Contra Costa County, California
Debt Management Policy

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DEBT MANAGEMENT POLICY
TABLE OF CONTENTS

I.	Purpose	1
II.	Debt Affordability Advisory Committee	1
III.	Comprehensive Capital Planning	2
IV.	Planning and Structure of County Indebtedness	2
V.	Method of Sale	4
VI.	Refinancing of Outstanding Debt	5
VII.	Credit Ratings	6
VIII.	Management Practices	6

Government Finance Officers Association: Checklist of Debt Policy Considerations	Appendix 1
Post-Issuance Compliance Procedures	Appendix 2
Annual Disclosure Requirement Listing	Appendix 3
Community Facilities Districts	Appendix 4
Multifamily Mortgage Revenue Bond Program	Appendix 5
Successor Agency to the former Contra Costa County Redevelopment Agency	Appendix 6

Contra Costa County, California
Debt Management Policy

***I. PURPOSE*:** The County recognizes the foundation of any well-managed debt program is a comprehensive debt policy. A debt policy sets forth the parameters for issuing debt and managing outstanding debt and provides guidance to decision makers regarding the timing and purposes for which debt may be issued, types and amounts of permissible debt, method of sale that may be used and structural features that may be incorporated. The debt policy should recognize a binding commitment to full and timely repayment of all debt as an intrinsic requirement for entry into the capital markets. Adherence to a debt policy helps to ensure that a government maintains a sound debt position and that credit quality is protected. Advantages of a debt policy are as follows:

- enhances the quality of decisions by imposing order and discipline, and promoting consistency and continuity in decision making,
- provides rationality in the decision-making process,
- identifies objectives for staff to implement,
- demonstrates a commitment to long-term financial planning objectives, and
- is regarded positively by the rating agencies in reviewing credit quality.

II. DEBT AFFORDABILITY ADVISORY COMMITTEE

A. Purpose. By adoption of this Debt Policy, the Debt Affordability Advisory Committee is established. Its purpose is to annually review and evaluate existing and proposed new County debt and other findings and/or issues the committee considers appropriate.

It is the task of this committee to assess the County's ability to generate and repay debt. The committee will issue an annual report to the County Administrator defining debt capacity of the County. This review will be an important element of the budget process and will include recommendations made by the committee regarding how much new debt can be authorized by the County without overburdening itself with debt service
payments.

B. Members. The committee shall be composed of the Auditor-Controller, Treasurer-Tax Collector, Director/Conservation and Development Department, and County Finance Director.

C. Debt Affordability Measures. The committee shall examine specific statistical measures to determine debt capacity and relative debt position and compare these ratios to other counties, rating agency standards and Contra Costa County's historical ratios to determine debt affordability. From Moody's Investors Service, the committee will evaluate the County against the following debt ratios from the most recent available national medians for counties in the "Aa" rating tier with populations of at least 1 million:

1. Direct net debt as a percentage of Assessed Valuation;
2. Overall net debt as a percentage of Assessed Valuation;
3. Assessed Valuation per-capita;
4. Available general fund balance as a percentage of revenues; and
5. General fund balance as a percentage of revenues.

From Standard and Poor's, the committee will evaluate the County against the following debt ratios from the most recent available national medians for counties in the "AAA" rating tier :

1. Assessed valuation per-capita;
2. Direct debt as percentage of governmental funds revenue;
3. Total government available cash as a percentage of debt service;
4. Total government available cash as a percentage of expenditures; and
5. Total debt service as a percentage of general fund expenditures.

The Advisory Committee also evaluates the County against a group of cohort counties, namely, other large, urban counties in California. The Advisory Committee utilizes each respective cohort county's most recently available CAFR to measure the County's comparative performance on the various debt measures calculated by Moody's and S&P as noted above, and also against the additional ratios below:

1. Direct debt per capita; and
2. Debt payments as a percentage of general fund revenues.

III. COMPREHENSIVE CAPITAL PLANNING

A. Planning. The County Administrator's Office shall prepare a multi-year capital program for consideration and adoption by the Board of Supervisors as part of the County's budget process. Annually, the capital budget shall identify revenue sources and expenditures for the coming current year and the next succeeding three fiscal years. The plan shall be updated annually.

B. Funding of the Capital Improvement Program. Whenever possible, the County will first attempt to fund capital projects with grants or state/federal funding, as part of its broader capital improvement plan. When such funds are insufficient, the County will use dedicated revenues to fund projects. If these are not available, the County will use excess surplus from the reserve and debt financing, general revenues. The County shall be guided by three principles in selecting a funding source for capital improvements: equity, effectiveness and efficiency.

1. Equity: Whenever appropriate, the beneficiaries of a project or service will pay for it. For example, if a project is a general function of government that benefits the entire community, such as an Office of Emergency Services, the project will be paid for with general purpose revenues or financed with debt. If, however, the project benefits specific users, such as a building permit facility, the revenues will be derived through user fees or charges, and assessments.

2. Effectiveness: In selecting a source or sources for financing projects, the County will select one or more that effectively funds the total cost of the project. For example, funding a capital project, or the debt service on a project, with a user fee that does not provide sufficient funds to pay for the project is not an effective means of funding the project.

3. Efficiency: If grants or current revenues are not available to fund a project, the County will generally select a financing technique that provides for the lowest total cost consistent with acceptable risk factors and principals of equity and effectiveness. These methods currently consist of County issued debt, special funding programs funded by state or federal agencies, or special pool financing. Examples include funding pools like the Association of Bay Area Governments Participation Certificates.

C. Maintenance, Replacement and Renewal/FLIP. The County intends to set aside sufficient current revenues to finance ongoing maintenance needs and to provide periodic replacement and renewal consistent with its philosophy of keeping its capital facilities and infrastructure systems in good repair and to maximize a capital asset's useful life.

D. Debt Authorization. No County debt issued for the purpose of funding capital projects may be authorized by the Board of Supervisors unless an appropriation has been included in the capital budget (Some forms of debt such as Private Activity Bonds for housing, Mello-Roos for infrastructure, and redevelopment bonds for infrastructure/facilities may not be appropriate for inclusion in the County capital improvement program. The policies for such forms of debt are included as Appendixes 4, 5, and 6).

IV. PLANNING AND STRUCTURE OF COUNTY INDEBTEDNESS

A. Overview. The County shall plan long- and short-term debt issuance to finance its capital program based on its cash flow needs, sources of revenue, capital construction periods, available financing instruments and market conditions. The County Finance Director shall oversee and coordinate the timing, issuance process and marketing of the County's borrowing and capital funding activities required in support of the capital improvement plan. The County shall finance its capital needs on a regular basis dictated by its capital spending pattern. Over the long-term this policy should result in a consistently low average interest rate. When market conditions in any one year result in higher than average interest rates, the County shall seek refinancing opportunities in subsequent years to bring such interest rates closer to the average. The Debt Affordability Advisory Committee shall use the Government Financial Officers Association checklist set forth in Appendix 1 hereto in planning and structuring any debt issuances.

B. Financing Team. The County employs outside financial specialists to assist it in developing a debt issuance strategy, preparing bond documents and marketing bonds to investors. The key team members in the County's financing transactions include its financial advisor and outside bond and disclosure counsel, the underwriter and County representatives (the County Auditor-Controller, Treasurer-Tax Collector, and the County Finance Director, among others). Other outside firms, such as those providing paying agent/registrar, trustee, credit enhancement, verification, escrow, auditing, or printing services, are retained as required. The County will issue Requests for Qualifications (RFQs) for financial advisor, bond counsel, disclosure counsel and tax counsel every three years The financing team shall meet at least semi-annually to review the overall financing strategy of the County and make recommendations to the County Administrator.

C. Term of Debt Repayment. Borrowings by the County shall mature over a term that does not exceed the economic life of the improvements that they finance and usually no longer than 20 years, unless special structuring elements require a specific maximum term to maturity, as is the case with pension obligation bonds. The County shall finance improvements with a probable useful life less than five years using pay-go funding for such needs. Bonds sold for the purchase of equipment with a probable useful life exceeding five years are repaid over a term that does not exceed such useful life.

D. Legal Borrowing Limitations/Bonds and other indebtedness. California Government Code Section 29909 limits General Obligation Bond indebtedness to five percent of the total assessed valuation of all taxable real and personal property within the County, excluding Public Financing Authority lease revenue bonds, Public Facility Corporation certificates of participation, Private Activity Bond, Mello-Roos special tax, and Assessment District Debt for which no legal limitations are currently in effect.

E. Debt Features.

1. Original issue discount or premium. The County's bonds may be sold at a discount or premium, in order to achieve effective marketing, achieve interest cost savings or meet other financing objectives. The maximum permitted discount is stated in the Notice of Sale accompanying the County's preliminary official statement on the Bond Purchase Agreement, as applicable.

2. Debt service structure/Level Debt Service. The County shall primarily finance its long-lived municipal improvements over a 20-year term or less, on a level debt service basis. This policy minimizes long-run impact on a funding department's budget. The County will seek to continue this practice, unless general fund revenues are projected to be insufficient to provide adequately for this debt service structure.

3. Call provisions. The County shall seek to minimize the protection from optional redemption given to bondholders, consistent with its desire to obtain the lowest possible interest rates on its bonds. The County's tax-exempt bonds are generally subject to optional redemption. The County seeks early calls at low or no premiums because such features will allow it to refinance debt more easily for debt service savings when interest rates drop. The County and its financial advisor shall evaluate optional redemption provisions for each issue to assure that the County does not pay unacceptably higher interest rates to obtain such advantageous calls. The County shall not sell derivative call options.

4. Interest rates. The County shall first consider the use of fixed-rate debt to finance it capital needs, except for short-term needs (such as short-lived assets) that will be repaid or refinanced in the near term; and may consider variable rate debt under favorable conditions.

F. Other Obligations Classified as Debt/Other Post Employment Benefits (**OPEB)/Vested Vacation Benefits.** OPEBs and vacation benefits are earned by County employees based on time in service. The County records these vacation benefits as earned in accordance with generally accepted accounting principles as established by the Governmental Accounting Board (GASB). The liability for the benefit is recorded on the Fund level financial statements. The expense is recorded during the conversion to the Government Wide financial statements in accordance with GASB standards. For Enterprise funds the expense and liability are accrued in the respective funds. In this initial policy, the amount of OPEB and vacation benefits will not be in measures used to evaluate the County's debt affordability. However, the County's net OPEB obligation is posted to the County's balance sheet.

V. METHOD OF SALE. The County will select a method of sale that is the most appropriate in light of financial, market, transaction-specific and County-related conditions, and explain the rationale for its decision.

A. Competitive Sales. Debt obligations are generally issued through a competitive sale. The County and its financial advisor will set the terms of the sale to encourage as many bidders as possible. By maximizing bidding, the County seeks to obtain the lowest possible interest rates on its bonds. Some of the conditions that generally favor a competitive sale include:

1. the market is familiar with the County;
2. the County is a stable and regular borrower in the public market;
3. there is an active secondary market with a broad investor base for the County's bonds;
4. the issue has a non-enhanced credit rating of A or above or can obtain credit enhancement prior to the competitive sale;
5. the debt structure is backed by the County's full faith and credit or a strong, known or historically performing revenue stream;
6. the issue is neither too large to be easily absorbed by the market nor too small to attract

investors without a concerted sale effort;

7. the issue does not include complex or innovative features or require explanation as to the bonds' security;
8. the issue can be sold and closed on a schedule that does not need to be accelerated or shortened for market or policy reasons; and
9. interest rates are stable, market demand is strong, and the market is able to absorb a reasonable amount of buying or selling at reasonable price changes.

B. Negotiated Sales. When certain conditions favorable for a competitive sale do not exist and when a negotiated sale will provide significant benefits to the County that would not be achieved through a competitive sale, the County may elect to sell its debt obligations through a private placement or negotiated sale, upon approval by the County Board of Supervisors. Such determination shall be made on an issue-by-
issue basis, for a series of issues, or for part or all of a specific financing program. The following practices are recommended to be observed in the event of a negotiated sale:

1. ensure fairness by using a competitive underwriter selection process through a request for proposals where multiple proposals are considered;
2. remain actively involved in each step of the negotiation and sale processes to uphold the public trust;
3. ensure that either an employee of the County, or an outside professional other than the issue underwriter, who is familiar with and abreast of the condition of the municipal market, is available to assist in structuring the issue, pricing, and monitoring sales activities;
4. require that the financial advisor used for a particular bond issue not act as underwriter of the same bond issue;
5. require that financial professionals disclose the name or names of any person or firm, including attorneys, lobbyists and public relations professionals compensated in connection with a specific bond issue;
6. request all financial professionals submitting joint proposals or intending to enter into joint accounts or any fee-splitting arrangements in connection with a bond issue to fully disclose to the County any plan or arrangements to share tasks, responsibilities and fees earned, and disclose the financial professionals with whom the sharing is proposed, the method used to calculate the fees to be earned, and any changes thereto; and
7. review the "Agreement among Underwriters" and insure that it is filed with the County and that it governs all transactions during the underwriting period.

VI. REFINANCING OF OUTSTANDING DEBT. The County may undertake refinancings of outstanding debt under the following circumstances:

A. Debt Service Savings. The County may refinance outstanding long-term debt when such refinancing allows the County to realize significant debt service savings (2% minimum by maturity and a minimum 4% savings overall) without lengthening the term of refinanced debt and without increasing debt service in any subsequent fiscal year. The County may also consider debt refinancing when a primary objective would be the elimination of restrictive covenants that limit County operations.

B. Defeasance. The County may refinance outstanding debt, either by advance refunding to the first call or by defeasance to maturity, when the public policy benefits of replacing such debt outweigh the costs associated with new issuance as well as any increase in annual debt service.

VII. CREDIT RATINGS

A. Rating Agency Relationships. The Senior Deputy County Administrator/Finance Manager is responsible for maintaining relationships with the rating agencies that assign ratings to the County's various debt obligations. This effort includes providing periodic updates on the County's general financial condition along with coordinating meetings and presentations in conjunction with a new debt issuance.

B. Quality of Ratings. The County shall request ratings prior to the sale of securities from each of two major rating agencies for municipal bond public issues. Currently these agencies are Moody's Investors Service and Standard & Poor's Corporation. The County shall provide a written and/or oral presentation to the rating agencies to help each credit analyst make an informed evaluation. The County shall make every reasonable effort to maintain its Aa implied general obligation bond credit ratings.

VIII. MANAGEMENT PRACTICES. The County has instituted sound management practices and will continue to follow practices that will reflect positively on it in the rating process. Among these are the County development of and adherence to long-term financial and capital improvement plans, management of expense growth in line with revenues and maintenance of an adequate level of operating reserves.

A. Formal Fiscal Policies. The County shall continue to establish, refine, and follow formal fiscal policies such as: Investment Policy, General Fund Reserve Policy, Budget Policy, and this Debt Management Policy.

B. Rebate Reporting and Covenant Compliance The Senior Deputy County Administrator/Finance Manager is responsible for maintaining a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of the federal tax code and/or contracting for such service. This effort includes tracking investment earnings on debt proceeds, calculating rebate payments in compliance with tax law, and remitting any rebatable earnings to the federal government in a timely manner in order to preserve the tax- exempt status of the County's outstanding debt issues. Additionally, general financial reporting and certification requirements embodied in bond covenants are monitored to ensure that all covenants are complied with.

C. Reporting Practices. The County will comply with the standards of the Government Finance Officers Association for financial reporting and budget presentation and the disclosure requirements of the Securities and Exchange Commission.

D. Post-Issuance Compliance Procedures. To assure it manages its debt obligations in accordance with all federal tax requirements, the County will comply with the Post-Issuance Compliance Procedures set forth in Appendix 2 hereto.

APPENDIX 1

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Checklist of Debt Policy Considerations

1. How long is the capital planning period?
2. Have all non-debt sources of funds been considered?
3. How are borrowing plans reviewed internally?
4. What level of debt is manageable in order to maintain or improve the government's credit quality?
5. How much "pay-as-you-go" financing should be included in the capital plan?
6. How much short-term borrowing will be undertaken, including both operating and capital borrowings?
7. How much debt will be issued in the form of variable-rate securities?
8. How does the redemption schedule for each proposed issue affect the overall debt service requirements of the government?
9. What types of affordability guidelines will be established to help monitor and preserve credit quality?
10. What provisions have been made to periodically review the capital plan and borrowing practices?
11. What is the overlapping debt burden on the taxpayer?
12. How will the formal debt policies be integrated into the capital planning and funding process?

County of Contra Costa
Post-Issuance Tax Compliance Procedures
For Tax-Exempt and Build America Bonds

The purpose of these Post-Issuance Tax Compliance Procedures is to establish policies and procedures in connection with tax-exempt bonds and "Build America bonds" ("Bonds") issued by the County of Contra Costa and the County of Contra Costa Financing Authority (together, the "County") so as to ensure that the County complies with all applicable post-issuance requirements of federal income tax law needed to preserve the tax-exempt or Build America bond status of the Bonds.

General

Ultimate responsibility for all matters relating to County financings and refundings, other than Tax and Revenue Anticipation Notes ("TRANs"), rests with the County Administrator (the "Administrator"). The County Treasurer and County Auditor-Controller are responsible for tax compliance with respect to TRANs.

Post-Issuance Compliance Requirements

Timely Reporting of Final Sale

The Administrator and other appropriate County personnel shall file timely any report required by state and federal regulatory agencies notifying those agencies of final sale of bonds, or receipt bank loan/private placement proceeds, as required by law. As of this writing, this section applies to the following:

1. California Debt and Investment Advisory Commission (CDIAC)

    - *Report of Final Sale:* This Reports details information about the issuer and the bond issuance. The report requires attachment of the Official Statement related to the transaction or other bond documents in the case of a bank loan/private placement. The report is required to be filed within 21 days of closing, pursuant to Government Code § 8855(j).

        - *Special Requirement for Refunding Bonds sold via Negotiated Sale or Private Placement*: In addition to the Report of Final Sale above, if refunding bonds are sold through a negotiated sale or private placement, CDIAC requires submission of a written statement explaining the reasons for not selling those bonds at a public sale within 14 days of closing, pursuant to Government Code § 53583(c)(2)(B).

2. Internal Revenue Service (IRS)

    - *IRS Form 8038-G "Information Return for Tax-Exempt Governmental Obligations"*: This filing details information about the issuer and tax-exempt governmental obligations over $100,000. The report is required to be filed no later than the 15th day of the second calendar month after the close of the calendar quarter in which the bond was issued, pursuant to Internal Revenue Code § 149(e).

External Advisors / Documentation

The Administrator and other appropriate County personnel shall consult with bond counsel and other legal counsel and advisors, as needed, throughout the Bond issuance process to identify requirements and to establish procedures necessary or appropriate so that the Bonds will continue to qualify for the appropriate tax status. Those requirements and procedures shall be documented in a County resolution(s), Tax Certificate(s) and / or other documents finalized at or before issuance of the Bonds.

Those requirements and procedures shall including future compliance with applicable arbitrage rebate requirements and all other applicable post-issuance requirements of federal tax law throughout (and in some cases beyond) the term of the Bonds.

The Administrator and other appropriate County personnel also shall consult with bond counsel and other legal counsel and advisors, as needed, following issuance of the Bonds to ensure that all applicable post-issuance requirements in fact are met. This shall include, without limitation, consultation in connection with future contracts with respect to the use of Bond-financed assets and future contracts with respect to the use of output or throughput of Bond-financed assets.

Whenever necessary or appropriate, the County shall engage expert advisors (each a "Rebate Service Provider") to assist in the calculation of arbitrage rebate payable in respect of the investment of Bond proceeds.

Role of the County as Bond Issuer

Unless otherwise provided by County resolutions, unexpended Bond proceeds shall be held by the County, and the investment of Bond proceeds shall be managed by the [Administrator]. The Administrator shall maintain records and shall prepare regular, periodic statements to the County regarding the investments and transactions involving Bond proceeds.

If a County resolution provides for Bond proceeds to be administered by a trustee, the trustee shall provide regular, periodic (monthly) statements regarding the investments and transactions involving Bond proceeds.

Arbitrage Rebate and Yield

Unless a Tax Certificate documents that bond counsel has advised that arbitrage rebate will not be applicable to an issue of Bonds:

- the County shall engage the services of a Rebate Service Provider, and the County or the Bond trustee shall deliver periodic statements concerning the investment of Bond proceeds to the Rebate Service Provider on a prompt basis;

- upon request, the Administrator and other appropriate County personnel shall provide to the Rebate Service Provider additional documents and information reasonably requested by the Rebate Service Provider;

- the Administrator and other appropriate County personnel shall monitor efforts of the Rebate Service Provider and assure payment of required rebate amounts, if any, no later than 60 days after each 5-year anniversary of the issue date of the Bonds, and no later than 60 days after the last Bond of each issue is redeemed; and

- during the construction period of each capital project financed in whole or in part by Bonds, the Administrator and other appropriate County personnel shall monitor the investment and expenditure of Bond proceeds and shall consult with the Rebate Service Provider to determine compliance with any applicable exceptions from the arbitrage rebate requirements during each 6-month spending period up to 6 months, 18 months or 24 months, as applicable, following the issue date of the Bonds.

The County shall retain copies of all arbitrage reports and trustee statements as described below under "Record Keeping Requirements".

Use of Bond Proceeds

The Administrator and other appropriate County personnel shall:

- monitor the use of Bond proceeds, the use of Bond-financed assets (e.g., facilities, furnishings or equipment) and the use of output or throughput of Bond-financed assets throughout the term of the Bonds (and in some cases beyond the term of the Bonds) to ensure compliance with covenants and restrictions set forth in applicable County resolutions and Tax Certificates;

- maintain records identifying the assets or portion of assets that are financed or refinanced with proceeds of each issue of Bonds;

- consult with Bond Counsel and other professional expert advisers in the review of any contracts or arrangements involving use of Bond-financed facilities to ensure compliance with all covenants and restrictions set forth in applicable County resolutions and Tax Certificates;

- maintain records for any contracts or arrangements involving the use of Bond-financed facilities as might be necessary or appropriate to document compliance with all covenants and restrictions set forth in applicable County resolutions and Tax Certificates;

- meet at least annually with personnel responsible for Bond-financed assets to identify and discuss any existing or planned use of Bond-financed, assets or output or throughput of Bond-financed assets, to ensure that those uses are consistent with all covenants and restrictions set forth in applicable County resolutions and Tax Certificates.

All relevant records and contracts shall be maintained as described below.

Record Keeping Requirements

Unless otherwise specified in applicable County resolutions or Tax Certificates, the County shall maintain the following documents for the term of each issue of Bonds (including refunding Bonds, if any) plus at least three years:

- a copy of the Bond closing transcript(s) and other relevant documentation delivered to the County at or in connection with closing of the issue of Bonds;

- a copy of all material documents relating to capital expenditures financed or refinanced by Bond proceeds, including (without limitation) construction contracts, purchase orders, invoices, trustee requisitions and payment records, as well as documents relating to costs reimbursed with Bond proceeds and records identifying the assets or portion of assets that are financed or refinanced with Bond proceeds;

- a copy of all contracts and arrangements involving private use of Bond-financed assets or for the private use of output or throughput of Bond-financed assets; and

- copies of all records of investments, investment agreements, arbitrage reports and underlying documents, including trustee statements.

APPENDIX 3

COUNTY OF CONTRA COSTA

CONTINUING DISCLOSURE PROCEDURES

ARTICLE I - DEFINITIONS 3

ARTICLE II - GENERAL PRINCIPLES 4

ARTICLE III - DISCLOSURE REPRESENTATIVES AND DISCLOSURE COORDINATORS 5

Section 1. Appointment of Disclosure Representative 5
Section 2. Duties of the Disclosure Representative 5
Section 3. Appointment of Disclosure Coordinator. 5
Section 4. Duties of the Disclosure Coordinator. 5

ARTICLE IV - LISTED EVENTS REQUIREMENTS 6

Section 1. General. 6
Section 2. Listed Events for Bonds Issued Prior to December 1, 2010. 6
Section 3. Listed Events for Bonds Issued on and after December 1, 2010. 7

ARTICLE V - ANNUAL REPORT REQUIREMENTS 8

ARTICLE VI - FILING AND NOTICE REQUIREMENTS 8

Section 1. Annual Reports and Event Notices. 8
Section 2. California Debt and Investment Advisory Commission. 9
Section 3. Required Notices. 9

ARTICLE VII - VOLUNTARY DISCLOSURES 9

ARTICLE VIII - DOCUMENT RETENTION POLICY 9

Exhibit A: County and Authority Outstanding Debt A-1
Exhibit B: Required Information for Annual Reports for County and Authority B-1

ARTICLE I

DEFINITIONS

The following capitalized terms shall have the following meanings in these Procedures:

"Agency" shall mean the Successor Agency to the former Redevelopment Agency of Contra Costa County.

"Annual Report" shall mean any annual report to be filed by the County or the Authority in connection with its obligations under any Continuing Disclosure Certificate executed in accordance with Rule 15c2-12 under the Securities Exchange Act of 1934.

"Auditor-Controller" shall mean the Auditor-Controller of the County of Contra Costa.

"Authority" shall mean the Contra Costa County Public Financing Authority, a joint exercise of powers authority of which the County of Contra Costa and the Contra Costa County Flood Control and Water Conservation District are members.

"Board of Supervisors" shall mean the Board of Supervisors of the County of Contra Costa.

"Bonds" shall mean any bonds, certificates of participation, notes or any other evidence of indebtedness issued by or on behalf of the County or the Authority which is subject to Rule 15c2-12.

"Bond Insurer" shall mean an issuer of a financial guaranty insurance or municipal bond insurance policy guaranteeing the scheduled payment of principal of and interest on an outstanding issue of Bonds when due.

"CDIAC" shall mean the California Debt and Investment Advisory Commission.

"Continuing Disclosure Certificate" shall mean each continuing disclosure certificate, undertaking or agreement executed and delivered by the County or the Authority in connection with an issue of Bonds.

"County" shall mean the County of Contra Costa, a political subdivision of the State of California.

"County Counsel" shall mean an attorney within the Office of the County Counsel of the County of Contra Costa, California.

"County Finance Director" shall mean the County Finance Director of the County of Contra Costa in the County Administrator's Office.

"Credit Facility Provider" shall mean a bank providing a direct-pay letter of credit or other security or liquidity instrument in connection with an issue of Bonds which secures the payment of the principal or purchase price, if any, of and interest on an outstanding issue of Bonds when due.

"Disclosure Coordinator" shall mean the person or persons designated by a Disclosure Representative to assist in taking such action necessary or desirable to comply with the terms of the Continuing Disclosure Certificates, as provided in Article III hereof.

"Debt Affordability Advisory Committee" shall mean a committee composed of the Auditor-Controller, Treasurer-Tax Collector, Director of Conservation and Development and the County Finance Director that advise the County Administrator on debt management issues.

"Director of Conservation and Development" shall mean the Director of the Department of Conservation and Development of the County of Contra Costa.

"Disclosure Counsel" shall mean a firm of nationally recognized standing in matters pertaining to the disclosure obligations under Rule 15c2-12 of the Securities and Exchange Commission of the United States of America, duly admitted to the practice of law before the highest court of any state of the United States of America.

"Disclosure Representative" shall mean the County Administrator, Director of Conservation and Development and County Finance Director who are collectively responsible for compliance with the terms of the Continuing Disclosure Certificates, as provided in Article III.

"EMMA" shall mean the MSRB's Electronic Municipal Market Access system or any other successor thereto as designated by the SEC or the MSRB.

"Event Notice" shall mean any notice of the occurrence of a Material Event or Listed Event.

"Listed Event" shall mean any event described in Section 3 of Article IV hereof.

"Material Event" shall mean any event described in Section 2 of Article IV hereof.

"MSRB" shall mean Municipal Securities Rulemaking Board.

"Official Statement" shall mean any Preliminary Official Statement, final Official Statement or any other disclosure document that the County or the Authority prepared in connection with the issuance and sale of any Bonds.

"Paying Agent" shall mean any bank, trust company, banking association or financial institution appointed to perform the functions of a paying agent for an issue of Bonds.

"Procedures" shall mean these Continuing Disclosure Procedures.

"Rating Agency" shall mean each of Moody's Investor's Service and Standard & Poor's Rating Services or any other nationally recognized statistical rating organization registered with the SEC.

"Rule 15c2-12" shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" shall mean the United States Securities and Exchange Commission.

"Treasurer-Tax Collector" shall mean the Treasurer - Tax Collector of the County of Contra Costa.

"Trustee" shall mean the bank, trust company, national banking association or other financial institution appointed as a trustee for an issue of Bonds.

ARTICLE II

GENERAL PRINCIPLES

The County is committed to complete and accurate market disclosure in accordance with the disclosure requirements under the federal securities laws, including rules and regulations promulgated by the SEC and the MSRB. In order to achieve this objective and, in accordance therewith, these Procedures are approved by the Board of Supervisors, as recommended by the Debt Affordability Advisory Committee (DAAC), and may be amended and supplemented from time to time as necessary or desirable as SEC and MSRB rules are amended, as Bonds mature, or are redeemed, and as Bonds that are subject to Rule 15c2-12 are issued.

ARTICLE III

DISCLOSURE REPRESENTATIVES AND DISCLOSURE COORDINATORS

Section 1. **Appointment of Disclosure Representatives**. The County Administrator, Director of Conservation and Development and County Finance Director are appointed as Disclosure Representatives to fulfill the duties set forth in Section 2 of this Article III.

Section 2. **Duties of the Disclosure Representatives**.

(A) The Disclosure Representatives shall:

(i) monitor and maintain compliance by the County with its respective Continuing Disclosure Certificates and these Procedures;

(ii) serve as the main contact for each Disclosure Coordinator to communicate issues and information that may be included in an Event Notice or an Annual Report;

(iii) review all proposed Listed Event Notices, Annual Reports and other filings with the EMMA system and filings for Bond Insurers, Credit Facility Providers, Paying Agents, Rating Agencies, Trustees and CDIAC;

(iv) confer with County Counsel and Disclosure Counsel regarding the County's continuing disclosure undertakings and procedures;

(v) maintain the lists attached as Exhibits A and B;

(vi) direct the Disclosure Coordinators to file any required documents; and

(vii) take such other action as may be necessary or useful to achieve the objectives of these Procedures and to comply with all applicable federal securities laws.

Section 3. **Appointment of Disclosure Coordinator**.

The Disclosure Representatives shall appoint one or more Disclosure Coordinators from time to time to fulfill the duties set forth in Section 4 of this Article III. The Disclosure Coordinators may work with employees in various County or Authority offices and departments in order to effectively comply with the objectives of these Procedures.

Section 4. **Duties of the Disclosure Coordinator**.

(A) The Disclosure Coordinator shall:

(i) file any documents as directed by the Disclosure Representative;

(ii) serve as a contact for County staff to communicate issues and information that may be included in an Event Notice or an Annual Report;

(iii) maintain correspondence regarding possible Listed Events;

(iv) keep informed regarding all of the County's public disclosures, including disclosures to the Bond Insurers, the Credit Facility Providers, the Rating Agencies, the Trustees and CDIAC;

(v) document the County's continuing disclosure filings by retaining the documents set forth in Article VIII hereof; and

(vi) take such other action as may be necessary or useful to achieve the objectives of these Procedures and to comply with all applicable federal securities laws.

(B) In addition to the duties set forth above in clause (A), the Disclosure Coordinator shall review the Listed Events regularly to determine whether an event has occurred that may require a filing of an Event Notice. The Disclosure Coordinator shall regularly check the websites of and subscribe to communications (*e.g.*, news alerts, press releases, etc.) from each Rating Agency, Bond Insurer or Credit Facility Provider in order to be aware of any Rating Change as described in the Continuing Disclosure Certificates. The Disclosure Coordinator shall contact relevant County staff on a regular basis to ascertain whether any events have occurred which would constitute Listed Events under the Continuing Disclosure Certificates.

ARTICLE IV

LISTED EVENTS REQUIREMENTS

Section 1. **General**.

The Continuing Disclosure Certificates entered into by the County or the Authority with respect to Bonds issued prior to December 1, 2010 require Event Notices to be filed upon the occurrence of any event listed in Section 2 of Article IV hereof, if material. Any such Event Notice shall be filed "in a timely manner". The Continuing Disclosure Certificates entered into by the County or Authority with respect to Bonds issued on or after December 1, 2010 require Event Notices to be filed upon the occurrence of any event listed in Section 3 of Article IV hereof no later than 10 business days after the occurrence of such Listed Event.

Section 2. **Listed Events for Bonds Issued Prior to December 1, 2010**.

For Bonds issued prior to December 1, 2010, pursuant to the provisions of the applicable Continuing Disclosure Certificate, the County or Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the outstanding obligation, if material, in a timely manner:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on any credit enhancements reflecting financial difficulties;

(v) substitution of any credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions or events affecting the tax-exempt status of the securities;

(vii) modifications to the rights of security holders;

(viii) bond calls;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the securities; and

(xi) rating changes.

Section 3. **Listed Events for Bonds Issued on and after December 1, 2010**.

For Bonds issued on or after to December 1, 2010, pursuant to the provisions of the applicable Continuing Disclosure Certificate, the County or Authority shall give, or cause to be given, notice of the occurrence of any of the following Listed Events within ten (10) business days of the occurrence thereof:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(vii) modifications to rights of security holders, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the securities, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the obligated person (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person);

(xiii) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

ARTICLE V

ANNUAL REPORT REQUIREMENTS

Pursuant to the various Continuing Disclosure Certificates, the County and the Authority must provide its respective Annual Report with respect to an issue of Bonds by the date set forth in Exhibit B attached hereto. The Disclosure Coordinator shall commence collection of information for each Annual Report at such time as determined necessary or useful in order to timely complete and file the Annual Report. The Disclosure Coordinator shall obtain any information necessary to be included in an Annual Report that is not included in the County's audited financial statements. The Annual Report shall include the financial information and other operating data set forth in the respective Continuing Disclosure Certificate as summarized in Exhibit B attached hereto.

In accordance with the Continuing Disclosure Certificates, if audited financial statements are not available by the date the Annual Report is required to be filed, unaudited financial statements are to be included in such Annual Reports and audited financial statements shall be filed when such statements become available. In addition, the Continuing Disclosure Certificates require the County to file a notice of any failure to provide its Annual Report, on or before the date specified in a Continuing Disclosure Certificate.

ARTICLE VI

FILING AND NOTICE REQUIREMENTS

Section 1. **Annual Reports and Event Notices**.

The Disclosure Representative shall file each Annual Report on such dates as provided in Exhibit B attached hereto and shall file each Event Notice as required pursuant to Article III hereof and

the related Continuing Disclosure Certificate. The Disclosure Representative shall submit all filings of Annual Reports and Listed Events through EMMA or any other repository so designated by the MSRB or the SEC, unless the County is otherwise advised by a written opinion of Disclosure Counsel.

Section 2. **California Debt and Investment Advisory Commission**.

The Disclosure Representative shall file each periodic report required to be prepared and filed with CDIAC as set forth in statute.

Section 3. **Required Notices**.

The Disclosure Representative shall file any notice required to be given to any Bond Insurer, Credit Facility Provider, Paying Agent, Rating Agency or Trustee as may be required from time to time.

ARTICLE VII

VOLUNTARY DISCLOSURES

The County's policy is to only file annual financial information and operating data and Event Notices that are required under the Continuing Disclosure Certificates and applicable federal securities laws. The Disclosure Representative may determine to file voluntary disclosure information that is not required under the Continuing Disclosure Certificates.

ARTICLE VIII

DOCUMENT RETENTION POLICY

In accordance with Article III hereof, the Disclosure Coordinator shall maintain the following materials for a period ending 5 years after the final maturity of an issue of Bonds:

A. Continuing Disclosure Certificate;

B. Annual Reports, including any EMMA transmittal letters and EMMA filing receipts;

C. Event Notices, including any EMMA transmittal letters and EMMA filing receipts;

D. CDIAC transmittal letters and filing receipts;

E. Rating reports; and

F. Such other information as the Disclosure Representative determines necessary or useful in accordance with the Continuing Disclosure Certificates.

EXHIBIT A: COUNTY AND AUTHORITY OUTSTANDING DEBT **as of August 25, 2015**

Name of Issue	Issuing Entity	Principal Amount	Date of Issue	Final Maturity Date	CUSIP for Final Maturity	Trustee or Paying Agent	Annual Report Due Date	Disclosure Representative	Disclosure Coordinator
Lease Revenue Bonds/Obligations:									
Lease Revenue Bonds, **2015 Series A** (Capital Projects) and **2015 Series B** (Refunding)	County of Contra Costa Public Financing Authority	$ 71,150,000	8/25/2015	6/1/2035 (A) 6/1/2028 (B)	21226PLV8 (A) 21226PMJ4 (B)	Wells Fargo	3/31	County Finance Director	Sr. Deputy CAO
Lease Revenue Obligations (Capital Projects Program) **2012 Series A**, $13,102,304 ***Private Placement***	County of Contra Costa Public Financing Authority	$ 13,102,304	10/11/2012	6/1/2027	N/A	Wells Fargo	N/A	County Finance Director	Sr. Deputy CAO
Lease Revenue Bonds, $58,055,000 comprised of **Capital Project I - Tax Exempt Bonds, Series A-1**, $6,790,000 and **Capital Project I - Taxable Build America Bonds, Series A-2**, $13,130,000 and **Capital Project I - Taxable Recovery Zone Bonds, Series A-3**, $20,700,000 and 2010 Series B (Refunding), $17,435,000	County of Contra Costa Public Financing Authority	$ 58,055,000	11/16/2010	6/1/2020 (A-1) 6/1/2030 (A-2) 6/1/2040 (A-3) 6/1/2025 (B)	21226PJR0 (A-1) 21226PKU1 (A-2) 21226PKE7 (A-3) 21226PKV9 (B)	Wells Fargo	3/31	County Finance Director	Sr. Deputy CAO
Lease Revenue Bonds (Capital Projects Program) **2009 Series A**, $25,061,614.90 ***Private Placement***	County of Contra Costa Public Financing Authority	$ 25,061,615	6/1/2009	6/1/2024	N/A	Wells Fargo	N/A	County Finance Director	Sr. Deputy CAO
Lease Revenue Bonds, $232,330,000 consisting of (Refunding and Various Capital Projects), **2007 Series A**, $122,065,000 and (Medical Center Refunding) , **2007 Series B**, $110,265,000	County of Contra Costa Public Financing Authority	$ 232,330,000	3/14/2007 (A) 8/7/2007 (B)	6/1/2028 (A) 6/1/2018 (B)	21226PHB7 (A) 21226PHN1 (B)	Wells Fargo	3/31	County Finance Director	Sr. Deputy CAO
Pension Obligation Bonds									
California Taxable Pension Obligation Bonds, Series 2003A, $322,710,000	Contra Costa County	$ 322,710,000	5/1/2003	8/1/2022	212257BV0	Wells Fargo	3/31	County Finance Director	Sr. Deputy CAO
Tax Allocation Bonds:									
2007 Tax Allocation Revenue Bonds (Contra Costa Centre, North Richmond, Bay Point, Rodeo and Montalvin Manor Project Areas), **Series A**, $62,205,000, 2007 Taxable Tax Allocation Revenue Bonds (North Richmond, Bay Point, Rodeo and Montalvin Manor Project Areas), **Series A-T**, $25,500,000 and 2007 Tax Allocation Revenue Bonds (Contra Costa Centre, North Richmond, Bay Point, Rodeo and Montalvin Manor Project Areas), **Series B**, $16,665,000	County of Contra Costa Public Financing Authority	$ 104,370,000	6/13/2007	8/1/2037 (A) 8/1/2037 (A-T) 8/1/2035 (B)	212262HQ5 (A) 212262JP5 (A-T) 212262KM0 (B)	US Bank	3/31	DCD Director	Community Dev. Bond Program Mgr.
Tax Allocation Revenue Bonds (Multiple Project Areas), **Series 2003A**, $43,345,000, (Multiple Project Areas-Housing Set Aside Revenues), **Series 2003B**, $2,445,000	County of Contra Costa Public Financing Authority	$ 45,790,000	9/11/2003	8/1/2033 (A) 8/1/2033 (B)	212262DW6 (A) 212262FN4 (B)	US Bank	3/31	DCD Director	Community Dev. Bond Program Mgr.

Name of Issue	Issuing Entity	Principal Amount	Date of Issue	Final Maturity Date	CUSIP for Final Maturity	Trustee or Paying Agent	Annual Report Due Date	Disclosure Representative	Disclosure Coordinator
Tax Allocation Revenue Bonds (Pleasant Hill BART, North Richmond, Bay Point, Oakley and Rodeo Redevelopment Project Areas), **Series 1999**, $44,615,000	County of Contra Costa Public Financing Authority	$ 44,615,000	5/1/1999	8/1/2028	212262CE7	US Bank	3/31	DCD Director	Community Dev. Bond Program Mgr.
Special Assessment Districts									
2013 Special Tax Refunding Bonds (Norris Canyon), $5,605,000	County of Contra Costa Community Facilities District No. 2001-1	$ 5,605,000	1/24/2013	9/1/2031	212288CT9	BNY Mellon	3/31	DCD Director	Community Dev. Bond Program Mgr.
2001 Revenue Bonds (Reassessment District of 2001), $6,575,000	County of Contra Costa Public Financing Authority	$ 6,575,000	6/21/2001	9/2/2016	212261BD2	BNY Mellon	3/31	County Finance Director	Sr. Deputy CAO
1998 Special Tax Refunding Bonds (Pleasant Hill BART Station Area), $4,785,000	County of Contra Costa Community Facilities District No. 1991-1	$ 4,785,000	5/12/1998	8/1/2016	212288BD5	US Bank	3/31	DCD Director	Community Dev. Bond Program Mgr.

EXHIBIT B: REQUIRED INFORMATION FOR ANNUAL REPORTS OF COUNTY AND AUTHORITY		
Issue Description	**Due Date**	**Filing Requirements**
Lease Revenue Bonds:		
County of Contra Costa Public Financing Authority Lease Revenue Bonds, $71,115,000 consisting of $19,055,000 2015 Series A (Capital Projects) and $52,060,000 2015 Series B (Refunding)	Nine months after FYE 6/30 (3/31)	(a) The audited financial statements of the County for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. (b) Numerical and tabular information for the immediately preceding Fiscal Year of the type contained in the Official Statement under the following captions: 1. The status of the construction and installation of the improvement constituting the 2015 Project, until such time as the 2015 Project is completed; 2. Report of changes in "DEBT SERVICE SCHEDULE;" 3. Table B-1–"County of Contra Costa General Fund Budget Summary;" 4. Table B-2–"County of Contra Costa Summary of Secured Assessed Valuations and *Ad Valorem* Property Taxation;" 5. Table B-5–"County of Contra Costa General Fund Statement of Revenues, Expenditures and Changes in Fund Balances;" 6. Table B-8–"Contra Costa County Employees' Retirement Association Schedule of Funded Status;" 7. Table B-16–"Contra Costa County Other Post Employment Benefit Plan Summary of Contributions;" and 8. Table B-19–"Contra Costa County Outstanding Lease Revenue Obligations and Pension Obligation Bonds").
County of Contra Costa Public Financing Authority Lease Revenue Bonds, $58,055,000 consisting of $6,790,000 2010 Series A-1 (Capital Project I – Tax Exempt Bonds); $13,130,000 2010 Series A-2 (Capital Project I – Taxable Build America bonds); $20,700,000 2010 Series A-3 (Capital Project I – Taxable Recovery Zone Bonds); and $17,435,000 2010 Series B (Refunding)	Nine months after FYE 6/30 (3/31)	(a) The audited financial statements of the County for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. (b) Numerical and tabular information for the immediately preceding Fiscal Year of the type contained in the Official Statement under the following captions: 1. The status of the construction and installation of the improvement constituting Capital Project I and Capital Project II until such time as each Capital Project has been completed; 2. Report of changes in "DEBT SERVICE SCHEDULE;" 3. APPENDIX B–"COUNTY FINANCIAL INFORMATION–Recent County General Fund Budgets" (update Table B-1 "COUNTY OF CONTRA COSTA GENERAL FUND BUDGET"); 4. APPENDIX B–"COUNTY FINANCIAL INFORMATION–Ad Valorem Property Taxes" (update Table B-2 "COUNTY OF CONTRA COSTA SUMMARY OF SECURED ASSESSED VALUATIONS AND AD VALOREM PROPERTY TAXATION");

EXHIBIT B: REQUIRED INFORMATION FOR ANNUAL REPORTS OF COUNTY AND AUTHORITY		
Issue Description	**Due Date**	**Filing Requirements**
		5. APPENDIX B–"COUNTY FINANCIAL INFORMATION–Accounting Policies, Reports and Audits" (update Table B-6 "COUNTY OF CONTRA COSTA GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES"); 6. APPENDIX B–"COUNTY FINANCIAL INFORMATION–Pension Plan" (update Table B-9 "CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIAT OF FUNDED STATUS"); 7. APPENDIX B–"COUNTY FINANCIAL INFORMATION–Other Post-Employment Healthcare Benefits" (update Table B-16 "CONTRA COSTA COUNTY OTHER POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN SUMMARY OF PARTICIPATING EMPLOYEES AND CONTRIBUTIONS"); 8. APPENDIX B–"COUNTY FINANCIAL INFORMATION–Long Term Obligations" (update Table B-22–"CONTRA COSTA COUNTY OUTSTANDING LEASE OBLIGATIONS AND PENSION OBLIGATION BONDS").
County of Contra Costa Public Financing Authority Lease Revenue Bonds, $232,330,000 consisting of (Refunding and Various Capital Projects), 2007 Series A, $122,065,000 and (Medical Center Refunding) , 2007 Series B, $110,265,000 Dated: March 14, 2007	Nine months after FYE 6/30 (3/31)	(a) The audited financial statements of the County for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. (b) Numerical and tabular information for the immediately preceding Fiscal Year of the type contained in the Official Statement under the following captions: 1. Report of changes in "DEBT SERVICE SCHEDULE;" 2. APPENDIX B–"COUNTY FINANCIAL INFORMATION–Recent County General Fund Budgets" (update Table B-1 "COUNTY OF CONTRA COSTA GENERAL FUND BUDGET"); 3. APPENDIX B–"COUNTY FINANCIAL INFORMATION–Ad Valorem Property Taxes" (update Table B-2 "COUNTY OF CONTRA COSTA SUMMARY OF SECURED ASSESSED VALUATIONS AND AD VALOREM PROPERTY TAXATION"); 4. APPENDIX B–"COUNTY FINANCIAL INFORMATION–Accounting Policies, Reports and Audits" (update Table B-5 "COUNTY OF CONTRA COSTA GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES"); 5. APPENDIX B–"COUNTY FINANCIAL INFORMATION–Pension Plan" (update Table B-12 "CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION SCHEDULE OF FUNDED STATUS"); 6. APPENDIX B–"COUNTY FINANCIAL INFORMATION–Long Term Obligations" (update Table B-23–"CONTRA COSTA COUNTY OUTSTANDING LEASE OBLIGATIONS AND PENSION OBLIGATION BONDS").

EXHIBIT B: REQUIRED INFORMATION FOR ANNUAL REPORTS OF COUNTY AND AUTHORITY		
Issue Description	**Due Date**	**Filing Requirements**
Pension Obligation Bonds:		
County of Contra Costa, California Taxable Pension Obligation Bonds, Series 2003A, $322,710,000 Dated: May 1, 2003	Nine months after FYE 6/30 (3/31)	1. The audited financial statements of the County for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available 2. Numerical and tabular information for the immediately preceding Fiscal Year of the type contained in the Official Statement under the following captions: (a) "APPENDIX A – COUNTY ECONOMIC, DEMOGRAGHIC AND FINANCIAL INFORMATION – Recent County General Fund Budgets" (update table entitled "COUNTY OF CONTRA COSTA GENERAL FUND BUDGET"); (b) "APPENDIX A – COUNTY ECONOMIC, DEMOGRAGHIC AND FINANCIAL INFORMATION – Ad Valorem Property taxes" (updated table entitled "COUNTY OF CONTRA COSTA SUMMARY OF ASSESSED VALUATIONS AND AD VALOREM PROPERTY TAXATION"); (c) "APPENDIX A – COUNTY ECONOMIC, DEMOGRAGHIC AND FINANCIAL INFORMATION – Accounting Policies, Reports and Audits" (update table entitled "COUNTY OF CONTRA COSTA GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES"); (d) "APPENDIX A – COUNTY ECONOMIC, DEMOGRAGHIC AND FINANCIAL INFORMATION – Long Term Obligations – General Obligation Debt" and "- Lease Obligations" (update table entitled "COUNTY OF CONTRA COSTA OUTSTANDING MARKETABLE LEASE AND PENSION BOND OBLIGATIONS")
Tax Allocation Bonds:		
2007 Tax Allocation Revenue Bonds (Contra Costa Centre, North Richmond, Bay Point, Rodeo and Manor Project Areas), Series A, $62,205,000, 2007 Taxable Tax Allocation Revenue Bonds (North Richmond, Bay Point, Rodeo and Montalvin Manor Project Areas), Series A-T, $25,500,000 and 2007 Tax Allocation Revenue Bonds (Contra Costa Centre, North Richmond, Bay Point, Rodeo and Montalvin Manor Project Areas), Series B, $16,665,000	Nine months after FYE 6/30 (3/31)	(a) Audited financial statements of the Agency for the most recent fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, and as further modified according to applicable State law. If the Agency's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the usual format utilized by the Agency, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. The financial statements of the Agency may be consolidated with those of the County of Contra Costa and its related entities; (b) The following information for the most recently completed fiscal year, in substantially the form set forth in the Official Statement relating to the Bonds: (i) Assessed values of property in each Project Area in substantially the form of Tables 3, 11, 19, 27 and 35 of the Official Statement; (ii) Gross and Net Tax Revenues in each Project Area in substantially the form of Tables 7, 8, 15, 16, 23, 24, 31, 32, 39 and 40 of the Official Statement; (iii) Issuance by the Agency of any Parity Debt with respect to any Project Area (if and to the extent permitted by the Loan Agreements);

EXHIBIT B: REQUIRED INFORMATION FOR ANNUAL REPORTS OF COUNTY AND AUTHORITY		
Issue Description	**Due Date**	**Filing Requirements**
		(iv) Information about each pending and successful appeal of assessed values in each Project Area that exceeds 5% of assessed value in such Project Area; (v) Incremental taxable value, tax levy, current year collections, current collections as a percentage of current year levy collected, total collections and total collections as a percentage of the current year's tax levy in each Project Area in substantially the form of Tables 4, 12, 20, 28 and 36 of the Official Statement; (vi) Amount of all Agency debt outstanding secured by a pledge of the Tax Revenues in each Project Area; (vii) Cumulative amount of Tax Revenues received by the Agency to date in such Project Area (except the Montalvin Manor Project Area); and (vii) Loan payments made pursuant to each Loan Agreement and the debt service coverage ratio for its obligations under each Loan Agreement and all applicable Parity Debt in substantially the form of Tables 6, 11, 16, 21 and 26. (c) A copy of the report provided by the Authority pursuant to Section 5.11(b) of the Indenture for the most recent fiscal year; provided that if no such report is required to be provided pursuant to said Section 5.11(b), the information described in clauses (i) and (ii) of said Section 5.11(b). (d) For the fiscal year ended June 30, 2010, information about the final resolution of the North Richmond Escrow Fund and the Bay Point Escrow Fund.
Tax Allocation Revenue Bonds (Multiple Project Areas), Series 2003A, $43,345,000, (Multiple Project Areas-Housing Set Aside Revenues), Series 2003B, $2,445,000	Nine months after FYE 6/30 (3/31)	(a) Audited financial statements of the Agency for the most recent fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board and as further modified according to applicable State law. If the Agency's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the usual format utilized by the Agency, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. The financial statements of the Agency may be consolidated with those of the County of Contra Costa and its related entities; (b) The following information for the most recently completed fiscal year, in substantially the form set forth in the Official Statement relating to the Bonds: (i) Assessed values of property in each Project Area in substantially the form of Tables 2, 8, 14, and 20 of the Official Statement; (ii) Tax Revenues in each Project Area in substantially the form of Tables 5,6, 11, 12, 17, 18,23 and 24 of the Official Statement; (iii) Issuance by the Agency of any Parity Debt with respect to any Project Area (if and to the extent permitted by the Loan Agreements); (iv) Information about each pending and successful appeal of assessed values in each Project Area that exceeds 5% of assessed value in such Project Area; (v) Incremental taxable value, tax levy, current year collections, current collections as a percentage of current year levy collected, total collections and total collections as a percentage of the current year's tax levy in each Project Area in substantially the form of Tables 3, 9, 15, and 21 of the Official Statement; (vi) Amount of all Agency debt outstanding secured by a pledge of the Tax Revenues in each Project Area, and cumulative amount of Tax Revenues received by the Agency to date in such Project Area; and (vii) Loan payments made pursuant to each Loan Agreement and the debt service coverage ratio for its obligations under each Loan Agreement and all applicable Parity Debt in substantially the form of Tables 7, 13, 19, and 25. (c) A copy of the report provided by the Authority pursuant to Section 5.11 (b) of the Indentures for the most recent fiscal year; provided that if no

EXHIBIT B: REQUIRED INFORMATION FOR ANNUAL REPORTS OF COUNTY AND AUTHORITY		
Issue Description	**Due Date**	**Filing Requirements**
		such report is required to be provided pursuant to said Section 5.11(b), the information described in clauses (i) and (ii) of said Section 5.ll(b). (d) For as long as the 1995 North Richmond Loan is outstanding, a copy of reports required by Section 7.13 of the North Richmond First Supplemental Loan Agreement (as defined in the Official Statement). (e) For the fiscal year ended June 30, 2005, information about the final resolution of the Pleasant Hill BART Escrow Fund.
Tax Allocation Revenue Bonds (Pleasant Hill BART, North Richmond, Bay Point, Oakley and Rodeo Redevelopment Project Areas), Series 1999, $44,615,000	Nine months after FYE 6/30 (3/31)	(a) Audited financial statements of the Agency for the most recent fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, and as further modified according to applicable State law. If the Agency's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the usual format utilized by the Agency, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. The financial statements of the Agency may be consolidated with those of the County of Contra Costa and its related entities; (b) The following information for the most recently completed fiscal year, in substantially the form set forth in the Official Statement relating to the Bonds: (i) Assessed values of property in each Project Area in substantially the form of Tables 3, 8, 13, 18 and 23 of the Official Statement; (ii) Tax Revenues in each Project Area in substantially the form of Tables 5, 10, 15, 20 and 25 of the Official Statement; (iii) Issuance by the Agency of any Parity Debt with respect to any Project Area (if and to the extent permitted by the Loan Agreements); (iv) Information about each pending and successful appeal of assessed values in each Project Area that exceeds 5% of assessed value in such Project Area; (v) Incremental taxable value, tax levy, current year collections, current collections as a percentage of current year levy collected, total collections and total collections as a percentage of the current year's tax levy in each Project Area in substantially the form of Tables 2, 7, 12, 17 and 22 of the Official Statement; (vi) Amount of all Agency debt outstanding secured by a pledge of the Tax Revenues in each Project Area, and cumulative amount of Tax Revenues received by the Agency to date in such Project Area; and (vii) Loan payments made pursuant to each Loan Agreement and the debt service coverage ratio for its obligations under each Loan Agreement and all applicable Parity Debt in substantially the form of Tables 6, 11, 16, 21 and 26. (c) A copy of the report provided by the Authority pursuant to Section 5.11 (b) of the Indenture for the most recent fiscal year; provided that if no such report is required to be provided pursuant to said Section 5.ll(b), the information described in clauses (i) and (ii) of said Section 5.11(b). (d) For as long as the 1995 North Richmond Loan is outstanding, a copy of the reports required by Section 7.13 of the North Richmond First Supplemental Loan Agreement (as defined in the Official Statement). (e) For the fiscal year ended June 30, 2003, information about the final resolution of the Pleasant Hill BART Escrow Fund.
Special Assessment Districts:		
2013 Special Tax Refunding Bonds, $5,605,000	Nine months	(a) The audited financial statements of the County for the prior fiscal year prepared in accordance with generally accepted accounting principles in effect from time to time by the Governmental Accounting Standards Board to apply to governmental entities. If the audited financial statements are

EXHIBIT B: REQUIRED INFORMATION FOR ANNUAL REPORTS OF COUNTY AND AUTHORITY		
Issue Description	**Due Date**	**Filing Requirements**
	after FYE 6/30 (3/31)	not available by the time the Annual Disclosure Report is required to be filed pursuant to Section 3(a), the Annual Disclosure Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Disclosure Report when they become available. (b) The following information with respect to the 2013 Bonds and the District: 1. The principal amount of the 2013 Bonds outstanding. 2. The balances of all funds and accounts established by the Fiscal Agent Agreement as of the end of the next preceding fiscal year. 3. Total assessed value of all parcels subject to the Special Tax. 4. Actual Special Tax levy for the most recent fiscal year, Special Tax and property tax delinquency rate for parcels in the District for the most recent year. 5. Concerning delinquent parcels: (i) number of parcels delinquent in payment of Special Tax, (ii) amount of total delinquency and as a percentage of total Special Tax levy, and (iii) status of the County's foreclosure proceedings upon delinquent properties. 6. Identity of any delinquent tax payer obligated for more than 10% of the annual Special Tax levy and: (i) assessed value of applicable properties, and (ii) summary of results of foreclosure sales, if available. 7. Significant amendments to land use entitlements for property in the District known to the Director of the Department of Conservation and Development. 8. Status of any significant legislative, administrative, and judicial challenges to the construction of the development in the District known to the Director of the Department of Conservation and Development, without independent inquiry, for any year in which construction activity has occurred in the District.
2001 Revenue Bonds (Reassessment District of 2001), $6,575,000	Nine months after FYE 6/30 (3/31)	(a) Items relating to the Authority. (i) Outstanding principal amount of the Bonds as of the end of the most recent fiscal year; and (ii) Balance of the Reserve Fund as of the end of the most recent fiscal year. (b) Items relating to the Reassessment District. Unless otherwise provided in the audited financial statements filed on or prior to the annual filing deadline for the Annual Reports provided for in Section 3 above, financial information and operating data with respect to the Reassessment District for the preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the Official Statement for the Bonds, as follows:

EXHIBIT B: REQUIRED INFORMATION FOR ANNUAL REPORTS OF COUNTY AND AUTHORITY		
Issue Description	**Due Date**	**Filing Requirements**
		(i) Principal amount outstanding of the Reassessment Bonds. (ii) Balance in the Redemption Funds created pursuant to the Paying Agent Agreement relating to the Reassessment Bonds. (iii) Total aggregate assessed value (per the County records) of all parcels currently subject to the Reassessments within the Reassessment District showing the total aggregate assessed valuation for all improvements within the Reassessment District. (iv) With respect to the Reassessment District, but only in the event the sum of uncured Reassessment delinquencies for such Reassessment District for the preceding Fiscal Year exceeds 5 percent of the Reassessment installments posted to the tax roll for such Fiscal Year (3% if any portion of the Reassessment District does not participate in the County's Teeter Plan), delinquency information for each parcel then delinquent in the payment of Reassessments, including the amount of such delinquency, length of delinquency and status of any foreclosure (including results of foreclosure sales). (v) A land ownership summary listing property owners (and the assessed values of their property) responsible for more than five percent (5%) of the annual Reassessments within the Reassessment District, as shown on the Contra Costa County Assessor's last equalized tax roll prior to the September next preceding the Annual Report Date. (vi) A copy of any information given by the Authority to the California Debt and Investment Advisory Commission pursuant to Government Code Section 6599.1.
1998 Special Tax Refunding Bonds (Pleasant Hill BART Station Area), $4,785,000	Nine months after FYE 6/30 (3/31)	1. Principal amount of Bonds outstanding. 2. Balance in the Reserve Fund. 3. Balance in other funds and accounts held by County or Fiscal Agent and related to the Bonds. 4. Additional debt authorized but not issued by the County and payable from or secured by special taxes or assessments with respect to property within the District. 5. Special tax delinquency rate, total amount of delinquencies, number of parcels delinquent in payment. 6. Identity of each delinquent taxpayer responsible for 5 percent or more of the total special taxes levied, and the following information: assessor parcel number, assessed value of applicable properties, amount levied, amount delinquent by parcel number and status of foreclosure proceedings. If any foreclosure has been completed, summary of results of foreclosure sales or transfers. 7. Most recently available total assessed value of parcels subject to the special taxes. 8. Total number of units occupied as of the immediately preceding June 30th, as reported by the County in the Yearly Housing Bond Issuance Report submitted by the County to the California Debt and Investment Advisory Commission.

CONTRA COSTA COUNTY

FINANCING POLICIES FOR COMMUNITY FACILITIES DISTRICTS

TABLE OF CONTENTS

TABLE OF CONTENTS .....

SECTION I: GENERAL POLICY STATEMENT 1

A. Community Facilities District Financings 1

B. Eligible Facilities 2

C. Eligible Services 2

SECTION II: INITIATION OF THE FINANCING 2

A. Application 2

B. Processing and Formation Fees 3

C. Petition for Formation and Waiver of Time Requirements of the Election 4

D. Selection of the Financing Team 4

SECTION III: DEBT AFFORDABILITY ADVISORY COMMITTEE 5

SECTION IV: ECONOMIC VIABILITY OF THE FINANCING 6

A. Absorption Study 6

B. Appraisal 7

C. Financial Information Required of Applicant 8

D. Potential Third Party Guarantee of Special Tax Payments During Project Development 9

E. Land Use Approvals 9

F. Equity Participation by Applicant and Major Participants 10

SECTION V: REVENUE SUPPORTING THE FINANCING 10

SECTION VI: STRUCTURING THE FINANCING 11

A. Limited Obligations of the County 12

B. Structuring of Debt Service 12

C. Reserve Funds 12

D. Capitalized Interest 12

E. Foreclosure Covenant 12

F. Underwriter and Original Issue Discount 13

SECTION VII: AGREEMENTS WITH AFFECTED PUBLIC ENTITIES 13

A. County Initiated CFD Financings 13

B. CFD Financings Not Initiated by the County 14

SECTION VIII: CREDIT ENHANCEMENTS 15
SECTION IX: OFFERING STATEMENTS AND DISCLOSURE 15
SECTION X: ADMINISTRATION 16
A. Debt Administration 16
B. Notice to Future Property Owners 16
C. Annual Reporting 17
SECTION XI: REFUNDINGS 17
SECTION XII: AMENDMENTS AND EXCEPTIONS 18

SECTION I: GENERAL POLICY STATEMENT

Contra Costa County (the "County") has created these goals and policies concerning the use of the Mello-Roos Community Facilities Act of 1982 (Government Code sections 53311 and following), as amended (the "Act") in providing adequate public services and public infrastructure improvements (the "Policies"). The Policies will apply to all Community Facilities Districts ("CFDs") and related debt financing. In those cases in which fixed lien special assessment or other types of land based financing is substituted for CFD financing, the County will apply the appropriate provisions of these Policies. These Policies are intended to serve as guidelines to assist all concerned parties in determining the County's approach to CFD financing, provide specific guidance for approval of public financing for provision of public services and public infrastructure improvements and establish the standards and guidelines for the review of proposed development financings. It is the County's intent to support projects which address a public need and provide a public benefit. These Policies are also designed to comply with Section 53312.7(a) of the Government Code.

A. Community Facilities District Financings

1. The County encourages the development of residential, commercial and industrial property consistent with the adopted General Plan. The Board of Supervisors will consider the use of CFDs to assist these types of projects.

2. The County will consider the funding of services permitted under the Act if such funding does not create an unreasonable economic burden on the land and special taxpayers.

3. The County encourages the formation of CFDs as acquisition districts. In acquisition districts, a developer is reimbursed for projects only when discrete, useable facilities are deemed by the County to be completed. In construction districts, developers are provided progress payments during the construction of facilities. Acquisition districts provide stronger credit features, and better assure that the public facilities are completed.

4. While recognizing that public facilities proposed to be financed by a CFD are to benefit those properties within the boundaries of the proposed CFD, the Board of Supervisors finds that public benefit can only be "significant" when the benefit is also received by the community at large or are regional in nature but have a benefit to the properties within the proposed CFD.

5. The use of CFDs will be permitted to finance public facilities as described in Paragraph B below, whose useful life will be at least five (5) years and equal to or greater than the term of the bonds. Facilities which are, upon completion, owned, operated or maintained by public agencies will be considered public facilities. Limited exceptions may be made for facilities to be owned, operated or maintained by private utilities, or for facilities which could be owned by public agencies, or utilities.

6. The County is concerned that the proposed project that is to be financed is not premature for the area in which it is to be located. The proposed project must meet the land use approvals listed in Section D.

7. Extending public financing to a proposed project for identified public improvements cannot be

done without considering the aggregate public service needs for the project. Upon receipt of an application for public financing, the County will notify the other public entities having responsibility to serve the proposed project and request comment on the application. Periodic meetings, on a regional basis, with all affected public entities will be encouraged by the County to address the issues relative to overlapping debt

8. The Debt Affordability Advisory Committee (described in Section III below) may waive all or some of the provisions of these policies if unique and special circumstances apply to specific CFD financings.

B. Eligible Facilities

Facilities eligible to be financed by a CFD, upon completion of the construction or acquisition thereof, are intended to be owned by the County, another public agency or a public utility and must have a useful life of five (5) years or more. The list of public facilities eligible to be financed by a CFD may include, but is not limited to the following: streets, highways, and bridges; water, sewer, and drainage facilities; parks; libraries; police and fire stations; traffic signals and street lighting; recreation facilities; governmental facilities; flood control facilities; environmental mitigation measures; and public rights-of-way landscaping.

Facilities to be financed must be legally eligible under the Act and federal tax law, if applicable, to the satisfaction of bond counsel. The Board of Supervisors will have the final determination as to the eligibility of any facility for financing under these Policies.

C. Eligible Services

Services eligible to be funded through a CFD include: police protection services, fire protection and suppression services, ambulance and paramedic services, maintenance and lighting of parks, parkways, streets, roads and open space, flood and storm protection services, and services with respect to the removal or remedial action for the cleanup of any hazardous substance released or threatened to be released in to the environment. The Board of Supervisors will have the final determination as to the prioritization of funding such services. A CFD may not finance public services provided by any other public agency.

SECTION II: INITIATION OF THE FINANCING

A. Application

The proponent of a project must obtain and submit the required application to the initiating County department or related district or agency. The initiating County department with respect to CFD financings is the Department of Conservation and Development (the "Department").

Any application for the establishment of a CFD district will contain such information and be submitted in

such form as the Department may require. At a minimum each application must contain:

1. Proof of authorization to submit the application on behalf of the owner of the property proposed for new development for which the application is submitted if the applicant is not the owner of such property;
2. Evidence satisfactory to the Department that the applicant represents or has the consent of the owners of not less than 67% by area, of the property proposed to be subject to the levy of the special tax;
3. For any CFD financing to benefit new development, a business plan for the development of the property within the proposed CFD and such additional information as the Department may deem necessary to adequately review the financial feasibility of the CFD. For any CFD financing to benefit new development, the applicant must demonstrate to the satisfaction of the Department the ability of the owner of the property to be developed to pay the special tax installments for the CFD and any other assessments, special taxes and ad valorem on such property until full build out and sale or lease up of the property.

An application must be completed and the necessary information provided, as determined by the initiating County department or related district or agency, before any action will be taken to process the application and initiate financing for a project.

B. Processing and Formation Fees

Applications are to be accompanied by a processing or formation fee. All costs to the County associated with the proceedings statutorily required to establish a CFD are to be advanced by the applicant and paid prior to the actual sale of any bonds. The applicant will be reimbursed solely from the proceeds of the bonds sold for all monies advanced.

An initial deposit in an amount of not less than $35,000 for a CFD is to be attached to the completed application submitted. The initiating County department or related district or agency, in its discretion, may determine a larger deposit amount is appropriate. The deposit will be placed in a separate trust account held by the County. The deposit may be placed in an interest bearing account so long as it is directed to do so by the Board of Supervisors and is allowable under state law. **All** costs of the County and/or its consultants retained during the formation process are to be paid from this account.

If, in the judgment of the initiating County department or related district or agency, the costs incurred or projected will cause the balance in this account to fall below $5,000, a written demand will be made to the applicant to advance monies sufficient to bring the account to a balance that is projected to meet remaining costs required to establish the CFD. Failure to advance the requested monies within ten (10) days of a written demand by the County will result in all processing of the application to cease and no further actions to be taken toward establishing the financing district until the monies have been received. Waiver of this requirement can be made only by formal action of the Board of Supervisors.

Monies held in the trust account are to be applied to pay the County and its staff in reviewing and processing the application as well as the costs of the special tax consultant, appraiser, absorption consultant, all publication expenses, and any other costs determined by the County to be necessary to

establish the CFD.

Accompanying the application will be an agreement governing the processing or formation fee, its deposit in a trust account, the use of the monies, the return to the applicant of any unused portion of the fee or other monies advanced, and reimbursement of all monies advanced from bond proceeds.

C. Petition for Formation and Waiver of Time Requirements of the Election

The Mello-Roos Community Facilities Act of 1982, as amended, (the "Act") states that one way to request the formation of a proposed community facilities district is through a Petition signed by landowners holding title to ten percent (10%) of the land by area within the proposed community facilities district. The Petition must be submitted to the County before formal action can be commenced to form the CFD. The form of the petition will be supplied by bond counsel once the completed application has been received and initial processing has been completed.

The Act also provides that the formation can be shortened if one hundred percent (100%) of the property owners within the proposed boundaries of the CFD execute a waiver regarding the timing of and certain procedures associated with the required special election. The applicant should indicate on the application whether this waiver can be secured.

D. Selection of the Financing Team

The County will select the bond counsel, financial advisor, underwriter or placement agent or remarketing agent, and fiscal agent/trustee. It will require the retention of underwriter's counsel or disclosure counsel. Providers of letters of credit, liquidity supports and other types of credit enhancements are also subject to the approval of the County. Bond counsel and underwriter or disclosure counsel must be different firms.

In addition to the consultants that compose the financing team, as noted above, the County will select a special tax consultant to determine a fair and reasonable method to allocate the special tax required to meet debt service on the bonds and other related expenses of the proposed CFD.

Unless satisfactory and current information regarding land values for property within the proposed CFD and subject to the special tax is available, the County will require that a real estate appraiser of its choice be retained and an appraisal made. Additionally, an economist or real estate appraiser or other qualified independent third party may also be retained for the purpose outlined in Section IV.A.

In addition, the County reserves the right to retain additional professional consultants that it deems appropriate.

SECTION III: DEBT AFFORDABILITY ADVISORY COMMITTEE

The Board of Supervisors established the Debt Affordability Advisory Committee (the "Committee") to review issues relevant to capital markets transactions and to make recommendations to the Board of Supervisors when appropriate. The Committee will be comprised of the County Auditor-Controller, the County Treasurer-Tax Collector, Director of the Department of Conservation and Development, and the Senior Deputy County Administrator/Finance Director. The Committee is charged with the task of reviewing and commenting upon all CFD financing as well as other types of financing proposed to be issued by the County or its related districts or agencies. The Committee is to review each proposed debt issue and provide comment on whether the proposed debt issue is consistent with these Policies. It is to comment on the economic viability and credit worthiness of the proposed debt issue. In performing its function the Committee may, in its sole discretion, review a matter more than once and retain additional consultants to assist in its review. The cost of such consultants is to be borne by the proponent of the debt issue. In addition, the Committee has an ongoing responsibility to monitor the status of debt issued by the County or related districts or agencies.

A written summary of the Debt Affordability Advisory Committee's review of the proposed financing is to be prepared and submitted to the Board of Supervisors after it considers the financing. The written summary will state the issues considered by the Committee, whether the financing and the issues considered were consistent with or at variance with these Policies, and its recommendation with regard to each issue and the financing. If the vote of the Committee is not unanimous, the written summary is to so indicate and summarize the position taken by the minority members of the Committee.

The following are those matters which at minimum the Debt Affordability Advisory Committee is to review and comment upon with regard to the CFD financings.

1. Prior to the Board of Supervisors considering the resolution of intention to establish a CFD, the Department is to determine that all land use approvals required for the project under Section IV.E. have been fulfilled and that the proposed rate and method of apportionment of the special tax is consistent with Section V.A. of these Policies. Any variation from these Policies is to be noted and a recommendation made to the Board of Supervisors with regard thereto.

2. Prior to the Board of Supervisors considering the resolution authorizing the sale and issuance of bonds, the Debt Affordability Advisory Committee is to determine that:

   a) A current appraisal and any related absorption study have been prepared consistent with Section IV.A. and IV.B of these Policies and that satisfactory land value to lien ratios exist.

   b) Each property owner responsible for twenty percent (20%) or more of the debt service on the bonded indebtedness to be incurred has supplied the financial security required by Section IV.C. and IV.D. of these Policies.

   c) The rate and method of apportionment of the special tax is in compliance with Section V.A. of these Policies.

   d) The structure of the proposed financing is consistent with the applicable subsections of Section VI of these Policies.

e) Each property owner responsible for 20% or more of the debt service in connection with any series of bonds must be current with respect to payment of all general property taxes, and any assessments or special taxes levied.

As stated above, any variation from these Policies is to be noted and a recommendation made to the Board of Supervisors with regard thereto. In addition, the Debt Affordability Advisory Committee is to make any comment it deems relevant in determining the economic viability or credit worthiness of the proposed debt issue. The Committee is to make a recommendation to the Board of Supervisors as to whether or not to proceed with the sale and issuance of the bonds.

If the proposed financing contemplates that bonds are to be issued in series, then each series is to be reviewed and commented upon by the Debt Affordability Advisory Committee before that series of bonds is considered by the Board of Supervisors for issuance.

Any proposal for refunding or defeasing a particular CFD financing is to be reviewed for consistency with Section XI of these Policies and commented on by the Debt Affordability Advisory Committee prior to it being submitted to the Board of Supervisors for consideration.

Once issuance of bonds has been approved by the Board of Supervisors and the bonds have been sold, the County department or related district or agency having responsibility for the administration of the bond issue is to annually file with the Auditor Controller of the County a report regarding the status of the bond financing. The occurrence of a technical default, or the likelihood thereof, is to be reported immediately to the Auditor Controller of the County by the administering County department or related district or agency.

SECTION IV: ECONOMIC VIABILITY OF THE FINANCING

In evaluating the application and the proposed debt issue, the County may require any or all of the following to determine the economic viability of the proposed project and the timing of the sale of any bonds or series thereof. The following requirements would apply to a Services CFD only to the extent determined by the Department.

A. Absorption Study

Unless waived by the Debt Affordability Advisory Committee, an absorption study of the proposed project will be required for CFD financings. The absorption study will be used: (1) as a basis to verify proposed base pricing of the finished products (lots or completed buildings or dwelling units) subject to the levy of the special tax; (2) to determine the projected market absorption of such finished products and (3) as a basis for verification that the assumptions supporting the special tax formula are appropriate and sufficient revenues can be collected to support the bonded indebtedness to be incurred.

The absorption study will also be used to evaluate the timing consideration identified by the applicant and the financing team. The absorption study will be provided to the appraiser and the appraisal required below in Section IV.B. is to reflect consideration of the absorption study.

B. Appraisal

1. Definition of Appraisal

An appraisal is a written self-contained report independently and impartially prepared by a qualified appraiser setting forth an opinion of defined value of an adequately described property as of a specific date, supported by the presentation and analysis of relevant market information. A qualified appraiser is a state certified real estate appraiser, as defined in Business and Professions Code Section 11340.

2. Standards of Appraisal

A detailed complete appraisal will be prepared to support any CFD financing. A detailed complete appraisal will reflect nationally recognized appraisal standards including, to the extent appropriate, the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation, the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute. An appraisal should also generally conform to the Appraisal Standards for Land - Secured Financings provided by the California Debt and Investment Advisory Commission ("CDIAC"). Appraisals undertaken to establish value-to-lien ratios in CFD's should value the fee simple estate, subject to special assessment and special tax liens. The estimate of Market Value should be refined to reflect the Retail Value of fully improved and occupied properties and the Bulk Sale Value of all vacant properties, including both unimproved properties and improved or partially improved but unoccupied properties. An appraisal must contain sufficient documentation including valuation data and the appraiser's analysis of the data to support his or her opinion of value. At a minimum, the appraisal will contain the following items:

a) The purpose and/or function of the appraisal, an identification of the property being appraised, the intended use, the identity of the current and intended uses, and a statement of the assumptions and limiting conditions affecting the appraisal.

b) An adequate description of the physical characteristics of the property being appraised, location, General Plan/zoning, present use, and an analysis of highest and best use.

c) Relevant and reliable approaches to value consistent with commonly accepted professional appraisal practices. If a discounted cash flow analysis is used, it should be supported with at least one other valuation method, such as a market approach using sales that are at the same stage of land development, when possible. If more than one approach is utilized, there will be an analysis and reconciliation of approaches to value that are sufficient to support the appraiser's opinion of value.

d) A description of comparable sales, including a description of all relevant physical, legal and economic factors such as parties to the transaction, source and method of financing, and verification by a party involved in the transaction.

e) A statement of the value of real property.

f) The effective date of valuation, date of appraisal, signature and certification of the appraiser.

3. Community Facilities District Appraisal Premises. The valuation of proposed special tax districts will be based on all of the following three premises:

   a) Raw Land Value. (Premise #1). The total land within the project will be valued "as is":

      (i) Without proposed infrastructure being financed or any future private improvements;
      (ii) With existing parcel configuration and existing land use entitlements; and
      (iii) Considering planned densities allowed by the General Plan, specific plan, zoning or other project approvals then in effect

   This is a typical type of land valuation.

   b) Project Build-out value. (Premise #2). The total land within the project is valued under projected conditions:

      (i) With completion of proposed infrastructure being financed;
      (ii) At the planned densities allowed by the General Plan, specific plan, zoning or other approvals then in effect: and
      (iii) Land development is at the stage of being marketed to merchant builders or tentative tract maps ready to be filed.

   This is a projected value based on project plans predicated on market conditions continuing as projected.

   c) Bulk Land Value. (Premise #3). The total land within the project is valued under projected conditions:

      (i) With completion of proposed infrastructure being financed;
      (ii) With existing parcel configuration; and
      (iii) Considering planned densities allowed by the General Plan, specific plan, zoning or other project approvals then in effect.

   This premise should consider a discounted or "quick sale" valuation considering time, costs and the possibility of a pre unit value based on the total size of the project.

4. Timeliness of Information. To ensure that the opinion of value is current at the time of any bond sale, the valuation date of the appraisal or an update to the appraisal should be within three months of the bond sale.

C. Financial Information Required of Applicant

Both at time of application and prior to the sale and issuance of any bonds, the applicant for a CFD debt issue and all property owners owning land within the boundaries of the proposed financing district that will be responsible for twenty percent (20%) or more of the debt service on the bonded indebtedness to be incurred will provide financial statements (preferably audited) for the current and prior two fiscal years. The applicant will also provide all other financial information related to the proposed project that may be requested by the County.

Subsequent to the sale and issuance of the bonds, federal and state statutes and/or regulations regarding

the financing may require the preparation of periodic reports. The applicant and all major participants in the project will be required to provide that information needed to complete such statutorily required reports. In addition, the County department or related district or agency responsible for the administration of the bonds may require information of the applicant or the major participants in the project to satisfy reporting demands of rating agencies or institutional buyers.

D. Potential Third Party Guarantee of Special Tax Payments During Project Development

The greatest exposure to default on CFD bonds is the period between the issuance of bonds and project stabilization. The risk of default is increased when only a single or a few property owners are responsible for the special assessment or special tax payments. While the County's credit is not pledged to support the bonds, a default on CFD bonds can negatively impact the investment community's perception of the County.

To minimize the risk of default, the County may require a third party guarantee for the annual special tax payments within a district while the project is being developed and until there is significant absorption of the new development. The need for, nature and duration of any third party guarantees will be evaluated by the County and its financing team on a case by case basis. However, a third party guarantee would be specifically required of a developer in each year in which the developer owns or leases property within the district which is responsible for 20% or more of the special taxes levied; the guarantee would provide for 100% of the special tax levy due in each applicable fiscal year for property owned or leased by such developer. If required, the commitment letter for the third party guarantee must be provided within five days of the Resolution of Issuance and the third party guarantee must be provided prior to printing the preliminary official statement for the financing.

Third party guarantees may include letters of credit ("LOCs"), surety bonds, or some other mechanism which assures payment of special taxes while the project is being developed. When LOCs are provided, they must be in form and substance acceptable to the County from a bank acceptable to the County.

E. Land Use Approvals

For CFD financings the County will require, at a minimum that the proposed project must

1. be consistent with the County's General Plan;

2. be reviewed by the Director of the Department or designee, and have satisfied or be able to satisfy, all of the relevant land use requirements specified by the Director; and,

3. have had the service levels for the required public facilities established or the exact public facilities required for the project identified.

A proposed project that requires: (i) a General Plan amendment, (ii) a change of zone that increases the density or intensity of land use, (iii) a specific plan, or (iv) a specific plan amendment that increases the

density or intensity of land use will be referred to the Department's Community Development Division for evaluation as to whether the project is premature.

An appropriate environmental review of the proposed project is to have been completed as part of land use entitlement proceedings that will have addressed all of the public facilities that are to be constructed through the proposed financing.

F. Equity Participation by Applicant and Major Participants

In evaluating the proposed debt issue, the Debt Affordability Advisory Committee will consider the equity participation of the applicant and the major participants in the proposed project. At the time the application for the proposed financing is received, an analysis will be made as to the equity interest that the applicant has in the proposed project. It will also be required of the applicant that in addition to the financing, the applicant will fund in-tract public infrastructure and may be expected to contribute to other public improvements related to the proposed project.

SECTION V: REVENUE SUPPORTING THE FINANCING

CFD bonds are termed "limited obligations" whose primary repayment is secured by a special tax. The following are criteria that will be applied in evaluating the revenue stream that will be supporting a proposed CFD bond financing.

A. The rate and method of apportionment of the special tax must be both reasonable and equitable in apportioning the costs of the public facilities and services to be financed to each of the parcels within the boundaries of the proposed CFD.

B. The rate and method of apportionment must be structured to produce special taxes sufficient to pay scheduled debt service on all bonds (and provide coverage equal to 10% of debt service - see Section V.F. below), pay annual services or maintenance expenses (if applicable), establish or replenish any reserve fund for a bond issue, and pay reasonable and necessary administrative expenses of the CFD. In addition, the rate and method of apportionment may be structured to produce amounts to pay directly the costs of public facilities authorized to be financed by the CFD, the accumulation of funds reasonably required for future debt service, amounts equal to projected deficiencies in special tax payments, any remarketing, credit enhancement or liquidity fees and any other costs or payments permitted by law.

C. The rate and method of apportionment of the special tax is to provide for the administrative expenses of the proposed CFD, including, but not limited to, those expenses necessary for the enrollment and collection of the special tax and bond administration.

D. All property not otherwise exempted by the Act from taxation will be subject to the special tax. The rate and method of apportionment may provide for exemptions to be extended to parcels that are publicly-owned, held by property owners associations, used for a public purpose such as permanent

open space or wetlands, or affected by public utility easements making impractical their use for other than the purposes specified in the easement

E. The annual special tax levy on each residential parcel developed to its final land use will not escalate, except that a variation for services and administrative expenses will be allowed. The County will allow an annual escalation factor, not to exceed two percent (2%) per year, on parcels to be developed for commercial or industrial uses.

F. The maximum annual special tax, together with *ad valorem* property taxes, County Service Area charges, special assessments or taxes for an overlapping financing district, or any other charges, taxes or fees payable from and secured by the property, including potential charges, taxes, or fees relating to authorized but unissued debt of public entities other than the County, in relation to the expected assessed value of each parcel upon completion of the private improvements to the parcel is of great importance to the County in evaluating the proposed financing.

   The objective of the County is to limit the total tax burden, including the *ad valorem* property taxes levied by the County, special taxes levied by any existing district for the payment of bonded indebtedness or ongoing services, assessments levied for any assessment district or maintenance district for the payment of bonded indebtedness or services and the assigned special tax for the proposed CFD, on any parcel to a maximum of two percent (2%) of the expected assessed value of the parcel upon completion of the private improvements. In evaluating whether this objective can be met, the County will consider the aggregate public service needs for the proposed project. It will consider what public improvements the applicant is proposing be financed in relation to these aggregate needs and decide what is an appropriate amount to extend in public financing to the identified public improvements.

G. The total maximum annual special taxes that can be collected from taxable property in a district, taking into account any potential changes in land use or development density or rate, and less all projected administrative expenses, must be equal to at least one hundred ten percent (110%) of the gross annual debt service on any bonds issued by or on behalf of the CFD in each year that said bonds will remain outstanding.

H. The rate and method of apportionment of the special tax will include a provision for a back up tax or other assurances to protect against any changes in development that would result in insufficient special tax revenues to meet the debt service requirements of the CFD. Such backup tax or other assurances will be structured in such a manner that it will not violate any provisions of the Act regarding cross-collateralization limitations for residential properties.

I. A formula to provide for the prepayment of the special tax may be provided; however, neither the County nor the CFD will be obligated to pay for the cost of determining the prepayment amount which is to be paid by the requesting property owner.

SECTION VI: STRUCTURING THE FINANCING

In structuring a CFD financing, the County and its financing team will insure that the following issues are addressed in connection with the CFD bond issue.

A. Limited Obligations of the County

Both the statutory authority providing for the issuance of CFD bonds as well as the proceedings resulting in the sale and issuance of the bonds must ensure the bonds are limited obligations of the County payable only from the revenue source identified and do not require the expenditure of the general funds or any other revenues of the County to satisfy debt service obligations or to replenish any reserve fund established for the bonds.

B. Structuring of Debt Service

While the County prefers that debt service be structured with approximately level debt service, CFD financings may be structured with level, escalating, or declining debt service. The bonds must mature within forty (40) years of the date of the initial bonds issued. No bonds will be issued with a maturity date greater than the expected useful life of the facilities being financed.

C. Reserve Funds

The County will require that for CFD financings a reserve fund be established at a required funding level as determined appropriate by the financing team.

D. Capitalized Interest

Interest will be capitalized for a bond issue only as long as necessary to place the special tax installments on the assessment roll; provided, however, that interest may be capitalized for a longer term to be established in the sole discretion of the County on a case by case basis, not to exceed an aggregate of 18 months, taking into consideration the value to lien ratio for such bonds, the expected timing of initial occupancies of residential dwelling units or nonresidential structures within the CFD, expected absorption and buildout of the property within the applicable Community Facilities District, expected construction and completion schedule for the facilities to be funded from the proceeds of the bonds, the size of the bond issue, the development pro forma and the equity position of the applicant and such other factors as the County may consider relevant.

E. Foreclosure Covenant

In collecting delinquent special taxes, the County seeks to balance the bondholders' right to receive timely payment with fairness to property owners within the CFD who, due to extenuating circumstances, may have difficulty paying their special taxes in a timely manner. Because CFD financings generally are repaid from special tax receipts and solely secured by liens against property within the CFD, the

investment market expects to see appropriate foreclosure covenants. Foreclosure covenants would compel the County to take action to file a foreclosure action against a parcel with certain delinquency thresholds are reached. For example, a covenant may require the County to institute foreclosure if an individual delinquency exceeds a certain threshold (e.g., $5,000) or the total amount of delinquencies exceeds a specified percentage of the total special taxes to be received (e.g., 5%). Those standards may differ if the reserve fund for the issue remains fully funded.

For each bond issue, the County and its financing team will analyze key aspects of the district (e.g., number of parcels, special tax rates, and debt service) to structure foreclosure covenants in a manner that satisfies the bondholders' need to reduce the likelihood of a shortfall in special taxes to pay debt service with the desire to provide flexibility in treatment of individual special tax payers.

F. Underwriter and Original Issue Discount

The underwriter's discount will be negotiated and determined solely by the County and will be competitive with and comparable to such discounts on similar financings being issued by the County and other public entities. The County will consider any other compensation the underwriter may be receiving in connection with the bond financing in determining the appropriate amount of the discount.

An original issue discount will be permitted only if the County determines that such discount results in a lower true interest cost on the bonds and that, for CFD financings, the use of an original issue discount will not adversely affect the ability of the CFD to construct public facilities identified by the bond documents.

SECTION VII: AGREEMENTS WITH AFFECTED PUBLIC ENTITIES

A. County Initiated CFD Financings

1. For CFDs, the joint community facilities agreement(s) required with other public entities which will own, maintain or operate the facilities to be financed must be adopted and approved by all parties at or prior to the adoption of the resolution establishing the CFD.

2. Should a CFD bond issue be for the construction of public facilities required to be sized to exceed the service needs of the properties within the boundaries of the financing district, the County will negotiate the following:

    a) To the extent that the affected public entity's regulations allow, a credit against connection fees or other fees such that the credit will preclude the affected properties from contributing twice toward the cost of the identified public facilities.

    b) To the extent that the affected public entity's regulations allow, a reimbursement for oversized facilities that will allow the CFD to balance the bonded indebtedness incurred with the level of benefit the properties are to receive from the public facilities that are to be financed.

c) Any reimbursements for oversizing received from the affected public entity are to be paid to the CFD and, depending upon date of receipt, will be used either to augment construction proceeds or to reduce the outstanding bonded indebtedness of the financing district as determined appropriate by the County.

B. CFD Financings Not Initiated by the County

An administrative review will be made by the Department of all non-county initiated CFD financings that will require a joint community facilities agreement with the County to ensure compliance with the following minimum requirements. Only those financings that do not satisfy these minimum requirements will be referred to the Debt Affordability Advisory Committee for review and comment.

1. For CFDs containing residential projects, the rate and method of apportionment of the special tax will not provide for an annually increasing maximum special tax for any residential classification. However, for commercial and industrial projects within the CFD, the County will accept a maximum special tax for such classifications that escalates at a rate not to exceed two percent (2%) per year.

2. For CFDs, the total projected annual special tax revenues, less estimated annual administrative expenses, must exceed the projected annual gross debt service on the bonds by ten percent (10%). In structuring the rate and method of apportionment of the special tax, projected annual interest earnings may also be included as part of the projected annual revenues to satisfy this coverage requirement. Annual bond reserve fund interest earnings will be calculated at a rate to be determined by the County but, in no event greater than the then current passbook savings rate.

3. Whether the projected *ad valorem* property tax and other direct and overlapping debt for the property within the proposed boundaries of the CFD, including the proposed maximum special tax, does meet the County's objective of not exceeding two percent (2%) of the anticipated assessed value of each improved parcel upon completion of the private improvements as articulated in Section V.E. will be reviewed. This review will include current or estimated County Service Area or Community Service District charges, benefit assessments, levies for authorized but unissued debt and any other anticipated charge which may be included on the property tax bill.

4. With regard to any bonds to be issued, there will be created a reserve fund that will be established for each series of bonds.

5. If the County or its related districts or agencies are to:

   a) own, operate, or maintain a majority of the facilities to be financed, or,

   b) be the single largest recipient of the facilities to be financed, or,

   c) own, operate or maintain facilities having a combined construction cost of $100,000 or more, including design, engineering, construction contingencies and related costs of the

construction project,

then the County will require that all of the appropriate Policies set forth herein will be adhered to before entering into a joint community facilities agreement.

SECTION VIII: CREDIT ENHANCEMENTS

Credit enhancements, if required by the County, are to be utilized either to improve the credit worthiness of the proposed financing or to insure that the debt service requirements of the proposed debt issue are met in a timely manner. It is important to the County to minimize the possibility of a debt issue being placed in default and to insure that sufficient cash flows are available to meet debt service requirements. Section IV. D. contains a potential requirement for credit enhancement related to the ownership of 20% or more of the property within a CFD.

The County will examine carefully the provider of the required credit facility and the form that the credit facility will take. The rating of the provider, as well as the provider's capitalization, are of principal concern, and a reduction in either during the term of the credit facility to a level unacceptable to the County may require that an alternate credit facility be secured from an acceptable provider. The County reserves the right, in its sole discretion, to determine the acceptability of both the credit facility and its provider.

SECTION IX: OFFERING STATEMENTS AND DISCLOSURE

It is the intent of the County to comply with all applicable federal or state requirements regarding disclosure to insure that fair and accurate descriptions of debt issues are provided to the purchasers of the bonds. The County and any owner of property within a CFD that has not reached its entitled development and that will be responsible for the payment of special taxes representing such portion (as determined by bond counsel) of annual debt service on an issue of bonds that would cause such person or entity to be an "obligated person" under federal securities law (each, an "Obligated Person") will use all reasonable means to ensure compliance with applicable federal securities laws in connection with the issuance of debt and the provision of financial information and operating data regarding any CFD established by the County with respect to which bonds have been issued.

The County will retain disclosure counsel for any particular land secured or conduit financing having an aggregate principal value of $1,000,000 or more. Decisions as to the adequacy of the disclosure will be determined by the County, its counsel, bond counsel and disclosure counsel. No preliminary or final offering statement for a particular land secured or conduit financing will be released for circulation unless it is deemed final by the County on the advice of its counsel, bond counsel or disclosure counsel.

With regard to the initial disclosure, each Obligated Person will be required to provide for inclusion in the official statement or other offering materials distributed in connection with the offering and sale of such bonds, such information as may be required to satisfy any requirements of, or avoid any liability under, any applicable federal or state securities laws.
The proponent(s) of a particular land secured or conduit financing and all principal participants therein are expected to provide the information requested by the County, its counsel, the underwriter, its counsel,

disclosure counsel, or bond counsel that is deemed necessary for disclosure purposes. Failure on the part of the proponent and any principal participants to comply with such requests will jeopardize completion of the debt issue.

With regard to continuing disclosure, each Obligated Person will be required to enter into an Agreement pursuant to which such Obligated Person will agree to provide financial information and operating data, on an ongoing basis, as may be required for the underwriter of such bonds to satisfy the requirements imposed on such Obligated Person pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934.

The proponent of a particular land secured or conduit financing and all Obligated Persons will be required to execute those certificates and provide those written opinions of their respective counsel that are required by the terms of the bond purchase agreement. Failure to do so will result in the bonds not being sold and issued.

Failure of the proponent of a particular land secured or conduit financing or of any Obligated Person to comply with such proponent's or Obligated Person's initial or continuing disclosure obligations pertaining to bonds previously issued for any other CFD will be grounds for denial of the application for the formation of a CFD. Any such failure should be remedied by the time of providing the preliminary official statement and such failure will be disclosed in the preliminary and final official statements as required by bond counsel and/or disclosure counsel.

SECTION X: ADMINISTRATION

All matters related to administration of issued bonds are to be handled consistent with the terms of the trust indenture or fiscal agent agreement pursuant to which the bonds were sold. Administrative responsibilities with regard to the bonds and the project being financed by bond proceeds will vary depending upon the nature of the project.

A. Debt Administration

CFD bonds are issued pursuant to bond indentures or fiscal agent agreements which identify the Auditor-Controller of the County to have administrative responsibility for these debt issues. This includes, among other duties, the computation and enrollment of the special tax, payment of principal and interest on the bonds, initiation of foreclosure proceedings with regard to delinquent parcels, and management and investment of monies held in all funds and accounts created by the bond indentures or fiscal agent agreements.

B. Notice to Future Property Owners

The Act requires that certain disclosure certificates regarding the existence of a CFD and the special tax obligation be provided to those individuals purchasing property within the CFD, including to interim purchasers and merchant builders. The County will require that the statutorily prescribed disclosure be

made to the initial purchaser of property within a CFD, and the proponent of the CFD and/or developer will make available the information necessary to complete the disclosure certificate required for secondary transfers. In its sole discretion, the County may require additional disclosure if such disclosure will aid subsequent purchasers to be made aware of the existence of the CFD and the lien obligations created by the special tax.

C. Annual Reporting

The County departments or related districts or agencies identified in Section X. of these Policies as having responsibility for bond administration will prepare and timely file with the state and federal agencies all statutorily required reports.

Consistent with Section III of these Policies, County departments or related districts or agencies having responsibility for bond administration are to prepare and submit annually to the Auditor Controller of the County a report on the status of their respective debt issues on forms to be provided by the Debt Affordability Advisory Committee. The occurrence of technical default, or the likelihood thereof, is to be reported immediately to the Auditor Controller of the County by the administering department or related district or agency. For the purposes of these Policies, the term "technical default" will mean the occurrence of an event or omission that may result in the inability to make timely payment of debt service on the financing or would jeopardize the tax exempt status of the financing (e.g., the need to draw on a reserve fund, the insolvency or bankruptcy of a principal property owner, the insolvency of a provider of a credit enhancement, or insufficient funds to make a required rebate payment).

The information contained in these reports will allow the Auditor Controller of the County to prepare an analysis of the outstanding debt of the County and its related districts or agencies.

SECTION XI: REFUNDINGS

The principal objective of the County in refunding an outstanding debt issue is to secure a public benefit which may include an interest rate savings that will result in both an annual and present value savings to the property owners responsible for paying debt service on the bonds. The actual value of the savings must significantly exceed the costs of the refunding and any increase in the principal amount of bonds that will be outstanding as a result of the refunding.

Refunding of a particular CFD financing must at minimum be structured to reflect the following:

1. The refunding bonds will mature on a date not later than the date on which the bonds being refunded (the "prior bonds") mature.

2. Annual debt service savings to be realized from the refunding are to be apportioned over the remaining life of the refunding bonds.

3. The prior bonds (or any portion thereof being refunded) are to be legally defeased in accordance

with the indenture or fiscal agent agreement authorizing their issuance. If there is no provision for their defeasance, a defeasance escrow will be established that will contain only cash or direct obligations of the United States.

4. A refunding that results in an increase in the principal amount of bonds outstanding must consider prepayments that have been received prior to the refunding.

The County will also consider refunding an outstanding land secured financing to address unacceptable or unworkable bond covenants, debt service schedules or bond maturities.

SECTION XII: AMENDMENTS AND EXCEPTIONS

The County reserves the right to amend or modify these policies at any time and the right to make exceptions or grant waivers for specific financing projects, as facts and circumstances warrant.

County of Contra Costa
Multifamily Mortgage Revenue Bond Program
Policy

Summary

Federal, state and local legislation authorize issuance of mortgage revenue bonds by local governments to finance the development, acquisition and rehabilitation of multifamily rental housing projects pursuant to Section 52075 of the California Health and Safety Code, and applicable provisions of the Internal Revenue Code. The allocation of private activity bond authority is secured through the California Debt Limit Allocation Committee (CDLAC). The interest on the bonds can be exempt from federal and state taxation. As a result, bonds provide below market financing for qualified rental projects located within Contra Costa County (the "County")*. In additional the bonds issued under the program can qualify projects for allocations of federal low-income housing tax credits, which can provide a significant portion of the funding necessary to develop affordable housing. The program is administered by the County's Department of Conservation and Development (DCD).

There is no direct legal liability to the County in connection with the repayment of bonds; there is no pledge of the County's faith, credit or taxing power and the bonds do not constitute general obligations of the issuer because the security for repayment of bonds is limited to project revenue and other sources specified under each financing. Project loans are, in most cases, secured by a first deed of trust on the bond-financed property. The program is completely self-supporting; developers must secure funding to pay for costs of issuance of the bonds and all other costs under each financing.

The bonds may be used for construction, rehabilitation and permanent financing. The effective mortgage rate is the aggregate of the applicable bond rate and the add-on fees charged under the program such as lender, trustee, issuer's fee, etc. The bond rate, for fixed rate bonds, is determined at the time of a bond sale, and the resulting mortgage rate is approximately 1.5-2% below conventional mortgage rates. The project loans generally have a 30-year amortization schedule.

The goals of the program include:

- Increase and preserve the supply of affordable rental housing;
- Encourage economic diversity within residential communities;
- Maintain a quality living environment for residents of assisted projects and surrounding properties; and
- In the event of provision of public funds towards the project, optimize the effectiveness of those funds by maximizing the leveraging of private sector funds.

Eligibility

The project must be located within Contra Costa County and consist of complete rental units, including full kitchens and bathrooms, and cannot be used for transient or student housing.

* The County has authority to issue on behalf of Cities within the County pursuant to Contra Costa County 1982 Home Mortgage Revenue Bonds Cooperation Agreements. The County works closely with local communities to meet their housing objectives.

There is no limit on the maximum or minimum project size or number of units. However, smaller size projects (fewer than 40 units or less than $2 million loan) may not find tax exempt financing economically efficient due to the costs of issuance, services of the

financial team, rating fees, etc. Proposed combined or pooled projects will be considered on a case by case basis. For projects requiring bond financing greater than $35 million, it will be necessary to obtain a waiver from the CDLAC in order to receive an allocation.

Loan funds may be used for costs of property acquisition (no more than 25% of bond proceeds can be used for the acquisition of land), construction, rehabilitation, improvements, architectural and engineering services, construction interest, loan fees and other capital costs of the project incurred after the Bond Inducement date (specified in Financing Process section).

Pursuant to federal requirements, if bonds are used for acquisition and rehabilitation, at least 15% of the portion of the acquisition cost of the building and related equipment financed with the proceeds of the bonds must be used for rehabilitation of the project.

No more than 2% of any tax-exempt bond loan can be used to finance costs of issuance, such as the services of the financing team members, rating and printing of bonds, bond allocation, etc.

County Compensation

The County's fees are comprised of (1) a non-refundable application fee due prior to drafting a Reimbursement Inducement Resolution, (2) an issuance fee due upon bond closing, and (3) an annual fee due in advance to cover costs of monitoring compliance with State and federal law requirements as contained in a Regulatory Agreement. The annual fees may be negotiated, however the standard fee is 1/8 of 1% (or .125%) of the principal amount of bonds outstanding. Annual fees are charged for the full term of the Regulatory Agreement, generally 55 years. At the County's discretion, annual fees above a $5,000 minimum may be subordinated to payment of debt service. The County fees are summarized in the table below:

Issuer Fee Schedule

Application (1)	**Issuance Fee**		**Annual Fee** (2)	
$2,500	Rate (3)	.125%	Rate (3)	.125%
	Minimum	$5,000	Minimum	$5,000
	Maximum	$75,000	Maximum	$25,000

(1) Payable upon request of Reimbursement Inducement Resolution. Amount applied to Issuance Fee at closing. DCD may waive this requirement in its sole discretion.
(2) Amounts above the minimum may be subordinated to bond debt service, at the County's option.
(3) Percentage applied to the initial bond issuance amount.

Types of Bonds

The County may issue either tax-exempt or taxable bonds. Taxable bonds would generally be issued in combination with tax-exempt bonds. Tax-Exempt Private Activity Bonds (non-refunding) require an allocation of bond authority from CDLAC. To obtain the allocation the County must submit an application to CDLAC on behalf of the developer. Submittal of the application is at the discretion of the County, not the developer. The developer must pay all required CDLAC fees when due.

The interest on taxable bonds is not exempt from federal taxation. These bonds are not subject to federal volume "cap" limitations and therefore do not require allocation authority from CDLAC. Taxable bonds can be used in combination with low-income housing tax credits awarded by the Tax Credit Allocation Committee. Taxable bond issues must meet all applicable requirements of this Policy (including rating requirements) and any additional regulations that may be promulgated, from time to time, by the County

The County may issue 501(c)(3) bonds on behalf of qualified nonprofit organizations. 501 (c)(3) bonds are tax-exempt and do not require an allocation from CDLAC, but cannot be used with the Low Income Housing Tax Credit Program.

Refunding Bonds will be allowed if the issuance meets the following conditions:

1. The Project Sponsor agrees to cover all costs of the issuer.
2. Projects originally financed by tax-exempt bonds prior to the 1986 Tax Act will have to make a minimum 10% of the units affordable to persons earning 50% of the median area income with the rents affordable at the same level.
3. The affordability restrictions of the existing bond regulatory agreement are subject to extension and/or additional restrictions. All specifics of refunding proposals must be approved by the County.
4. Default refunding applications require a default refunding analysis (to determine the eligibility for a default refunding). The County shall choose the firm to conduct the analysis. The project applicant will deposit the cost for the study with the County before the study begins.

Affordability Requirements

Term

The project must remain as rental housing and continuously meet the affordability requirements for at least 55 years from the date of 50% occupancy of the project. At the conclusion of the Regulatory period, rent of "in-place" tenants will continue to be governed by the applicable affordability restriction, so long as those tenants continue to live in the development.

Income Restrictions

To be eligible for tax-exempt bond financing, federal and State law require that the project meet one of the following conditions:

(a) A minimum of 20% of the units in the project must be set aside for occupancy by households whose income does not exceed 50% of area median income, as adjusted for family size; or

(b) A minimum of 10% of the units in the project must be set aside for occupancy by households whose incomes do not exceed 50% of area median income, as adjusted for family size AND an additional 40% of the units in the project must

be set aside for occupancy by households whose incomes do not exceed 60% of area median income, as adjusted for family size.

Project owners must certify their tenant's eligibility annually. If at the annual certification it is found that a tenant's income exceeds 140% of the current income limit, the owner must rent the next available unit of comparable size to a new income eligible tenant. The owner may raise the current tenant's rent to market rent only upon renting the next available unit to a new low-income or very low-income household, as applicable. A unit occupied only by full time students does not count towards the set-aside requirement.

Rent Restrictions

The maximum rents for all the affordable units are equal to 30% of the applicable monthly maximum income level, assuming one person in a studio, two persons in a one-bedroom, three persons in a two-bedroom and four persons in a three-bedroom unit. These assumptions differ for projects using Low Income Housing Tax Credits. In the event that both are used, the more restrictive rents apply. The maximum rents are further reduced by the amount of the utility allowance applicable to those units, based on unit size. Utility allowances are set by the Housing Authority of the County of Contra Costa and are based solely upon the utilities paid by the tenant.

The set-aside units must proportionately reflect the mix of all units in the project, be distributed throughout the project, and have the same floor area, amenities, and access to project facilities as market-rate units.

Regulatory Agreement

The rental and affordability unit requirements will be contained in a Regulatory Agreement that is recorded with the property and must be complied with by subsequent buyers for the minimum rental period. The requirements are terminated at the later of the end of the minimum rental period and repayment in full of the bonds or in the event of total casualty loss or foreclosure.

Financing Team

Bond Counsel and Financial Advisor, if applicable, specifically represent the interests and concerns of the County in ensuring the integrity of the bond transaction. The project sponsor may, at its own expense, add additional members to the finance team to represent its interests.

Financial Advisor

If deemed necessary, the Financial Advisor will be designated by DCD. They will prepare a feasibility study of whether it is economically advisable to proceed with the financing, including: evaluations of the financial strength of the project; assumptions regarding income and expenses; sources of security for bonds in addition to the project; developers financial situation and experience in operating and managing rental projects; marketability of the bonds; rights and resources of parties to the transaction in the event of default; and provide financial advise on all relevant issues to best protect the interests of the County. The compensation for financial advisory services to determine whether it is advisable to proceed with a financing will not be contingent on the sale of the bonds.

Bond Counsel

Bond Counsel will be designated for each financing by the County Board of Supervisors. Bond counsel will prepare the necessary legal documentation, including provisions regarding compliance with any applicable continuing disclosure requirements, provide an opinion regarding the validity of the bonds and their tax exemption, and provide legal advice on all relevant issues to best protect the interests of the County.

Additional Parties

The Bond Underwriter, Remarketing Agent, Private Placement Purchaser, and Bond Trustee, if required, will be selected by the County in consultation with the project sponsor. The fees for such services will be paid solely out of bond proceeds or otherwise by the project sponsor.

The Financing Process

1. Request for Financing (New or Refunding) – A letter of request must be sent to the DCD stating the desire to use the County's Multifamily Mortgage Revenue Bond Program. The letter should include:
    a. Name of Development Project;
    b. Location by street address and assessor's parcel number (if known);
    c. Estimated number units;
    d. Estimated development costs including land (bonds to be issued cannot exceed this amount);
    e. Exact legal name of the ownership entity at the time of bond closing (e.g. name of individual, partnership, corporation, etc. and
    f. If different, name of the operating entity at the time of bond closing.
    g. Non-refundable application fee of $2,500 to cover the administrative costs of reviewing the project feasibility, Inducement and TEFRA Hearing processes.

2. Board of Supervisor Approval of Reimbursement [Inducement] Resolution – The Reimbursement Resolution is a conditional statement of intent on the part of the County to provide tax-exempt financing for the project. The Resolution is non-binding, however it authorizes the submittal of the application to CDLAC by the County and it sets the date (which is 60-days earlier than the Inducement Date) from which costs related to the project are eligible for financing.

3. Public Hearing/Section 147(f) Resolution – Tax law requires that a public hearing be held to take comment on the nature of and location of the facility proposed to be financed with private activity bonds (Multifamily Mortgage Revenue Bonds included). The hearing must be noticed in a local newspaper of general circulation at least 14 days prior to the hearing. The legislative body then adopts a resolution approving the issuance of bonds pursuant to Section 147(f) of the Tax Code after the hearing is held. This is not the final approval of the bond issuance. The DCD holds the hearing administratively and the Board of Supervisors approves the Section 147(f) Resolution at a subsequent Board meeting. DCD may opt to schedule the required public hearing with the Board of Supervisors.

4. Securement of CDLAC Allocation – The CDLAC allocation of private activity bond authority is subject to an application process. The application must be submitted to the County for review and comment at least 10 days prior to the CDLAC deadline. The final application must include the current application fee for CDLAC and a

performance deposit in the amount of .5% of the requested allocation amount to be held by the County. The deposit is returned according to CDLAC procedures, but is subject to reversion to CDLAC if the financing does not close according to their procedures. The CDLAC process includes approximately 60 days for review of applications prior to allocation.

5. Bond Sale Resolution – When an allocation is received the County and financing parties have 90 days in which to complete the financing and sell and close on the issuance of the bonds. All real estate, lender and bond documents are completed. The Board of Supervisors must approve a Bond Sale Resolution, typically 30 days in advance of the proposed bond closing.

Bond Sale Modes/Issuing Criteria

Under its tax exempt financing program the County provides loans secured by a first deed of trust. A fundamental requirement for financings is that the project have loan underwriting and credit enhancement from a third party institution that bears the ultimate risk and responsibility of the loan. The County may consider unrated bonds on a case by case basis. Subordinate financing from other federal, state, or local agencies may be integrated into a plan of finance for the project. Early consultation with County staff is encouraged.

Any bonds issued under the program that are sold to the public should generally be rated "A", or its equivalent, or better from a nationally recognized rating agency. The same rating requirement applies in the case of a substitution of existing credit facility for bonds that are outstanding.

A preferred way of obtaining the required rating on the bonds is through the provision of additional, outside credit support for the bond issue provided by rated, financially strong private institutions, such as bond insurance companies; domestic and foreign banks and insurance companies; FHA mortgage insurance or co-insurance, etc. The rating on the bonds is based on the credit worthiness of the participating credit enhancement provider. The applicant is required to identify and obtain credit enhancement for each bond issuance. As the primary source of security for the repayment of bonds, the credit enhancement provider reviews and approves the borrower and the project and its feasibility, including the size of the loan and the terms of repayment using their own underwriting criteria.

Fixed rate bonds, or their portion, can be issued without credit enhancement if the proposed financing structure results in the required minimum rating on the bonds by a nationally recognized rating agency. Bonds issued without credit enhancement will be sold to institutional investors in minimum $100,000 denominations.

Private Placement Bonds

Private Placement Bonds are allowed under the following conditions:

1. The bonds are privately placed with "qualified institutional buyers" under Rule 144A of the Securities Act of 1933, or "accredited investors," as generally defined under Regulation D of the Securities Act of 1933.
2. The bonds must be sold in minimum $100,000 denominations.
3. All initial and subsequent purchasers must be willing to sign a sophisticated investor letter in a form approved by the County. While the bonds remain unrated, their

transferability will be restricted to qualified institutional buyers or accredited invested who sign an Investor Letter.

4. The County may limit the number of investors.
5. The owner must indemnify the County against any costs incurred by the County, including any lawsuit initiated by the bondholder or any other party, regardless of whether the developer is negligent, and if requested by the County, post a surety bond guaranteeing the same.

Change of Ownership

The County reserves the right to approve any voluntary change in ownership (i) that results in a transfer of 50% or more of the total equity interests in a developer or (ii) that results in a transfer of any general partner or managing member interest in the developer. Such approval to transfer ownership shall be at the discretion of the County. Transfers made by a limited partner tax credit investor to its affiliates may, at the County's discretion, be exempted from this requirement. The County shall review proposed owner management practices on current and previously owned properties, inspections, financial statements and credit histories.

Other Issuers

Projects financed with subordinate financing from the County (CDBG, HOME, etc.) will be financed by bonds issued by the County. The County may consent to the use of statewide issuers for private activity bonds (including 501c3 bonds) to finance projects located within the unincorporated County when such projects are part of a common plan of finance with one or more projects located within the County. DCD may waive the limitations on the use of statewide issuers.

APPENDIX 6

Contra Costa County
Debt Management Policies
For
Successor Agency to the former Contra Costa County Redevelopment Agency

I. Purpose

The purpose of this Successor Agency ("Agency") Debt Management Policy is to organize and formalize the Agency's debt-related policies and practices and establish a framework for administering and potentially refinancing the Agency's debt.

The primary objectives of the policy are to:

- Promote sound financial management
- Assist the Agency in evaluating debt refinancing options
- Ensure full and timely repayment of debt
- Maintain full and complete financial disclosure and good investor relations
- Ensure compliance with applicable state and federal laws

II. Responsibility/Approval Process

The Director of the Department of Conservation and Development, Deputy Director-Redevelopment, or designee shall be responsible for managing and coordinating all activities related to the administration and potential refinancing of the Agency's debt, including investment of bond proceeds, compliance with bond covenants, continuing disclosure, and arbitrage compliance.

III. Debt Issuance

Refinancing The Agency may refinance all or a portion of an outstanding debt issue when such refinancing enables the Agency to realize significant debt service savings or other policy goals. In general, refinancing that produces a net present value savings of at least three percent (3%) of the refinanced debt, without extending the term of the refinanced debt, will be considered economically viable. Refinancing that produce a net present value savings of less than three percent (3%) will be considered on a case-by-case basis if there is a compelling public policy objective that is accomplished by retiring the debt. For example, the Agency may pursue a non-economic refinancing to eliminate undesirable legal covenants in outstanding bond documents, to restructure the debt service profile, or to change the tax status of the debt.

IV. Debt Structure

Project Area Debt The Agency may refinance debt for a single project area or may combine financings for multiple project areas to achieve economies of scale or credit benefits. Each project area debt component must conform to the requirements and limitations of its respective project area redevelopment plan.

Debt Service Reserve Fund The Agency may finance a debt service reserve fund from bond proceeds or other funds, consistent with federal tax law, to

enhance the marketability of the bonds and/or to satisfy requirements of outstanding debt covenants. The Agency may purchase a reserve fund equivalent (such as a reserve fund surety) when such purchase is considered to be advantageous to the economics of the debt issuance.

Bond Insurance The Agency may purchase bond insurance (or secure a letter of credit) for any proposed financing if the economic benefit of the insurance realized through lower interest costs exceeds the cost of the insurance. The Director of the Department of Conservation and Development, Deputy Director – Redevelopment or designee will solicit quotes from providers, and shall have the authority to select a provider whose bid is most cost effective, and whose terms and conditions are satisfactory to the County.

Call Provisions In general the bonds will include a call feature that is no longer than 10 years from the date of delivery of the bonds. The Agency will seek to avoid the sale of non-callable bonds absent careful evaluation by the Agency of the value of the call option.

Original Issue Discount An original issue discount will be permitted only if the Agency determines that such discount results in a lower true interest cost on the bonds and that the use will not adversely affect the projects to be financed.

Interest Rate Mode The Agency shall use only fixed-rate debt to refinance its bonds.

VI. Financing Team

The Agency employs outside financial specialists to assist in developing a debt strategy, preparing bond documents, marketing bonds to investors and generally implementing its financing plan. The Director of the Department of Conservation and Development, Deputy Director – Redevelopment, or designee shall have the authority to periodically select service providers as necessary to meet legal requirements and minimize net Agency debt costs. Such services, depending on the type of financing, may include bond counsel, disclosure counsel, financial advisory, underwriting, trustee, verification agent, escrow agent, arbitrage consulting, and fiscal consulting. The goal in selecting service providers is to achieve an appropriate balance between service and cost.

VII. Method of Sale

The Agency may select a method of sale that is most appropriate for a particular financing or debt program in light of the financial, market, transaction-specific, and Agency-related conditions. The Director of the Department of Conservation and Development, Deputy Director – Redevelopment and/or Community Development Bond Program Manager shall be responsible for determining the appropriate

manner in which to offer any securities to investors, and may consider negotiated sale, competitive bid or private placement, as appropriate. The Agency's bonds have traditionally been sold via negotiated sale. This has been reflective of a complex structure which has required significant up-front work by the bond underwriter, and a strong pre-marketing effort at sale. The Agency may elect to privately place its debt if it is demonstrated to result in a cost savings to the Agency relative to other methods of debt issuance.

VIII. Debt Administration

Investment of bond proceeds Investments of bond proceeds shall be consistent with federal tax requirements, the County's adopted Investment Policy as modified from time to time, and with requirements contained in the governing bond documents.

Continuing Disclosure The Agency is committed to full and complete primary and secondary market financial disclosure in accordance with disclosure requirements established by the Securities and Exchange Commission and Municipal Securities Rulemaking Board, as may be amended from time to time. The Agency is also committed to cooperating fully with rating agencies, institutional and individual investors, other levels of government, and the general public to share clear, timely, and accurate financial information.

Arbitrage Compliance The Agency shall maintain a system of record keeping and reporting to meet the arbitrage compliance requirements of federal tax law or procure an outside contractor for such service.