the issue is to be sold by the issuer at competitive bid and the issuer has, *prior to the Board’s and/or the County-sponsored issuer’s authorization of debt*, expressly consented in writing to the acquisition or participation. All of the limitations and requirements set forth in California Government Code § 53591 also apply to this paragraph, except where this paragraph establishes stricter imitations or requirements than § 53591, in which case this paragraph applies. “New issue of bonds” includes refunding bonds. The term “indirectly” in this paragraph has the same meaning as in § 53591. The provisions of this paragraph shall also be extended to any negotiated sale, and shall be applied prior to the issuer seeking the negotiation of the sale of the bonds.

### C. Limitation on Municipal Advisory Services

The County’s municipal advisor shall not provide any brokerage services to the County or County-sponsored bond issuer in connection with any County debt.

### D. No Derivatives Allowed for any New Financings

The County will not use derivatives in connection with any new financings.



## E. No Variable Interest Rate Debt Allowed for Any New Financings

The County will not become obligated for any new County debt or otherwise be involved in any new financing that would include a variable rate of interest or variable debt service (exclusive of additional rent payable under a financing lease or other obligation for ongoing transaction fees).

## F. Useful Life of Capital Improvement and Equipment

CAO Management Directive 412.1 sets forth the County's policy for the minimum useful life of expenditures that may be classified in the County's financial statements as capital assets. This CAO Management Director shall be used as the base line for establishing the minimum useful life of expenditures that may be financed.

Prior to applying CAO Management Directive 412.1 for purposes of this Policy, the ACTTC shall be consulted on his or her interpretation of CAO Management Directive 412.1 with respect to the specific expenditure proposed to be financed.

## **VI. Approved Financing Methods**

In any instance where its usage is appropriate, adopting a "pay-as-you-go" (*i.e.*, paying from current revenues) strategy is an acceptable strategy to finance projects or capital acquisitions undertaken by the County. With careful planning, "pay-as-you-go" would be an appropriate means to pay for repair and replacement projects with short useful lives that are not appropriate for long-term financing. The use of a "pay-as-you-go" plan alongside a long-term debt plan is acceptable as well. The County will consider whether "pay-as-you go" (or moneys available on a "one-time" basis) is practical before considering financing the acquisition or construction of capital assets.

There are different types of approved financing methods available to the County, the use of which will depend on a variety of factors including the nature of the expenditure being financed, source of repayment, and the use of the proceeds. Therefore, the County approves of the following types of financing methods for use under this Policy.

### A. Short-Term Financing

The following summarizes each type of short-term financing that the County may issue under this Policy, or use between certain funds and accounts managed by the County, under this Policy or other policies adopted by the Board.



## A. Short-Term Financing (continued)

- **Short-term note**– The County may use a TRAN when necessary to provide cash for its operations (including current expenses, capital expenditures, and the discharge of other obligations or indebtedness of the County) in anticipation of receiving taxes or other revenues. This allows the County to continue to provide mandated services prior to the receipt of major tax or other revenue inflows in the first six months of a fiscal year.
  - A TRAN involves the issuance of a short-term note in the municipal bond market, which note is payable only from revenue received or accrued during the fiscal year in which issued. The TRAN may mature in 15 months on a taxable basis, and in 13 months on a tax-exempt basis, but the County will limit a TRAN maturity to a 12-month limit to coincide with the fiscal year in which the TRAN is issued.
  - The sizing of a tax-exempt TRAN (*i.e.*, amount issued) is subject to an analysis of anticipated tax and other revenues within a fiscal year, and an identifying the cash deficit of “available funds” within the first six months of the fiscal year. Consideration also must be given to the source of payment or security for repayment of the TRAN.
    - The required cash flows statements are prepared by the ACTTC’s office based upon the County’s “recommended budget” and other planning information prepared by County departments and offices and provided to the ACTTC through the County’s Budget Director.
  - The County’s bond counsel and disclosure counsel, Counsel, and municipal advisor are consulted regarding the preparation of the cash flow statements, and the sizing of the TRAN.
- **Inter-fund borrowing** – Inter-fund borrowing between the County’s funds and accounts is acceptable for short-term internal cash flow needs because this type of borrowing does not involve the County’s issuance of debt to a third party.
  - All requests for this type of funding must include an analysis from the ACTTC, stating that the cash in the proposed fund or account to be used as the source of funds is available to the General Fund for this purpose.
  - These loans must include repayment terms, which include an internal interest rate payment equal to the County’s Treasury Investment Pool rate, as calculated quarterly by the ACTTC’s office. This interest rate will vary based on each computation period that the inter-fund loan is outstanding, and interest on such inter-fund borrowing will be payable at the time of each inter-fund loan payment.
  - These inter-fund loans’ repayment terms are limited to the provisions set forth in the State Controller’s Office Handbook of Cost Plan Procedures for California Counties, section 2250: ISF Loans.



## A. Short-Term Financing (continued)

- ***County Service Area (CSA) Revolving Fund*** – The Board, pursuant to Government Code § 25214.5, subdivision (a), established a revolving fund in the initial amount of \$600,000 as a way for CSAs providing certain municipal services whose cash reserves are temporarily depleted to borrow for short periods from the County General Fund. Such funds are available to such CSAs upon the determination of the Board according to the policy established by the Board. A copy of the current Board authorizing resolution, including the policy, for such purposes is on file with the ACTTC.
- ***Cash-Flow Loans to CSAs and County Water Works Districts, (WWDs), to facilitate access to State and Federal grants and low interest installment sale agreements*** – The Board, pursuant to Government Code § 25214.5, subdivision (a), for CSAs, and pursuant to Water Code §§ 55503 through 55503.6 for WWDs, established a policy for the extension of short-term cash-flow loans from the County General Fund to CSAs and WWDs so that such CSAs and WWDs have sufficient funds to advance costs for projects that are qualified for grants or low-interest installment sale agreement financing through state and federal programs when those costs are advanced with the reasonable expectation of reimbursement in arrears from the agency administering the financial assistance programs. A copy of the current Board authorizing resolution, including the policy, for such purposes is on file with the ACTTC. (See VI.B.5, State Financing Programs, below, for the related state financings for CSAs and WWDs.)

## B. Long-Term Financing

Long-term debt obligations are serviced out of tax revenues or other general revenues. The following summarizes each type of debt that the County may issue, or authorize for issuance under this Policy.

### ***1. Ad valorem taxes – acquisition and improvement of real property.***

- ***GO Bonds*** – General Obligation (GO) Bonds require the approval of 2/3 of voters in an election, as required by the California State Constitution Article XIII A. GO bonds are secured by, and result in a levy of, additional *ad valorem* property taxes for repayment. The use of these bond proceeds is limited to the acquisition and improvement of real property and related costs of issuance.



## B. Long-Term Financing (continued)

### **2. General Fund Obligations – Capital Improvements.**

- **LRBs** – Lease Revenue Bonds (LRBs) are available for financing capital improvements and are repaid based upon a lease payment from the County’s General Fund. These types of issuances do not need voter-approval as long as the lease meets certain constitutional requirements. (See V.A. Constitutional Debt Limitations, above.)
  - LRBs are secured by a lease-lease-back agreement between the County and the County’s financing agency, the FCFA, whose governing board is the Board.
  - LRBs have a basic structure similar to real estate “beneficial use” leases, also called “abatement leases.” (See VIII.B.2. LPAs and Leases, below.)
  - The County will endeavor to administer outstanding LRBs in an effective manner by (1) using only the FCFA as the County-sponsored issuer, and (2) limiting the number of properties used as collateral.
    - If the County considers the use of certificates of participation (*i.e.*, lease-lease-back financing using a nonprofit public benefit corporation as the issuer, COPs) instead of LRBs, or an agency other than the FCFA as the County-sponsored issuer, the Requester shall identify the reason why such other form of financing is more advantageous to the County than LRBs or such other issuer is more advantageous to the County than the FCFA.
  - The County will ensure that the LRBs comply with any state and federal reimbursement requirements.
- **Leases and LPAs** – Leases and LPAs are available for financing the acquisition of real property or capital assets.
  - Leases and LPAs for real property are typically “beneficial use” leases, also called “abatement leases.”
  - Leases and LPAs for equipment typically are “appropriations leases.” (See IX.B.2. LPAs and Leases, below.)
  - The County will ensure that the Leases and LPAs comply with any state and federal reimbursement requirements.



## B. Long-Term Financing (continued)

- **POBs** – Pension Obligation Bonds (POBs) are taxable bonds utilized to pay down all or a portion of the County’s unfunded actuarial accrued liability (UAAL) to its retirement system in an effort to provide a net savings to the County.
  - The term of any new POBs shall not exceed the UAAL amortization schedule, adopted and provided by the Fresno County Board of Retirement (BOR).
  - POBs may be issued when there is a net savings between the current market conditions and the assumed rate of return adopted by the BOR.
  - The County will ensure that the POBs comply with any state and federal reimbursement requirements.

### **3. Asset-backed bonds**

- Depending on the circumstances, the County may issue or cause to be issued asset-backed bonds secured by a future revenue stream (*e.g.*, tobacco settlement revenues) or receivables in order to finance capital needs. Asset-backed bonds may be issued on a tax-exempt basis under certain circumstances.
  - The issuance of securitization bonds shifts the County’s risk of not receiving payment of the future revenues to the bondholders, and the County in return receives a sum of money at the bond closing.
  - The County shall not be obligated for the payment of asset-back bonds. In this regard, the County’s General Fund shall not be pledged, directly or indirectly (*e.g.*, the County shall not make any guaranty committing the General Fund) toward the payment of debt service on asset-backed bonds.
  - The County may be required by the Underwriter of the asset-backed bonds to undertake bond covenants (*e.g.*, that asset-backed bonds comply with federal income tax requirements).
  - Because the County has an interest in the asset-backed bond proceeds, the County manages the use of such bond proceeds.
    - An example of asset-backed bonds is the Tobacco Settlement Asset-Backed Bonds (Fresno County Funding Corporation), Series 2002, and the Tobacco Settlement Asset-Backed Bonds (Fresno County Funding Corporation), Subordinate Series 2006, both issued by The California County Tobacco Securitization Agency of which the County is a member.

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## B. Long-Term Financing (continued)

### **4. Special Fund Obligations**

- **Revenue bonds** – these types of bonds are issued to finance facilities that have a specific revenue source for payment. Revenue Bonds are payable and secured solely by a special fund that either is an enterprise fund related to certain operations or a dedicated revenue stream. The County’s General Fund shall not be pledged, directly or indirectly (*e.g.*, the County shall not make any guaranty committing the General Fund), toward the payment of debt service on these Revenue Bonds.

### **5. State Financing Programs**

- The California Clean Water State Revolving Fund Program and the California Drinking Water State Revolving Fund (each, a State Revolving Fund) are available for financing the construction of eligible facilities, such as water and sewer and similar treatment facilities. The County accesses the State Revolving Fund programs for projects related to CSAs and WWDs.
  - The use of State Revolving Fund financing typically is in the form of an installment sale agreement between the State and a WWD or the County on behalf of a CSA. The State determines the eligibility of a project for this type of financing.
  - The State might require the CSA or WWD to be obligated for the debt, which would be passed on to the affected property owners through taxes, assessments, or fees. The State might also require compliance with financing covenants during the life of this funding mechanism.  
(See VI.A. Short-Term Financing above for related short-term financings used for CSAs and WWDs to facilitate access to state financing programs.)
- If the County receives the proceeds of any State financings that do not require County repayment for any portion of County capital improvements, the County still may be required by the State to coordinate the County’s financing program, including the use and management of proceeds from any County financings, with the requirements of the State’s financing program to the extent that the State so requires County cooperation in the State’s governing documents for its financing of its portion of the capital improvement.
  - An example of such a State financing program is the State’s SB 1022 financing of the West Annex Jail, which financing includes a County 10% match of funds.



## B. Long-Term Financing (continued)

### ***6. Land Secured Financings (Assessment Districts and Mello Roos Districts).***

- Limited Obligation Improvement Bonds (Assessment Districts and Mello Roos Districts) are issued by the County to finance public improvements benefitting privately owned properties within a specific area of the County. These types of financings must insulate the County from any repayment obligation, any credit risk, and from any other exposure to the maximum extent reasonably possible.
- For additional information on this topic, see the County's Policy for Use of Public Financing for Private Development Projects, as initially approved by the Board on February 9, 1993, and last revised by the Board on September 23, 1997, on file with the Public Works and Planning Department.
  - On September 23, 1997, the Board revised the County's Policy for Use of Public Financing for Private Development Projects, above, to:
    - Terminate the use of public financing for residential project except for project already in the "pipeline" at such time.
    - Leave open the possibility of the County considering the future use of land secured financing of commercial/industrial projects.
      - If the Board should revisit the use of land secured financing of commercial/industrial projects, the DAC shall review such a policy change, and may recommend to the Board revisions to this Policy.
- The County is not obligated to assist with land secured financings. The County reserves the right at its discretion either to provide or not provide assistance.

The County may consider new financing methods that are consistent with this Policy. Financing Proposals with respect to new financing methods not included in this Policy are subject to review by the DAC, and, if the DAC recommends their use, the ACTTC will submit consideration of such new financing methods to the Board, indicating the recommendation of the DAC.

This Policy will be updated to reflect any new financing methods that have been approved by the Board.

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## **VII. Budgetary Planning; relationship of debt to budget; integration of debt to County's budget**

### **A. County's Planning for Incurring Debt.**

The County's plans for capital improvement expenditures shall be recommended to the Board by the CAO and approved by the Board as follows:

- On an as-needed basis, as opportunities come to the CAO's or the Board's attention;
- On a prioritized basis, as recommended from time to time by the CAO to the Board; or
- As part of the Board's adoption of its annual budget.

### **B. Minimizing Outstanding Debt; Early Retirement or Refinancing of Outstanding Debt**

The County will consider refunding outstanding debt, if available and cost-effective to reduce interest costs of outstanding debt, to restructure the debt service for a more favorable interest rate and/or for shortening the final maturity of the bonds.

A refunding shall be governed by the same requirements and guiding principles listed in this Policy for issuing new debt and the net present value savings of the refunding must be at least two percent (2%) of outstanding debt service for the debt being refunded.

The County will consider prepaying, refinancing, or restructuring its debt and financings subject to (1) this Policy, and (2) the limitation that, as of January 1, 2018, refundings of tax exempt bonds may not be issued more than 90 days prior to the redemption date of the outstanding debt.

The County is committed to reviewing its outstanding debt annually, in conjunction with its annual "recommended budget" process, to determine what actions, if any, may be taken to reduce the County's outstanding debt. The ACTTC will maintain a schedule of redemption dates for all of the outstanding County debt. During this process, the ACTTC, in consultation with the CAO, will consider any callable, outstanding debt on that list along with the County's current debt service requirements to determine whether it is in the County's best interest to prepay any outstanding debt. If the ACTTC in conjunction with the CAO determines that it would be in the County's best interest to prepay any outstanding debt, a Financing Proposal will be prepared by the ACTTC and provided to the DAC for review. (See IV. Debt Advisory Committee, above.)

## **VIII. Financings Mechanics; Structuring new debt**

Each Financing Proposal that includes new debt will be considered on a case-by-case basis to determine the best option, including its elements, for completing a successful financing using this Policy.



## VIII. Financings Mechanics; structuring new debt (continued)

### A. Method of Sale

The overarching goal for this component is to seek to protect the public's interest by striving for the lowest possible interest cost under reasonable financing terms for any new debt issuance.

Generally, the County sells bonds through competitive sale because such form of sale is efficient, maximizes the County's access to the capital market, and is therefore expected to achieve the lowest interest rate on the date of sale. In those instances where the County anticipates the possible need to sell bonds in a negotiated sale, the ACTTC will identify the need, bring the reason for such form of sale to the attention of the DAC and then, if recommended by the DAC, to the Board for its requested approval.

The County does not have or sponsor any County debt issued as private placement bonds or direct loans, or similar transactions. The County may consider such method of sale only if a competitive or negotiated method of sale is not available in the bond market to the County under then-current circumstances. If a private placement bond, direct loan, or similar transaction is proposed, the Requester shall include in their Financing Proposal why a competitive or negotiated method of sale is not available to the County. Further, the Requester shall identify the party proposing such method of sale along with the material terms, conditions, and provide an analysis of the relative risks to the County.

### B. Structure of Financing

A variety of different considerations is important for structuring debt for issuance. The considerations listed here are not necessarily all-inclusive and their application will be dependent upon the specific type of debt being proposed and the then-current circumstances.

#### ***1. Bonds***

- *Maturity Structures*
  - The proposed debt issuance should be structured for the shortest reasonable period for which the debt instrument is sold in the municipal bond market, and for the lowest possible net cost under the then-current circumstances.
  - The maturity of the proposed debt should take into consideration the purposes of financing. For capital improvements, the term of the debt shall not exceed 120% of the average useful life of the property or equipment being financed.
  - Consideration needs to be given to the proposed debt's redemption provisions and how they may be implemented in the future.
  - Consideration should be given to the earliest redemption date of the proposed debt compared to the redemption dates for the outstanding County debt.
  - Consideration should be given to the first redemption dates on which the debt is payable at par.



## B. Structure of Financing (continued)

- *Debt service - Principal and Interest Payments*
  - The CAO will identify the County's budgetary plan for the manner by which the County will budget for debt service payments.
  - The County generally expects debt service to be level debt service.
    - Should any alternative types of payment schedules be proposed, the Requester shall, in its Financing Proposal, provide (a) a schedule showing level debt service and the proposed alternative payment schedule in comparable form to the level debt service schedule, (b) the specific reasons for recommending the use of the alternate payment schedule, and (c) the specific estimated cost and duration of total costs based on the alternate payment schedule.
  
- *Collateral for LRBs*
  - Consideration needs to be given to the type of collateral, and its sufficiency (e.g., establish by appraisal, and ALTA survey); and
  - Consideration needs to give given to whether the collateral may be substituted with other collateral while the LRBs are outstanding so long as the County meets certain pre-determined conditions.
  
- *Credit Enhancements*
  - The County will consider the use of credit enhancements, such as bond insurance, in connection with a proposed bond issuance. The ACTTC, in consultation with the County's municipal advisor, will determine whether to propose to the Board that a credit enhancement be used in connection with the proposed debt.
  - The possible use of credit enhancement shall be identified as early as possible in the preparation of a proposed bond issuance to ensure timely consideration of this option, and to ensure that the Team has sufficient time and resources to prepare and finalize bond documents in connection with a proposed bond sale.
  - Any Financing Proposal for a potential credit enhancement shall include consideration of the following:
    - The form(s) of credit enhancement (currently, the common form is through bond insurance); and
    - The costs vs. benefits of such credit enhancement, including an analysis of the present value of the savings of such credit enhancement in relation to the premium charged and a written summary explaining the result of the analysis.



## B. Structure of Financing (continued)

- *Reserve Fund and Coverage Policy.*
  - Consideration shall be given to whether a reserve fund or reserve fund surety policy is needed. If the proposed debt will require a reserve fund, the specific information relating to this item should be provided and an explanation of why it is required.
- *Capitalized Interest*
  - If the proposed debt will need capitalized interest, the specific information relating to this item shall be provided and an explanation why it is needed.
- *Interest Rate Limitations*
  - Consideration shall be given to whether there are any limitations imposed by law or any other governing entity.
- *Trustee Services*
  - Each proposed debt issuance would require an evaluation to determine whether a trustee, administrator, or paying agent is appropriate.
- *Investment of bond proceeds pending use.*
  - The Requester shall identify, in its Financing Proposal, the proposed type of investment for bond proceeds as early as possible in transaction preparation to ensure that available investments can be considered before the bond proceeds are invested.

### **2. Leases and LPAs.**

- *Leases and LPAs* are entered into directly with finance companies, including financing companies affiliated with the vendor of the product being leased or acquired.
- *For Leases and LPAs*, The County pays fair rental value payments during the term of the Lease or LPA. These financings shall include a provision to the effect that the lessor's default remedies shall be without acceleration of any future rental payments or any other amounts payable by County under the Lease or LPA, before they are due and payable thereunder.

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## B. Structure of Financing (continued)

- Real Estate - Leases or LPAs that are “beneficial use” leases, also called “abatement leases,” typically are used for real estate leasing or acquisition. These Leases or LPAs shall provide for the abatement of rental payments (typically a suspension) for any period due to any condition that would prevent the County from the use of the real property (or pro-rata portion of abatement due to a portion of the property not usable).
- Equipment - Leases or LPAs that are “appropriations leases” typically are used for equipment acquisitions. These Leases or LPAs shall enable the County to give notice to the lessor of early termination of the Lease or LPA in any fiscal year without cost or penalty if the Board in the exercise of its discretion does not allocate funds for lease payments in any future years.
  - The non-appropriations provision needs to allow the County to give timely advance notice of the Board’s non-appropriation of funds in relation to the County’s fiscal year and budgeting process.
  - If the lessor requires a “non-substitution provision” (i.e., in the event of the County’s notice of non-appropriation of funds, and return of the financed equipment, limiting the County’s ability to substitute other equipment), such limitations must be reasonable (e.g., limited to new equipment for a specific period of time), and in any event shall not limit the County’s ability to perform its governmental function with other equipment.
  - LPAs for equipment financing, which have an early-purchase option, must exclude from the early purchase price the total value of interest otherwise payable over the life of the LPA. In negotiating the amount of any early-purchase options for equipment financing, the requesting department or office needs to consider whether such amount is reasonable.
- *End-term buy-out* price of the facility or equipment should be at a nominal price, typically a \$1 buy-out.

## IX. Rating Agencies

The County intends to secure ratings on all bond issuances from at least one national rating agency.



## **IX. Rating Agencies (continued)**

The County has developed relationships with ratings agencies through good communication that have been arranged by the County's independent municipal advisor. To that end, the County, with the assistance of its independent municipal advisor, would undertake the following, as deemed necessary by the ACTTC:

- Ensure the rating agencies are provided updated financial information of the County as it becomes publicly available prior to the sale of the bond issuance.
- Prior to each proposed new debt issuance, schedule meetings or conference calls with agency analysts and provide an appropriate update on the County's financial position, including the impacts of the proposed debt issuance.

## **X. Post-Issuance Legal Compliance Procedures**

The County is committed to legal compliance with all applicable federal and state laws and has adopted policies or procedures designed to assure such compliance as follows.

- ***Federal Income Tax Compliance***
  - The County has the written Post-Issuance Compliance Policies and Procedures for Tax-Exempt Bonds and Notes (the Post-Issuance TEB Policies), adopted by the ACTTC, which is on file with the ACTTC.
- ***Securities Disclosure Compliance; bond covenants***
  - The County is preparing written disclosure policies and procedures with respect to new debt issuances and with respect to continuing disclosure obligations during the life of the outstanding debt in accordance with Securities and Exchange Commission Rule 15c2-12.
  - The County has entered into continuing disclosure undertakings and contractual bond covenants under the indentures and/or trust agreements for its outstanding bonds. The bond transcript that contains these continuing disclosure undertakings and indentures and trust agreements are on file with the ACTTC.
    - The County provides annual reports and event notices based on enumerated events, all as set forth in the County's continuing disclosure undertakings, through the Municipal Securities Rulemaking Board's (MSRB) Electronic Municipal Marketplace Access (EMMA) web site.

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## **X. Post-Issuance Legal Compliance Procedures (continued)**

- ***Reports to California Debt and Investment Advisory Commission (CDIAC)***
  - The County has not issued or become obligated for any issuance of any new debt since January 21, 2017. However, if and when the County issues such new debt, or becomes obligated for the issuance of any such new debt, the County will provide its annual report of such new debt issuances to CDIAC no later than seven (7) months after the end of the County fiscal year reporting period pursuant to California Government Code § 8855, subdivision (k) (SB 1029).
  
- ***Administration***
  - The County has designated a Bond Compliance Officer for the purposes of the Post-Issuance TEB Policies.
  - The County has internal controls relating to the following:
    - The County applies at least the same system of internal control activities to the recordkeeping, use, and investment of bond proceeds as it does to all other governmental funds;
    - The ACTTC establishes appropriate accounts and funds for allocating the use and investment of bond proceeds;
    - The County follows generally accepted accounting principles (GAAP) to account for allocations of permitted expenditures in accordance with Governmental Accounting Standards Board (GASB) principles;
    - The ACTTC is monitoring the bond trustee for the bonds, including receiving statements/records of the trustee with respect to bond proceeds; and
    - The County's use of bond proceeds is reviewed and approved by the ACTTC before they may be used.
  
- ***Use of Bond Proceeds***
  - The County has a commitment to tracking and tracing the use of bond proceeds and the weighted average useful life of capital improvements financed with LRBs, and the County has established records for each LRB issuance;
  - The County uses bond proceeds only for qualified expenditures under the applicable bond documents;
  - The County invests proceeds of a financing only in types of investments permitted under the applicable bond documents before these bond proceeds are used; and
  - The County undertakes arbitrage and yield restriction reporting and compliance as required by law for tax-exempt outstanding County debt, and the County engages its bond counsel to provide rebate reports, prepare IRS 8038T forms, and provide legal advice regarding such matters as requested.



## **XI. Transparent Recordkeeping of County's Outstanding Debt**

To provide transparency to the public of the County's obligations for outstanding County debt, the outstanding Bond Debt Amortization Schedule, as of the revised date of this Policy, is included on Attachment A and the outstanding Capital Leases, as of the revised date of this Policy, are summarized on Attachment B.

As of the revised date of this Policy, the percentage of General Debt Service to General Fund Expenditures within the Comprehensive Annual Financial Report for fiscal year FY 2016-17 was 3.51%.

## **XII. Periodic Review of Policy; Policy Revisions**

The DAC will review, from time to time upon the recommendation of the ACTTC, this Policy and the DAC thereupon may make recommended Policy revisions, if any, to the Board. These recommended revisions may include, for example, and not as a limitation, new financing plans or structures after having been introduced to the DAC. Any DAC review of this Policy and any DAC recommendations to the Board will take into consideration any Board-adopted goals, and polices for the County, generally.

The Board will review and either adopt, modify, supplement, or reject any Policy revisions recommended by the DAC. The Board also may redirect consideration of any DAC-recommended Policy revisions to the DAC before the Board further considers the DAC-recommended Policy revisions.

All DAC-recommended Policy revisions will be presented by the ACTTC as a regular agenda item for discussion and action by the Board. Upon approval by the Board, the Policy will be revised prospectively as of the date of such Board approval unless the Board either expressly ratifies any such Policy revisions retroactively or makes such Policy revisions effective prospectively as of a future date. The ACTTC is authorized to modify the Policy to reflect the Board's ratification of any retroactive Policy revisions, or making of such Policy revision effective prospectively as of a future date.

The Board reserves the right to revise this Policy at any time.

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### **XIII. Glossary and Contact Information**

A glossary is provided in Attachment C to assist in a greater understanding of the terms utilized throughout this Policy along with other key terms.

A copy of this policy may be obtained by written request to the Auditor-Controller/Treasurer-Tax Collector at 2281 Tulare St, Room 105, Fresno, CA 93721 or online at <http://www.co.fresno.ca.us/departments/auditor-controller-treasurer-tax-collector/publications>.

Adopted: April 26, 2005

Revised: June 5, 2018



**Attachment A – Outstanding Bond Debt Amortization Schedule**

**County of Fresno  
Annual Debt Service Calendar  
For Pension Obligation Bonds (POB) and Lease Revenue Bonds (LRB)  
(Includes Bond Principal and Interest)**

<b>Fiscal Year Ended</b>	<b>2002 POB</b>	<b>2004A POB</b>	<b>2004B POB<sup>1</sup></b>	<b>2015A POB<sup>2</sup></b>	<b>2012 LRB<sup>3</sup></b>	<b>2016 LRB</b>	<b>Total Annual Payments</b>
2018	\$ 15,967,923	\$ 22,716,304	\$ 4,170,000	\$ 678,104	\$ 3,235,375	\$ 3,567,600	\$ <b>50,335,306</b>
2019	15,970,424	24,374,768	4,170,000	678,104	2,393,800	3,566,350	<b>51,153,446</b>
2020	-	-	4,170,000	27,594,052	1,929,775	3,565,100	<b>37,258,927</b>
2021	-	29,220,000	4,170,000	-	1,931,000	3,565,500	<b>38,886,500</b>
2022	-	31,085,000	4,170,000	-	1,925,650	3,561,750	<b>40,742,400</b>
2023	-	33,025,000	4,170,000	-	933,800	3,562,500	<b>41,691,300</b>
2024	-	35,045,000	4,170,000	-	-	3,567,250	<b>42,782,250</b>
2025	-	37,140,000	4,170,000	-	-	3,565,500	<b>44,875,500</b>
2026	-	39,325,000	4,170,000	-	-	3,562,250	<b>47,057,250</b>
2027	-	41,595,000	4,170,000	-	-	3,567,250	<b>49,332,250</b>
2028	-	43,780,000	4,170,000	-	-	3,564,750	<b>51,514,750</b>
2029	-	46,410,000	4,170,000	-	-	3,564,750	<b>54,144,750</b>
2030	-	48,965,000	4,170,000	-	-	3,568,950	<b>56,703,950</b>
2031	-	51,620,000	4,170,000	-	-	-	<b>55,790,000</b>
2032	-	54,380,000	4,170,000	-	-	-	<b>58,550,000</b>
2033	-	44,785,000	16,614,160	-	-	-	<b>61,399,160</b>
2034	-	-	63,929,160	-	-	-	<b>63,929,160</b>
<b>Totals</b>	<b>\$ 31,938,347</b>	<b>\$ 583,466,072</b>	<b>\$ 143,093,320</b>	<b>\$ 28,950,260</b>	<b>\$ 12,349,400</b>	<b>\$ 46,349,500</b>	<b>\$ 846,146,899</b>

<sup>1</sup> This schedule reflects auction rate bonds converted to fixed finance rate bonds on September 12, 2006.

<sup>2</sup> This schedule reflects the 2015 Series A Bond Refinancing in September 2015 (\$27,255,000 Principal); achieved \$640,876 savings by 2020.

<sup>3</sup> The 2012 LRBs refinanced the 2004 Series JJC and 2004 Series B energy savings projects.



**Attachment B – Outstanding Capital Leases**

**Capital Leases**

The County has entered into certain capital lease agreements under which the related equipment will become the property of the County when all terms of the lease agreements are met. The County has also entered into similar capital lease agreements for buildings. In addition, the County has entered into certain equipment and building lease agreements under which the assets, while not becoming property of the County when all terms of the agreement are met, still qualify as capital leases.

The following is a schedule of future minimum lease payments under capital leases together with the present value of future minimum lease payments as of June 30, 2017 (dollars expressed in thousands):

<b>Governmental Activities Fiscal year ended June 30</b>	<b>Total Payments</b>	<b>Imputed Interest</b>	<b>Net Present Value of Minimum Lease Payments</b>
2018	\$ 1,606	\$ 108	\$ 1,498
2019	1,034	50	984
2020	325	18	307
2021	146	3	143
2022	2	-	2
Total	<u>\$ 3,113</u>	<u>\$ 179</u>	<u>\$ 2,934</u>

The following is a schedule of property under capital leases segregated by major class at June 30, 2017 (dollars expressed in thousands):

	<b>Governmental Activities</b>
Equipment	\$ 25,003
Accumulated depreciation	(22,069)
Net	<u>\$ 2,934</u>

*Source: County of Fresno Comprehensive Annual Financial Report Fiscal Year 2016-17, page 51.*



## Attachment C – Glossary of Terms

*Arbitrage.* The difference between interest cost and interest earnings.

*Bond.* An interest-bearing promise to pay a specified sum of money – the principal amount – on a specific date.

*Bond counsel.* Special legal counsel engaged by a public entity issuing bonds whose function is to prepare bond documents in compliance with applicable laws and procedures, and to issue customary legal opinions to the issuer and separately, as a condition of sale, to the Underwriter at the closing of the bonds that, among other things, the bonds are valid and binding obligations of that issuing public entity according to the terms and conditions of the bonds, and for tax-exempt bonds, that the interest on the bonds is exempt from federal and state income taxes. The County's bond counsel shall be a nationally recognized law firm in the municipal securities industry.

*Bond insurance.* Non-cancelable insurance purchased by the issuer from a bond insurer pursuant to which the insurer promises to make scheduled payments of interest, principal and mandatory sinking fund payments on an issue if the issuer fails to make timely payments.

*Bond rating.* Designations assigned by credit rating agencies to give rating agencies relative indications of credit quality.

*Callable bond.* A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

*Capital appreciation bonds (CABs).* Bonds on which interest is not payable until maturity (or early redemption), but accretes (*i.e.*, compounds periodically) to accumulate a stated maturity amount.

*Capitalized interest.* Bond proceeds that are reserved to pay interest on an issue for a period of time early in the term of the issue.

*Competitive sale.* The public sale of bonds to the bidder presenting the best, sealed bid at the time and place specified in a notice of sale.

*Continuing disclosure.* The ongoing disclosure provided by an issuer (or other obligated party) pursuant to an undertaking entered into to allow the Underwriter to comply with SEC Rule 15c2-12.

*Costs of issuance.* The expenses paid by or on behalf of the issuer in connection with the sale and issuance of bonds.

*County debt:* Debt that the County incurs, either as an issuer of the debt or as an obligated party, which authorizes the debt issuance by another public entity that is the issuer.



## Glossary of Terms (continued)

*Credit enhancement.* A credit support purchased by the issuer to raise the credit rating on a debt issue.

*Debt.* A debt is a contractual liability involving the payment of money. (See Debt Limit, below.)

*Debt limit.* A statutory or constitutional limit on the amount of debt that an issuer may incur or that it may have outstanding at any one time.

*Debt service.* The total of interest, principal and mandatory sinking fund payments.

*Derivatives.* “Derivatives” is an umbrella term that refers to a variety of investment vehicles that issuers use to invest the net proceeds of bond offerings while they are waiting to spend them for their given purposes or to protect themselves from interest-rate risk associated with issuing their debt. Derivatives are grouped generally into two categories, pertaining either to: (a) the investment of bond proceeds; or (b) the bond’s underlying interest rate obligations. The first category of Derivatives includes instruments such as guaranteed investment contracts (GICs, such as, for example, forward purchase, supply, or delivery agreements and repurchase agreements) and certificates of deposit (“CDs”) on escrow agreements. The second category of Derivatives includes instruments such as swaps, options, “swaptions,” collars, and floors, which are risk-shifting vehicles.

*Disclosure counsel.* Special counsel engaged by the issuer to prepare bond offering documents (and to issue certain customary legal opinions to the issuer and separately, as a condition of sale, the Underwriter at the closing of the bonds), and to assist and advise the issuer in connection with the issuer’s continuing disclosure obligations. The County’s disclosure counsel shall be a nationally recognized law firm in the municipal securities industry.

*Issue.* One or more bonds initially delivered by an issuer in a substantially simultaneous transaction and which are generally designated in a manner that distinguishes them from other bonds of other issues.

*Lessee.* The public entity (obligor) that agrees to lease specific property from another entity (the lessor) for a stream of lease payments, containing both a principal and interest component, for a specified period.

*Lessor.* The entity (usually public) that agrees to participate in a lease arrangement to facilitate the lessee’s ability to borrow money through issuance of certificates of participation or lease revenue bonds.

*Level debt service.* Provides approximately equal annual payments to be made by the issuer through gradually increasing principal amounts coming due that are offset by declining interest payments.

*Municipal advisor.* An independent consultant (formerly known as a financial advisor) to an issuer who provides the issuer with advice with respect to the structure, timing, terms, or other similar matters concerning a new issue.

*Negotiated sale.* A sale of bonds, the terms and price of which are negotiated by the issuer through an exclusive agreement with a selected Underwriter and/or underwriting syndicate. Any sale of bonds that is not the result of a competitive sale is the result of a negotiated sale.



## Glossary of Terms (continued)

*Par value.* 100 percent of a security's face value.

*Present value.* A measure of the time value of money – *i.e.*, the amount of money an investor would exchange today for a future stream of principal and interest payments.

*Rating agency.* An agency that analyzes new and outstanding bond issues to assign a rating of comparative quality.

*SEC.* The Securities and Exchange Commission.

*TEFRA hearing.* Section 147(f) of the Internal Revenue Code of 1986, Tax Equity and Fiscal Responsibility Act (TEFRA), provides that, in order to qualify for tax exemption, a private activity bond issue (also known as qualified 501(c)(3) bonds) must satisfy the necessary public approval requirements. Public approval can be obtained by voter referendum or, more commonly, a public hearing and approval (which need only be solely for such purposes) by “applicable elected representatives” of the governmental unit (*i.e.*, the Board for the County, or a city council for its city) having jurisdiction over the area (*i.e.*, Fresno County [including its cities] or a city, as applicable) in which any facility financed or refinanced by private activity bonds, are located, following “reasonable public notice.”

*Underwriter.* The underwriter purchases the bonds from the issuer with the intent to resell the bonds to investors.