

**COUNTY OF RIVERSIDE, CALIFORNIA
BOARD OF SUPERVISORS POLICY**

Subject:

DEBT MANAGEMENT POLICY

**Policy
Number
B-24**

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Policy:

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

I. Definitions

- A. The term "Alternative Product" shall mean any legally available financing derivative first approved by the Board of Supervisors including, interest rate swaps, and private placements.
- B. The term "Bond(s)" shall mean all legally available financing methods to the County, including General Obligation Bonds, long-term lease obligations entered into by the County (i.e. Certificates of Participation, Revenue Bonds, County's lease line of credit etc.), and short-term notes sold in the capital markets (i.e., TRANS, Teeter, etc.).
- C. The term "Conduit Financing" shall mean debt issued by the County to finance a project to be used by a third party, usually a corporation engaged in private enterprise. The security of such debt is the credit of the private user.
- D. The term "Debt" shall mean (i) General Obligation Bonds issued by the County, (ii) long-term lease obligations entered into by the County, excluding equipment leases with terms less than 5 years (iii) short-term notes sold in the capital markets, and/or (iv) individual capital leases above \$5,000,000.
- E. The term "Debt Service" shall mean (i) the repayment of General Obligation Bonds, (ii) lease payments on long-term lease obligations and/or (iii) short-term notes sold in the capital markets.
- F. The term "Discretionary Revenue" shall mean revenue received by the County during a fiscal year where the Board of Supervisors has sole discretion on the budgeting and expending of those revenues. Discretionary Revenues include, but are not limited to, property tax, sales tax receipts, motor vehicle in-lieu tax, interest earnings, franchise fees, and certain fines and penalties.

II. County Debt Policy

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

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

III. Housing Authority Conduit Financing

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

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- B. The County encourages the development of residential housing which will comply with both federal and state requirements for low and moderate- income multi-family housing within the incorporated and unincorporated areas of the County.
- C. The County encourages commercial, retail, industrial and other development projects which will increase the employment base within the County in order to create a synergistic jobs/housing balance throughout the County and enhance the overall tax base of the County.
- D. The Economic Development Agency, with review and concurrence of the Debt Advisory Committee, shall prepare and maintain a Conduit Financing Operation Manual, providing for the implementation of Section III of this Policy B-24. See "ATTACHMENT B."

IV. Land Secured Financing

- A. The County encourages the development of commercial or industrial property that results in reciprocal value to the County (i.e., increased jobs, property or sales tax revenues, major public improvements). The County will consider the use of community facilities districts (CFDs) or special benefits assessment districts (ADs), as well as other financing methods to assist these types of development. When, in the County's opinion, the public facilities of a residential development represent a significant public benefit, public financing may be considered. Significant public benefit may be defined as a public facility having regional impact and/or benefit to that beyond the proposed development.
- B. Projects will comply with the requirements of the Improvement Act of 1911, the Municipal Improvement Act of 1913, the Improvement Bond Act of 1915, or the Community Facilities Act of 1982, and provisions of Board Policy B-12.
- C. The County will maintain a separate Land Secured Financing policy. In the event of a conflict between this Policy B-24 and the Land Secured Financing policy, this Policy B-24 shall supersede and govern the Land Secured Financing policy. See "ATTACHMENT C."

V. Debt Advisory Committee

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

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

VI. Continuing Disclosure

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

VII. Alternative Financing Products

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

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

4. Termination Requirements: All swap agreements shall contain a provision granting the County the right to optionally terminate the agreement at any time over the term of the agreement. A termination payment to or from the County may be required at the time of termination. It is the intent of the County not to make a termination payment to a counterparty that does not meet its contractual obligations under the swap agreement. To the extent possible, the form of the interest rate swap agreement should incorporate the prevailing industry standards (the PSA Master Swap Agreement).
5. Any up-front payments or termination payments shall be used for one-time capital costs only, unless so directed by the Board of Supervisors.

Attachments:

ATTACHMENT A
ATTACHMENT B
ATTACHMENT C

Reference:

Minute Order 3.6 of 10/21/03
Minute Order 3.3 of 04/10/07
Minute Order 3-5 of 11/17/15
Minute Order 3.10 of 04/11/2017
Minute Order 3.5 of 11/14/2017

ATTACHMENT A

RIVERSIDE COUNTY BOND FINANCING OPERATIONS MANUAL

Statement of Purpose; Summary

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

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

This document contains two primary components:

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

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

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

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

Jay Orr
County Executive Officer
Riverside County, California

PART 1: COUNTY BOND COMPLIANCE POLICIES

A. Investment and Expenditure of Bond Proceeds.

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

B. Bond-Financed Facilities.

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

C. Periodic Review.

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

D. Potential Non-Compliance.

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

E. Retention of Professionals; Rebate Analyst.

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

F. Purchase of Investments.

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

G. Credit Enhancement Transactions.

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

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

H. Subsidy Payments.

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

I. Post-Issuance Modifications.

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

J. Records Retention.

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

K. Continuing Disclosure.

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

PART II: COUNTY BOND COMPLIANCE PROCEDURES

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

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

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

Policy A: Investment and Expenditure of Bond Proceeds.

Implementing Procedures:

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

Policy B: Bond Financed Facilities

Implementing Procedures:

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

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

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

Policy C: Periodic Review.

Implementing Procedures:

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

Policy D: Potential Noncompliance.

Implementing Procedures:

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

Policy E: Retention of Professionals; Rebate Analyst.

Implementing Procedures:

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

Policy F: Purchase of Investments.

Implementing Procedures:

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

Policy G: Credit Enhancement Transactions.

Implementing Procedures:

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

Policy H: Subsidy Payments.

Implementing Procedures:

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

Policy I: Post-Issuance Modifications.

Implementing Procedures:

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

Policy J: Records Retention.

Implementing Procedures:

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

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

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

Policy K: Continuing Disclosure.

Implementing Procedures:

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

EXHIBIT A

SUMMARY OF RESPONSIBILITY ASSIGNMENTS

County Executive Officer

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

County Finance Director or designee

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

Deputy County Executive Officer

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



HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE

CONDUIT FINANCING OPERATION MANUAL

July 1, 2017

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SECTION I. INTRODUCTION

A DEFINED TERMS

The following terms in these Conduit Bond Program Guidelines shall have the following definitions:

“Act”: Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California.

“Area Median Income”: The median household income adjusted for family size for applicable income limit areas as determined annually by HUD under Section 8 of the United States Housing Act of 1937 (42 USC 1437).

“Authority”: The Housing Authority of the County of Riverside.

“Authority Board” or “Members”: The Authority’s Board of Commissioners.

“Bond Counsel”: Legal counsel to the Bond holders and the Authority regarding the issuance of the Bonds.

“Bond Resolution”: A resolution of the Authority Board authorizing the issuance of Bonds.

“Bonds”: Bonds issued from time to time by the Authority to finance a Development under the Authority’s Conduit Bond Program.

“Borrower”: The entity or entities that are the beneficiary of an Authority Bond issuance.

“By-Laws”: The By-Laws of the Authority.

“Certificate of Completion”: A certificate provided by the Borrower stating that the construction or rehabilitation of a Development is complete and identifying all unspent Bond proceeds.

“Clearinghouse”: A State, regional, or metropolitan agency designated by the Governor or the Authority or established by State statute to provide notice to appropriate State and local agencies of proposed Developments and to review such Developments.

“Code”: The Internal Revenue Code of 1986, as amended, and all rules and regulations promulgated thereunder.

“Conduit Bond Program”: A program whereby the Authority issues Bonds for which another party assumes the risk of default, including, but not limited to, a default arising out of a default on the Loan funded with proceeds of the Bonds.

“Development”: The multifamily affordable housing development for which Bonds are being issued.

“General Assembly”: The General Assembly of the State.

“General Counsel”: The Authority’s General Counsel or County Counsel.

“Governor”: The Governor of the State of California.

“Guidelines”: These Conduit Bond Program Guidelines.

“HUD”: The United States Department of Housing and Urban Development

“Indenture”: The trust indenture between the Authority and the trustee authorizing the issuance of the bonds.

“Inducement Resolution”: A resolution of the Authority Board evidencing the Authority’s intent to issue Bonds to finance a Development, as discussed further in Section III.C of these Guidelines.

“Issuer’s Counsel”: Legal counsel to the Authority regarding the issuance of Bonds.

“Loan”: A mortgage loan or other similar financing arrangement made with the proceeds of the Bonds.

“Loan Resolution”: A resolution of the Authority Boards authorizing the making of the Loan with proceeds of the Bonds.

“Official Statement”: The legal statement which serves as the prospectus for the Bond issue and discloses the finances surrounding the issuance of the Bonds.

“Placement Memorandum”: The legal statement explaining a new offering of Bonds for private placement.

“Preliminary Official Statement”: The preliminary version of the Official Statement which is used to describe the proposed Bond issuance prior to the determination of the interest rates and offering prices.

“Remarketing Agreement”: The agreement that documents the remarketing agent’s agreement to use best efforts to remarket any Bonds tendered for purchase.

“SEC”: The United States Securities and Exchange Commission.

“State”: The State of California.

“Tenant Selection Plan”: The Tenant Selection Plan approved by the Authority for a Development that sets forth the criteria and procedures for selecting tenants for a Development.

“Underwriter’s Counsel”: Legal counsel to the underwriter of the Bonds.

B. GENERAL INFORMATION

These Guidelines set forth the policies and procedures applicable to the issuance of Bonds under the Authority's Conduit Bond Program. The Authority was established in 1942 under the U.S. Housing Act of 1937 and the State of California Housing Authority Law of 1938. It is a government agency chartered by the State of California to administer the development, rehabilitation or financing of affordable housing programs. Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California (the Act) authorizes the Authority to issue Bonds to fulfill its corporate purposes, including the financing of mortgage and construction loans and the refunding of Bonds and notes previously issued to financial mortgage and construction loans. Developers may apply to the Authority for other funding sources, including various types of tax credits.

Contact information for the Authority is as follows:

Housing Authority of the County of Riverside
5555 Arlington Avenue, Riverside, CA 92504
Telephone: 951-343-5473
800-609-5708
760-863-2830 (TDD)
Website: www.harivco.org
Attention: Juan Garcia

C. APPLICABILITY AND CHANGE

In establishing these Guidelines, the Authority has attempted to evaluate and balance its obligations as a conduit issuer, the needs of Borrowers, the concerns and interests of regulators and demands of the market. The Authority's purpose in issuing these Guidelines is to provide Borrowers with an outline of the various requirements and policies of the Authority's Conduit Bond Program. These Guidelines reflect the current policies of the Authority and, like any policy, are subject to modification, revision and amendment at the sole discretion of the Authority. The Authority reserves the right to require additional requirements in order to implement the policies of the Authority.

SECTION II. AUTHORITY REQUIREMENTS

A. Preface

The Authority acts as a "conduit issuer" in some of its Bond financings. As a conduit issuer, the Authority issues Bonds for the benefit of Borrowers. Normally, these Bonds are not general or moral obligations of the Authority or the State, rather the payment obligation remains with the conduit Borrower. In many instances, the conduit Borrower procures the added security of credit enhancement (e.g., a letter of credit, guaranty or insurance). In this type of transactions, Bond holders rely on the financial strength of the credit enhancement entity to secure payment. These Guidelines address the Authority's requirements assuming this typical structure. There may be variations in the way a transactions is structured that require different or additional documents and/or procedures that those set forth herein. These Guidelines are a general guide to the process of a conduit bond financing at the Authority. The details of any given financing may vary.

In addition, these Guidelines are not intended to address the various requirements of Bond Counsel or Underwriter's Counsel. While in some cases, such as the public notice requirements, the requirements of Bond Counsel and the Authority may coincide, these Guidelines are not intended to act as a guide for all the requirements of a conduit transaction.

B. General Overview

In general, Underwriter's Counsel will prepare the Official Statement, other underwriting materials and any Remarketing Agreement. For private placements, Bond Counsel may prepare the Placement Memorandum. The credit enhancer's counsel will prepare the letter of credit or other credit enhancement and related security materials, and Bond Counsel will prepare all other materials.

With slight variations, a conduit bond issue will consist of the following:

1. Application submitted to the Authority, consisting of:
 - a. a signed application form
 - b. a non-refundable application fee; and
 - c. all other applicable requirements
2. Authority staff reviews the application materials and, if requested and approved by the Authority's loan committee, may present an Inducement Resolution to the Authority Board.
3. Authority staff completes its review of the Development, which may include a site visit, and prepares a project summary for presentation to the Authority's loan committee.
4. If approved by the loan committee, and if all other required submissions are made, the Development will be recommended to the Authority Board for approval via a Bond Resolution and a Loan Resolution.
5. A Bond Resolution will be drafted by Bond Counsel and a good faith deposit will be collected from the Borrower. The Loan Resolution will be drafted by the Authority. Underwriter's Counsel will draft its documents.
6. Publication of the public hearing notice.
7. Issuer's Counsel reviews bond and closing documents and exhibits, including documents from Underwriter's Counsel and the credit enhancer, if any.
8. Public hearing held.
9. The Authority Board votes on the Loan Resolution and the Bond Resolution, the exhibits to the Bond Resolution, and the participants in the transaction, including, but not limited to the credit enhancer and the equity provider.
10. Authority staff works with the Borrower to confirm that all aspects of the financing incident to closing are in place.
11. Authority submits a request to the Governor's office for the Bond issuance approval letter.
12. Preliminary Official Statement or preliminary Placement Memorandum is issued, Bonds are priced and final par amount is set.
13. Final Official Statement or final Placement Memorandum is issued.
14. Bond closing.
15. Confirmation of issuance to Governor's office. This confirmation of issuance will be part of the closing package.
16. Receipt of closing binder or electronic transcript.
17. Post-closing monitoring.

C. Bond Volume Cap Allocation

The Authority may allocate tax-exempt bond volume cap to its bond issuances. If the Borrower would like the Authority to allocate bond volume cap, a request for volume cap should be made simultaneously with the submission of the Borrower's application to the Authority. All such requests should be submitted to the Authority, not the Governor's office.

If a Borrower has secured volume cap from another source (i.e., a unit of local government) that is to be ceded or allocated to the Authority for the Borrower's project, the Authority must receive the duly adopted resolution(s), the request letters sent to the Governor's office and any confirmation letters from the Governor's office prior to the Board presentation. The Authority Board will not consider a financing prior to its receipt of these documents.

D. Authority Requirements

Certain requirements for the Act apply to all Borrowers regardless of the ultimate source of a Loan's funding. Accordingly, the following actions must be completed and/or documents submitted to the Authority as part of the review process prior to the time a Bond Resolution is recommended to the Authority Board.

1. Required Submissions

i. Notice to Public Officials

When the Authority accepts an application for a Loan for a proposed Development, the Authority will provide written notice of the proposed Development to the following persons and agencies: (1) the Chairman of the County Board to show where the Development will be located; (2) the Mayor or other Chief Executive of the municipality in which the proposed Development will be located; and (3) appropriate Clearinghouses. The notice will include the name, address, and telephone number of the Borrower, the name and address of the proposed Development, the estimated amount of the Loan, the type of any subsidies, the total number of units and subsidized units, the type of Development, and any other information the Authority deems relevant.

The individuals notified have 30 days to respond, and the Borrower must respond in writing to all comments received. The Borrower must submit to the Authority all comments, responses, a history of any conference, hearings or other action taken in connection with the comments, a summary of what the Borrower has done in response, and a certification that the information provide to the Authority is accurate.

ii. Appraisal

The Authority requires delivery of an appraisal, in form and by an appraiser satisfactory to the Authority, with the application.

iii. Tenant Selection Plan

The Borrower must submit a Tenant Selection Plan to the Authority for approval before the Bond closing. This plan lists the number of income-restricted units and must give preference to individuals and families displaced by urban renewal, government action or natural disaster.

iv. Energy Efficient Certification

The Authority must certify that the proposed Development meets the Authority's energy efficiency standards. Accordingly, the Borrower must provide a certification that all plans and specifications meet the Authority's energy efficiency standards before the Authority can make a commitment.

v. Compliance with State and Federal Laws

The design, construction, maintenance and occupancy of the Development must comply with all state and federal laws, including all anti-discrimination laws. Accordingly, the Borrower must provide a certification that the Development complies, or when constructed will comply, with all state and federal laws, including anti-discrimination laws, before the Authority can make a commitment. In addition, the Borrower must comply with the California's Prevailing Wage Law.

vi. Documentation Supporting Ceding or Allocation of Bond Volume Cap, if Applicable

If applicable, the Borrower should submit prior to Authority Board approval all documents in connection with the ceding or allocation of bond cap, including all relevant resolutions from the ceding or allocating entities and notifications to the Governor's office, as described in Section II.C above. Failure to receive these documents may delay an approval of the Development by the Authority Board. Borrowers should consult with the Authority's General Counsel about the content of the ceding resolution before it is adopted by the ceding entity so as to include all language required by the Authority. All documents in connection with the ceding or allocation of bond cap will be reviewed by the Authority.

2. Loan Requirements

i. Loan by the Authority

The transaction must be structured so that the Authority will make a Loan to the Borrower, which is sufficient to repay the Bonds, and then assign it to the appropriate entity as security for repayment of the Bonds.

ii. Limited Profit Entity

The Borrower must be either a non-profit corporation or a limited profit entity and the entity may have a restricted return on its equity in the Development. These restrictions are typically contained within the Authority Regulatory Agreement. The Borrower may be required to provide a certification to the Authority regarding surplus cash and allowable distributions.

iii. Loan Amount and Term

The maximum Loan amount available from the Authority is 90% of the cost of the Development as determined by the Authority, and the maximum term of a Loan is 65 years.

3. Operating Requirements

The Authority will require that a regulatory agreement be entered into by the Authority and the Borrower and recorded against the Development. This agreement is in addition to the Tax Regulatory Agreement prepared by Bond Counsel, if any, and will include, among other things, the following Authority requirements:

i. Occupancy Requirements

The Act requires that, prior to initial occupancy, the Authority set the number of low-income units and the rent to be charged. This will be set forth in the Authority's Regulatory Agreement for the Development and will require verification by tenant income certifications submitted to the Authority of the trustee under the Indenture entered into in connection with the issuance of the Bonds.

For a tax exempt issue, the Development must additionally satisfy the minimum occupancy requirements set by federal law: either 20% of the units must be rented to tenants whose incomes are 50% or area median income or lower, or 40% of the units must be rented to tenants whose incomes are 60% of area median income or lower. The Authority uses the income limits established by HUD for the area median income adjusted for family size.

ii. Annual Financial Report

The Borrower must provide the Authority with an annual financial report for the Development, and such other reports and tax returns as may be required by law.

iii. Development Books and Records

The books and records of the Development must be available for inspection and audit by the Authority at all times.

SECTION III. MECHANICS OF AUTHORITY BOND FINANCING

A. Application Process

1. The Application

The Bond issuance process commences when a Borrower files a complete application with the Authority. Applications and instructions can be secured by contacting the Authority's Development Division at 951-343-5473, attention Juan Garcia.

2. Authority Fees

The Authority's current fee schedule can be obtained by contacting the Authority's Development Division at the number listed above. Please note that the fee schedule is subject to change. Upon submission of an application, the Borrower must pay a nonrefundable application fee. In addition, the Authority requires a good faith deposit before a Development will be presented to the Authority Board. This good faith deposit will be credited against the Borrower's costs at closing.

The Authority's origination fee and Issuer's Counsel's fee are payable at the Bond closing. If a Development approved by the Authority Board does not close, the Borrower will not be required to pay the Authority's closing fee. In that event, however, the Borrower will be required to pay all costs associated with the Authority's work on the Development including any costs associated with the retention of outside professionals.

3. Application Review

After receiving a completed application and a nonrefundable application fee, Authority staff will review the proposed Development and financing. As part of its review, Authority staff may request additional information from the Borrower and/or permission for a site visit. After receiving a completed application, a non-refundable application fee and any additional information requested, the Authority staff will make a recommendation to the Authority Board.

As previously discussed, before a Development is recommended to the Authority Board for approval, the Borrower must complete the applicable requirements under the Authority's general application.

As a general rule the Authority Board meets every Tuesday; however, there are some days when meetings are postponed or cancelled.

B. Attorney and Underwriter Selection

In a conduit bond financing, it is the current policy of the Authority to select Bond Counsel from an approved list. A Borrower may choose its underwriter and the underwriter may choose its Underwriter's Counsel subject to the requirement that the parties chosen are duly qualified and recognized professionals in their field. Notwithstanding, the Authority will make available its underwriting team to prospective Borrowers. The Authority will choose its Issuer's Counsel.

C. Inducement Resolution

If requested, the Authority may present an Inducement Resolution to the Authority Board evidencing its intent to issue tax-exempt bonds to finance a Development as required under Treas. Reg. 1.103-8(a)(5) and 1.150-2. The Inducement Resolution may be presented after an application is received but prior to the time the Authority has completed its application review. Adoption of an Inducement Resolution does not commit the Authority Board of the Authority to approve a Development or to finance it. The Inducement Resolution allows the Borrower to recapture costs associated with the acquisition, construction and/or rehabilitation, and equipping of the Development. Passage of an Inducement Resolution by the Authority Board does not constitute a contractual or other obligation of the Authority. Issuance of the Bonds is subject to the Authority's entry into mortgage Loan documents with the Borrower on terms satisfactory to the Authority, consistent with applicable law and approved by further resolution of the Authority Board. Notwithstanding the foregoing, the Authority reserves the right not to present an Inducement Resolution to the Authority Board.

D. Bond Resolution

In general, the Borrower must inform the Authority's Executive Director as early as possible, but in no event less than six (6) weeks prior to the anticipated adoption date of the Board Resolution, of the plan for final document production. Shortly after this notification, the Authority will appoint Issuer's Counsel and Bond Counsel, if not already appointed. The decision when to appoint Issuer's Counsel and Bond Counsel rests solely with the Authority, and the Authority will make its decision based on the particulars of the proposed financing.

Before consideration of a Development by the Authority Board, the final form of Bond Resolution must be delivered to the Authority's General Counsel 2 months prior to the Authority Board meeting for inclusion in the notice package to the Authority Board.

Copies of all major financing documents, including, without limitation, the Loan or Financing Agreement, the Trust Indenture, the Official Statement (or other disclosure document), the Bond Purchase Agreement, and the Bond Resolution must be delivered to the Authority's General Counsel in substantially final form satisfactory to the Authority and its Issuer's Counsel no later than two (2) months prior to the Authority Board meeting. The Authority expects Bond Counsel and Underwriter's Counsel to work in concert with its Issuer's Counsel to prepare these documents.

Once received, the Authority's General Counsel and Executive Director will review the submitted materials. If the materials are found to be insufficient, the Authority reserves the right to remove the financing from the meeting agenda. Finally, the Authority understands that the tax agreement, escrow documents and closing certificate may not be in final form at this time. For those documents to which the Authority is not a party (such as bank documents in a credit enhanced financing), Bond Counsel should provide the Authority's Executive Director and/or the Authority's General Counsel with a report via e-mail or letter on the status of such documents no later than two (2) months prior to the Authority Board meeting.

E. Public Notice and Hearing Procedures

Prior to the consideration of a Bond Resolution for a tax-exempt financing by the Authority Board, each Borrower must satisfy the public notice and hearing requirements of Section 147(f) of the Code and applicable regulations. Section 147(f) of the Code requires that a public hearing be held prior to the Authority's issuance of tax-exempt bonds. Ordinarily, the public hearing must be held before the adoption of the Bond Resolution. The Authority may consider requests to hold a public hearing after adoption of a Bond Resolution on a case by case basis. Such a request must be made to the Authority's General Counsel and the Authority may grant such requests at its sole discretion. Responsibility for compliance with requirements of Section 147(f), including, without limitation, timely publication of notices, rests solely with Bond Counsel. Borrowers have no obligation to attend the public hearing unless requested by the Authority. Additionally, the Authority Board requires a transcript of the public hearing prior to the Authority Board's execution of an Approval Letter. The Authority will prepare and provide a transcript of the public hearing as part of its closing certificate.

The Authority Board acts as the "applicable elected representative" for purposes of the public approval requirement of Section 147(f)(2)(E) of the Code. The Authority Board's staff processes requests for approval upon (i) holding of a public hearing, and (ii) adoption of the Bond Resolution. Accordingly, the Authority only submits completed requests, which consist of affidavits of publication, a public hearing transcript and a Bond Resolution. Bond Counsel must allow sufficient time to processing a request for approval. Bond Counsel should assume a minimum turnaround time of fourteen (14) business days.

F. Due Diligence Responsibilities

The Authority requires that all participants comply with any and all applicable Federal and state securities laws, including, but not limited to, those requiring full and complete disclosure of material facts to potential investors. Responsibility falls on the participants to determine the appropriate investigations, material facts and required disclosure to prospective purchasers of Bonds. The Authority will not have any responsibility for such investigations or disclosures, and Issuer's Counsel specifically disclaims any responsibility for such disclosures in its opinion. The Authority expects that the due diligence process undertaken for Authority financings will meet the following standards:

- 1) Underwriter's Counsel, which must be well experienced in securities law matters, is expected to take responsibility for due diligence investigations and preparation and distribution of the Preliminary Official Statement and the Official Statement.
- 2) Underwriter's Counsel is expected to issue an opinion in connection with the transaction and the adequacy of disclosure in the Office Statement. The disclosure opinion must comply with market practice for Rule 10b-5 opinions, without any exceptions considered material by Issuer's Counsel or General Counsel to the Authority. The Authority considers financial and statistical information and financial statements to be permissible exceptions.

All opinions of counsel must be addressed to the Authority, including the opinions of Underwriter's Counsel. The Issuer's Counsel opinion will address various parties to the transaction. Because the scope and content of the Issuer's Counsel's opinion may vary due to the transaction, participants must contact Issuer's Counsel to negotiate the coverage of the particular opinion. Please note that because the Authority seeks the most cost-effective price for services, the Authority does not anticipate that Issuer's Counsel will undertake the kind of due diligence necessary to render an enforceability opinion as to documents drafted by other parties to the transaction (i.e., Trust Indenture, Bond Purchase Agreement or Loan Agreement). Instead, the Authority expects that third parties will rely on the opinion of Bond Counsel for the enforceability of the Bonds and such documents.

G. Authority Indemnification

In order to foster the Authority's statutory role and to enable the Authority to provide Borrowers discretion relative to their financings, all issuances must provide for indemnification of the Authority. In addition to the indemnification, the Borrower will be responsible for any costs (including, but not limited to, any legal fees) associated with a review of the transaction by the Internal Revenue Service for the standard indemnification provisions that the Authority expects. Additional indemnification may be required for private placements.

The Authority will not approve a Development or participate in a Bond financing if its indemnification requirements are not met. As stated in F above, the Authority will not have any responsibility for due diligence investigations or disclosure, and Issuer's Counsel will specifically disclaim any responsibility for such disclosure in its opinion.

The existence of credit enhancement does not obviate the obligation to indemnify the Authority. Credit enhancement does not release the Borrower, underwriter, placement agent, remarketing agent or any comparable entity from its obligation to abide by covenants in the Bond documents.

A clear statement of the Authority's indemnification must appear in all relevant Bond documents. In addition, the Official Statement or other disclosure document must clearly state that the Authority has only reviewed or approved particular information relating to the Authority under specific headings. Furthermore, the Bond Purchase Agreement must articulate the Authority's non-participation in preparation of the offering document, except for the information relating to the Authority under specific headings. All such disclaimers must be conspicuously stated.

H. Disclosure Compliance

1. Private Placements

A Bond issue constitutes a private placement if it is offered to a limited number of "qualified institutional buyers," as that term is defined by the SEC. The Authority may agree to participate in such an offering where certain conditions are met. These conditions include (i) a certificate or letter from each Bond purchaser, and (ii) the incorporation of the provisions. These requirements are in addition to and not in lieu of the other requirements noted in these Guidelines. The Authority and Issuer's Counsel assume that purchasers in a private placement transaction will insist on receiving from the other parties to the transaction the information that the Bond purchasers deem necessary to finalize their investment decisions.

2. Public Offerings

All other offerings that do not meet the private placement requirements described above are considered public offerings. Upon request the Authority will, in the Bond Resolution, authorize or ratify the

distribution of a disclosure document in the form of an Official Statement or the like. The Authority will not sign any Bond disclosure statement. In addition, in closing certificates, the Authority will certify only to those portions of the Official Statement describing the Authority and material litigation pending or threatened against the Authority.

3. Secondary Market, Disclosure

Under the Conduit Bond Program, the Authority does not provide secondary market disclosure. The Authority requires the Borrower and/or other participants to provide secondary market disclosure of financial information, operational data and other material information, as required by law. If applicable, given the particulars of the financing, the Official Statement must conspicuously contain language stating that the Authority does not provide secondary market disclosure, either at closing or on an on-going basis. The Borrower may provide such secondary market disclosure through a dissemination agent, such as the trustee or through other agents approved by the Authority. All costs and expenses associated with retaining the dissemination agent will be the sole responsibility of the Borrower.

4. Blue Sky Laws

The Authority and Issuer's Counsel are not responsible for blue sky law compliance; rather, it is a responsibility of the underwriter for the Bonds. The Authority will disclaim such responsibility in the Bond Purchase Agreement and Issuer's Counsel will do the same in its opinion.

I. Closing Documents

The Borrower and Bond Counsel are responsible for all closing documents except for the following documents provided by the Authority in customer form:

1. Bond Resolution
2. Authority By-Laws
3. Certified Copy of the Act
4. General Certificate of the Authority Executive Director
5. Certificates of Incumbency of the Authority Board
6. Facsimile Signatures of the Authority Executive Director
7. Notice of Public Hearing along with Certificates of Publication and Newspaper Clippings
8. Minutes of Public Hearing
9. Authority Board's Approval Letters

SECTION IV. POST-CLOSING MONITORING

The Authority considers post-closing monitoring essential to ensuring accomplishment of its public mission. Borrowers and other participants are required to cooperate with Authority staff conducting post-closing monitoring tasks.

A. Annual Financing Statements

The Authority requires that, consistent with the Rules, Borrowers submit audited financial statements annually to the Authority. Financial statements should be submitted to the Authority's Development Division within sixty (60) days following the end of each calendar year.

B. Certificate of Completion

The Authority requires all Borrowers to complete and submit a Certificate of Completion stating that the Development is completed and identifying any unspent Bond proceeds. The Certificate of Completion should be delivered to the Principal of the Authority's Development Division within thirty (30) days of completion of the Development.

C. Site Visit

Prior to, during or after completion of the Development, the Authority, at its discretion and without obligation, reserves the right to conduct site visits, upon reasonable notice to the Borrower.

D. Tenant Income Certifications

As described in Section II.D.3.I, the Act requires that prior to initial occupancy, the Authority set the number of lower-income units and rents to be charged. This will be set forth in the Authority's Regulatory Agreement for the Development and will require verification by tenant income certifications submitted to the Authority or trustee under the Indenture entered into in connection with the issuance of the Bonds.

It is the Authority's policy that the Developments financed by the issuance of the Authority's tax-exempt Bonds meets the general income and occupancy requirements as set by the Code and established by HUD. On forms designated in the Tax Regulatory Agreement prepared by Bond Counsel and approved by the Authority, Borrowers shall obtain from each prospective tenant, prior to admission to the Development, a certification of income and thereafter on an annual basis (unless otherwise required by the Code), a recertification on income.

E. Arbitrage Rebate Calculations

For tax-exempt Bonds, the Authority requires Borrowers to be responsible for all arbitrage rebate calculations and all rebate payments. These calculations, along with legal opinion, must be provided by the Borrower through a qualified arbitrage rebate consultant and submitted to the trustee for the Bonds no later than thirty (3) days after the end of each fifth year that the Bonds remain outstanding and upon retirement of the Bonds. It is recommended that the Borrower make the calculation each year and deposit the requisite amount of funds in an escrow account to ensure that the Borrower had enough funds to make the rebate payments as described herein. All costs and expenses associated with the rebate consultant will be the sole responsibility of the Borrower. The trustee and the Authority shall be entitled conclusively to rely on the calculations and directions of the Borrower's arbitrage rebate consultant, and shall not be responsible for any loss or damage resulting from any action taken or omitted to be taken in reliance on those calculations and directions. The Borrower is required to send the Authority each rebate report that is prepared with evidence of payment of any amount that is owed.

F. Reporting Requirements

The Borrower must furnish to the Authority and agencies of the State such periodic reports or statements as are required under the Act, or as such agencies may otherwise reasonably require of the Authority or Borrower throughout the term of the Loan Agreement. Without limiting the foregoing, (i) at the closing, the Borrower must provide to the Authority a written certification as to the scheduled monthly amortization of the Loan and the Bonds, and represent to the Authority that the Loan and the Bonds will

remain in compliance therewith unless and until the Borrower provides a new schedule with respect thereto, and (ii) on or before July 15th of each year, the Borrower will provide (or cause to be provided) to the Authority a written certification as to the unpaid principal balances of the Loan and the Bonds as of the prior June 30th. The trustee or escrow agent for the Bonds is required to report the information to the state Comptroller's Office.

G. Post-Closing Compliance for Other Authority Programs

As noted previously, Developments utilizing other Authority financing or low income housing tax credits will have additional requirements both in the initial underwriting process and post-closing. Borrowers and their counsel should consult these programs and/or with the appropriate Authority personnel to determine what post-closing requirements these programs require.

**COUNTY OF RIVERSIDE, CALIFORNIA
LAND SECURED OPERATION MANUAL**

ATTACHMENT C

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COUNTY OF RIVERSIDE, CALIFORNIA
LAND SECURED OPERATION MANUAL

SECTION I: GENERAL POLICY STATEMENT

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

A. LAND SECURED FINANCING

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

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

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

COUNTY OF RIVERSIDE, CALIFORNIA
LAND SECURED OPERATION MANUAL

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

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

SECTION II: INITIATION OF THE FINANCING

A. APPLICATION

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

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

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

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

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

B. PROCESSING AND FORMATION FEES

1. Land Secured Financing

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

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

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

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

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

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

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

1. Community Facilities Districts

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

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

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

2. Assessment Districts

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

D. SELECTION OF FINANCING TEAM

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

1. Land Secured Financing

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

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

SECTION III: DEBT ADVISORY COMMITTEE

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

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

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

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

A. LAND SECURED FINANCING

1. Community Facilities Districts

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

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

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

2. Assessment Districts

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

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

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

SECTION IV: ECONOMIC VIABILITY OF THE FINANCING

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

A. ABSORPTION STUDY

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

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

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

B. APPRAISAL

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

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

C. FINANCIAL INFORMATION REQUIRED OF APPLICANT

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

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

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

E. EQUITY PARTICIPATION BY APPLICANT AND MAJOR PARTICIPANTS

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

SECTION V: CREDIT ENHANCEMENTS

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

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

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

A. LAND SECURED FINANCING

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

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

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

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

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

SECTION VI: OFFERING STATEMENTS

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

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

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

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

SECTION VII: ADMINISTRATION

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

A. BOND ADMINISTRATION

1. COMMUNITY FACILITIES DISTRICTS

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

2. ASSESSMENT DISTRICTS

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

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

B. CONSTRUCTION CONTRACT ADMINISTRATION

1. ACQUISITION/REIMBURSEMENT

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

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

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

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

2. CONSTRUCTION

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

D. ANNUAL REPORTING

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

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

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

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

Notice to Future Property Owners

1. Community Facilities Districts

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

2. Assessment Districts

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

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

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

Notice to Bondholders

D. Annual Reporting

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