County of Fresno
State of California

Debt Management Policy

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

Revised June 5, 2018

~~December 13, 2005~~

Table of Contents

~~Table of Contents (continued)~~

~~COUNTY OF FRESNO~~
~~DEBT POLICY~~

~~I. Introduction and Purpose~~

~~The County of Fresno recognizes that the foundation of a 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, and staff, regarding the timing and purposes for which debt may be issued. The policy also should include the types and amounts of permissible debt, the method of sale that may be utilized, and structural features of debt that may be issued under that policy.~~

~~The~~

I. Overview – Importance of the Debt Management Policy

The ultimate authority within the County for the County's ~~has established this Debt Policy to ensure financial stability of the County, to reduce the County's costs of borrowing, and to protect the County's good credit quality through proper~~ debt management~~.~~

> ~~The~~ ~~debt issuance process~~ is ~~complex. Government officials need to understand the process in order to make informed and objective decisions that are necessary to complete a transaction, while not limiting the County's flexibility in responding to changing service priorities in the future.~~

~~This~~ the ~~Debt Policy has been reviewed and approved by the~~ Board of Supervisors (Board), as the legislative body of the County. ~~, based on the review and approval by the County Debt Advisory Committee (DAC). This policy is a guideline for general use, and allows for exceptions in extraordinary circumstances. This policy, while providing a framework for debt issuance, should be applied in a flexible manner to take advantage of market opportunities or to respond to changing conditions without jeopardizing essential public services.~~

> The Board declares the importance of memorializing the County's policies, as set forth below, governing the management of the County debt. The Board, upon the recommendation of the Auditor-Controller/Treasurer-Tax Collector (ACTTC) and the Debt Advisory Committee (DAC), established the *Debt Policy* as of January 10, 2006, updated, and renamed it as the *Debt Management Policy* (this Policy) as of its revised date~~The County recognizes its long-term commitment to full and timely repayment of all debt is crucial for entry into the capital markets. It is the County's intention to adhere to this Debt Policy to ensure that the County maintains a sound debt position and that its good credit quality is protected. The County is committed to reviewing its outstanding debt annually during the County's "recommended budget" process to determine whether to retire callable debt, fixed or variable rate, in order to minimize interest costs.~~

> ~~All capital acquisition and improvement projects will be reviewed and approved by the Facilities Planning Committee prior to being placed on the DAC agenda for review.~~

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

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

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

(A) The purposes for which the debt proceeds may be used.

(B) The types of debt that may be issued.

(C) The relationship of the debt to, and integration with, the issuer’s capital improvement program or budget, if applicable.

(D) Policy goals related to the issuer’s planning goals and objectives.

(E) The internal control procedures that the issuer has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use.

A. Scope of this Policy

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

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

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

B. Goals for Good Debt Management

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

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

II. General ~~—~~Guiding Policy Principles for Managing the County's Debt

The ~~This Debt Policy is guided by the~~ following general guiding policy~~overarching~~ principles are provided to assist decision makers and staff with respect to their~~:~~

~~a.~~ ~~The amount of all outstanding~~ debt management decisions and actions. Such general guiding policy principles shall be applied in a reasonable and commonsense~~for the County's foreseeable future, considering the circumstances then prevailing, specifically including, but not limited to, the general economic conditions, and the anticipated needs of and financial demands upon the County.~~

~~b.~~ ~~The County incurs debt in a prudent~~ manner, consistent with the purpose, intent, and goals of this Policy. ~~with a view toward using debt only (i) to meet the County's annual cash flow needs through the issuance of Tax and Revenue Anticipation Notes, (ii) when it is necessary to do so in order to meet capital or equipment needs that cannot reasonably be satisfied with lawfully available funds in one budget year, and in doing so, it shall be in a cost-effective manner, or (iii) to reduce the total cost of other currently outstanding debt or legal obligations.~~

~~c.~~ The proposed debt issuance should not be ~~The debt financing structure is generally accepted, and the type of risks arising from such debt does not expose the County to a level of legal or financial risk that is above the level of such risks that the County normally would assume in other financing transactions for similar projects.~~

~~d.~~ ~~Unless approved by the voters, the debt financing is not to be used as a means of financing the cost of current County operations (except for Tax and Revenue Anticipation Notes).~~

- ~~e.~~ ~~Debt to be issued is not~~ expected to cause financial instability or uncertainty for the County and the County will not incur debt in such a way that will unduly burden current or future taxpayers, ratepayers, or residents~~for the County~~.

The proposed debt issuance should be expected to

- ~~f.~~ ~~Debt financing is carried out with those financing mechanisms that~~ preserve the County's good reputation in the financing markets~~,~~ and ~~maximizes~~ the County's creditworthiness.

~~g.~~ ~~*Debt* financing which includes the use of capitalized interest shall detail the specific reasons for recommending the use of capitalized interest.~~

~~h.~~ ~~The~~ The County should strive to seek low interest rates for new County debt.~~use of derivative products shall be limited to situations where the derivative can increase the County's financial flexibility, provide opportunities for interest rate savings, alter the pattern of debt service payments, create variable rate exposure, or limit or hedge variable rate payments. (See section IV.L for restrictions on the use of derivative products).~~

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

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

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

III. Prioritization of County Resources

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

- ~~i.~~ Financings for public improvements~~conduit financings, financings for private development, financings~~ in which the County would be a member of a joint powers agency governed by a board of directors other than the Board;~~County's Board of Supervisors, and financings for housing programs, and commercial and industrial development.~~

~~The provisions of this Debt Policy shall be subject to these guiding principles. Where there is not a specific policy for a given matter, these guiding principles shall be followed.~~

- ~~III.~~Holding TEFRA hearings for projects located within the unincorporated areas of the County;
- Holding TEFRA hearings for projects located within the cities of the County; and
- Land secured financings for public improvements that benefit private commercial/ industrial development (see VI.B.6, Land Secured Financings (Assessment Districts and Mello Roos Districts), below).

[Go to next page]

IV. Debt ~~Debt~~ Advisory Committee

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

~~on February 9, 1993.~~ The DAC serves as a ***centralized point***~~is responsible~~ ***for the County's first public vetting*** of~~reviewing~~ all potential financings to be issued by, for, or through the County, or approved by the County, as well as all financing matters that may involve the County (collectively, Financing Proposals) that either are proposed by departments or offices of the County or non-County parties (each, a Requester). The DAC makes the ~~the County and making~~ appropriate recommendation~~recommendations~~ to the Board regarding all such Financing Proposals.

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

A. Financing Team

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

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

A. Financing Team (continued)

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

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

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

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

B. Financing Proposals to DAC; Minimum Information and Analysis

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

[Go to next page]

C. Financing Proposals to DAC; Review of Submissions

All proposed County debt issuances shall be, without exception, subject to the review and ~~. The DAC serves as a "clearing house" to ensure that there is a centralized point for all proposed/~~requested recommendation of the DAC to the Board prior to such County debt issuance.

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

A copy of the~~financing issues and that all parties affected by the issue are involved from the beginning of the process. The DAC may utilize the services of an independent financial advisor for assistance in analyzing all proposed/requested financing issues. The current version of the County of Fresno~~ *Debt Advisory Committee Policy Guidelines for Public Financing* (the DAC Guidelines), which sets forth the DAC's and the Team's operations, is on file with the ACTTC.

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

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

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

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

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

V. Restrictions and Limitations Applicable to All Financings

~~IV. Allowable Methods of~~
When considering any **Financing** ~~Debt~~

~~The~~ Proposals~~following debt financing mechanisms are allowable methods of financing debt, subject to the provisions of this Debt Policy:~~

~~A. Tax and Revenue Anticipation Notes (TRANs) are short-term tax exempt notes maturing in one year. Annually~~**, the County needs**~~borrows money on a short-term basis~~ **to** ~~meet operating expenses in anticipation of receiving future taxes and revenues. The issuance of TRANs allows the County to smooth out cash flows, enabling the County to provide essential mandated services prior to receipt of major tax or revenue inflows. Cash flows used to document the need to borrow and to fix the amount of the borrowing are prepared by the Auditor-Controller/Treasurer-Tax Collector based on budget information provided by the County Administrative Office.~~

~~B. Pension Obligation Bonds (POBs) are taxable bonds issued to pay down a portion or all of the Unfunded Actuarial Accrued Liability (UAAL) of the County's retirement system. POBs are issued to provide savings to the County. In analyzing the issuance of POBs, the County should consider the interest cost savings resulting from the issuance of the bonds as well as the impacts to the County's cost plan and compliance with federal and state agency reimbursement requirements. POBs should be issued only when there is a savings between current market conditions and the assumption rate adopted by the retirement system. The term of the POBs shall not exceed the UAAL amortization schedule adopted by the Board of Retirement.~~

~~C. Lease Revenue Bonds (LRBs) are issued by a public entity (such as a joint powers authority) working in cooperation with the County, or to provide the County a means of financing capital projects or improvements (If the issuer is a nonprofit public benefit corporation, the bond are called "certificates of participation" or "COPs"). Under LRBs, the County typically enters into a lease-lease-back arrangement, and offers County real property as collateral for the lease. When causing the issuance of LRBs, the County shall take into consideration the useful life of the leased property, the type of leased property offered as collateral (with a view toward minimizing the number of County properties used as collateral), and compliance with state and federal reimbursement requirements. The~~

~~County uses the Fresno County Financing Authority, a joint powers authority, as its third-party issuer.~~

~~D. Certificates of Participation (COPs) for equipment acquisitions are lease-purchase agreements that are marketed to investors in a manner similar to bonds. In this type of leasing the County enters into a lease with a lessor (usually a bank or financing company) to lease an asset over a specified period of time at a predetermined annual cost. Lease payments made are sufficient to pay the principal and interest on the leased asset. The lessor identifies investors that are willing to provide funding for the asset in return for an undivided interest in the lease payments. COPs must have a provision that permits the County to terminate the COPs, without cost or penalty, if the Board of Supervisors does not allocate funds for COPs payments in any future years of the COPs. Typically, the equipment being acquired serves as collateral.~~

~~E. Revenue Bonds are issued to finance facilities that have a definable user or revenue base. Revenue bonds are secured by a specific source of funds, either from operations of a project or enterprise fund, or from a dedicated revenue stream.~~

~~F. Special Assessment or Special Improvement District Bonds are issued to finance improvements that benefit a specific area. The benefit is enjoyed by a limited segment of the community, and therefore, a special assessment is levied only on the properties to the extent that they receive special benefits from the project over and above general benefits conferred by such improvements on those properties. The limited revenue pledge for special assessment bonds increases their perceived risk, resulting in interest costs that are higher than interest costs for general obligation bonds. See Attachment B, Policy for Use of Public Financing for Private Development Projects, for further information on issuance of special assessment or special improvement district bonds.~~

~~G. Leases (also called "financing leases") are appropriate for procuring assets that are too expensive to fund with current receipts in any one year, but with useful lives too short to finance with long-term debt. Leasing is also advantageous for assets that will be needed for a short period of time, or are subject to rapid technological obsolescence. Leases must have a provision that permits the County to terminate the leases, without cost or penalty, if the Board of Supervisors does not allocate funds for lease payments in any future years of the leases.~~

~~H. Conduit financings for public financing of private development projects are addressed in Attachment B – Policy for Use of Public Financing for Private Development Projects (Note: The Board of Supervisors has terminated the use of this policy for residential development per Board agenda item minute order, dated September 23, 1997). Conduit financings for those activities that have a general public purpose must insulate the County from credit risk or exposure to the maximum extent reasonably possible.~~

~~I.o~~ ~~"Pay-as-you-go" financing is an appropriate part of the County's debt policy and finance plans undertaken by the County. Repair and replacement projects with short useful lives are not appropriate for long-term financing and should be considered in a pay-as-you-go plan. Careful planning of current revenues and prudent use of unreserved fund balance in this type of plan is a positive factor in credit analysis. Use of unreserved fund balance in a pay-as-you-go financing provides a cushion in the event of unanticipated revenue downturns and emergency situations. Use of a pay-as-you-go plan combined with a longer term financing plan is acceptable.~~

~~J. ***Inter-fund borrowing*** is acceptable as a short-term financing method for cash flow needs. Fund restrictions should be evaluated and Board of Supervisors' approval must be sought for inter-fund borrowing where the funds are not identified as available to the General Fund. Internal interest payments will be made at the County's Treasury Investment Pool rate as calculated quarterly. This rate will be variable at the time of each debt payment.~~

~~K. General Obligation (GO) Debt approved by the voters should only be used if other financing methods are not appropriate. The purpose of general obligation bonds is to finance public facilities at the lowest cost to the taxpayers. The security of general obligation bonds typically is of the highest quality, because it includes the legal means to levy and collect the tax to cover debt service.~~

~~L. Derivatives may only be used after careful review and risk assessment, and compliance with the provisions of this section IV.L. As used in public finance, derivatives may take the form of interest rate swaps, options on swaps, and other hedging mechanisms such as caps, floors, collars and rate locks. The County will consider a derivative only after it has developed (1) a sufficient understanding of the proposed derivative products, (2) the staff and expertise to properly manage and evaluate the products (may include the assistance of a swap or financial advisor), and (3) a written derivative policy approved by the DAC and the Board of~~

~~Supervisors, which shall include methods for measuring, evaluating, monitoring and managing risks associated with derivative products. Before using any derivatives, there shall be an analysis and determination that the use of a derivative will result in net monetary savings and benefits to the County.~~

~~M. Securitization of a future revenue stream or receivable is an allowable method of financing. One example is Tobacco Settlement Asset Backed Securitization bonds. The issuance of securitization bonds shifts the risk of non-payment to the bondholders. Where permitted by law, the County may issue or cause to be issued asset-backed bonds secured by a future revenue stream or receivable in order to take advantage of immediate cash flow or finance capital needs, or to create financial flexibility. Before issuing or causing the issuance of securitization bonds, there shall be an analysis of the collectibility of such future revenue streams or receivables, and a determination that the net monetary benefits from obtaining securitization bond proceeds outweigh the risk of the continued receipt of such future revenue stream or receivables. Asset-backed bonds may be issued on a tax-exempt basis if the County can demonstrate that the bond proceeds will be spent on tax-exempt uses such as capital improvements or refunding outstanding bonds or other debt.~~

~~Bonds issued by local government units generally bear interest that is excluded from gross income for federal income tax purposes. Federal tax requirements should be reviewed when considering each new financing issue. Generally, bonds issued for general government activities and facilities are tax-exempt bonds. Tax-exempt bonds carry the lowest rates of interest in the securities market.~~

~~V. Refundings~~

~~The County will consider undertaking a refunding (i.e., refinancing) for any of the following reasons: (1) to reduce interest costs of outstanding debt, (2) to restructure the debt service for a more favorable interest rate, and (3) to eliminate old bond covenants that may have become restrictive to the County, provided that the overall benefits to be obtained from eliminating such bond covenants are expected to outweigh the cost of the new debt. Most bond refundings will occur in order to take advantage of lower interest rates.~~

~~In evaluating refunding opportunities, the County will evaluate the present value savings to include the associated costs of the refunding. The present value of all refunding costs should be less than the present value of the interest savings to consider a refunding. The County may issue refunding bonds only if the net present value of the proposed~~

~~debt service from the refunding bonds compared to the net present value of the debt service for the refunded bonds will result in a savings of at least two percent (2%). Refunding debt shall not extend the maturity beyond the original debt being refunded. If any refunding bonds have any variable interest, the County will~~ take into account the following restrictions and limitations~~full range of such costs in evaluating the cost of such new debt~~.

A. Constitutional~~Refunding bonds shall be governed by the same principles for issuing new debt.~~

~~VI.~~ ~~Early Retirement of~~ Debt Limitation

~~The County annually shall review callable outstanding debt and its current debt service requirements to determine if it is appropriate and in the County's best interests to retire debt early. Preference shall be given to calling bonds that will result in the greatest savings to the County. During its annual review of outstanding debt and future debt service requirements, the County shall also review any refinancing options for current outstanding debt, consistent with the principles of this Debt Policy.~~

~~VII. Evaluating Funding/Financing Alternatives~~

~~When reviewing the various funding alternatives under consideration, the County should be realistic in its assessment of whether certain financing methods are feasible and the risks associated with each financing method. In new or complex financing plans, significant costs for legal and financial advice may be incurred, as well as the use of County staff time. Additional time will be required to evaluate the new alternative methods and gain consensus among decision-makers that will be asked to authorize the debt. Some alternatives may provide the County with increased flexibility. However, in all cases, transaction costs must be reasonable in relation to the asset to be financed.~~

~~Fixed interest rate and variable interest rate financing should be considered when evaluating a financing plan. When any type of variable rate financing is selected, a monitoring plan shall be developed and utilized by the Auditor-Controller/Treasurer-Tax-Collector to ensure a combination of lowest possible interest costs and flexibility for the County. When issuing new debt (or refinanced debt), the County shall not have more than 20% of its par value of total outstanding debt (including the proposed issuance) in variable rate bonds (including any other financings, such as COPs, and leases). Call provisions~~

~~should be evaluated for both fixed and variable rate debt. Call provisions shall be reviewed annually in developing the County's "recommended budget" to ascertain whether the County is in a position to call debt and realize interest savings. The bonds to be called should have the greatest savings to the County, if called.~~

~~A debt financing shall not be entered into unless the financing sources for the debt servicing of the issue have been identified. Such dedicated revenue streams to finance the debt service could include tobacco settlement revenues, property tax revenues, etc. The County should identify revenue sources early in the financing project, since the rating agencies, as a part of the review and evaluation of the County's credit, will want to know available sources for debt service on the proposed financing issue.~~

~~VIII. Debt Limitations and other Legal Limitations~~

California State Constitution Article XVI, section 18 limits the amount of debt that the County may lawfully incur without approval of 2/3 of voters in an election. Judicial~~the qualified electorate: "(a) No county …shall incur any indebtedness or liability in any manner or for any purpose exceeding in any year the income and revenue provided for such year, without the assent of two-thirds of the voters of the public entity voting at an election to be held for that purpose, …" However, the County recognizes that judicial~~ interpretations have created several exceptions to the foregoing rule, authorizing certain forms of long-~~-~~term financings, referenced below, without the necessity of such voter approval. Unless otherwise specified, the financing methods listed ~~(e.g., leases), which are commonly called "debt"~~ in this Policy~~policy, but actually~~ are considered exceptions to this ~~debt~~ limitation. ~~rule.~~

~~The County will evaluate legal limitations and affordability of debt prior to any new financings or refinancings. It is important for the County to consider its current debt levels as well as legal restrictions imposed by statute or by existing bond covenants. The County will employ specialized legal and financial advisors, as necessary, to assist in the evaluation of additional debt. Depending on the circumstances (e.g., new form of financing), the County may consider the use of a validation action (Code of Civ. Proc., sec. 860 et seq.) to determine the validity of a matter in connection with the issuance of a bond.~~

~~IX. Benchmarking and Measuring Debt Capacity~~

~~A comprehensive and routine analysis of debt capacity provides assurance that the amount of debt issued by a government is affordable and cost-effective. By analyzing debt capacity, the County will be better able to keep debt at affordable levels. Assessing debt on an ongoing basis is essential for effective debt~~

~~management and for ensuring that debt-planning activities are integrated with the capital acquisition and improvement process.~~

~~The County will consider current market conditions and market capacity when evaluating new financing issues. In evaluating financing issues, the protection of the County's good credit rating is essential.~~

~~The County's incurring of additional debt may not necessarily affect the County's credit rating. Therefore, when considering whether to issue new debt, the County should give first priority to assessing its debt capacity, before considering whether the County's credit rating would be affected by such additional debt.~~

~~In assessing its debt capacity, the County will evaluate budgetary capacity with respect to its ability to absorb additional debt. Also, the County will evaluate affordability through the use of benchmarks. Key benchmarks or ratios to be considered are:~~

~~Debt Outstanding:~~

- ~~Debt per capita in the County.~~
- ~~Debt as a percentage of assessed value of real property in the County.~~
- ~~Debt per capita as a percentage of personal income per capita in the County.~~

~~Debt Service:~~

- ~~Debt service as a percentage of County discretionary revenue.~~
- ~~Debt service as a percentage of County general fund budgeted expenditures.~~
- ~~Debt service as a percentage of County budgeted operating revenues.~~

~~In evaluating the debt ratios, the County shall reference current ratio analysis from major rating agencies. Commonly used debt ratios of similar California counties will provide one measure against which the County can assess its debt burden. Moody's Investors Service issues a debt median analysis on similar type counties. At a minimum, the County will use the comparison group identified by Moody's Investors Service, currently Emerging Middle Counties, for benchmarking. The County will analyze the comparative data of other counties and be mindful of the County's ranking amongst its peers. The County desires to achieve a higher than average credit rating among its peers.~~

~~However, there is no single dominating ratio or figure that determines whether the issuer has too much debt or too little debt. Oftentimes, a combination of factors are considered when assessing the appropriate level of debt for an issue. Overemphasis on debt ratios to justify the issuance of debt should be avoided because debt ratios are one of many factors that influence the bond rating. Evaluation of trends relating to the County's financial performance, such as revenues and expenditures, net revenues available after meeting operating~~

~~requirements, reliability of expected revenues to pay debt service, and unreserved fund balances, are considered necessary to properly evaluate the County's debt capacity.~~

~~The County's debt capacity analysis should ensure that an appropriate balance is struck between the County's capital needs and its ability to pay for them and provide management authority to respond to unforeseen circumstances.~~

~~The County shall establish an affordable debt level in order to preserve its good credit quality and to ensure sufficient revenue is available to pay annual debt service.~~

~~The debt capacity analysis shall be recalculated at the time of a proposed new bond issue to determine if the County has debt capacity available. The County shall analyze its debt capacity with and without pension bond debt service.~~

~~X. The Financing Team~~

~~It is the County's practice to engage outside financial advisors, bond counsel and disclosure counsel to assist the County in developing a bond issuance strategy and structure, preparing the bond documents, meeting securities disclosure requirements, and marketing the bonds to investors. Other firms, such as underwriters, paying agent, trustee, auction agent and actuary, also are retained as necessary. The financial advisor and the underwriter selected shall have the necessary expertise to assist the County in successfully marketing its financing plan. Financing team members engaged by the County should have knowledge of innovative financing plans, an understanding of how to minimize County costs, and an ability to complete the transaction timely.~~

~~Financing team members engaged by the County shall be selected through the County's selection process for service providers in accordance with County Board of Supervisors Administrative Policy No. 34 and the County of Fresno Purchasing and Contract Procedure Manual. The Auditor-Controller/Treasurer-Tax Collector shall be responsible for seeking and recommending to the Board of Supervisors (or other County officers authorized to execute agreements for the County, such as the County Administrative Officer or Purchasing Agent) the engagement of the financial advisor and underwriter. County Counsel shall be responsible for seeking and recommending to the Board of Supervisors (or other County officers authorized to execute agreements for the County, such as the County Administrative Officer or Purchasing Agent) the engagement of bond counsel and disclosure counsel (and tax counsel, if used).~~

~~While the County should strive to keep costs to a minimum, price should not be considered the only factor in choosing professional services. A knowledgeable financing team engaged by the County that can identify creative solutions to meet the County's objective, and achieve savings on the long-term borrowing costs, consistent with this Debt Policy, is an equally important consideration and should be weighted carefully in the selection process.~~

~~Financial advisory, bond counsel and disclosure counsel services should be provided on an hourly or fixed-fee basis consistent with industry standards for the respective types of specialized services. Depending on the financing method utilized, financing team members engaged by the County may be compensated for services only upon completion of the sale of the bonds, etc. Out-of-pocket expenses may be reimbursed regardless of a successful sale.~~

~~County departments proposing new financing projects shall provide reasonable advance notice with respect to financing proposals to the County Administrative Office, Auditor-Controller/Treasurer-Tax Collector, and County Counsel prior to scheduling a meeting with the DAC. This will allow County staff on the financing team time to review and prepare for the DAC meeting and ensure proper communication, planning, scheduling and review of potential issues.~~

~~XI. Method of Sale~~

~~o~~

~~The County may utilize competitive, negotiated, limited-competitive (hybrid) or private placement methods of sale. The appropriate method should be determined on a case-by-case basis after evaluating the proposed financing. The County's goal is to protect the public's interest by obtaining the lowest possible interest cost under reasonable financing terms. Flexibility in structuring the financing should be evaluated when deciding which method of sale will be used. If in the opinion of the financial advisor pre-sale marketing will enhance the County's ability to sell the bonds, the financing team should evaluate the benefits of a negotiated sale where legally permissible.~~

~~In selecting a financing method, the financing team shall make an informed decision by reviewing certain factors on a case-by-case basis. After reviewing issuer characteristics, such as market familiarity, credit strength and policy goals, the financial advisor shall recommend the type of debt instrument, issue size, structure, and timing of the issue to the County. The financial advisor shall assist the County in obtaining the best possible national credit rating for the issue and disseminate information about the issue to all potential bidders.~~

~~XII.~~B. Limitation on Municipal Advisory Relationships

Consistent with California Government Code § 53591, no investment firm that has, or has had, a "financial advisory relationship" with respect to a "new issue of bonds" ~~Restrictions on Financial Advisors Purchasing County Debt~~

~~No investment firm that has, or has had, a financial advisory relationship with respect to a new issue of the County's bonds (*e.g.*, bonds, notes, or other evidences of indebtedness)~~ shall acquire as principal either alone or as a participant in a syndicate or other similar account formed for the purpose of purchasing, directly or indirectly, from the County, as issuer, or any County-sponsored issuer (*e.g.*, Fresno County Financing Authority, the FCFA), all or any portion of the issue, or arrange for the acquisition or participation by a person controlling, controlled by, or under common control with the investment firm, unless the issue is to be sold by the issuer~~County~~ at competitive bid and the issuer~~County~~ has, *prior to the Board's and/or the County-sponsored issuer's authorization of debt*~~bid~~, expressly consented in writing to the acquisition or participation. All of the~~The~~ limitations and requirements set forth in California Government Code § 53591~~this section~~ also apply to this paragraph, except where this paragraph establishes stricter imitations or requirements than § 53591, in which case this paragraph applies. "New issue of bonds" includes refunding bonds. The ~~any investment firm controlling, controlled by, or under common control with the investment firm having a financial advisory relationship. The use of the~~ term "indirectly" in this paragraph ~~does not preclude any investment firm which~~ has ~~a financial advisory relationship with respect to a new issue of bonds from purchasing any of those bonds from an underwriter, either for its own trading account or for~~ the same meaning as in § 53591. The provisions~~account~~ of this paragraph shall also be extended to any negotiated sale, and shall be applied prior ~~its customers, except~~ to the issuer seeking~~extent that~~ the negotiation~~purchase is made to contravene the purpose and intent~~ of the sale of the bonds.~~this section. (Gov. Code, sec. 53591).~~

C. Limitation on Municipal Advisory Services

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

D. No Derivatives Allowed for any New Financings

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

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

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

F. Useful Life of Capital Improvement and Equipment

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

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

VI. Approved Financing Methods

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

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

A. Short-Term Financing

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

A. Short-Term Financing (continued)

- ***Short-term note***– The County may use a TRAN when necessary to provide cash for its operations (including current expenses, capital expenditures, and the discharge of other obligations or indebtedness of the County) in anticipation of receiving taxes or other revenues. This allows the County to continue to provide mandated services prior to the receipt of major tax or other revenue inflows in the first six months of a fiscal year.

  - A TRAN involves the issuance of a short-term note in the municipal bond market, which note is payable only from revenue received or accrued during the fiscal year in which issued. The TRAN may mature in 15 months on a taxable basis, and in 13 months on a tax-exempt basis, but the County will limit a TRAN maturity to a 12-month limit to coincide with the fiscal year in which the TRAN is issued.
  - The sizing of a tax-exempt TRAN (*i.e.*, amount issued) is subject to an analysis of anticipated tax and other revenues within a fiscal year, and an identifying the cash deficit of "available funds" within the first six months of the fiscal year. Consideration also must be given to the source of payment or security for repayment of the TRAN.
    - The required cash flows statements are prepared by the ACTTC's office based upon the County's "recommended budget" and other planning information prepared by County departments and offices and provided to the ACTTC through the County's Budget Director.
  - The County's bond counsel and disclosure counsel, Counsel, and municipal advisor are consulted regarding the preparation of the cash flow statements, and the sizing of the TRAN.

- ***Inter-fund borrowing*** – Inter-fund borrowing between the County's funds and accounts is acceptable for short-term internal cash flow needs because this type of borrowing does not involve the County's issuance of debt to a third party.

  - All requests for this type of funding must include an analysis from the ACTTC, stating that the cash in the proposed fund or account to be used as the source of funds is available to the General Fund for this purpose.
  - These loans must include repayment terms, which include an internal interest rate payment equal to the County's Treasury Investment Pool rate, as calculated quarterly by the ACTTC's office. This interest rate will vary based on each computation period that the inter-fund loan is outstanding, and interest on such inter-fund borrowing will be payable at the time of each inter-fund loan payment.
  - These inter-fund loans' repayment terms are limited to the provisions set forth in the State Controller's Office Handbook of Cost Plan Procedures for California Counties, section 2250: ISF Loans.

A. Short-Term Financing (continued)

- ***County Service Area (CSA) Revolving Fund*** – The Board, pursuant to Government Code § 25214.5, subdivision (a), established a revolving fund in the initial amount of $600,000 as a way for CSAs providing certain municipal services whose cash reserves are temporarily depleted to borrow for short periods from the County General Fund. Such funds are available to such CSAs upon the determination of the Board according to the policy established by the Board. A copy of the current Board authorizing resolution, including the policy, for such purposes is on file with the ACTTC.

- ***Cash-Flow Loans to CSAs and County Water Works Districts, (WWDs), to facilitate access to State and Federal grants and low interest installment sale agreements*** – The Board, pursuant to Government Code § 25214.5, subdivision (a), for CSAs, and pursuant to Water Code §§ 55503 through 55503.6 for WWDs, established a policy for the extension of short-term cash-flow loans from the County General Fund to CSAs and WWDs so that such CSAs and WWDs have sufficient funds to advance costs for projects that are qualified for grants or low-interest installment sale agreement financing through state and federal programs when those costs are advanced with the reasonable expectation of reimbursement in arrears from the agency administering the financial assistance programs. A copy of the current Board authorizing resolution, including the policy, for such purposes is on file with the ACTTC. (See VI.B.5, State Financing Programs, below, for the related state financings for CSAs and WWDs.)

B. Long-Term Financing

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

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

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

B. Long-Term Financing (continued)

2. General Fund Obligations – Capital Improvements.

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

- ***Leases and LPAs*** **–** Leases and LPAs are available for financing the acquisition of real property or capital assets.
    - o Leases and LPAs for real property are typically "beneficial use" leases, also called "abatement leases."
    - o Leases and LPAs for equipment typically are "appropriations leases." (See IX.B.2. LPAs and Leases, below.)
    - o The County will ensure that the Leases and LPAs comply with any state and federal reimbursement requirements.

B. Long-Term Financing (continued)

- ***POBs*** – Pension Obligation Bonds (POBs) are taxable bonds utilized to pay down all or a portion of the County's unfunded actuarial accrued liability (UAAL) to its retirement system in an effort to provide a net savings to the County.

    - The term of any new POBs shall not exceed the UAAL amortization schedule, adopted and provided by the Fresno County Board of Retirement (BOR).
    - POBs may be issued when there is a net savings between the current market conditions and the assumed rate of return adopted by the BOR.
    - The County will ensure that the POBs comply with any state and federal reimbursement requirements.

3. Asset-backed bonds

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

[Go to next page]

B. Long-Term Financing (continued)

4. Special Fund Obligations

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

5. State Financing Programs

- The California Clean Water State Revolving Fund Program and the California Drinking Water State Revolving Fund (each, a State Revolving Fund) are available for financing the construction of eligible facilities, such as water and sewer and similar treatment facilities. The County accesses the State Revolving Fund programs for projects related to CSAs and WWDs.
    - The use of State Revolving Fund financing typically is in the form of an installment sale agreement between the State and a WWD or the County on behalf of a CSA. The State determines the eligibility of a project for this type of financing.
    - The State might require the CSA or WWD to be obligated for the debt, which would be passed on to the affected property owners through taxes, assessments, or fees. The State might also require compliance with financing covenants during the life of this funding mechanism.
      (See VI.A. Short-Term Financing above for related short-term financings used for CSAs and WWDs to facilitate access to state financing programs.)

- If the County receives the proceeds of any State financings that do not require County repayment for any portion of County capital improvements, the County still may be required by the State to coordinate the County's financing program, including the use and management of proceeds from any County financings, with the requirements of the State's financing program to the extent that the State so requires County cooperation in the State's governing documents for its financing of its portion of the capital improvement.
    - An example of such a State financing program is the State's SB 1022 financing of the West Annex Jail, which financing includes a County 10% match of funds.

B. Long-Term Financing (continued)

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

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

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

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

[Go to next page]

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

A. County's Planning for Incurring Debt.

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

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

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

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

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

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

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

VIII. Financings Mechanics; Structuring new debt

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

VIII. Financings Mechanics; structuring new debt (continued)

A. Method of Sale

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

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

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

B. Structure of Financing

~~Maturity Structures. The term of County debt should correspond to the useful life of the project or equipment financed (for LRBs, the useful life of the leased property shall apply if it is not the same as the project), and shall be consistent with state and federal reimbursement requirements.~~ ~~**Debt issued by the County should be structured to provide either for level principal or level debt service. Deferring the repayment of principal should be avoided except in unique circumstances where it will take a period of time before project revenues are sufficient to pay debt service. Ascending debt service generally should be avoided. Debt service payments that are, in effect, balloon payments for a substantial portion of the debt should be avoided unless the Board of Supervisors finds that (1) that there is no other reasonable alternative to such an arrangement, and (2) the expected benefits to the County of such an arrangement outweigh the burden upon the County of such an arrangement.**~~

~~During the issuance process, the County will review various bond maturity structures to determine the maturities that meet the objectives of the County.~~

~~The added interest costs associated with certain types of bonds and/or extending the bond maturity should be analyzed. Cash flow projections and budgetary constraints should not be the only underlying factors. Ultimately, the term and structure of the bonds must be within acceptable limits and within the County's debt servicing limitations.~~

~~*Credit Enhancements*. Credit enhancements can play a very important role in issuing debt. The primary credit enhancement currently used in the marketplace is bond insurance. Bond insurance guarantees the payment of principal and interest. In considering a credit enhancement, both the costs and benefits should be evaluated. Since most costs are paid at the time of the issuance and most benefits accumulate over the life of the bonds, the present value of the savings should be greater than the premium charged. As part of the decision to purchase bond insurance, the County will consider the marketability of the bonds and the impacts of bond insurance on the perceived credit and liquidity risks to the investors. An insured issue will receive a higher rating, which should result in lower financing costs. Other credit enhancements include surety bonds and letters of credit. The County will review the use of credit enhancements for each debt issuance.~~

- ~~*Reserve Fund and Coverage Policy*. A debt service reserve fund is created from proceeds of a bond issue to provide a ready reserve to meet current debt service should moneys not be available from current revenues pledged to the repayment of the debt. Coverage is the ratio of pledged revenues to related debt service for a given year. The Auditor-Controller/ Treasurer-Tax Collector shall determine the appropriate reserve fund and coverage requirements through consultation with the financing team.~~

~~*Capitalized Interest*. A capitalized interest fund is created from the proceeds of the bond issue to cover interest payments until the revenue sources pledged to repay the debt are available or, in the case of a leased-based financing, the issuer has beneficial use and occupancy of the project constructed with the proceeds of the borrowing. (See section II.g. for restrictions on the use of capitalized interest).~~

~~Interest Rate Limitation. The financing team will consider any interest rate limitations imposed by law. The financing team also will review the current interest rate environment in determining if a financing is suitable given current market conditions.~~

~~XIV. Rating Agency Considerations~~

~~A carefully planned debt policy that is adhered to provides evidence to the credit rating agencies of the County's commitment to controlled borrowing practices. When used as intended, the debt policy is a positive factor in evaluating the County's creditworthiness. Financial stability and strong fiscal management are important to credit quality.~~

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

1. Bonds

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

B. Structure of Financing (continued)

~~evaluating the County's creditworthiness, rating agencies will analyze the County in four broad areas: economic base; debt burden; administrative management; and fiscal management. The County will provide all necessary information, including its Comprehensive Annual Financial Report and Quarterly Treasury Compliance Report, for the credit rating agencies to evaluate the County's creditworthiness. The County will make every reasonable effort to maintain and/or improve its high quality credit ratings to minimize borrowing costs and to ensure its access to the credit markets.~~

~~XV. Investor Outreach~~

~~The County currently undertakes investor outreach on an annual basis through its short-term borrowing program (TRAN). The County will continue with its efforts to reach out to the investor market even when the County may not be in the market with a current financing issue. The County will continue to make available the Comprehensive Annual Financial Report, the Budget, and the Quarterly Investment Compliance Report to the investment community. Annual~~

~~updates during the short-term borrowing program will continue to provide the rating agencies and the investors with current information on the County's status.~~

~~XVI. Trustee Services~~

~~The County will evaluate the need for a trustee, administrator or paying agent on all financings. If the services of a trustee, administrator or paying agent are required, the County will require periodic statements from those service providers and monitor all transactions initiated by the service providers related to the financing, to include principal and interest payments, payment of all costs of issuance, and payments of operating costs during the term of the issue. The County also will review the investment of all funds held with the trustee and advise on reinvestment of funds not immediately required for construction, to retire debt, or for administration of the bonds.~~

~~XVII. Arbitrage Restrictions~~

~~Arbitrage is the difference between the yield on an issuer's tax-exempt bonds and the investment income earned on the proceeds. Arbitrage restrictions have been put in place by the federal government for two primary reasons: (1) to ensure that the proceeds of tax-exempt financings are not solely being used to make investments in higher-yielding taxable securities, and (2) to ensure that bond proceeds are spent in an expeditious manner. The County will consult with its advisors to assist in the application of arbitrage to its financings. Consultation with advisors will occur prior to the financing to ensure understanding of and compliance with all requirements for a particular financing. The Auditor-Controller/Treasurer-Tax Collector will maintain a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of the federal tax code.~~

~~XVIII. Continuing Disclosure~~

~~The County, through its County Administrative Officer, Auditor-Controller/Treasurer-Tax Collector and County Counsel, with the assistance of disclosure counsel, will ensure that applicable state and federal regulations and laws regarding continuing disclosure are observed for all financings. If the County is an obligated party for continuing disclosure purposes, annual reports shall be filed with the appropriate state information depositories (SIDs), if any, and/or nationally recognized municipal securities information repositories (NRMSIRs) in a timely manner as required by the financing documents. All "material events" notices will be filed timely by the County with such SIDs, if any, and NRMSIRs, and promptly communicated by the County Auditor-Controller/Treasurer-Tax Collector in a written memorandum to the DAC, the Board of Supervisors, and~~

~~the Fresno County Financing Authority (if the Authority issued the bonds). The County may engage the services of disclosure counsel to satisfy disclosure reporting requirements.~~

~~XIX. Annual Debt Service Calendars~~

~~The County Auditor-Controller/Treasurer-Tax Collector shall maintain and update Annual Debt Service Calendars for all existing debt financings. These Calendars shall be presented to the DAC each time a proposed financing is presented to the DAC. The Annual Debt Service Calendars will be used as a guide for monitoring debt service payments in future budget cycles as well as to guide the DAC in reviewing the County's capacity to absorb additional debt. The most current Annual Debt Service Calendar for bond debt outstanding as of the date of adoption of this policy appears as Attachment C. The most current Annual Debt Service Calendar for outstanding capital leases as of the date of adoption of this policy appears as Attachment D. The County Auditor-Controller/Treasurer-Tax Collector shall replace prior Annual Dept Service Calendars with the most current Annual Debt Service Calendars as attachments to this Debt Policy.~~

~~XX. Annual Review of Debt Policy~~

~~The DAC annually shall review this Debt Policy and make recommended changes, if any, to the Board of Supervisors. The Board of Supervisors annually~~

- *Debt service - Principal and Interest Payments*
  - The CAO will identify the County's budgetary plan for the manner by which the County will budget for debt service payments.
  - The County generally expects debt service to be level debt service.
    - Should any alternative types of payment schedules be proposed, the Requester shall, in its Financing Proposal, provide (a) a schedule showing level debt service and the proposed alternative payment schedule in comparable form to the level debt service schedule, (b) the specific reasons for recommending the use of the alternate payment schedule, and (c) the specific estimated cost and duration of total costs based on the alternate payment schedule.

- *Collateral for LRBs*
  - Consideration needs to be given to the type of collateral, and its sufficiency (e.g., establish by appraisal, and ALTA survey); and
  - Consideration needs to give given to whether the collateral may be substituted with other collateral while the LRBs are outstanding so long as the County meets certain pre-determined conditions.

- *Credit Enhancements*

- The County will consider the use of credit enhancements, such as bond insurance, in connection with a proposed bond issuance. The ACTTC, in consultation with the County's municipal advisor, will determine whether to propose to the Board that a credit enhancement be used in connection with the proposed debt.
- The possible use of credit enhancement shall be identified as early as possible in the preparation of a proposed bond issuance to ensure timely consideration of this option, and to ensure that the Team has sufficient time and resources to prepare and finalize bond documents in connection with a proposed bond sale.
- Any Financing Proposal for a potential credit enhancement shall include consideration of the following:
  - The form(s) of credit enhancement (currently, the common form is through bond insurance); and
  - The costs vs. benefits of such credit enhancement, including an analysis of the present value of the savings of such credit enhancement in relation to the premium charged and a written summary explaining the result of the analysis.

B. Structure of Financing (continued)

- *Reserve Fund and Coverage Policy.*
  - Consideration shall be given to whether a reserve fund or reserve fund surety policy is needed. If the proposed debt will require a reserve fund, the specific information relating to this item should be provided and an explanation of why it is required.

- *Capitalized Interest*
  - If the proposed debt will need capitalized interest, the specific information relating to this item shall be provided and an explanation why it is needed.

- *Interest Rate Limitations*
  - Consideration shall be given to whether there are any limitations imposed by law or any other governing entity.

- *Trustee Services*
  - Each proposed debt issuance would require an evaluation to determine whether a trustee, administrator, or paying agent is appropriate.

- *Investment of bond proceeds pending use.*
  - The Requester shall identify, in its Financing Proposal, the proposed type of investment for bond proceeds as early as possible in transaction preparation to ensure that available investments can be considered before the bond proceeds are invested.

2. Leases and LPAs.

- *Leases and LPAs* are entered into directly with finance companies, including financing companies affiliated with the vendor of the product being leased or acquired.

- *For Leases and LPAs*, The County pays fair rental value payments during the term of the Lease or LPA. These financings shall include a provision to the effect that the lessor's default remedies shall be without acceleration of any future rental payments or any other amounts payable by County under the Lease or LPA, before they are due and payable thereunder.

[Go to next page]

B. Structure of Financing (continued)

- Real Estate - Leases or LPAs that are "beneficial use" leases, also called "abatement leases," typically are used for real estate leasing or acquisition. These Leases or LPAs shall provide for the abatement of rental payments (typically a suspension) for any period due to any condition that would prevent the County from the use of the real property (or pro-rata portion of abatement due to a portion of the property not usable).

- Equipment - Leases or LPAs that are "appropriations leases" typically are used for equipment acquisitions. These Leases or LPAs shall enable the County to give notice to the lessor of early termination of the Lease or LPA in any fiscal year without cost or penalty if the Board in the exercise of its discretion does not allocate funds for lease payments in any future years.
  - The non-appropriations provision needs to allow the County to give timely advance notice of the Board's non-appropriation of funds in relation to the County's fiscal year and budgeting process.
  - If the lessor requires a "non-substitution provision" (i.e., in the event of the County's notice of non-appropriation of funds, and return of the financed equipment, limiting the County's ability to substitute other equipment), such limitations must be reasonable (e.g., limited to new equipment for a specific period of time), and in any event shall not limit the County's ability to perform its governmental function with other equipment.
  - LPAs for equipment financing, which have an early-purchase option, must exclude from the early purchase price the total value of interest otherwise payable over the life of the LPA. In negotiating the amount of any early-purchase options for equipment financing, the requesting department or office needs to consider whether such amount is reasonable.

- *End-term buy-out* price of the facility or equipment should be at a nominal price, typically a $1 buy-out.

IX. Rating Agencies

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

IX. Rating Agencies (continued)

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

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

X. Post-Issuance Legal Compliance Procedures

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

- ***Federal Income Tax Compliance***
  - The County has the written Post-Issuance Compliance Policies and Procedures for Tax-Exempt Bonds and Notes (the Post-Issuance TEB Policies), adopted by the ACTTC, which is on file with the ACTTC.

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

[Go to next page]

X. Post-Issuance Legal Compliance Procedures (continued)

- ***Reports to California Debt and Investment Advisory Commission (CDIAC)***
  - The County has not issued or become obligated for any issuance of any new debt since January 21, 2017. However, if and when the County issues such new debt, or becomes obligated for the issuance of any such new debt, the County will provide its annual report of such new debt issuances to CDIAC no later than seven (7) months after the end of the County fiscal year reporting period pursuant to California Government Code § 8855, subdivision (k) (SB 1029).

- ***Administration***
  - The County has designated a Bond Compliance Officer for the purposes of the Post-Issuance TEB Policies.
  - The County has internal controls relating to the following:
    - The County applies at least the same system of internal control activities to the recordkeeping, use, and investment of bond proceeds as it does to all other governmental funds;
    - The ACTTC establishes appropriate accounts and funds for allocating the use and investment of bond proceeds;
    - The County follows generally accepted accounting principles (GAAP) to account for allocations of permitted expenditures in accordance with Governmental Accounting Standards Board (GASB) principles;
    - The ACTTC is monitoring the bond trustee for the bonds, including receiving statements/records of the trustee with respect to bond proceeds; and
    - The County's use of bond proceeds is reviewed and approved by the ACTTC before they may be used.

- ***Use of Bond Proceeds***
  - The County has a commitment to tracking and tracing the use of bond proceeds and the weighted average useful life of capital improvements financed with LRBs, and the County has established records for each LRB issuance;
  - The County uses bond proceeds only for qualified expenditures under the applicable bond documents;
  - The County invests proceeds of a financing only in types of investments permitted under the applicable bond documents before these bond proceeds are used; and
  - The County undertakes arbitrage and yield restriction reporting and compliance as required by law for tax-exempt outstanding County debt, and the County engages its bond counsel to provide rebate reports, prepare IRS 8038T forms, and provide legal advice regarding such matters as requested.

XI. Transparent Recordkeeping of County's Outstanding Debt

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

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

XII. Periodic Review of Policy; Policy Revisions

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

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

> All DAC-recommended Policy revisions~~annual review~~ will be presented by the ACTTC~~Auditor-Controller/Treasurer-Tax Collector~~ as a regular agenda item for discussion and action by the Board. Upon ~~of Supervisors.~~
>
> ~~When new financing plans/structures are introduced, they must be reviewed by the DAC and a recommendation to amend the Debt Policy must be presented to the Board of Supervisors for~~ approval ~~prior to the issuance of the new debt structure.~~

~~XXI. New Financing Techniques/Methods~~

> ~~Counties operate in a dynamic environment characterized by changing federal regulations, new financing techniques and changing rating agency concerns. This policy is not intended to exclude new financing techniques that are consistent with the Guiding Principles, section II. Proposals with respect to financing methods not included in this Debt Policy should be addressed~~ by the Board, the Policy will be

revised prospectively as of the date of such Board approval unless the Board either expressly ratifies any such Policy revisions retroactively or makes such Policy revisions effective prospectively as of a future date. The ACTTC is authorized to modify the Policy~~DAC and, if the DAC approves of such financing methods, the DAC should recommend their use to the Board of Supervisors. This Debt Policy should be amended~~ to reflect ~~new financing techniques approved by~~ the Board's ratification~~DAC and the Board~~ of any retroactive~~Supervisors.~~

~~XXII. Conclusion~~

~~This Debt~~ Policy revisions, or making~~is intended to be a guide for the County in issuing debt. The County is aware that as new financial techniques become available, the review and possible update~~ of such Policy~~this policy may be required. Changing circumstances require flexibility and~~ revision effective prospectively as of a future date. ~~to this Debt Policy.~~

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

[Go to next page]

XIII. Glossary and Contact Information

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

A copy of this policy may~~Debt Policy will~~ be obtained by written request to~~on file with~~ the Auditor-Controller/Treasurer-Tax Collector~~, Administration Division, located~~ at 2281 Tulare St~~Street~~, Room 105, Fresno, CA -93721 or online at http://www.co.fresno.ca.us/departments/auditor-controller-treasurer-tax-collector/publications.

Adopted: April 26, 2005
Revised: June 5, 2018

~~. A copy of this Debt Policy may be obtained by written request or by contacting the Auditor-Controller/Treasurer-Tax Collector at (559) 600-3496.~~

~~Attachment A~~

~~Debt Advisory Committee Guidelines~~

Attachment A – Outstanding Bond Debt Amortization Schedule ~~B~~

~~Policy for Use of Public Financing for Private Development~~

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

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

-

[1] This schedule reflects auction rate bonds converted to fixed finance rate bonds on September 12, 2006.

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

[3] The 2012 LRBs refinanced the 2004 Series JJC and 2004 Series B energy savings projects.

~~Projects~~

Attachment B – Outstanding Capital Leases~~C~~

Capital Leases

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

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

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

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

	Governmental Activities
Equipment	$ 25,003
Accumulated depreciation	(22,069)
Net	$ 2,934

Source: County of Fresno Comprehensive Annual Financial Report Fiscal Year 2016-17, page 51.~~Debt Service Calendar~~

~~Outstanding Bond Debt~~

Attachment C – ~~D~~

~~County of Fresno~~
~~Annual Debt Service Calendar~~
~~Outstanding Capital Leases~~

~~Attachment E~~

Glossary of Terms

Arbitrage. The difference between interest cost and interest earnings.

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

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

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

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

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

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

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

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

~~**Conduit financing.** The issuance of securities by a government agency to finance a project of a third party, such as a non-profit or other private entity.~~

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

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

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

Glossary of Terms (continued)

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

Debt. A debt is a contractual liability involving the payment of money. (See Debt Limit, below.)
~~**Credit rating agency.** An agency which analyzes new and outstanding bond issues to assign a rating of comparative quality.~~

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

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

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

~~**Derivative product.** A financial instrument whose own value is based upon the value of other assets or on interest rate levels.~~

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

~~**Direct debt.** A comprehensive measure of the County's long-term obligations directly supported and backed by general revenues and taxes. Direct debt includes general obligation bonds, pension obligation bonds, unfunded pension benefit obligations, tax-supported lease obligations, capital leases paid from governmental funds and internal service funds, special assessment debt with a contingent County obligation, and other tax-supported bonded obligations. Excludes tax and revenue anticipation notes. (Moody's definition)~~

~~**Discretionary revenue.** Revenue received by the County during a fiscal year where the Board of Supervisors has sole discretion on the budgeting and expending of those revenues. Discretionary revenues include, but are not limited to, property tax, sales tax~~

~~receipts, motor vehicle in-lieu tax, interest earnings, franchise fees, and certain fines and penalties.~~

~~**Financial advisor.** A consultant to an issuer who provides the issuer with advice with respect to the structure, timing, terms, or other similar matters concerning a new issue.~~

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

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

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

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

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

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

Glossary of Terms (continued)

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

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

Rating agency. An agency that analyzes new and outstanding~~**Special tax counsel.** A municipal~~ bond issues to assign a rating of comparative quality.

SEC. The Securities and Exchange Commission.

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

~~**Total bonded debt.** Total general obligation debt issued by a municipality, regardless of the purpose.~~

~~**Total direct debt.** The sum of the total bonded debt and any unfunded debt (typically short-term notes) of a municipality.~~

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

~~Attachment F~~

~~References~~

- ~~*Competitive v. Negotiated Sale of Debt,* Issue Brief No.1, California Debt Advisory Commission, September 1992.~~
- ~~*Bond Insurance as a Form of Credit Enhancement in California's Municipal bond Market,* California Debt and Investment Advisory Commission, 2002~~
- ~~*California Debt Issuance Primer,* California Debt and Investment Advisory Commission, 1998~~
- ~~*A Guide for Preparing a Debt Policy,* Patricia Tigue, Government finance Officers Association, 1998~~
- ~~*An Elected Official's Guide to Debt Issuance*, J.B. Kurish and Patricia Tigue, Government Finance Officers Association, 1993~~
- ~~*Recommended Practices for State and Local Governments,* Government Finance Officers Association, 2001~~
- ~~*Best Practices in Debt Management,* Jennifer Ritter Douglas, Government Finance Review, April 2000~~
- ~~*Guide to Public Debt Financing,* Virginia Horler, 1987~~
- ~~*Benchmarking and Measuring Debt Capacity,* Rowan A. Miranda and Ronald D. Picur, Government Finance Officers Association, 2000~~
- ~~*Elements of a Comprehensive Local Government Debt Policy,* Rowan Miranda, Ronald Picur, and Doug Straley, Government Finance Review, October 1997~~
- ~~*Moody's Industry Outlook,* Kevork Khrimian, Moody's Investors Service, December 2002~~
- ~~*Medians For California counties: Fiscal 2003,* Kevork Khrimian, Moody's Investors Service, November 2004~~