

SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



ITEM
3.10
(ID # 3979)

MEETING DATE:

Tuesday, April 11, 2017

FROM : EXECUTIVE OFFICE:

SUBJECT: EXECUTIVE OFFICE: Board Policy Manual Update – Revisions to B-24, All Districts. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approves an amendment to Board Policy B-24 Debt Management Policy

ACTION: Policy

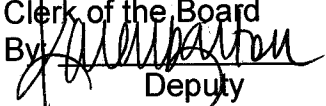
Ivan Chand

4/4/2017

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Jeffries, seconded by Supervisor Ashley and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Tavaglione, Washington and Ashley
Nays: None
Absent: None
Date: April 11, 2017
xc: EO

Kecia Harper-Ihem
Clerk of the Board
By: 
Deputy

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FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$0	\$0	\$0	\$0
NET COUNTY COST	\$0	\$0	\$0	\$0
SOURCE OF FUNDS: N/A			Budget Adjustment:	No
			For Fiscal Year:	16/17

C.E.O. RECOMMENDATION: APPROVE

BACKGROUND:

Summary

The Board Policy Manual is a guide for departments on matters that are not otherwise addressed in state codes, county ordinances, and resolutions by the Board of Supervisors. Amendments are submitted as necessary. Policy B-24 is being updated to comply with SB1029 requiring debt management procedures be approved by the Board.

Broadly defined, the county's debt incorporates traditional loan obligations as well as other types of debt including unfunded pension legalities and employee leave balances. All three are reflected on the balance sheet. The county's Debt Management Policy B-24 attempts to address the county's activities with respect to traditional external debt.

In 2016, SB1029 was approved to enhance transparency of debt management practices. The bill updated requirements to Government Code section 8855(i). The County was already in compliance with the previous Government Code 8855(i), but needs to modify the Debt Management Policy to comply with the new requirements.

The new legislation requires the following:

- (1) Identifying the purposes for which the debt proceeds may be used.
- (2) Identifying the types of debt that may be issued.
- (3) Describing the relationship of the debt to, and integration with, the County's capital improvement program.
- (4) Establishing policy goals related to the County's planning goals and objectives.
- (5) Implementing internal control procedures to ensure that the proceeds of the proposed debt issuance will be directed to the intended use upon completion of the issuance.

The policy has been updated to reflect these requirements by adding operation manuals, which states the procedures for debt management in the County. Attachments A & C, the Bond Financing and Land Secured Operation Manuals, have been in effect in the Executive Office,

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but not approved by the Board. Attachment B, the Housing Authority Conduit Financing Manual will be created and attached at a later board date.

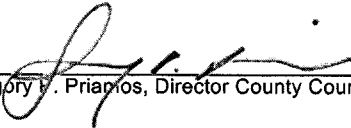
A complete policy is attached showing the changes.

The Debt Advisory Committee has approved the changes.

Previous agenda item: 3-5 11/17/2015

Impact on Citizens and Businesses

This policy update is ensuring that the County is adhering to the most current standards, which in turn will produce optimal savings for Riverside County residents.



Gregory V. Priamos, Director County Counsel 4/4/2017

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Policy:

The County of Riverside ("County") has created this debt management policy ("Policy") to ensure the financial stability of the County, reduce the County's cost of borrowing, and protect the County's credit quality through proper debt management. This Policy applies to all direct County Debt, Conduit Financing, and Land Secured Financing.

I. Definitions

- A. The term "Alternative Product" shall mean any legally available financing derivative first approved by the Board of Supervisors including, interest rate swaps, and private placements.
- B. The term "Bond(s)" shall mean all legally available financing methods to the County, including General Obligation Bonds, long-term lease obligations entered into by the County (i.e. Certificates of Participation, Revenue Bonds, County's lease line of credit etc.), and short-term notes sold in the capital markets (i.e., TRANs, Teeter, etc).
- C. The term "Conduit Financing" shall mean debt issued by the County to finance a project to be used by a third party, usually a corporation engaged in private enterprise. The security of such debt is the credit of the private user.
- D. The term "Debt" shall mean (i) General Obligation Bonds issued by the County, (ii) long-term lease obligations entered into by the County, excluding equipment leases with terms less than 5 years (iii) short-term notes sold in the capital markets, and/or (iv) individual capital leases above \$5,000,000.
- E. The term "Debt Service" shall mean (i) the repayment of General Obligation Bonds, (ii) lease payments on long-term lease obligations and/or (iii) short-term notes sold in the capital markets.
- F. The term "Discretionary Revenue" shall mean 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.

II. County Debt Policy

- A. Long-term debt shall not be used to finance ongoing operational costs.
- B. When possible, the County shall pursue alternative sources of funding, such as pay-as-you-go or grant funding, in order to minimize the level of direct debt.

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- E. Whenever possible, the County shall use special assessment, revenue, or other self-supporting debt instead of General Fund obligated debt.
- F. Long-term, general fund obligated debt will be incurred, when necessary, to acquire land or fixed assets, based upon the priority of the project, and the ability of the County to pay. This debt shall be limited to those capital improvements that cannot be financed from current revenues. The project should be integrated with the County's long-term financial plan and Capital Improvement Program.
- G. Any debt issued shall not have a maturity date beyond the useful life of the asset being acquired or constructed by the debt proceeds.
- H. The County shall establish an affordable debt level in order to preserve credit quality and ensure sufficient revenue is available to pay annual debt service. As such, aggregate debt service, excluding self-supporting debt, should not exceed seven percent (7%) of General Fund discretionary revenue. The debt level will be recalculated at the time of a new bond issue. The Board of Supervisors will be notified if any bonds to be issued cause the debt level to exceed the seven percent (7%) threshold. The debt level will be calculated by comparing seven percent (7%) of discretionary revenue to the aggregate debt service, excluding self-supporting debt (including Teeter and TRANS financings).
- I. The County will use its best efforts to maintain a variable rate debt ratio in an amount not to exceed 20% of the total outstanding debt, excluding variable rate debt that is hedged with cash, cash equivalent or a fixed-rate swap.
- J. The County shall review outstanding debt and initiate fixed-rate refundings, or alternative financing products, when there is either an economic benefit or non-economic benefit to the County's financial or operating position. Net present value savings (calculated according to industry standards) from a fixed-rate refunding should be at least three percent (3%) of the refunded Bonds. Net present value savings from use of an alternative financing product should be at least ten percent (10%) of the refunded bonds. Refunding Debt shall not extend the maturity beyond the original debt being refunded without compelling justification.
- K. The County Executive Office, with review and concurrence of the Debt Advisory Committee, shall prepare and maintain a ~~General County Bond~~ Bond Financing Operation Manual, providing for the implementation of Section II of this Policy B-24. See "ATTACHMENT A."

III. Housing Authority Conduit Financing

- A. The County encourages the development of residential housing that is intended to provide quality, affordable single family housing for the first time ~~home buyer~~ homebuyer within both the incorporated and unincorporated areas of the County.

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- B. The County encourages the development of residential housing which will comply with both federal and state requirements for low and moderate- income multi-family housing within the incorporated and unincorporated areas of the County.

- C. The County encourages commercial, retail, industrial and other development projects which will increase the employment base within the County in order to create a synergistic jobs/housing balance throughout the County and enhance the overall tax base of the County.

- D. The Economic Development Agency, with review and concurrence of the Debt Advisory Committee, shall prepare and maintain a Conduit Financing Operation Manual, providing for the implementation of Section III of this Policy B-24. See "ATTACHMENT B."

IV. Land Secured Financing

- A. The County encourages the development of commercial or industrial property that results in reciprocal value to the County (i.e., increased jobs, property or sales tax revenues, major public improvements). The County will consider the use of community facilities districts (CFDs) or special benefits assessment districts (ADs), as well as other financing methods to assist these types of development. When, in the County's opinion, the public facilities of a residential development represent a significant public benefit, public financing may be considered. Significant public benefit may be defined as a public facility having regional impact and/or benefit to that beyond the proposed development.

- B. Projects will comply with the requirements of the Improvement Act of 1911, the Municipal Improvement Act of 1913, the Improvement Bond Act of 1915, or the Community Facilities Act of 1982, and provisions of Board Policy B-12.

- C. The County will maintain a separate Land Secured Financing policy. In the event of a conflict between this Policy B-24 and the Land Secured Financing policy, this Policy B-24 shall supersede and govern the Land Secured Financing policy. See "ATTACHMENT C."

V. Debt Advisory Committee

- A. The Debt Advisory Committee (DAC) will review proposed county-related financings at least once prior to final approval by the Board of Supervisors. The DAC will act on items brought before it with either a "Review and File" or "Review and Recommend" action.
 - 1. Those items requiring Review and File action:
 - a. Conduit financings that meet established guidelines.
 - b. Land secured financings that meet established guidelines.
 - c. Letter of Credit substitutions with at least equal quality credit.
 - d. Lease lines of credit for equipment financing totaling \$5 million or more.

 - 2. Those items requiring Review and Recommendation action:

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- a. Refinancing of existing debt.
 - b. Alternative financing products or structures.
 - c. New General Fund financings.
 - d. Restructuring of existing debt.
 - e. Any financing with policy issues.
 - f. Any financing requiring a waiver of this policy or a deviation from any Operation Manual established by this Policy B-24.
 - g. Any issue the DAC considers important to bring to the attention of the Board of Supervisors.
- B. The County Executive Office will be responsible for preparing and distributing the agenda.
- C. The DAC shall have seven (7) members and be chaired by the County Executive Office.
- D. The members of the DAC ("member") shall be comprised of the following:
1. County Treasurer
 2. County Auditor-Controller
 3. County Executive Office (chair)
 4. County Counsel
 5. Economic Development Agency Executive Director
 6. Community Facilities District/Assessment District Administrator
 7. General Manager Chief Engineer, Flood Control and Water Conservation District.
- E. Members of the DAC may designate staff to represent them. Members shall notify the committee chair, in writing, of the name and title of staff that are authorized to represent them. Upon written notification, the designee will be authorized to represent and vote on behalf of the member.
- F. DAC meetings shall be convened monthly or on the call of the chairperson.
- G. Each proposed financing brought before the DAC will provide the committee with (1) a detailed description of the type and structure of the financing, (2) full disclosure of the specific use of the proceeds, (3) a description of the public benefit to be provided by the proposal, (4) the principal parties involved in the financing, (5) anticipated sources of repayment, (6) an estimated Sources and Uses Statement, (7) any credit enhancements proposed, (8) the anticipated debt rating, if any, and (9) an estimated debt service schedule.
- H. Whenever any vote by the members is not unanimous, a report outlining the dissenting opinion will be prepared by the chairperson, in consultation with the dissenter(s), and will accompany the Form 11 to the Board of Supervisors.
- I. The DAC may retain a qualified financial advisor at their discretion, provided no County funds are used without the Board of Supervisors' prior approval.

VI. Continuing Disclosure

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- A. Each county department, agency, district or authority issuing or managing debt will ensure that applicable state and federal regulations and laws regarding disclosure are observed in all financings.
- B. Each responsible county department, agency, district, or authority will ensure that annual reports and material event notices are filed with the appropriate state and/or federal agencies in a timely manner.
- C. Each responsible county department, agency, district, or authority will provide an annual certificate to the DAC of its compliance or non-compliance with state and/or federal disclosure laws.
- D. Each responsible county department, agency, district, or authority will notify the DAC as soon as possible of any material event (but not limited to) listed in Rule 15c2-12 under the Securities Exchange Act of 1934.

VII. Alternative Financing Products

- A. Alternative financing products shall be used only for appropriate financial objectives, such as (1) to achieve greater debt savings by taking advantage of market conditions, (2) to better management of county assets and liabilities, (3) to reduce interest rate risk, and (4) to increase cash flow savings.
- B. The County shall not use an alternative financing product for speculative purposes.
- C. Board of Supervisors approval shall be required prior to the initiation of any alternative financing product transactions. Such approval may provide for the delegation of authority to actively manage the transaction.
- D. Interest Rate Swaps
 1. Each swap agreement shall include payment, term, security, collateral, default remedy, termination and other terms, conditions and provisions as the County Finance Director, in consultation with County Counsel and the County Treasurer, shall deem necessary or desirable.
 2. Counterparty Requirements: to minimize counterparty risk (1) the County may enter into swap agreements only with counterparties rated AA by at least one rating agency, and (2) each counterparty shall have a minimum capitalization of \$150 million. Diversification of counterparties is the expressed goal of the County. Selection of counterparties to transactions will take this into account.
 3. Collateral Requirements: (1) the County will not provide collateral to secure its obligations under swap agreements, (2) if the credit rating of the counterparty falls below AA by any rating agency, collateral shall be posted by the counterparty on a timely basis.

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Collateral, equaling at least 102 % of the SWAP amount shall consist of cash or U.S. Government securities deposited with a third party trustee.

4. Termination Requirements: All swap agreements shall contain a provision granting the County the right to optionally terminate the agreement at any time over the term of the agreement. A termination payment to or from the County may be required at the time of termination. It is the intent of the County not to make a termination payment to a counterparty that does not meet its contractual obligations under the swap agreement. To the extent possible, the form of the interest rate swap agreement should incorporate the prevailing industry standards (the PSA Master Swap Agreement).

5. Any up-front payments or termination payments shall be used for one-time capital costs only, unless so directed by the Board of Supervisors.

Attachments:

ATTACHMENT A
ATTACHMENT B
ATTACHMENT C

Reference:

Minute Order 3.6 of 10/21/03
Minute Order 3.3 of 04/10/07
Minute Order 3-5 of 11/17/15
Minute Order X-X of 04/11/2017

ATTACHMENT A

RIVERSIDE COUNTY BOND FINANCING OPERATIONS MANUAL

Statement of Purpose; Summary

The County may, from time to time, finance its capital improvements and operations through the issuance of debt obligations that are eligible for tax benefits under federal and California law. Such obligations may include tax exempt bonds and/or bonds eligible for tax credits (direct subsidies to the County or tax credits to bond owners). All such obligations are referred to herein as "County Bonds," whether in the form of general obligation bonds, special tax bonds, revenue bonds, bond anticipation notes, tax anticipation notes, lease-purchase obligations, installment-purchase obligations, tax increment bonds or otherwise.

The purpose of this operations manual is to ensure that the requirements of the federal California law necessary to preserve the tax advantages of County Bonds are continuously complied with for the requisite periods.

This document contains two primary components:

The County Bond Compliance Policies (the "Policies"), which are general statements of the goals of the County with respect to compliance with the federal and California law applicable to County Bonds; and

The County Bond Compliance Procedures (the "Procedures"), which are specific operational procedures by which the County intends to ensure, on a continuing basis, that its issuance, payment of debt service on, and expenditure and investment of the proceeds of County Bonds are and remain in compliance with the federal and California law applicable to County Bonds.

The Policies and Procedures may be modified, expanded, abridged, or otherwise amended by the County Executive Officer of the County upon consultation with the County Counsel and the County's bond counsel ("Bond Counsel"). With final adoption by the Riverside County Board of Supervisors. The County Finance Director or designee, will be responsible for ensuring that County Bonds comply with federal and California law applicable to County Bonds. Modification may be made in order to: (a) ensure efficiency of administration; (b) establish and maintain appropriate assignments of staff responsibility; (c) reflect changes in the County's system of accounting, financial controls, procurement practices, or other internal procedures and practices; (d) respond to changes in law or interpretation that may, from time to time, be reported to the County by Bond Counsel; or (e) otherwise ensure compliance with the Policies in the most efficient and effective manner.

The Riverside County Bond Financing Operation Manual was last revised on April 11, 2017.

Jay Orr
County Executive Officer
Riverside County, California

PART 1: COUNTY BOND COMPLIANCE POLICIES

A. Investment and Expenditure of Bond Proceeds.

The County's system of internal controls and accounting will be capable of tracking the investment and expenditure of proceeds of County Bonds and other amounts subject to special requirements, and the allocation of such proceeds and other amounts to County facilities. Appropriate coding will be developed to identify County facilities (or portions thereof) financed or refinanced by County Bonds. Such procedures will ensure that such proceeds are expended only for the purposes authorized by the proceedings, pursuant to which such bonds were issued and in compliance with the Tax Compliance Certificate relating to the County Bonds or other instructions of Bond Counsel.

B. Bond-Financed Facilities.

The County will track the use of facilities (or portions thereof) financed or refinanced by County Bonds in the private trades or businesses of non-governmental persons. Arrangements for the sale, disposition, lease, management or other use of substantial portions (more than 1%) of facilities financed or refinanced by County Bonds with a term of (i) less than 100 days will be subject to prior review and approval by the County Finance Director or designee, and (ii) equal to or greater than 100 days will be subject to prior review and approval by the Deputy County Executive Officer or designee and Bond Counsel. The County Executive Office will track the aggregate annual private use (if any) of facilities provided by County Bonds.

C. Periodic Review.

The County will periodically review compliance with the requirements of the federal and California law necessary to preserve the tax advantages of such County Bonds. Such reviews should include final allocations of proceeds not later than 18 months after completion of bond-financed facilities and annual reviews to ensure private business use of bond financed facilities does not exceed allowable levels. Such annual review should be conducted in connection with the preparation of the County's audited financial statements.

D. Potential Non-Compliance.

Should the County Finance Director or designee, upon any annual review or otherwise, discover non-compliance with any requirements of federal or California law necessary to preserve the tax advantages of such County Bonds, such Procedures will include steps to be taken, in concert with Bond Counsel, to remedy any such non-compliance.

E. Retention of Professionals; Rebate Analyst.

The County will engage such professionals or consultants as are necessary, in the judgment of the County Finance Director or designee, to ensure that the requirements of federal and California law necessary to preserve the tax advantages of such County Bonds are timely met, including, without limitation, the requirement to compute and pay rebatable arbitrage to the United States government or to confirm an exception thereto. The County Executive Office will ensure that all information reports or other returns or filings with the United States Department of Treasury or Internal Revenue Service are filed timely on behalf of the County.

F. Purchase of Investments.

All investments of the proceeds of County Bonds will be purchased at Fair Market Value, as defined in the federal tax laws, and will comply with the requirements of federal tax law relating to yield restriction as advised by Bond Counsel.

G. Credit Enhancement Transactions.

The County Finance Director or designee, will consult with Bond Counsel prior to

engaging in any post-issuance credit enhancement transactions (i.e., bond insurance or letters of credit) or hedging transactions (i.e., interest rate swaps) relating to any Bonds.

H. Subsidy Payments.

The County Executive Office will implement proper procedures to ensure that any federal subsidy payable in respect of any direct-pay tax credit bonds is timely transmitted to the appropriate account of the County including the timely filing of any required return or other documentation.

I. Post-Issuance Modifications.

The County Finance Director or designee will consult with Bond Counsel prior to any modification of the interest rate, maturity date, or other material terms of any outstanding County Bonds.

J. Records Retention.

The County will retain sufficient records to demonstrate compliance with the requirements of federal and California law necessary to preserve the tax advantages of such County Bonds for the period required by law, presently understood to be the life of the debt obligations or any succeeding refunding obligations plus 3 years. Board Policy A-43 states record will be retained until maturity plus 7 years.

K. Continuing Disclosure.

In connection with the County's various debt offerings, the County will implement proper procedures to ensure that the County efficiently carries out its continuing disclosure obligations with respect to the various debt obligations issued or guaranteed by the County, pursuant to Rule 15c2-12, as amended, promulgated under the Securities and Exchange Act of 1934, as amended.

PART II: COUNTY BOND COMPLIANCE PROCEDURES

These Procedures are organized with reference to the applicable lettered paragraphs in the Policies.

Certain of these Procedures assign responsibilities to named officials of the County. The named officials may delegate certain assigned responsibilities but will remain responsible for compliance with these Procedures. The official with ultimate responsibility for compliance with the Policies and Procedures will be the County Executive Officer.

A summary of the initial responsibility assignments appears as Exhibit A to these Procedures.

Policy A: Investment and Expenditure of Bond Proceeds.

Implementing Procedures:

1. The County Executive Office will charge capital expenditures that are financed by the debt to the corresponding capital projects fund. Each project will have a specific fund number used to track that project, and discrete expenditures will be further categorized by project location (by street address or name of facility) and functional description of financed improvement.
2. The County Executive Office staff will authorize payments of invoices after review and assign a specific account code to track the transaction in the general ledger.
3. The County Executive Office will retain records of all vouchers, invoices and other documents in accordance with the approved record retention policy of the County.
4. Until final allocation of bond proceeds, on a monthly basis, at a minimum, the County Executive Office will analyze each project for expenditures and will summarize such expenditures on a spreadsheet showing the year-to-date expenditures for that project and will identify facilities or equipment financed or refinanced by County Bonds ("Bond Financed Facilities"). A copy of the County's transaction activity report and/or summary report by account code generated from the general ledger will be used to back up this spreadsheet and filed with that spreadsheet.
5. The County Executive Office will ensure that the investment of all proceeds of County Bonds is tracked by fund or account (e.g., debt service fund, debt service reserve fund, project or construction fund, etc.) and investment yield.

Policy B: Bond Financed Facilities

Implementing Procedures:

1. The Facilities Management Director will meet at least annually and coordinate with the County Finance Director or designee, to review and evaluate existing or pending sales, leases, management contracts, research contracts, or other special legal entitlements that relate to the County's real or personal property (collectively, "Arrangements").
2. The County Finance Director or designee, will be responsible for determining whether any Use Arrangement relates to Bond Financed Facilities. If so, the County Finance Director or designee will consult with County Counsel and solicit advice concerning the Use Arrangement. If the term of the Use Arrangement relating to any Bond Financed Facilities (with any extensions at the sole option of the counterparty) exceeds 100 days (Treasury Regulation 1.141-3(d)(3) provides for exemptions for private use for up to 100 days), the County Finance Director or designee and County Counsel will

also consult Bond Counsel for advice prior to execution of the Use Arrangement.

3. The Facilities Management Director will notify the County Finance Director or designee upon receipt of any Use Arrangements submitted for approval for any Bond Financed Facilities.

Policy C: Periodic Review.

Implementing Procedures:

1. The County Treasurer annually will cause an evaluation of tax compliance to be undertaken for each outstanding issue of County Bonds (the "Annual Evaluation") and will provide to the County Finance Director or designee a report (the "Annual Report") of the findings of the Annual Evaluation.
2. Not later than 18 months after completion of any Bond Financed Facilities, the County Executive Office will cause to be made and retain a final allocation of the expenditure of proceeds of County Bonds and other amounts used to finance such improvements.

Policy D: Potential Noncompliance.

Implementing Procedures:

1. If the Initial Evaluation or any Annual Evaluation discloses potential non-compliance with the tax requirements applicable to any issue of outstanding County Bonds, the County Finance Director or designee will promptly consult with County Counsel and Bond Counsel. Such consultation will consider whether the evaluations were properly performed and whether any amendments to Use Arrangements, adjustments to allocation methodologies, mixed financing sources or other accounting techniques may avoid non-compliance.
2. If the County determines after consultation with counsel that non-compliance has occurred, the County Finance Director or designee will promptly consult Bond Counsel concerning the ability of the County to remedy the non-compliance under applicable IRS regulations or to seek a voluntary closing agreement.

Policy E: Retention of Professionals; Rebate Analyst.

Implementing Procedures:

1. If the County determines that any of its outstanding County Bonds is not exempt from rebate, the County will engage a rebate firm as its rebate computation agent (the "Rebate Analyst"). The County Finance Director or designee will ensure that rebate computation of investment and expenditure of the proceeds of County Bonds are timely delivered to the Rebate Analyst and that the Rebate Analyst prepares the computation reports
2. The County Finance Director or designee will ensure that the Rebate Analyst timely prepares returns relating to payment of arbitrage rebate (currently on IRS Form 8038-T) and that such forms are timely filed with and any rebatable arbitrage are timely paid to the United States as required under Section 148(f)(4) of the Code.

Policy F: Purchase of Investments.

Implementing Procedures:

1. All investments of the proceeds of County Bonds will be made by the County at the direction of the County Treasurer, who will ensure that such proceeds are invested in compliance with federal tax requirements and that all such investments are made at Fair Market Value. The County Finance Director or designee will consult with Bond Counsel prior to investing any proceeds of County Bonds in guaranteed investment contracts or certificates of deposit not publicly traded on any investment exchange.

Policy G: Credit Enhancement Transactions.

Implementing Procedures:

1. Prior to bidding for, purchasing, entering into, or otherwise engaging in any post-issuance credit enhancement transactions relating to the proceeds of or debt service on County Bonds (including, without limitation, bond insurance policies, letters of credit, guaranteed investment contracts, interest rate swaps, and market hedges), the Deputy County Executive Officer of finance will consult with Bond Counsel.

Policy H: Subsidy Payments.

Implementing Procedures:

1. See the implementing procedures of Policy A, above.

Policy I: Post-Issuance Modifications.

Implementing Procedures:

1. Prior to entering into any modification of the terms of any outstanding County Bonds (including, without limitation, changes in maturity date, interest rate, call provisions, financial or earnings covenants, or use of the Deputy County Executive Officer of Finance will consult with Bond Counsel.

Policy J: Records Retention.

Implementing Procedures:

1. Retention Period: Records material to County Bonds will be retained by the County for a period equal to the maturity of such County Bonds plus 7 years per Board Policy A-43. In the event any County Bonds are refunded, records of the original County Bonds will be retained until the maturity of the refunding County Bonds, plus 7 years.
2. Records to be Retained:
 - A. Records regarding the issuance and sale of the County Bonds (bond transcript and closing documents), the investment and expenditure of the original proceeds of the County Bonds and any investment earnings, including requisitions, trust or investment statements, bidding certificates for guaranteed investment contracts, rebate computations, credit enhancement contracts, swap or other derivative contracts, certifications relating to any of the foregoing, rebate computations, any filings with the IRS, any correspondence with the IRS, and architectural or construction drawings and documents of the bond financed or refinanced facilities.
 - B. Elections regarding accounting methods, rebate matters, or application of regulatory provisions.
 - C. Copies of any Use Arrangements, including, without limitation, the following

arrangements involving the use of any facilities financed by the Bonds: leases, naming rights agreements, title retention agreements, management contracts, sponsored research contracts, capacity reservation agreements, agreements regarding rates or charges for use of Bond Financed Facilities, incentive payment service contracts, requirements contracts or "take" contracts or "take or pay" contracts.

- D. The County Executive Office will be the custodian of the foregoing records.

Policy K: Continuing Disclosure.

Implementing Procedures:

1. The County establishes a Disclosure Working Group ("Working Group") that shall meet as often as necessary to fulfill its obligations.
2. The Working Group shall be responsible for:
 - A. Reviewing annually the County's timely disclosure compliance with its continuing disclosure undertakings.
 - B. Notifying members of any listed events that the member becomes aware of.
 - C. Pursuant to Board Policy B-24, provide an annual certificate to the Debt Advisory Committee (DAC) of the County/County department's compliance with State and / or Federal disclosure laws and notify DAC of any material event listed in Rule 15c2-12 under Securities & Exchange Act of 1934.
3. Continuing Disclosure Filings. In connection with the County's various debt offerings, the County will file annual reports and event notices with MSRB's Electronic Municipal Market system (EMMA). The annual report/event notice includes the following:
 - A. **Financial Statements** – the County's or County department's audited financial statement or the County's Comprehensive Annual Financial Report (CAFR).
 - B. **Annual Reports** – important information about the County/ County Bonds that arises after the initial issuance of the bond.
 - C. **Event Notices** – Pursuant to Rule 15c2-12 as amended, the County will disclose to the MSRB notice of certain specified events with respect to County's securities.
 - D. **Voluntary Disclosures** - additional items of information after the initial issuance, either under contractual arrangements or as a matter of practice for display on EMMA.
4. Disclosure Trainings for County employees. The County Executive Officer or designee shall encourage attendance of staff to various disclosure trainings, seminars/webinars. Whenever possible, County Counsel or County Disclosure Counsel, if applicable, shall conduct separate training sessions with the assistance of other departments in the County.

EXHIBIT A

SUMMARY OF RESPONSIBILITY ASSIGNMENTS

County Executive Officer

1. Ensure overall compliance with Policies and Procedures; monitor responsibility assignments and periodically review Procedures; periodically revise Policies as necessary.
2. Meet at least annually with the County Finance Director or designee to evaluate use of bond financed facilities. (Policy B)

County Finance Director or designee

1. Periodically revise Procedures as necessary.
2. Meet at least annually with the County Executive Officer to evaluate the Use of bond financed facilities. (Policy B)
3. Report potential non-compliance to Bond Counsel. (Policy D)
4. Consult with Bond Counsel before (a) purchasing guaranteed investment contracts or non--publicly traded certificates of deposit with proceeds of, (b) entering into credit enhancement transactions with respect to, or (c) modifying the terms of, County Bonds. (Policies F and G)
5. Monitor Use Arrangements and consult with counsel prior to entering into new Use Arrangements. (Policy B)

Deputy County Executive Officer

1. Monitor, record, and allocate expenditure of bond proceeds by project location and functional description. (Policy A)
2. Ensure preparation of and review of Initial Reports and Annual Reports. (Policy C)
3. Until final allocation of bond proceeds, prepare a monthly report of project expenditures. (Policy A)
4. Prepare and retain separate records for investment performance of bond proceeds. (Policy A)
5. Prepare Initial Reports and Annual Reports. (Policy C and K)
6. Make and record final allocations of expenditures of proceeds of County Bonds. (Policy A)
7. Retain and manage relationship with Rebate Analyst. (Policy E)
8. Ensure compliance with retention policies and act as custodian of retained records. (Policy J and K)

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ATTACHMENT C

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SECTION I: GENERAL POLICY STATEMENT

The County of Riverside (the "County") has created this operation manual on land secured financing (the "Manual") as guidelines to assist all concerned parties in determining the County's approach to land secured financing. It is the County's intent to support projects, which address a public need and provide a public benefit. This manual is also designed to supplement Policy B-12 (Policy on Land Secured Financing Districts).

A. LAND SECURED FINANCING

1. The use of community facilities districts or assessment districts will be permitted to finance public facilities whose useful life will be equal to or greater than the term of the bonds. Facilities, upon completion, owned, operated or maintained by public agencies, shall be considered public facilities. Limited exceptions will be made for facilities to be owned, operated or maintained by private utilities.
2. The County is concerned that the proposed project that is to be financed is not premature for the area in which it is to be located. The proposed project must:
 - a. be consistent with the County's Comprehensive General Plan;
 - b. have been reviewed by the County's Executive Office, or its successor, and have satisfied all of the requirements specified by said Committee; and,
 - c. have had the service levels for the required public facilities required for the project identified.

Projects that require: (i) a General Plan amendment, (ii) change of zone that increases the density or intensity of land use, (iii) a specific plan, or (iv) a specific plan amendment to increase density or intensity of land use will require an evaluation by the County's Planning Department as to whether the proposed project is premature.

3. Extending public financing to a proposed project for identified public improvements cannot be done without considering the aggregate public service needs for the project. Upon receipt of an application for public financing, the County will notify the other public entities having responsibility to service the proposed project and request comment on the application. Periodic meetings, on a regional basis, with all affected public entities will be encouraged by the County to address the issues relative to overlapping debt considerations.
4. These policies are not to be applied to land secured financing that requires an aggregate principal amount of bonds of less than \$1,000,000 for the construction of public facilities for developed residential properties and that is to be structured pursuant to the Improvement Act of 1911 (Section 5000 et seq. of the Streets and Highways Code), Chapter 27 Part 3, Division 7 of the Streets and Highways Code (commencing at Section 5870), or similar statutory authority; however, such financing is to be reviewed by the Debt Advisory Committee of the County.

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Application for such financing shall be made to the County Executive Office; and upon receipt, said Director shall request pursuant to Section II.A that a special district review committee be formed to review and approve the application.

5. Land secured financing sponsored by a County department or other related district or agency will be subject to only those provisions of this manual determined appropriate by the sponsoring County department or related district or agency and is to be reviewed by the Debt Advisory Committee of the County.

SECTION II: INITIATION OF THE FINANCING

A. APPLICATION

Proponent of a Land Secured Financing must obtain and submit the required application to the initiating County department or related district or agency. The initiating County departments or related districts or agencies for each of the types of financing addressed by B-12 and this Manual are as follows:

- | | |
|--|-----------------------------|
| 1. Community Facilities Districts: | County Executive Office |
| 2. Community Facilities Districts, Maintenance only: | Economic Development Agency |
| 2. Assessment Districts, General | County Executive Office |
| 3. Assessment Districts, Flood Control | RCFCWCD |

Prior to accepting an application for a land secured financing, the initiating County department or related district or agency may request that the proposed project be reviewed and commented on by a special district committee to be composed of representatives of any potentially affected County departments and related districts, County Counsel, and the County's financial advisor.

Application for formation of assessment districts, pursuant to Section I.A.6., shall be made to the County Executive Office.

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

B. PROCESSING AND FORMATION FEES

1. Land Secured Financing

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

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An initial deposit for a community facilities district or an assessment district is to be attached to the completed application submitted; such deposit amount to be determined by the initiating County department or related district or agency. The deposit shall be placed in a separate interest bearing trust account held by the County. All costs of the County and/or its consultants retained during the formation process are to be paid from this account.

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

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

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

C. PETITION FOR FORMATION AND WAIVER OF TIME REQUIREMENTS OF THE ELECTION

It is the practice of the County to initiate land secured financing proceedings by land owner petitions.

1. Community Facilities Districts

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

The Act also provides that the formation can be shortened if one hundred percent (100%) of the property owners within the proposed boundaries of the community facilities district execute a waiver regarding the timing of and certain procedures

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associated with the required special election. The applicant should indicate on the application whether this waiver can be secured.

2. Assessment Districts

The County will expect that the applicant for an assessment district will be able to secure signatures from a sufficient number of landowners within the proposed assessment district on a petition, the form of which is to be supplied by bond counsel, to satisfy the Special Assessment Investigation Limitation and Majority Protest Act of 1931. This act requires signatures from landowners representing at least sixty percent (60%) of the land by area within the proposed boundaries of the assessment district. If the applicant does not feel that the requisite landowner support can be obtained, she or he should so indicate on the application.

D. SELECTION OF FINANCING TEAM

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

1. Land Secured Financing

In addition to the consultants that compose the financing team, as noted above, the County shall select an assessment engineer for assessment districts or special tax consultant for community facilities districts to determine a fair and reasonable method to allocate the assessment or special tax required to meet debt service on the bonds and other related expenses of the proposed financing district.

Unless satisfactory and current information regarding land values for property within the proposed financing district is available, the County shall require that a real estate appraiser of its choice be retained and an appraisal made. Additionally, an economist or real estate appraiser or other qualified independent third party may also be retained for the purpose outlined in Section IV.A. In addition, the County reserves the right to retain additional professional consultants that it deems appropriate.

SECTION III: DEBT ADVISORY COMMITTEE

The Board established the Debt Advisory Committee to review and comment upon all land secured as well as other types of financing proposed to be issued by the County or its related districts or agencies. The Committee is to review each proposed debt issue and provide comment on whether the proposed debt issue is consistent with these Policies. It is to comment on the economic viability and credit worthiness of the proposed debt issue. In performing its

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function the Committee may, in its sole discretion, review a matter more than once and retain additional consultants to assist in its review. The cost of such consultants is to be borne by the proponent of the debt issue. In addition, the Committee has an ongoing responsibility to monitor the status of debt issued by the County or related districts or agencies.

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

The following are those matters which at minimum the Debt Advisory Committee is to review and comment upon with regard to land secured and conduit financing.

A. LAND SECURED FINANCING

1. Community Facilities Districts

- a. Prior to the Board considering the resolution of intention to establish a community facilities district, the Debt Advisory Committee is to determine that all land use approvals required for the project under Policy B-12 have been fulfilled, and that the proposed rate and method of apportionment of the special tax is also consistent with Policy B-12. Any variation from these Policies is to be noted and a recommendation made to the Board with regard thereto.
- b. Prior to the Board considering the resolution authorizing the sale and issuance of bonds, the Debt Advisory Committee is to determine that:
 - (1) A current appraisal and any related absorption study have been prepared consistent with Policy B-12 and that satisfactory land value to lien/debt ratios exist.
 - (2) Each property owner responsible for twenty percent (20%) or more of the debt service on the bonded indebtedness to be incurred has supplied the financial information required by Policy B-12.
 - (3) Any credit enhancement required by Policy B-12 will be provided. If a variance is requested, the request is to be noted and a recommendation made to the Board with regard thereto.
 - (4) The structure of the proposed financing is consistent with the applicable subsections of.

Any variation from these Policies is to be noted and a recommendation made to the Board with regard thereto. In addition, the Debt Advisory Committee is to make any comment it deems relevant in determining the economic viability or credit worthiness of

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the proposed debt issue. The Committee is to make a recommendation to the Board as to whether or not to proceed with the sale and issuance of the bonds.

2. Assessment Districts

- a. Prior to the Board considering the resolution of intention to establish an assessment district, the Debt Advisory Committee is to determine that all land use approvals required for the project under Policy B-12 have been fulfilled, and that the proposed assessment lien and its apportionment to the parcels comprising the proposed assessment district is consistent with Policy B-12. If a variance is requested, the request is to be noted and a recommendation made to the Board with regard thereto.
- b. Prior to the Board considering the resolution authorizing the sale and issuance of bonds, the Debt Advisory Committee is to determine that:
 - (1) A current appraisal and related absorption study have been prepared consistent with Policy B-12 and satisfactory land value to lien ratios exist.
 - (2) Each property owner responsible for twenty percent or more of the debt service on the bonded indebtedness has supplied the financial information required by Policy B-12.
 - (3) Any credit enhancement required by Policy B-12 will be provided. If a variance is requested, the request is to be noted and a recommendation made to the Board with regard thereto.
 - (4) The assessment lien and its apportionment is in compliance with Policy B-12.
 - (5) The structure of the proposed financing is consistent with the applicable subsections of Policy B-12.

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

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

SECTION IV: ECONOMIC VIABILITY OF THE FINANCING

In evaluating the application and the proposed debt issue, the County may require any or all of the following to determine the economic viability of the proposed project and the timing of the sale of any bonds or series thereof.

A. ABSORPTION STUDY

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The following requirements apply to land secured financing. Absorption studies are not required for conduit financing.

Unless waived by the Debt Advisory Committee, an absorption study of the proposed project shall be required for land secured financing. The absorption study shall be used as a basis to verify that the assumptions supporting the assessment spread or the special tax formula are appropriate and sufficient revenues can be collected to support the bonded indebtedness to be incurred.

The absorption study will also be used to evaluate the timing considerations identified by the applicant and the financing team. The absorption study will be provided to the appraiser and the appraisal required by Policy B-12 is to reflect consideration of the absorption study.

B. APPRAISAL

A current appraisal will be required of the property that compromises the financing district against which a lien will be placed to secure the bonded indebtedness to be incurred. The appraisal will be made by an appraiser retained by the County. It is to be made consistent with the guidelines attached hereto as "**Attachment A**".

The "Bulk Land Value" as specified in "**Attachment A**" will serve as the basis for establishing the land value to lien ratios. The County requires, for residential projects, an overall minimum land value to lien ratio of 4 to 1; for industrial or commercial projects a lower ratio may be considered. The lien component of the ratio is to include all debt represented by any overlapping community facilities district or assessment district affecting the property. The County will also review the land value to lien ratios on an individual parcel and/or grouping of parcels within the boundaries of the financing district to determine the security of the debt issue.

C. FINANCIAL INFORMATION REQUIRED OF APPLICANT

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

Subsequent to the sale and issuance of the bonds, federal and state statutes and/or regulations regarding the particular type of financing may require the preparation of periodic reports. The applicant and all major participants in the project will be required to provide that information needed to complete such statutorily required reports. In addition, the County department or related district or agency responsible for the administration of the

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bonds may require information of the applicant or the major participants in the project to satisfy reporting demands of rating agencies or institutional buyers.

E. EQUITY PARTICIPATION BY APPLICANT AND MAJOR PARTICIPANTS

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

SECTION V: CREDIT ENHANCEMENTS

Credit enhancements, if required by the County, are utilized either to improve the credit worthiness of the proposed financing or to insure that the debt service requirements of the proposed debt issue are met in a timely manner. It is important to the County to minimize the possibility of a debt issue being placed in default and to insure that sufficient cash flows are available to meet debt service requirements.

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

The nature and terms of the credit facility will vary with regard to the type of financing for which it is being required. The following are the principal considerations of the County in requiring credit enhancement for either land secured or conduit financing.

A. LAND SECURED FINANCING

If property, within the proposed boundaries of either an assessment district or community facilities district, owned by one or related entities is responsible for thirty-three percent (33%) or more of the debt service obligation of the proposed debt issue, a credit facility having the following terms will be required:

1. The credit facility will name the County or the financing district as beneficiary.
2. The face amount of the credit facility will be equal to twice the amount of the annual debt service obligation for which the property is responsible.
3. The credit facility will have a term of one year and be subject to annual renewal or call.

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4. The credit facility may be drawn upon should there be a default by the property owner in the timely payment of the special tax obligation or the annual assessment installment enhancements for a particular land secured financing if it is determined that they are needed to bring the credit worthiness of the proposed debt issue to a level that is acceptable to the County.
5. The face amount of the credit facility may be drawn should the credit facility not be timely renewed or a substitute credit facility acceptable to the County timely provided, or if the rating or the capitalization of the provider fall to a level not acceptable to the County.
6. The face amount of the credit facility will be subject to periodic adjustments should the property owner sell or transfer portions of the property to unrelated third parties.

For purposes of Policy B-12, parties will be considered to be related should they be so deemed by the Internal Revenue Code of 1986, as amended, and the regulations promulgated there under. However, the County does reserve the right to apply a stricter standard than that provided by the Internal Revenue Code in determining parties to be related.

The County may, in its sole discretion, require additional credit enhancements for a particular land secured financing if it is determined that they are needed to bring the credit worthiness of the proposed debt issue to a level that is acceptable to the County.

SECTION VI: OFFERING STATEMENTS

It is the intent of the County to comply with all applicable federal or state requirements regarding disclosure to insure that fair and accurate descriptions of debt issues are provided to the purchasers of the bonds. The County will require retention of counsel by an underwriter or disclosure counsel for any particular land secured financing having an aggregate principal value of \$1,000,000 or more. Decisions as to the adequacy of the disclosure will be determined by the County, its counsel, bond counsel, and underwriter or disclosure counsel. No preliminary or final offering statement for a particular land secured financing will be released for circulation unless it is deemed final by the County on the advise of its counsel and bond counsel.

The proponent(s) of a particular land secured financing and all principal participants therein are expected to provide the information requested by the County, its counsel, the underwriter, its counsel, disclosure counsel or bond counsel that is deemed necessary for disclosure purposes. Failure on the part of the proponent and any principal participants to comply with such requests will jeopardize completion of the debt issue.

The proponent of a particular land secured financing and all principal participants therein will be required to execute those certificates and provide those written opinions of their respective

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counsel that are required by the terms of the bond purchase agreement. Failure to do so will result in the bonds not being issued and sold.

SECTION VII: ADMINISTRATION

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

A. BOND ADMINISTRATION

1. COMMUNITY FACILITIES DISTRICTS

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

2. ASSESSMENT DISTRICTS

These bonds are issued pursuant to bond indentures or fiscal agent agreements that will identify the Treasurer-Tax Collector of the County to have administrative responsibility for these debt issues. This includes, among other duties, the computation and enrollment of the annual assessment installment, payment of principal and interest on the bonds, initiation of foreclosure proceedings with regard to delinquent parcels, and management and investment of monies held in all funds and accounts created by the bond indentures or fiscal agent agreements.

Should the bonds be issued by the Riverside County Flood Control and Water Conservation District, the General Manager-Chief Engineer of the District is to be identified to have administrative responsibility for such bonds.

B. CONSTRUCTION CONTRACT ADMINISTRATION

1. ACQUISITION/REIMBURSEMENT

The County will acquire public facilities to be financed by the proceeds of land secured financing if the public facilities have been constructed prior to the adoption of the resolution establishing the community facilities district or the resolution of intention to form an assessment district.

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At the time of submission of an application for a land secured financing, the County department or related district or agency receiving the application will consider whether it will allow the public facilities to be constructed by the proponent of the financing as if they were a public work. If this is to be allowed, the public facilities are to be constructed as public works consistent with all applicable statutory requirements. Design engineering, project management and construction contract administration are to be provided by the financing proponent but subject to oversight and approval by the County.

At the time the financing district is established, the proponent of the financing shall enter into an acquisition funding agreement that will identify the public facilities to be constructed and the amount to be paid for each facility. Upon completion of the entire project or specified public facilities, the financing district will acquire the completed facilities consistent with the terms of the agreement.

The determination of whether the proponent of the financing is suitable for a reimbursement construction program will be made by the initiating County department or related district or agency.

2. CONSTRUCTION

The initiating County department or related district or agency at the time of receiving the application for a land secured financing may determine that the public facilities to be financed are to be constructed as a public work with project management and construction contract administration services provided by the County or the related district or agency. If this determination is made, then in the resolution of intention for establishing the financing district, the County will find that it is not in the public interest to allow the property owners within the financing district to enter into a contract to construct the public facilities.

D. ANNUAL REPORTING

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

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

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

Disclosure: It is the policy of the County that purchasers of property subject to Community Facilities District (CFD) under the Mellos-Roos Act and/or Assessment District special taxes or assessments, and purchasers of the bonds, be fully informed of the amount and nature of the special tax or assessment

Notice to Future Property Owners

1. Community Facilities Districts

- (a) The Act requires that certain disclosure certificates regarding the existence of a CFD special tax obligation be provided to those individuals purchasing property within the district. The County will require that the statutorily prescribed disclosure be made to the initial and subsequent purchasers of property within a CFD, and will provide the information necessary to do so the seller of the new homes.
- (b) In addition to the disclosure requirements of the Act, the County requires that the seller of any tract of homes in a CFD formed by the County of Riverside prominently post in any sales office offering such a home a notice from the County of Riverside, in the form attached hereto as Exhibit A, declaring that the property is in a CFD (Mellos-Roos District), stating the nature of the improvements financed by the CFD, stating the range and duration of the annual special tax expected to be levied, and providing a phone number for additional information.
 - (i) The County will include the requirement to post the notice in the formation documents of all CFDs, and in all document amendments requested by the developer. The County will encourage the use of this disclosure format in all existing districts selling new homes.
 - (ii) The County will direct its agent to visit tracts known to be for sale and to enforce this requirement by providing the necessary notice to be posted and verifying that it has been posted as required.
 - (iii) All posted notices will advise all purchasers that other taxes and/or assessments may be levied on the property and that the purchaser should request such information from the Realtor.
- (c) In its sole discretion, the County may impose additional disclosure requirements, as deemed necessary.

2. Assessment Districts

- (a) The County requires that the applicable provisions of the Streets and Highways Code dealing with notice as to the existence of an assessment district, be

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followed, including the recordation of the notice of assessment of lien with regard to a parcel.

- (b) In addition to the disclosure requirements of the Code, the County requires that the seller of any tract of homes in an Assessment District formed by the County of Riverside, prominently post in any sales office offering a home in the tract a notice from the County of Riverside, in the form attached hereto as Exhibit B, declaring that the property is in an Assessment District, stating the nature of the improvements financed by the District, stating the range and duration of the annual tax expected to be levied, and providing a phone number for additional information.
 - (i) The County will include the requirement to post this notice in the formation documents of all Assessment Districts, and in all document amendments requested by the developer. The County will encourage the use of this disclosure format in all existing districts selling new homes.
 - (ii) The County will direct its agent to visit tracts known to be for sale and to enforce this requirement by providing the necessary notice to be posted and verifying that it has been posted as required.
 - (iii) All posted notices will advise all purchasers that other taxes and/or assessments may be levied on the property and that the purchaser should request such information from the Realtor.
- (c) In its sole discretion, the County may impose additional disclosure requirements, as deemed necessary.

Notice to Bondholders

D. Annual Reporting

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