

CITY COUNCIL POLICY

NUMBER: 52

DATE ADOPTED/AMENDED: 6/2/15

SUBJECT: Debt Management Policy

POLICY:

The City has no outstanding debt. The City has a long history of balanced budgets and prudent financial management. The City has healthy cash reserves; and a systematic approach to plan for future rehabilitation of capital facilities, such as roadways and storm drains. It is a best practice to develop a debt management policy to be used as a framework in the event that the City considers the issuance of debt in the future.

The Debt Management Policy is a comprehensive document establishing a rigorous process for the issuance and management of debt. The basic principles of the Debt Management Policy follow, and are described in greater detail in the attached document.

1. It shall be the City's policy to undertake debt only when the City determines that the project revenues or specific financial resources will be available and sufficient to service the debt over its life.
2. Debt will be considered for a capital project only when other forms of financing or internal funding have been exhausted; and debt will not be issued for periods exceeding the useful life of the project to be financed.
3. In the case of debt serviced solely from the City's General Fund, the City will observe a guideline of 5% of annual revenue as the maximum permissible level for General Fund resources committed to the repayment of debt.
4. Before issuing lease revenue debt or financing leases, the City will determine that the proposed facility is both necessary and desirable, and that no other financing method is practical to finance it.
5. All direct or indirect debt proposals will be presented to the City's Finance Advisory Committee for deliberation and recommendation prior to review of the City Council.
6. Action taken by the City Council to incur debt will be taken as a regular business item, and at a regular or special City Council meeting, consistent with state law.

7. All debt issued by the City will include a written opinion by bond counsel affirming that the City is authorized to issue the debt, and has met all statutory requirements necessary for issuance; and the federal income tax status of such debt.



DEBT MANAGEMENT POLICY

PREAMBLE & EXECUTIVE SUMMARY 1

INTRODUCTION 4

CHAPTER ONE: PURPOSES AND USES OF DEBT 5

 SECTION 1: *Capital Financing – In General* 5

 SECTION 2: *Capital Planning* 6

 SECTION 3: *Debt Limits* 6

 SECTION 4: *Asset Life* 7

 SECTION 5: *General Obligation Debt* 7

 SECTION 6: *Certificates of Participation or Financing Leases* 8

CHAPTER TWO: CREDITWORTHINESS OBJECTIVES 9

 SECTION 7: *Credit Ratings* 9

 SECTION 8: *Financial Disclosure, both Initial and Continuing* 9

CHAPTER THREE: DEBT STANDARDS AND STRUCTURE 10

 SECTION 9: *Term of Debt* 10

 SECTION 10: *Debt Structure* 10

 SECTION 11: *Amortization* 10

 SECTION 12: *Subordinate Debt* 11

 SECTION 13: *Variable Rate Debt* 11

 SECTION 14: *Non-traditional Financial Products* 11

 SECTION 15: *Refunding (refinancing)* 11

 SECTION 16: *Short Term Borrowings* 12

 SECTION 17: *Credit Enhancements* 12

CHAPTER FOUR: DEBT ADMINISTRATION AND PROCESS 13

 SECTION 18: *Review by City’s Debt Management Committee* 13

 SECTION 19: *Investment of Bond Proceeds* 13

 SECTION 20: *Costs and Fees* 13

 SECTION 21: *Method of Sale* 14

 SECTION 22: *Action to be Regular Business Item, Not on Consent Calendar* 14

CHAPTER FIVE: ENGAGEMENT OF SERVICE PROVIDERS.....	15
SECTION 23: <i>Underwriters</i>	15
SECTION 24: <i>Payment of Underwriter's Counsel Fees</i>	15
SECTION 25: <i>Bond Counsel</i>	15
SECTION 26: <i>Disclosure Counsel</i>	16
SECTION 27: <i>Financial Advisor</i>	16
SECTION 28: <i>Fiscal Agents, Paying Agents and Trustees</i>	16
SECTION 29: <i>Compensation for Services</i>	17
SECTION 30: <i>Selection Processes</i>	17
SECTION 31: <i>Other Service Providers</i>	17
CHAPTER VII: OTHER POLICY.....	18
SECTION 32: <i>Arbitrage Compliance</i>	18
SECTION 34: <i>Internal Borrowings</i>	18
SECTION 35: <i>Special District Financing</i>	19
APPENDIX A: GLOSSARY.....	22
APPENDIX B: SPECIAL DISTRICT FINANCING PROCEDURES.....	36

PREAMBLE & EXECUTIVE SUMMARY

The following debt policy was developed to establish a rigorous process for the issuance and management of public and other forms of debt by the City of Rancho Palos Verdes and its component units. The City debt policy is based on guidance provided by the Government Finance Officers Association and the California Debt and Investment Advisory Commission as well as generally accepted principles set forth in the financial management literature for municipal governments.

The policy applies to all direct and other debt issued or contracted by the City, including leases, debt guaranteed by the City, and revenue bonds issued by the City's enterprises or business type activities, as applicable. The Policy also applies to so-called no-commitment debt of the City.

The City's budget practices generally have been that (1) operating expenses should not exceed operating revenues; (2) established reserves should meet minimum policy levels; (3) "one-time" revenues should be used to fund nonrecurring expenditures; and (4) the prioritization of capital projects should be accomplished through a "needs assessment" undertaken as part of the formulation and development of the City's Capital Improvement Plan. The development of the Debt Policy will affect each of the items specified above.

The policy is divided into sections and sub-sections as outlined in the table of contents.

In general terms, it shall be the City's policy to undertake debt only when the City determines that the project revenues or specific financial resources will be available and sufficient to service the debt over its life.

City debt will not be issued for periods exceeding the useful life or average useful lives of the project or projects to be financed.

The policy also establishes guidance for internal, inter-fund and inter-affiliate borrowing.

Because financing leases are a form of debt, the City will determine that the proposed leased facility or asset is both necessary and desirable, and that no other financing method is practical to finance it, before entering into capital leases in amounts greater than \$25,000. The City will apply the tests set forth in the policy to such financing leases.

The City will seek to maintain the highest possible credit ratings for all categories of short- and long-term public debt that can be achieved consistent with its mission and responsibilities to the citizens of Rancho Palos Verdes.

The City will seek to structure debt with debt service costs over the life of the debt.

The policy establishes a Debt Management Committee, comprised of the City Manager, the Finance Director and the City Attorney.

The Debt Management Committee shall advise the City Council, the Finance Advisory Committee, and the various Departments of the City in all matters pertaining to the issuance of debt.

All direct or indirect debt of the City will be presented to the City's Finance Advisory Committee for deliberation and recommendation prior to submittal to the City Council.

For all debt issuance, the City will require that the action taken by the City Council to incur the debt will be taken as a regular business item, and at a regular or special City Council meeting, consistent with state law.

The City may engage an underwriter for a negotiated sale of debt through a competitive process administered by the City's Finance Department based on the prior recommendation of the City's Debt Management Committee and the City's Finance Advisory Committee.

All debt issued by the City will include a written opinion by bond counsel affirming that the City is authorized to issue the debt, stating that the City has met all statutory requirements necessary for issuance, and the federal income tax status of such debt.

Bond counsel will be selected by the City Council based on the prior recommendation of the City's Debt Management Committee.

While engagement of a financial advisor on each City debt issue is not required, it is strongly encouraged by this policy.

The City may engage an external financial advisor for a debt issue through a competitive process administered by the City's Finance Department based on the prior recommendation of the City's Debt Management Committee.

Any unsolicited financing proposal to a City department, agency, affiliate or employee involving a pledge or other extension of the City's credit through a sale of securities, execution of loans or leases, marketing guarantees, or otherwise involving directly or indirectly the pledging of the City's credit, shall be referred to the Finance Department for review by the City's Debt Management Committee prior to submittal to the City Council for approval. All such proposals shall be consistent with the intent of the Municipal Advisor Rules of the U.S. Securities and Exchange Commission, Rules 15Ba1-1 through 15Ba1-8, and Rule 15Bc4-1, which became final in early 2014.

The SEC's Municipal Advisor Rules imposes a registration process upon municipal advisors, firms that give advice absent an exemption or exclusion to municipal entities and obligated persons, and imposes a fiduciary duty upon municipal advisors that give advice to municipal entities. The Municipal Securities Rulemaking Board imposes additional requirements and prohibitions on the conduct of municipal advisors.

Brokers, dealers, and other financial institutions (“financial services firms”) that seek to enter into principal transactions with municipal entities or obligated persons generally cannot give advice unless they qualify for an exemption or exclusion to the SEC’s Municipal Advisor Rules. One such exclusion to the rule for financial services firms is when the municipal entity or obligated person has an independent registered municipal advisor. Accordingly, so long as the City is represented by an independent municipal advisor, the following statement will be furnished to any such financial service firm seeking to assist the City in the issuance of municipal securities, purchase of municipal financial products or the investment of bond proceeds. This enables the financial services firm to document their compliance with an exclusion to the rule, which would permit the firm to give advice to the City as a municipal entity or obligated person.

The statement will be deemed to have been delivered to any such financial services firm upon posting on the City’s web site with the following introductory language: *By publicly posting the following written disclosure, the City of Rancho Palos Verdes intends that market participants receive and use it for purposes of the independent registered municipal advisor exemption to the SEC Municipal Advisor Rules.*

[DATE]

The City of Rancho Palos Verdes has retained an independent registered municipal advisor. The City is represented by and will rely on its municipal advisor, [name of municipal advisory firm here], to provide advice on proposals from financial services firms concerning the issuance of municipal securities and execution of municipal financial products (including investments of bond proceeds and escrow investments). This certificate may be relied upon until [date on which advisory contract terminates or earlier].

Proposals may be addressed to the City to the attention of the Finance Director or City Manager, at 30940 Hawthorne Blvd, Rancho Palos Verdes, CA 90275. If the proposal received will be seriously considered by the City, the City will elect when and how to share the document with its municipal advisor. Please note, that aside from correspondence required by regulation or law between an underwriter and municipal advisor, the underwriter should not speak directly with or send documents directly to the municipal advisor unless specifically directed to by the City.

INTRODUCTION

The following debt policy (herein, the “Policy”) was developed to establish a rigorous process for the issuance and management of debt by the City and its affiliated units.

The primary objective is to create procedures and a policy that minimize the City's debt service and issuance costs, retain the highest practical credit rating, and maintain full and complete financial disclosure and reporting.

The Policy applies to all direct and other debt issued or contracted by the City including leases, debt guaranteed by the City, general obligation and revenue bonds issued by the City. The Policy also applies to so-called no commitment debt of the City. The City presently does not have any “no commitment” debt, but has been approached from time to time to create such debt.

A debt policy can be an important tool to insure the sound use of the City's resources to meet its mission and responsibilities to the citizens of Rancho Palos Verdes and to maintain sound financial management practices. The Policy is a guideline for general use, application, and to lead to informed decision making by the City Council.

In order to use the Policy properly, they must be applied in the context of the City’s overall budget and fiscal policies.

The City’s budget practices generally have been that:

1. Operating expenses shall not exceed operating revenues;
2. Established reserves shall meet minimum policy levels;
3. “One-time” revenues shall be used to fund nonrecurring expenditures; and,
4. The prioritization of capital projects shall be accomplished through a “needs assessment” undertaken in the formulation and development of the City’s Capital Improvement Plan.

The Policy is divided into discrete sections and sub-sections as outlined in the Table of Contents.

CHAPTER ONE: PURPOSES AND USES OF DEBT

SECTION 1: CAPITAL FINANCING – IN GENERAL

The City normally will rely first on internally generated funds and/or grants and contributions from other governments to finance its capital needs.

Debt will be considered for a capital project only when other forms of financing or internal funding have been exhausted.

Debt shall not, in general, be used for projects solely because insufficient funds are budgeted at the time of acquisition or construction of a capital asset. Exceptions to this policy would be those instances in which the City is responding to an immediate emergency affecting the health and welfare of its citizens, or for the protection of public property or interests.

Debt will only be undertaken when the project revenues or specific resources will be available and sufficient to service the debt over its entire life.

Debt financing will not be considered appropriate for any recurring purpose such as operating or maintenance costs.

Capital improvements should be financed primarily through user fees, service charges, assessments, special taxes or developer exactions so long as the benefits the City will derive from such improvements can be attributed to the users of the improvements.

Moreover, the City will specifically consider the lifecycle costs associated with any asset acquired with borrowed money in order to determine that the above funding sources are adequate to service the proposed debt and cover future costs.

The City will evaluate the use of debt in-lieu of “pay-as-you-go” financing based on the following criteria:

Factors Favoring “Pay-as-You-Go” Financing:

1. current reserves or project revenues are adequate to fund the project;
2. proposed debt levels would have a deleterious effect on the City’s credit position or rating;
3. credit market conditions are unstable or present difficulty in marketing the proposed debt.

Factors Favoring Use of Debt:

1. revenues are deemed to be stable and reliable enough to support the proposed debt at investment grade rating levels;
2. the nature of the financed project will support investment grade ratings;
3. credit market conditions present favorable interest rates and demand for financings such as the City’s;
4. the proposed project is required by the state or federal government and present resources are insufficient or unavailable to fund the project;
5. the proposed project is immediately required to meet or relieve capacity needs and current resources are insufficient or unavailable;
6. the estimated useful life of the asset to be financed is greater than 5 years.

SECTION 2: CAPITAL PLANNING

To enhance creditworthiness and prudent financial management, the City is committed to systematic capital planning, intergovernmental cooperation and coordination, and realistic long-term financial planning.

SECTION 3: DEBT LIMITS

The City will keep outstanding debt within the limits prescribed by State statute and at levels consistent with its creditworthiness objectives.

In the case of debt serviced solely from the City’s General Fund, the City will observe a guideline of 5% of annual revenue as the maximum permissible level for General Fund resources committed to the repayment of debt.

SECTION 4: ASSET LIFE

The City will consider long-term financing for the acquisition, maintenance, replacement, or expansion of physical assets (including land) only if they have a useful life of at least five years.

City debt will not be issued for periods exceeding the useful life or average useful lives of the project or projects to be financed.

SECTION 5: GENERAL OBLIGATION DEBT

General obligation bonds typically provide the lowest borrowing costs for most major public assets.

The use of a general obligation pledge usually eliminates the need for a bond reserve and due to its high credit quality and the ability to levy a tax to repay it, produces borrowing terms and costs unavailable through other methods.

Moreover, since the source of repayment of a general obligation bond is from proceeds of general taxes, the City's operating funds and its operating position are not impacted by the issuance of general obligation bonds. Though the use of the term "general obligation bond" implies that the City's "full faith and credit" would be pledged to the repayment of the bond, the bond is actually repaid from an *ad valorem* tax on real property. Cities in California may issue general obligation bonds only for the purpose of acquiring or making improvements to real property.

Article XIII of the California Constitution requires that general obligation bonds be submitted to the voters for approval and that the issuance of such bonds be approved by a two-thirds majority vote.

Accordingly, it shall be the City's policy to issue general obligation bonds only for such purposes and then only when the acquisition, improvement, or construction of the proposed real property will provide benefits to the community.

The City recognizes that the imposition of a property tax does not occur in isolation and that the capacity of property taxation is limited by demands that may be placed on the owners of such property by other levels of government, including the Palos Verdes Peninsula Unified School District, the County of Los Angeles, and other overlapping agencies. Prior to considering imposition of a property tax to support a general obligation bond, the City's Debt Management Committee will obtain and analyze an overlapping debt statement to determine the level of indebtedness being supported by property owners within the City to determine whether the proposed additional tax will create irregular or unnecessary burdens on the City's property owners.

SECTION 6: CERTIFICATES OF PARTICIPATION OR FINANCING LEASES

Before issuing lease revenue debt or financing leases, the City will determine that the proposed facility is both necessary and desirable, and that no other financing method is practical to finance it.

The City may use lease revenue debt or financing leases for those projects that must be financed at a time or in a manner which do not permit the use of general obligation bonds.

The City shall only use lease revenue debt or financing leases: (1) if the project to be financed will generate positive net revenues after debt service; (2) if the project will reduce City operating costs; (3) if an equal or greater amount of non-City matching funds will be lost if City's lease revenue or financing lease funds are not applied in a timely manner; or, (4) if the project to be financed is greater than \$5,000,000 and no other practical means of financing the project is available.

CHAPTER TWO: CREDITWORTHINESS OBJECTIVES

SECTION 7: CREDIT RATINGS

The City will seek to maintain the highest possible credit ratings for all categories of short- and long-term public debt that can be achieved consistent with its mission and responsibilities to the citizens of Rancho Palos Verdes.

The City recognizes that there is a direct correlation between the credit rating it achieves and the cost of borrowing.

Therefore, generally, the City will seek to acquire and maintain a minimum of an investment grade rating on all of its direct debt.

The City recognizes that external economic, natural, or other events may from time to time affect the creditworthiness of its debt.

Nevertheless, the City is committed to ensure that actions within its control are prudent and consistent with the rating and creditworthiness objective set forth in this Policy.

SECTION 8: FINANCIAL DISCLOSURE, BOTH INITIAL AND CONTINUING

The City is committed to full and complete financial disclosure, and to cooperating fully with rating agencies, institutional and individual investors, City departments, affiliates, agencies, other levels of government, and the general public to share clear, comprehensible, and accurate financial information.

The City is committed to meeting secondary disclosure requirements as set forth in Securities and Exchange Commission Rule 15c2-12, and its amendments, on a timely and comprehensive basis. Rule 15c2-12 requires broker-dealer firms, when underwriting certain types of municipal securities, to require the issuer to provide certain information to the Municipal Securities Rulemaking Board about the securities on an ongoing basis. Such continuing disclosure normally requires the following: financial information and operating data of the issuer (or other obligated persons); audited financial statements of the issuer or other obligated persons, if available; and, certain specific “event” disclosures the occurrence of which would cause the value of the municipal securities to change adversely or which would affect the probability of prompt repayment of the municipal securities.

The Finance Department is designated as the responsible party for compliance with disclosure standards promulgated by state and national regulatory bodies and for compliance with continuing disclosure requirements required by contractual arrangements necessary to comply with Rule 15c2-12.

CHAPTER THREE: DEBT STANDARDS AND STRUCTURE

SECTION 9: TERM OF DEBT

Debt will be structured for the shortest period consistent with a useful life or benefit period of facilities or assets financed with the proceeds of such debt.

SECTION 10: DEBT STRUCTURE

Debt will be structured to achieve the lowest possible net cost to the City given market conditions, the urgency of the capital project, and the nature and type of security provided.

Moreover, to the extent possible, the City will design the repayment of its overall debt to recapture rapidly its credit capacity for future use.

To accomplish the recapture and preservation of its future credit capacity, the City shall strive to repay at least 20 percent of the principal amount of its general fund supported debt within five years and at least 40 percent within ten years because these measures are used by the major national credit rating agencies to determine the creditworthiness of the City.

In applying the 20% and 40% tests, the debt repayment amounts are cumulative, that is, the goal is to have each of the City's debt issuances to achieve a reduction in principal of 20% at the five-year mark and 40% at the ten-year mark.

Individual issues may be structured using either serial bonds or term bonds.

In the case of issues structured with term bonds, the City will use a sinking fund to retire the term bonds. A sinking fund is the mechanism whereby money is accumulated on a regular basis in a separate account for the purpose of redeeming the term bonds when due.

Principal repayment will commence during the fiscal year in which the financed asset is completed or is substantially available to the City.

Capitalized interest may be used in the City's debt structures, but only to the extent necessary to accommodate the deferral of principal to the point of substantial availability to the City.

SECTION 11: AMORTIZATION

The City will seek to structure debt with level principal and interest costs-over the life of the debt.

So-called "back-loading" of debt service (repaying less at the beginning of the repayment term) only will be considered when such structuring will allow debt service to more closely match project revenues during the early years of the project's operation.

In the case of an issue structured with term bonds and a sinking fund, the City's policy will be to retire the term bonds in substantially level fashion over each year of the life of the sinking fund unless the factors described above apply.

SECTION 12: SUBORDINATE DEBT

The City shall issue subordinate lien debt only if it is financially beneficial to the City and is consistent with the City's creditworthiness objectives as set forth in this Policy under the caption, "Credit Ratings." Generally, subordinated debt is that debt that has a lien position on an asset or revenue stream that is junior in position to other debt issues. Examples could include leases that are junior in payment obligation to senior leases.

SECTION 13: VARIABLE RATE DEBT

The City may choose to issue securities that pay a rate of interest that varies according to pre-determined formula or results from a periodic remarketing of the securities, consistent with state law and covenants of pre-existing bonds, and depending on market conditions.

The City may elect to control its interest rate exposure on variable rate debt using financial products designed to offset such risks, but only upon the express approval of the City Council after an affirmative recommendation from the City's Debt Management Committee.

SECTION 14: NON-TRADITIONAL FINANCIAL PRODUCTS

The City will consider the use of non-traditional financial products on a case by case basis and consistent with state law and financial prudence.

Examples of such non-traditional products include: interest rate swaps, interest rate caps and collars, "synthetic" refunding transactions, float contracts and asset-backed securities.

Use of non-traditional financial products will only be undertaken upon approval by the City Council. Further, the use of such products must achieve an effective hedge of the risk which the hedge is intended to offset on the date of the debt issuance.

SECTION 15: REFUNDING (REFINANCING)

Periodic reviews of all outstanding debt will be undertaken to determine refunding opportunities. In general, the periodic reviews will occur at least annually.

Refunding will be considered (within federal tax law constraints) when there is a net economic benefit of the refunding or the refunding is essential in order to modernize covenants essential to the City's financial or operating position.

In general, advance refunding for economic savings will be undertaken when significant net present value savings can be achieved (net of the costs of refunding).

Refunding with insignificant savings, or with negative savings, will not be considered unless there is a compelling public policy objective.

The measurement of savings may, but is not required, to consider benefits to the City from sources other than the proposed bond transaction, if deemed appropriate by the City's Debt Management Committee.

SECTION 16: SHORT TERM BORROWINGS

Use of short-term borrowing, such as bond anticipation notes (BANs), tax and revenue anticipation notes (TRANS), tax-exempt commercial paper and other similar short-term borrowing vehicles will be undertaken only if the transaction costs plus interest of the debt are less than the cost of internal financing, or available cash is insufficient to meet working capital requirements. For purposes of this policy, short-term is defined as any borrowing with a stated maturity of 13 months or less.

The City will not employ the use of such borrowings solely for earning arbitrage profits.

SECTION 17: CREDIT ENHANCEMENTS

Credit enhancement (letters of credit, bond insurance, etc.) will be used to the extent that net debt service on the bonds is reduced by more than the costs of the enhancement, measured in present value terms.

In order to calculate the economic effectiveness of a credit enhancement, the City will compare the present worth of the debt service required on the proposed transaction on both an enhanced and unenhanced basis to determine the economic benefits of the enhancement offered.

Credit enhancement that does not produce economic benefits, in present value terms, will be considered only if acceptance of the enhancement directly furthers other City goals and objectives.

CHAPTER FOUR: DEBT ADMINISTRATION AND PROCESS

SECTION 18: REVIEW BY CITY'S DEBT MANAGEMENT COMMITTEE

No City Department, agency, or sub-unit shall incur any long-term debt (including lease commitments) without the approval of the City Council.

All recommendations to the City Council from the Debt Management Committee shall specify the purpose of the borrowing, any options for financing the project without borrowing, and specific sources of payment of debt service.

The Debt Management Committee will be comprised of the City Manager, the Finance Director, and the City Attorney.

The City Manager may appoint additional members to the Debt Management Committee on an *ad hoc* basis as individual circumstances warrant.

The Debt Management Committee is authorized to provide advice to the City Council and the Finance Advisory Committee.

The Finance Director has responsibility for the oversight and periodic review of this Policy; and will recommend amendments to the Finance Advisory Committee and the City Council when applicable law or best practices change, or upon request of the City Manager or City Council.

All direct and indirect debt of the City and its component units will be presented to the Finance Advisory Committee for deliberation and recommendation prior to submittal to the City Council.

SECTION 19: INVESTMENT OF BOND PROCEEDS

All general fund-supported and revenue bond proceeds shall be invested as part of the City's consolidated pool, using appropriate trust fund accounting procedures, unless otherwise specified by law or the controlling bond documents and approved in advance by the City Treasurer.

Investments will be consistent with those authorized by existing state law and by the City's investment policy.

It will also be the City's policy to select investment advisors, if appropriate to the facts and circumstances of an individual borrowing or borrowing program, on a basis similar to that which it uses to engage investment advisors for its investment portfolio.

The City will execute the investment directives for bond proceeds through the applicable trustee for such proceeds.

SECTION 20: COSTS AND FEES

All costs and fees related to issuance of bonds will be paid out of bond proceeds.

In the case of no-commitment financings, the City may require prepayment of certain costs and fees from the project applicant(s). These advanced fees and costs may be collected pursuant to a deposit and cost reimbursement agreement prepared by the City Attorney.

Under certain extraordinary circumstances, the City may authorize the expenditure of City funds for the engagement of outside counsel or consultants for assisting the City with the feasibility analysis of the contemplated no-commitment debt. It is intended that any expenditure for such purposes would be in anticipation of, or reliance upon, reimbursement by a project applicant for such expenses. Should the proposed debt issue be abandoned prior to its completion, the City will retain any deposits or prepayments in amounts necessary to insure that its costs, both direct and indirect, are fully recovered.

SECTION 21: METHOD OF SALE

In general, City debt will be issued through a competitive bidding process.

Bids will be awarded on a true interest cost basis (TIC), providing other bidding requirements are satisfied.

In such instances where the City deems the bids received through the competitive bidding process to be unsatisfactory, it may, upon the prior authorization of the City Council, enter into negotiation for sale of the securities.

Negotiated sales of debt will be considered in circumstances when the complexity of the issue requires specialized expertise, when a change of underwriter may result in losses (for example, changing the remarketing agent in mid-program for variable rate debt), when the negotiated sale would result in substantial savings in time or money, or when market conditions or City credit are unusually volatile or uncertain.

SECTION 22: ACTION TO BE REGULAR BUSINESS ITEM, NOT ON CONSENT CALENDAR

For all debt sales, the City will require that the action taken by the City Council to incur the debt will be taken as a regular business item, and at a regular or special City Council meeting, consistent with state law.

Generally, it shall be the City's policy to submit the proposed debt issuance to the City's Finance Advisory Committee for a recommendation prior to submittal to the City Council. When submitted to the City Council, the proposed debt issuance will be presented in a study session wherever possible prior to submittal to the City Council as an action item.

CHAPTER FIVE: ENGAGEMENT OF SERVICE PROVIDERS

SECTION 23: UNDERWRITERS

For all competitive and negotiated sales, underwriters will be required to demonstrate sufficient financial strength and experience related to the debt.

The City may engage an underwriter for a negotiated sale of debt through a competitive process administered by the City's Finance Department based on the prior recommendation of the City's Debt Management Committee.

The utilization of the underwriter for a particular bond sale will be at the discretion of the City Council, pursuant to recommendation from the Debt Management Committee and a written underwriting agreement.

The selection criteria for underwriters will require that the selected underwriter have comprehensive municipal debt experience, experience with financial structuring requirements consistent with the City's needs, and strong distribution capabilities for municipal securities.

SECTION 24: PAYMENT OF UNDERWRITER'S COUNSEL FEES

To control the integrity of the debt issuance process, the City has an interest to pay underwriter's counsel fees. City payments for underwriter's counsel in negotiated sales will be authorized by the City Manager, pursuant to the City's purchasing ordinance, on a case-by-case basis depending on the nature and complexity of the transaction and the needs expressed by the underwriters.

SECTION 25: BOND COUNSEL

The City will retain external bond counsel for all debt issues and such retainer will be evidenced by a contract with the selected firm(s).

All debt issued by the City will include a written opinion by bond counsel affirming that the City is authorized to issue the debt, stating that the City has met all statutory requirements necessary for issuance, and determining the federal income tax status of such debt. Bond counsel does not prepare disclosure documents.

Bond counsel will be selected by the City Council based on the prior recommendation of the City's Debt Management Committee.

The selection criteria will require comprehensive municipal debt experience and clearly demonstrated skill and capabilities in the municipal bond sector and with the type of financing proposed. Bond counsel fees are paid from proceeds of the debt. However, on occasion, bond counsel will make some portion of its fees non-contingent on the sale of bonds; which would then be paid directly from the City's General Fund.

SECTION 26: DISCLOSURE COUNSEL

In certain instances, the City may choose to engage the services of a disclosure counsel for the purposes of assisting in the various aspects of the preparation of an official statement, private placement memorandum or other form of offering, disclosure or continuing disclosure document to be disseminated in connection with the sale of the City's debt. Disclosure counsel does not render an opinion regarding the legality and tax-exempt status of the proposed debt.

In performing these services, the disclosure counsel is clearly representing the City, as the issuer of the debt, and not the underwriter as well, as is the case where underwriter's counsel prepares such documents.

Disclosure counsel will be selected by the City Council based on the prior recommendation of the City's Debt Management Committee.

Because disclosure counsel is engaged by the City, the cost of disclosure counsel's services is typically paid from the proceeds of the debt issue, and may be structured as hourly charges or fixed fees, depending on the circumstances.

SECTION 27: FINANCIAL ADVISOR

The utilization of the financial advisor for particular bond sales will be at the discretion of the City Council on a case-by-case basis, based upon recommendation of the Debt Management Committee. While engagement of a financial advisor on each City debt issue is not required, it is strongly encouraged by this Policy.

The City may engage a financial advisor for a specific bond sale through a competitive process administered by the City's Finance Department based on the prior recommendation of the City's Debt Management Committee.

The selection criteria for financial advisors will require that the selected financial advisor have comprehensive municipal debt experience, experience with diverse financial structuring requirements and strong pricing capabilities for determining the fairness of the prices received by the City for its debt issues.

SECTION 28: FISCAL AGENTS, PAYING AGENTS AND TRUSTEES

The Finance Department will utilize a fiscal agent, paying agent or trustee on all City indebtedness, as may be legally required by the type of debt instrument being used. Exceptions will be permitted on equipment leases of a size, tenor, or character that would make appointment of a trustee infeasible.

Fees for such services on outstanding bonds will be paid from the resources of the department or program supporting the debt service on the instrument.

SECTION 29: COMPENSATION FOR SERVICES

Compensation for bond counsel, underwriter's counsel, financial advisors, and other financial service providers will be consistent with industry standards. When compensation arrangements are presented on a contingency basis, the City will take steps to ensure that potential conflicts of interest are identified and fully disclosed before such compensation arrangements are approved by the City Council.

SECTION 30: SELECTION PROCESSES

The City Council shall make all final determinations of selection for underwriters, counsel, and financial advisors based on the recommendation of the City's Debt Management Committee.

The determination will be made following an independent review of competitive bids or responses to requests for proposals (RFPs) or requests for statements of qualifications (RFQs).

The City's Debt Management Committee will review the proposals or statements of qualifications and make recommendations to City Council.

The City's financial advisor(s) may also review underwriter proposals at the direction of the Finance Director.

SECTION 31: OTHER SERVICE PROVIDERS

The Finance Director shall have the authority to periodically select other service providers (e.g., escrow agents, verification agents, trustees, arbitrage consultants, assessment engineers, special tax consultants, investment advisors, etc.) as deemed necessary to meet legal requirements and minimize net City debt costs.

The Finance Director may select firm(s) to provide such financial services related to debt without a RFP or RFQ, consistent with City requirements, and pursuant to the requirements of the purchasing ordinance and budget authorization.

A firm so selected must receive Finance Director written authorization to proceed before undertaking any transaction or providing any service.

CHAPTER VII: OTHER POLICY

SECTION 32: ARBITRAGE COMPLIANCE

The Finance Department shall maintain a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of the Federal Tax Code.

SECTION 33: UNSOLICITED FINANCING PROPOSALS

Any unsolicited financing proposal to a City department, agency, or employee involving pledge or other extension of the City's credit through sale of securities, execution of loans or leases, marketing or other guarantees, or otherwise involving directly or indirectly the lending or pledging of the City's credit, shall be referred to the Finance Department for review by the City's Debt Management Committee prior to submittal to the City Council for approval.

SECTION 34: INTERNAL BORROWINGS

If sufficient resources are available, liquidity will not be impaired, and a defined source of repayment is available, the City will generally favor internal borrowings over external borrowings for short-term liquidity purposes.

The Finance Department may undertake inter-fund borrowings and such borrowings will be evidenced by a written memorandum or agreement specifying the tenor and terms of the borrowing, including repayment terms, interest rates and calculations and procedures for amendment and must have the approval of the City Council, except for fiscal year end accounting entries that create temporary loans for financial statement presentation purposes.

Any internal borrowing must be first coordinated with the responsible managing department.

All such inter-fund borrowings will be reflected in the City's accounting records as "due to" and "due from" items respecting the funds and accounts borrowed from and loaned to, respectively.

Inter-fund borrowing may bear interest at the rate being earned by the Local Agency Investment Fund ("LAIF") administered by the California State Treasurer's Office.

SECTION 35: SPECIAL DISTRICT FINANCING

This section outlines parameters for the public financing of major public facilities through the establishment of Assessment Districts and Community Facilities Districts. It establishes the standards and criteria for the review of these proposed projects in order to determine the feasibility of special district financing given the public policy direction of the legislative body.

The City may encourage the development of commercial or industrial property that results in significant public benefit to the City (i.e., increased jobs, property or sales tax revenues, major public improvements).

The City Council may consider the use of Community Facilities Districts (CFDs) as well as other financing methods to assist these types of development in the financing of public facilities necessary to serve such projects using no-commitment debt.

POTENTIAL PUBLIC BENEFIT

Where, in the City's opinion, such development results in a significant public benefit, public financing may be considered. Significant public benefit means that the project will enhance the economic, social or cultural quality of life for the residents of the City; or, that it will stimulate employment within the City; and, that such enhancement or employment gain can be measured in a manner which permits the City to evaluate the risks and rewards of acting as the issuer of no-commitment, special district debt to facilitate such a development. Significant public benefit can be based on the City's evaluation of the availability of public access to the financed facility by the widest possible number of residents of the City, depending on the context. Acceleration of the availability or a net addition of public infrastructure in excess of that required by law or the City's land use policies could also produce significant public benefit. Such benefits arise from either the installation or completion of public infrastructure assets prior to the time they might otherwise be installed or from the additional assets that might be realized because of being able to finance the project more efficiently.

Finally, the finding of significant public benefit can arise from the installation or acquisition of a community asset which produces additional employment opportunities or which produces environmental benefits as a direct or secondary result of its completion.

In circumstances where the financed improvements generate regional benefits, the finding of significant public benefit will be easier than in those where the financed facilities serve only a small number of residents.

GENERAL PROCEDURES

Facilities will be financed in accordance with the procedures of the Improvement Act of 1911 ("1911 Act"), the Municipal Improvement Act of 1913 ("1913 Act"), the Improvement Bond Act of 1915 ("1915 Act") or the Mello-Roos Community Facilities Act of 1982 (The "Mello-Roos Act").

In compliance with Proposition 218, the 1996 California Constitutional Amendment known as the "Right to Vote on Taxes Act," voter approval is required to implement new or increased taxes, assessments, fees and charges.

A simple majority is required for general taxes, assessments, charges and fees.

Special taxes require a two-thirds majority approval.

All special district bonds shall be issued in accordance with the 1911 Act or 1915 Bond Act or the Mello-Roos Act of 1982 as determined to be appropriate for the proposed financing by the City.

The proposed project must be consistent with the City's General Plan and have secured appropriate land use entitlements from the City to allow for the development of the project.

A written request for special district financing should be initiated by the owners of the property subject to payment of the assessments or special tax, as defined per statutory requirements.

The funding of public facilities to be owned and operated by public agencies other than the City will be considered on a case-by-case basis. If the proposed facilities are appropriate for financing by an assessment district or community facilities district and are consistent with approved land use plans for the property, the City shall consider entering into a joint community facilities agreement or other applicable agreement with such other public agency in order to finance these facilities.

Such an agreement with the public agency that will own and operate any such facility must be entered into prior to the adoption of the resolution of formation for any assessment district or community facilities district.

In general, the financing of public facilities that are owned and operated by the City will have priority over public facilities to be owned by another public agency; however, the City has the final determination as to the eligibility of any public facility for financing, as well as the prioritization of the financing of such facilities.

The Debt Management Committee shall review all special district financing applications prior to the presentation of a district formation petition to the City Council.

All costs incurred by the City in the evaluation of applications for special district financing and the proceedings to form either an assessment district or a community facilities district and to issue bonds therefor will be paid by the applicant by advance deposit with the City in an amount or amounts deemed sufficient by the City to pay all such costs.

The assessment engineer, appraiser, bond counsel, financial advisor, special tax consultant, underwriter, and other necessary professional and technical advisors shall be selected and retained by and shall be accountable to the City.

The obligation of the applicant shall be memorialized in an agreement between the applicant and the City in a form and substance satisfactory to the City. Specific

application procedures for Special District Financing have been included in Appendix B of this policy document.

APPENDIX A: GLOSSARY

AD VALOREM TAX

A tax calculated "according to the value" of property. Such a tax is based on the assessed valuation of real property and, in certain cases, on a valuation of tangible personal property. In most jurisdictions, the tax is a lien on the property enforceable by seizure and sale of the property. General restrictions, such as overall restrictions on rates, or the percent of charge allowed, sometimes apply. As a result, *ad valorem* taxes often function as the balancing element in local budgets.

ADVANCE REFUNDING

A procedure whereby outstanding bonds are refinanced by the proceeds of a new bond issue more than 90 days prior to the date on which outstanding bonds become due or are callable. Generally, either the entire outstanding issue is refunded (full refunding) or only the callable bonds are refunded (partial refunding). Typically, an advance refunding is performed to take advantage of interest rates that are significantly lower than those associated with the original bond issue.

At times, however, an advance refunding is performed to remove restrictive language or debt service reserve requirements required by the original issue.

(See also "CURRENT REFUNDING")

AMORTIZATION

The planned reduction of a debt obligation according to a stated maturity or redemption schedule.

ARBITRAGE

The gain that may be obtained by borrowing funds at a lower (often-tax-exempt) rate and investing the proceeds at higher (often taxable) rates. The ability to earn arbitrage by issuing tax-exempt securities has been severely curtailed by the Tax Reform Act of 1986, as amended.

ASSESSED VALUATION

The appraised worth of property as set by a taxing authority through assessments for purposes of *ad valorem* taxation. The method of establishing assessed valuation varies from state to state, with the method generally specified by state law. For example, in certain jurisdictions, the assessed evaluation is equal to the full or market value of the property; in other jurisdictions, the assessed valuation is equal to a percentage of the full market value.

ASSESSMENT BONDS

Bonds issued to develop facilities and basic infrastructure for the benefit of specific properties within the assessment district that directly benefit from the facilities.

The key consideration here is the “direct and special benefit” to be received by the property subject to the assessment.

Voter approval is not required.

Instead, a majority vote of the property owners with a majority of assessments is needed to authorize the issue.

The issuer's recourse for nonpayment is foreclosure.

This type of bond is normally not rated.

The bonds may be issued under the provisions of the various assessment bond acts of the State, whichever is most appropriate.

(See also “Special Tax Bond” for a description of bonds issued pursuant to the Mello-Roos Act.)

BALLOON MATURITY

A maturity within a serial issue of securities that contains a disproportionately large percentage of the principal amount of the original issue. A balloon maturity is generally distinguished from a term bond by the fact that a term bond generally has the benefit of a sinking fund to smooth out the amount of principal paid from any single year's operations. A balloon maturity increases the likelihood that the jurisdiction will need to refinance the securities for an extended period of time upon their initial maturity.

BASIS POINT

One one-hundredth of one percent (0.0001).

BEARER BOND

A security that does not identify its owner on its face or by registration. The security is presumed to be owned by the person possessing it. The Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) curtailed the issuance of tax-exempt bearer bonds.

BOND

A security that represents an obligation to pay a specified amount of money on a specific date in the future, typically with periodic interest payments.

BOND ANTICIPATION NOTES

Notes issued to provide temporary financing, to be repaid from the proceeds of a subsequent long-term financing.

BOND COUNSEL

An attorney (or firm of attorneys) retained by the issuer to give a legal opinion concerning the validity of the securities. The bond counsel's opinion usually addresses the subject of tax exemption. Bond counsel may prepare, or review and advise the issuer regarding authorizing resolutions or ordinances, trust indentures, official statements, validation proceedings and litigation.

BOND INSURANCE

Bond insurance is a type of credit enhancement whereby a monoline insurance company indemnifies an investor against default by the issuer. In the event of a failure by the issuer to pay principal and interest in full and on time, investors may call upon the insurance company to do so. Once assigned, the municipal bond insurance policy generally is irrevocable. The insurance company receives an up-front fee, or premium, when the policy is issued.

BOND RESERVE

See "Debt Service Reserve Fund".

BOOK-ENTRY-ONLY

Bonds that are issued in fully registered form but without certificates of ownership. The ownership interest of each actual purchaser is recorded on computer.

CALL OPTION

The right to redeem a bond prior to its stated maturity, either on a given date or continuously. The call option is also referred to as the optional redemption provision. Often a "call premium" is added to the call option as compensation to the holders of the earliest bonds called. Generally, the earliest callable bonds called carry a 102% premium, the next earliest, a 101 % premium, and the balance of the bonds are called at par value.

CAPITAL APPRECIATION BOND

A bond without current interest coupons that is sold at a substantial discount from par. Investors are provided with a return based upon the accretion of value in the bond through maturity. (See: zero coupon bond)

CAPITAL LEASE

The acquisition of a capital asset over time rather than merely paying a rental fee for temporary use. A lease-purchase agreement, in which provision is made for transfer of ownership of the property for a nominal price at the scheduled termination of the lease, is referred to as a capital lease.

CERTIFICATES OF PARTICIPATION

A lease agreement with another party (a lessor, such as a joint powers authority) to lease an asset over a defined period at a prearranged annual payment.

Voter approval is generally not required.

Lease payments are made primarily from general fund revenues.

Current law requires the lessee to make lease payments only if the City has beneficial use of the facility to be leased.

The legislative body has to appropriate annual debt service payments.

For the security of the bondholders, a reserve fund is normally established and held by a trustee until all bonds are paid.

Interest during project construction must be capitalized.

An "asset transfer" structure, whereby an existing facility is used as security to finance construction or acquisition of another project, may be used for flexibility.

Sometimes this structure is styled as a "lease revenue bond," which is functionally the same as Certificates of Participation.

COMMERCIAL PAPER (TAX-EXEMPT)

By convention, short-term, unsecured promissory notes issued in either registered or bearer form with a stated maturity of 270 days or less.

COMPETITIVE SALE

Sales of securities in which the securities are awarded to the bidder who offers to purchase the issue at the best price or lowest cost.

CONTINUING DISCLOSURE

The requirement by the Securities and Exchange Commission for most issuers of municipal debt to provide current financial information to the informational repositories for access by the general marketplace.

Generally, SEC Rule 15c2-12 requires issuers of municipal securities and certain other "obligated persons" to make contractual promises to provide continuing information to the marketplace during the life of securities issues.

Under the rule, an underwriter is not permitted to purchase or sell municipal securities in connection with a primary offering of \$1.0 million or more unless it has entered into such a contractual arrangement with the issuer of the securities for the benefit of the holders of the securities.

In conduit issues, the obligation to maintain continuing disclosure efforts should be imposed on the project sponsors.

COUPON RATE

The interest rate on specific maturities of a bond issue. While the term "coupon" derives from the days when virtually all municipal bonds were in bearer form with coupons

attached, the term is still frequently used to refer to the interest rate on different maturities of bonds in registered form.

CURRENT REFUNDING

A procedure whereby outstanding bonds are refinanced by the proceeds of a new bond issue within 90 days of the date on which outstanding bonds become due or are callable. Generally, either the entire outstanding issue is refunded (full refunding) or only the callable bonds are refunded (partial refunding). Typically, a current refunding is performed to take advantage of interest rates that are significantly lower than those associated with the original bond issue.

At times, however, a current refunding is performed to remove restrictive language or debt service reserve requirements required by the original issue.

(See also "ADVANCE REFUNDING")

CUSIP NUMBER

The term CUSIP is an acronym for the Committee on Uniform Securities Identification Procedures. An identification number is assigned to each maturity of an issue, and is usually printed on the face of each individual certificate of the issue. The CUSIP numbers are intended to help facilitate the identification and clearance of municipal securities. As the municipal market has evolved, and new derivative products are devised, the importance of the CUSIP system for identification purposes has increased.

DEBT BURDEN

The ratio of outstanding tax-supported debt to the market value of property within a jurisdiction. The overall debt burden includes a jurisdiction's proportionate share of overlapping debt as well as the municipality's direct net debt.

DEBT LIMITATION

The maximum amount of debt that is legally permitted by a jurisdiction's charter, constitution, or statutory requirements.

DEBT SERVICE

The amount necessary to pay principal and interest requirements on outstanding bonds for a given year or series of years.

DEBT SERVICE RESERVE FUND

The fund into which moneys are placed which may be used to pay debt service if pledged revenues are insufficient to satisfy the debt service requirements. The debt service reserve fund may be entirely funded with bond proceeds, or it may only be partly funded at the time of the issuance and allowed to reach its full funding requirement over time, due to the accumulation of pledged revenues. If the debt service reserve fund is used in whole or part to pay debt service, the issuer usually is required to replenish the funds

from the first available funds or revenues. A typical reserve requirement might be the maximum aggregate annual debt service for any year remaining until the bonds reach maturity. The size of the reserve fund, and the manner in which it is invested, may be subject to arbitrage regulations.

DEFAULT

The failure to pay principal or interest in full or on time. An actual default should be distinguished from technical default. The latter refers to a failure by an issuer to abide by certain covenants but does not necessarily result in a failure to pay principal or interest when due.

DEFEASANCE

Providing for payment of principal of premium, if any, and interest on debt through the first call date or scheduled principal maturity in accordance with the terms and requirements of the instrument pursuant to which the debt was issued. A legal defeasance usually involves establishing an irrevocable escrow funded with only cash and US. Government obligations.

DEPOSITORY TRUST COMPANY (DTC)

A limited purpose trust company organized under the New York Banking Law. DTC facilitates the settlement of transactions in municipal securities.

DERIVATIVES

Financial products whose value is derived from the value of an underlying asset, reference rate, or index. Typically, these agreements are contracts between a lender/investor and a borrower and include interest rate swaps, caps, floors, collars, and forward purchase agreements.

DISCOUNT

The difference between a bond's par value and the price for which it is sold when the latter is less than par.

DOUBLE-BARRELED BOND

A bond secured by a defined source of revenue (other than general property taxes) and the full faith and credit of an issuer.

ENTERPRISE ACTIVITY

A revenue-generating project or business. The project often provides funds necessary to pay debt service on securities issued to finance the facility. The debts of such projects are self-liquidating when the projects earn sufficient monies to cover all debt service and other requirements imposed under the bond contract. Common examples include water and sewer treatment facilities and utility facilities.

FINANCIAL ADVISOR

A consultant who advises an issuer on matters pertinent to a debt issue, such as structure, sizing, timing, marketing, pricing, terms, and bond ratings.

FITCH INVESTORS SERVICE

A financial services company, founded in 1913, which provides investors with an independent assessment of the credit worthiness of debt obligations.

FINAL OFFICIAL STATEMENT (FOS)

A document published by the issuer that generally discloses material information on a new issue of municipal securities including the purposes of the issue, how the securities will be repaid, and the financial, economic and social characteristics of the issuing government. Investors may use this information to evaluate the credit quality of the securities. (See also Official Statement)

FLOW OF FUNDS

The order in which pledged revenues must be disbursed, as set forth in the trust indenture or bond resolution. In most instances, the pledged revenues are deposited into a general collection account or revenue fund as they are received and subsequently transferred into the other accounts established by the bond resolution or trust indenture. The other accounts provide for payment of the costs of debt service, debt service reserve deposits, operation and maintenance costs, renewal and replacement, and other requirements.

GENERAL OBLIGATION BONDS

Bonds backed by the full faith and credit of the City.

The taxing power is an unlimited *ad valorem* tax, usually on real estate and personal property.

A special rate is incorporated in the property tax bill annually to pay for debt service.

A two-thirds voter approval is required for authorization.

Because it is secured by an unlimited tax levy, this structure has strong marketability and lower interest costs.

GENERAL OBLIGATION DEBT

Debt that is secured by a pledge of the *ad valorem* taxing power of the issuer. Also known as a full faith and credit obligation.

INDENTURE

A contract between the issuer and a trustee stipulating the characteristics of the financial instrument, the issuer's obligation to pay debt service, and the remedies available to the trustee in the event of a default.

INVESTMENT GRADE

The broad designation given bonds that have a high probability of being paid, and minor, if any, speculative features.

Bonds rated “BBB” or higher by Standard & Poor’s Corporation, “Baa” or higher by Moody’s Investor’s Service, and “BBB” or higher by Fitch IBCA Rating Service are deemed by those agencies to be “investment grade.”

ISSUANCE COSTS

The costs incurred by the bond issuer during the planning and sale of securities. These costs include but are not limited to financial advisory and bond counsel fees, printing and advertising costs, rating agency fees, and other expenses incurred in the marketing of an issue.

ISSUER COUNSEL

An attorney engaged by the issuer to represent its best interest in a debt transaction. Often this role is performed by bond counsel, however, at time separate counsel is engaged that does not have responsibility to issue the bond opinion as well as represent the issuer’s best interests.

JUNIOR LIEN BONDS

Bonds that have a subordinate claim against pledged revenues.

LEASE

An obligation wherein a lessee agrees to make payments to a lessor in exchange for the use of certain property. The term may refer to a capital lease or to an operating lease.

LEASE REVENUE BONDS

Bonds that are secured by an obligation of one party to make annual lease payments to another.

LESSEE

The party to a lease agreement that obtains use of a facility or piece of equipment on exchange for rental payments.

LESSOR

The owner of the property being leased.

LETTER OF CREDIT

Bank credit facility whereby a bank will honor the payment of an issuer's debt, in the event that an issuer is unable to do so, thereby providing an additional source of security for bondholders for a predetermined period. A letter of credit often is referred to as an L/C or an LOC. Letter of Credit can be issued on a "stand-by" or "direct pay" basis.

LINE OF CREDIT

Bank credit facility wherein the bank agrees to lend up to a maximum amount of funds at some date in the future in return for a commitment fee.

MANAGER

The member (or members) of an underwriting syndicate charged with the primary responsibility for conducting the affairs of the syndicate. The managers take the largest underwriting commitment.

Underwriter

The underwriter serving as head of the syndicate. The lead Manager generally handles negotiations in a negotiated underwriting of a new issue of municipal securities or directs the process by which a bid is determined for a competitive underwriting. The lead Manager also is charged with allocating securities among the members of the syndicate in accordance with the terms of the syndicate agreement or agreement among underwriters.

Underwriting Group

Any member of the management group.

MASTER LEASE AGREEMENTS

A lease agreement with a provider to lease equipment or facilities whose useful life is too short, or whose cost is too small to finance with conventional long-term debt.

Various pieces and types of real and personal property from different vendors over a period of time can be acquired under one master lease agreement.

Interest can be fixed or tied to an index.

Financing costs are normally minimal, but the interest cost may be higher than with other instruments.

MARKS-ROOS BONDS

Bonds issued by a joint powers authority to buy other bond issues.

By pooling bond issues, marketability can be improved and administration costs are reduced.

Often used in the case of a negotiated sale of redevelopment agency debt in order to avoid the competitive sale requirements for such debt.

MOODY'S INVESTORS SERVICE, INC.

A financial service company, a subsidiary of Dun & Bradstreet Corp. has provided ratings for municipal securities and other financial information to investors since 1918.

MUNICIPAL SECURITIES RULEMAKING BOARD (MSRB)

A self-regulating organization established on September 5, 1975 upon the appointment of a 15-member Board by the Securities and Exchange Agreement. The MSRB, comprised of representatives from investment banking firms, dealer bank representatives, and public representatives, is entrusted with the responsibility of writing rules of conduct for the municipal securities market. New board members are selected by the MSRB pursuant to the method set forth in Board rules.

NEGOTIATED SALE

A sale of securities in which the terms of sale are determined through negotiation between the issuer and the purchaser, typically an underwriter, without competitive bidding

NET INTEREST COST (NIC)

The average interest cost of a bond issue calculated based on simple interest. This calculation involves a fraction in which the numerator is the gross amount of interest to be paid over the bonds' life (adjusted for the amount of discount or premium granted at the time of sale), and the denominator is the average life of the bond issue multiplied by the issue's par value.

NO COMMITMENT DEBT

A debt that is generally a sub-type called land secured debt, such as Mello-Roos or assessment district debt that indirectly benefits selected stakeholders in the City, but for which the City would have no financial commitment. Thus, this type of debt bears unique risks in the event of non-compliance with the borrowing agreements.

NOTE

A written promise to pay a certain amount of money on a specific date, with interest. By convention, the maturity of a note is one year or less, making it short-term debt. However, financial instruments with a longer stated maturity sometimes are called Notes. For example, a bond anticipation note can have maturities of two years or longer.

OFFICIAL STATEMENT (OS)

A document published by the issuer that generally discloses material information on a new issue of municipal securities including the purposes of the issue, how the securities will be repaid, and the financial, economic and social characteristics of the issuing government. Investors may use this information to evaluate the credit quality of the securities. (See also Final Official Statement)

OPERATING LEASE

A lease that enables the lessee to acquire the use of an asset only, not its ownership as in a capital lease. The lease term typically runs for only a portion of the asset's useful life.

ORIGINAL ISSUE DISCOUNT BONDS

Bonds that are sold at a substantial discount from their par value at the time of the original sale.

OVERLAPPING DEBT

The legal jurisdictions of local governments often overlap one another. In some cases, one unit of government is located entirely within the boundaries of another. Overlapping debt represents the proportionate share of debt that must be borne by one unit of government because another government with overlapping or underlying taxing authority issued its own bonds.

PAR VALUE

The face value or principal amount of a security.

PAYING AGENT

An agent of the issuer with responsibility for timely payment of principal and interest to bond holders.

PRELIMINARY OFFICIAL STATEMENT (POS)

The POS is a preliminary version of the official statement that is used by an issuer or underwriters to describe the proposed issue of municipal securities prior to the determination of the interest rate(s) and offering price(s). The preliminary official statement, also called a "red herring," often is examined upon by potential purchasers prior to making an investment decision.

PREMIUM

The excess of the price at which a bond is sold over its face value.

PRESENT VALUE

The value of a future amount or stream of revenues or expenditures in current dollars.

PRIVATE ACTIVITY BONDS

A bond where the use of bond proceeds is used for private purposes. If deemed a private activity bond, the interest is not tax exempt unless the use of the proceeds meets certain requirements of the Internal Revenue Code.

PUT OPTION

The right to demand repayment of principal prior to a bond's maturity. In the case of short-term variable rate debt, this right often is referred to as a variable-rate demand option.

REFUNDING

A procedure whereby an issuer refinances an outstanding bond issue by issuing new bonds.

REGISTERED BOND

A security on which the ownership is recorded by the issuer or its agent.

RESERVE FUND

A fund established by the indenture of a bond issue into which money is deposited for payment of debt service in case of a shortfall in current revenues.

REVENUE BONDS

Bonds secured by revenues generated by the facility that is financed or by dedicated user fees.

Voter approval may or may not be required.

Planning is more complex because costs and revenues affect each other.

Credit enhancement (e.g., insurance or letter of credit) may be needed because of the limited source of debt service payment.

SECONDARY MARKET

The market in which bonds are sold after their initial sale in the new issue market.

SENIOR LIEN BONDS

Bonds having a prior or first claim on pledged revenues.

SERIAL BONDS

A bond issue in which the principal is repaid in periodic installments over the issue's life.

SINKING FUND

A fund into which funds are placed to be used to redeem securities in accordance with a redemption schedule in a bond contract. This term is sometimes used interchangeably with the term "mandatory redemption fund".

SOPHISTICATED INVESTOR

A purchaser of bonds, who is considered knowledgeable about the pricing and risk factors associated with the repayment of bonds.

This type of investor usually purchases bonds in large dollar amounts, typically \$100,000 or more.

SPECIAL ASSESSMENTS

A charge imposed against property or parcel of land that receives a special benefit by virtue of some public improvement that is not, or cannot be enjoyed by the public at large.

Special assessment debt issues are those that finance such improvements and are repaid by the assessments charged to the benefiting property owners.

STANDARD & POOR'S CORPORATION (S&P)

A financial service company, a subsidiary of McGraw-Hill -Company. S&P provides ratings for municipal securities and other financial information to investors.

TAX ALLOCATION BONDS

Bonds secured by property tax increment (property taxes generated on assessed value in excess of the frozen property tax base) in a redevelopment project area.

These bonds are issued to promote economic development.

Voter approval is not required.

TAX INCREMENT

Property tax revenues derived from the incremental assessed value increases from the redevelopment project area's frozen tax base.

TERM BONDS

A bond issue in which the entire principal matures on one date. Term bonds also refer to a particularly large maturity of a bond issue that is created by aggregating a series of maturities. In the latter instance, provision is made for mandatory structuring fund installments in advance of the term bond's maturity to reduce the burden of a particular large debt service payment in any one fiscal year.

TRUE INTEREST COST (TIC)

An expression of the average interest cost in present value terms. The true interest cost is a more accurate measurement of the bond issue's effective interest cost and should be used to ascertain the best bid in a competitive sale.

UNDERWRITER'S COUNSEL

An attorney engaged by the underwriter(s) to represent its interests in a debt transaction. Generally, underwriter's counsel prepares the bond purchase agreement between the issuer and the underwriter and, when more than one underwriter is involved, the agreement among underwriters.

VARIABLE RATE BOND

A bond on which the interest rate is reset periodically, usually no less often than semi-annually. The interest rate is reset either by means of an auction or through an index.

VENDOR LEASES

A vendor of equipment acts as the lessor and investor, and holds the lease for its full term or may assign the lease.

The motivating factor to the vendor is usually to encourage future sales of its product.

YIELD CURVE

A graph that plots the market yields on securities with different maturities, at a given point in time. The vertical axis represents the yields, while the horizontal axis depicts the time to maturity. The term structure of interest rates, as reflected by the yield curve, will vary according to market conditions, resulting in a wide variety of yield curve configurations.

YIELD-TO-MATURITY

The rate of return that an investor will receive if the bond remains outstanding and the investor holds the bond to maturity. The investor must take into account the price paid for the bonds, the dates of purchase and maturity, and the coupon rate on the bonds. The "yield to maturity" assumes that interest payments will be re-invested at the same coupon rate borne by the bond.

ZERO COUPON

A bond that does not pay interest periodically. Investors receive interest on the scheduled principal maturity date of the obligation.

APPENDIX B: SPECIAL DISTRICT FINANCING PROCEDURES

This appendix outlines specific procedures for special district financing. Proposals must be initiated via an application process. The applicant shall pay all costs to evaluate the application and undertake the proceedings to consider the formation of the assessment district or the community facilities district.

DEPOSITS

Each application for the formation of an assessment district or a community facilities district shall be accompanied by an initial deposit in an amount to be determined by the City to be adequate to fund the evaluation of the application and undertake the proceedings to consider the formation of the assessment district or the community facilities district.

The City may, in its discretion, permit an applicant to make periodic deposits to cover such expenses rather than a single lump sum deposit; provided, however, no preformation costs shall be incurred by the City in excess of the amount then on deposit for such purposes.

If additional funds are required to pay required preformation costs, the City may make written demand upon the applicant for such additional funds and the applicant shall deposit such additional funds with the City within five (5) working days of the date of receipt of such demand.

Upon the depletion of the funds deposited by applicant for preformation costs, all proceedings shall be suspended until receipt by the City of such additional funds as the City may require.

PROJECT FISCAL FEASIBILITY

Project property "value-to-lien" ratios shall be based upon current bond market conditions as proposed by Finance Director under the advice of selected financial advisor or underwriter.

The property value shall be determined by an MAI (Member of the Appraisal Institute) appraiser selected by the City.

A market absorption study of the proposed development project by an independent consultant, chosen by the City, shall be required. The absorption study shall be used to determine if the financing of the public facilities is appropriate, given the timing of development and whether sufficient revenues will be generated by the project to retire the debt service.

With regard to community facilities districts, the proposed rate and method of apportionment of the special tax shall comply with the following criteria:

1. The primary emphasis of the special tax formula shall be equitable for the future property owner.
2. Special tax formulas shall provide for minimum special tax levels that satisfy the following expenses of a community facilities district:
 - a. 110 percent gross debt service coverage for all bonded indebtedness;
 - b. The projected administrative expenses of the community facilities district; and
 - c. An amount equal to the differences between expected earnings on any escrow fund and the interest payments due on bonds of the community facilities district.
 - d. Additionally, the special tax formula may provide for the following:
 - I. Any amounts required to establish or replenish any reserve fund established in association with the indebtedness of the community facilities district;
 - II. The accumulation of funds reasonably required for future debt service;
 - III. Amounts equal to projected delinquencies of special tax payments;
 - IV. The cost of remarketing, credit enhancement, and liquidity facility fees;
 - V. The cost of acquisition, construction, furnishing, or equipping of eligible public facilities;
 - VI. Lease payments for existing or future public facilities;
 - VII. Costs associated with the release of funds from an escrow account; and
 - VIII. Any other costs or payments permitted by the Mello-Roos Act.
3. All property, not otherwise statutorily exempted, shall bear its appropriate share of the special tax liability.

The sole source of revenues pledged to repay bonds issued for an assessment district or a community facilities district shall be the assessments or special taxes, as applicable, levied or authorized to be levied within such assessment district or community facilities district, proceeds of such bonds and reserve funds held under the applicable bond documents, the proceeds of foreclosure proceedings and additional security instruments provided at the time of issuance of such bonds.

Neither the faith, credit or taxing power of the City shall be pledged to the payment of debt service on bonds issued for an assessment district or a community facilities district nor shall the City have any obligation to replenish any reserve fund established for any such bonds.

4. The projected ad valorem property tax and other direct and overlapping debt for the proposed development project, including the proposed maximum special tax, should not exceed two percent (2%) of the appraised value of each improved parcel upon completion of the improvements.

Any applicant shall be required to provide all information regarding the development of the property within the assessment district or community facilities district, including without limitation the financing plan for such development, which is necessary to ensure that the official statement for any bond issue complies with the requirements of Rule 15c2-12 of the Securities and Exchange Commission and all other applicable federal and state securities laws.

The City's Debt Management Committee, in conjunction with advisors retained by the City, shall determine whether the aggregate cost of public improvements and permitted indirect costs, allowable under statute, shall equal an amount that renders formation of a district, both economically cost-effective and efficient; and make a recommendation to the City Council accordingly.

The recommended issue shall be sized by the Finance Director, in conjunction with City financial advisors, and shall meet industry standards with respect to marketability.

Minimum bond issue size will be as determined by the Finance Director upon recommendation of the Debt Management Committee. In very general terms, the minimum bond issue size must be greater than \$5.0 million to gain acceptable market access and to distribute the transaction costs appropriately.

PROJECT DISCLOSURE

Additionally, any applicant may, as determined by disclosure counsel, underwriter or underwriter's counsel be required to enter into a continuing disclosure agreement to provide such continuing disclosure, pertaining to the assessment district or community facilities district, the development thereof and the applicant, as necessary, to ensure ongoing compliance with the continuing disclosure requirements of Rule 15c2-12.

With respect to community facilities districts and assessment districts, full disclosure to prospective property owners of the special tax or assessment lien shall comply with applicable statutory authority.

The City, in its sole judgment, may require additional property owner notification if it deems such disclosure will assist subsequent property owners' awareness of the lien obligation.

FINANCING COVENANTS

All statements and materials related to the sale of special tax bonds (community facilities district) and improvement bonds (assessment district) shall emphasize and state that neither the faith, credit, nor the taxing power of the City of Rancho Palos Verdes is pledged to the repayment of the bonds, nor that there is an obligation of the City to

replenish the reserve fund from revenue sources other than special taxes, annual assessments or proceeds from foreclosure proceedings.

The City accepts no contingent liability for the debt service on no-commitment debt issued by special districts.

All terms and conditions of any bonds issued for any special district, including, without limitation, the sizing, timing, term, interest rates, discount redemption features, flow of funds, investment provisions and foreclosure covenants, shall be established by the City.

Each bond issue shall be structured to adequately protect bond owners and to avoid negatively affecting the bonding capacity or credit worthiness of the City.

Unless otherwise approved by the City Council, the following shall serve as minimum bond requirements:

- A. A reserve fund shall be established for each bond issue to be funded out of the bond proceeds in an amount equal to 10% of the original proceeds of the bonds or such lesser amount as may be required by federal tax law.
- B. Interest shall be capitalized for a bond issue only so long as necessary to place the assessments or special tax installments on the assessment roll; provided, however, interest may be capitalized for a term to be established at the discretion of the City Council on a case-by-case basis, not to exceed an aggregate of 18 months, taking into consideration the value-to-debt ratio, the expected timing of initial occupancies, expected absorption and build out of the project, the expected construction and completion schedule for the public improvements to be funded from the proceeds of the bond issue in question, the size of the bond issue, the development pro forma and the equity position of the applicant, and such other factors as the City Council may deem relevant.

In instances where multiple series of bonds are to be issued, the City shall determine what improvements shall be financed from the proceeds of each series of bonds.

PROJECT APPRAISAL

The definitions, standards, and assumptions to be used for appraisals shall be determined by the City staff on a case-by-case basis, with input from City consultants and applicants, and by reference to relevant materials and information promulgated by the State of California.

In any event, the value-to-lien ratio shall be determined based upon an appraisal by an independent MAI appraiser of the property within the proposed assessment district or community facilities district that will be subject to the levy of special taxes.

The appraisal shall be coordinated by and under the direction of the City.

Definition of Appraisal

An appraisal is a written statement independently and impartially prepared by a qualified appraiser setting forth an opinion of defined value of an adequately described property as of a specific date, supported by the presentation and analysis of relevant market information.

Standards of Appraisal

The format and level of documentation for an appraisal depends on the complexity of the appraisal.

A detailed appraisal shall be prepared for complex appraisals.

A detailed appraisal shall reflect nationally recognized appraisal standards, including to the extent appropriate, the Uniform Appraisal Standards for Federal Land Acquisition.

An appraisal must contain sufficient documentation, including valuation data and the appraiser's analysis of the data, to support the appraiser's opinion of value.

At a minimum, the appraisal shall contain the following items:

- a. The purpose and/or the function of the appraisal, a definition of the estate being appraised, and a statement of the assumption and limiting conditions affecting the appraisal.
- b. An adequate description of the physical characteristics of the property being appraised, i.e., localization, zoning, present use, and an analysis of the highest and best use.
- c. All relevant and reliable approaches to value consistent with commonly accepted professional appraisal practices.
- d. If a discounted cash flow analysis is used, it should be supported with at least one other valuation method such as a market approach using sales that are at the same stage of land development, if available.
- e. If more than one approach is used, there shall be an analysis and reconciliation of approaches to value that is sufficient to support the appraiser's opinion of value.
- f. A description of comparable sale, including a description of all relevant physical, legal, and economic factors such as parties to the transaction, source and method of financing, and verification by a party involved in the transaction.
- g. A statement of the value of the real property.
- h. The effective date of valuation, date of appraisal, signature, and certification of the appraiser.
- i. No appraiser or review appraiser shall have any interest direct or indirect in the real property being appraised for the City that would in any way conflict with the preparation or review of the appraisal.

- j. Compensation for making an appraisal shall not be based on the amount of the valuation.
- k. The valuation of property within a proposed assessment district or community facilities district should be based on each of the three (3) premises discussed below:

PREMISE NO. 1 – AS IS VALUE.

The total land within the proposed district is valued “as is”:

- a) With any existing infrastructure.
- b) Without proposed infrastructure being financed.
- c) With existing assessor parcel configuration.
- d) With planned densities for residential land uses or with other planned development for non-residential land uses authorized by the City’s general plan or specific plan, if any or, other approved land use entitlements applicable to such property.

PREMISE NO. 2 – PROJECT BUILD OUT VALUE.

The total land within the proposed district is valued under projected conditions:

- a) With proposed infrastructure being financed completely.
- b) With the planned densities for residential land uses and other planned development for non-residential land uses authorized by the City’s general plan or specific plan, if any, and any other approved land use entitlements applicable to such property.
- c) Land development is at the stage of being marketed to merchant builders or tentative tract maps ready to be filed, as applicable.

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

PREMISE NO 3 – BULK LAND VALUE.

The total land within the proposed district is valued under projected conditions:

- a) With proposed infrastructure being financed completely.
- b) With existing parcel configuration.
- c) Consideration planned densities allowed by the specific plan of the project.

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

Nothing contained in the foregoing premises shall prevent the appraiser from basing an appraisal of property proposed to be included in an assessment district or a community

facilities district on any other premise or premises which are deemed, in the professional judgment of the appraiser, to be more appropriate to a special use to which property is or is proposed to be made.

PROJECT CRITERIA

Special district financing shall be considered for development projects with land uses consistent with the goals of the General Plan and specific plans, through:

1. Major streets and arterial thoroughfares.
2. Master planned storm drain facilities.
3. Regional sewer and/or water facilities.
4. Reclaim water distribution system.
5. Parks or open space construction/dedication beyond that which is required to meet existing City standards.
6. Public safety facilities.
7. Other major public infrastructure or community facility improvements required as a result of the development or its impact on the community.

If the improvements provide benefit beyond the immediate area of the proposed development, then infrastructure and facility improvements may be prioritized and considered for inclusion into special districts. Indirect ("soft") costs for engineering and design associated with public improvement construction may be included within the district to the extent they can be attributed directly to the public improvements.

No other "soft" costs shall be financed through the district, other than that which is allowed by statutory regulations for assessment districts and community facilities districts.

The City Council shall authorize the issuance and sale of bonds for an assessment district or a community facilities district only if the City Council has previously determined that:

1. The aggregate value of the real property within the District that will be subject to the assessment or special tax to pay debt service on the bonds will be at least three (3) times the applicable Public Lien Amount (defined below).
2. For each common ownership of undeveloped property that will be subject to the assessment or special tax to pay debt service on the bonds, the aggregate value of all such undeveloped property under such common ownership will be at least three (3) times the Public Lien Amount apportioned to such properties.
3. The value of each parcel of undeveloped property that will be subject to the special tax to pay debt service on the bonds will be at least two (2) times the Public Lien Amount apportioned to such parcel.

The “Public Lien Amount” shall mean the principal amount of the bond issue proposed to be issued for the assessment district or community facilities district, plus the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Mello-Roos Act or a fixed lien assessment levied on property with the assessment district or community facilities district for which the bonds are proposed to be issued.

An exception to one or more of the above determinations may be approved if the City Council finds and determines that the proposed bonds do not present any unusual credit risk due to the availability of credit enhancements or for other reasons specified by the City Council, or as indicated by a four-fifths vote of the City Council that the proposed bond issue should proceed for specified public policy reasons.

Other project elements that may determine the viability and desirability of special district financing may include factors such as ownership composition, geographical isolation or other pertinent economic or demographic factors that would enhance community development in accordance with established City goals and objectives.

A land use project, exclusively residential, without public improvement contributions, which meets the intent and philosophy of this policy, shall not warrant consideration for special districts financing.

PROCEDURES FOR APPLICATION AND APPROVAL

These procedures are subject to administrative amendment as necessary by the City Manager.

- A. Pre-Application Conference:
 - 1. Applicant should contact the Public Works Department.
Applicant will meet with Public Works staff to discuss the proposed project and application procedures.
- B. Application Submission:
Applicant submits an initial application, a processing fee to be determined by the City, and 1% of the estimated bond issue cost.
- C. Application Review:
Public Works staff prepares and submits an application analysis packet to the Debt Management Committee for review and discussion.
- D. Application Process Funding:
Upon application approval by the Debt Management Committee, Public Works staff will process and secure an Advance Funding Reimbursement Agreement and funds from the applicant. The amount of funds from each applicant will be individually determined by Finance Director and Public

Works staff based upon the complexities of the proposed financing and district administration.

Formation proceedings will not progress until the applicant's funds are on deposit with the City.

E. Formation Proceedings:

1. Public Works/Finance staff will:

- a. Process consultant agreements for special services as selected and determined by the Debt Management Committee, and coordinate City Council review/approval of consultant agreements.
- b. Coordinate receipt of project information from applicant and applicant's consultants/engineers.
- c. Coordinate consultant services for the City.
- d. Coordinate City Council review/approval of the financing district.

F. Formation Approval:

City Council grants or denies district formation.

G. Bond Sale:

Finance Director coordinates bond sale and all underwriter activities, financial management, structuring, and trustee activity.

H. Construction Management/Acquisition:

Public Works staff coordinates and administers all public infrastructure construction and acquisition of improvements.

CONTENT OF APPLICATION

A. Project Owner Information:

1. Company name, and DBAs if applicable.
2. Form of ownership (e.g. corporation or partnership), and descriptions of affiliations with other organizations.
3. Mailing address, primary operating address, and phone numbers.
4. List of officers, home addresses and other business affiliations.
5. List of equity owners with a share of 10% or more, with home addresses.
6. If publicly held, indicate applicable stock exchange.
7. If partnership, list General and Limited Partners and interest owned by each.

8. If trust, list name, home address and percentage equity for all beneficiaries.
9. Name, address, phone number and email address of officer to whom all notices and communications concerning the project should be sent.
10. Principal bank(s) of account with name and phone number of contact person.
11. Name, address, phone number and email address for:
 - a. Counsel to applicant.
 - b. Bond counsel on proposed project.
 - c. Investment banker for proposed project.
12. History of past tax-exempt financing transactions, including default history, if applicable.
13. Express statement regarding whether the firm or any of its principals are currently or in the past 10 years been engaged in any litigation involving financing of the type and nature being proposed to the City. If applicable, include the names of the principals and details of the litigation.

B. Proposed Project:

1. Brief narrative explanation of why project is being undertaken.
2. Narrative description of proposed project, including renderings if available.
3. Proposed facilities to be constructed with bond proceeds.
4. Express statement about whether the applicant now owns the site of the proposed facility; and if not, whether the applicant has entered into an option or commitment or other agreement to purchase it.
5. Estimated useful life of buildings, equipment, or off-site improvements.
6. Express statement about whether the project involves, in whole or in part, residential real property, sports facilities, commercial property, health care facilities, manufacturing facilities, entertainment facilities, or industrial land development activities. Include explanations for any applicable facilities.
7. Estimated dates for start and completion of facility construction.

C. Cost of the Project:

State the costs reasonably necessary for the acquisition or construction of the proposed project together with any machinery and equipment necessary or convenient in connection therewith, and including any utilities, access roads or apportionment facilities.

1. Land and facilities.
2. Architectural and engineering.
3. Construction costs.
4. Interest during construction.
5. Financing, legal and miscellaneous costs.
6. Contingency, if appropriate.

D. Significant Public Benefits:

Include a description of the significant public benefits that will arise from the issuance of bonds in the maximum amount proposed in the application.

1. Employment creation/displacement.
2. Energy, mineral, or natural or cultivated resource conservation.
 - a. Estimate of increased utilization of resources.
 - b. Estimate of increases in cost to the public due to increased utilization.
3. Describe any adverse environmental impacts due to the construction or completion of the project, including additional waste disposal. Include estimates and copies of any required Environmental Impact Reports.