



**THURSTON COUNTY**  
**WASHINGTON**  
SINCE 1852

**THURSTON COUNTY**  
**DEBT POLICY**  
**January 23, 2023**

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# Thurston County, Washington

## Debt Policy

### **Introduction**

This debt policy sets forth the parameters for issuing debt, managing the debt portfolio, and providing guidance to decision-makers. The purpose of this debt policy is to ensure that all debt is issued prudently and cost effectively. This debt policy recognizes a long-term commitment to full and timely repayment of all debt as an intrinsic requirement for entry into the capital markets. Adherence to policy helps to ensure that the County maintains a sound debt position and that its credit quality is protected.

### **Governing Principles**

#### **Legal Limits**

##### **State Law**

The County may contract indebtedness as provided for by RCW 39.46. Indebtedness represented by obligations for borrowed money payable from taxes and is subject to the limitations on indebtedness provided for in RCW 39.52 and Article VIII of the Washington State Constitution. Indebtedness represented by obligations for borrowed money payable from enterprise revenues (revenue bonds) or special assessments (special assessment bonds) is not subject to these constitutional or statutory limitations. Bonds evidencing indebtedness shall be issued and sold in accordance with RCW chapter 39.46. Refunding bonds shall be issued in accordance with RCW chapter 39.53.

##### **Federal Laws, Rules and Regulations**

The County shall issue and manage debt in accordance with applicable federal tax and securities laws and regulations, including the Internal Revenue Code of 1986, as amended (the "Code"); the Treasury Department regulations thereunder; and the Securities Act of 1933 and Securities Exchange Act of 1934 and applicable Securities and Exchange Commission regulations thereunder.

##### **Local Laws and Regulations**

The County shall issue and manage debt in accordance with the limitations and constraints imposed by local ordinances, rules, and regulations.

In addition to the above, the County shall limit its indebtedness to a prudent level, taking into account (1) the impact of debt service costs on County services, and (2) the effects of debt levels on the availability of funding for operations, maintenance, and replacement of capital assets financed by debt. Annual budget appropriations shall include debt service payments and reserve requirements identified in bond covenants for all outstanding debt.

## **Permitted Types of Debt**

### **Unlimited Tax General Obligation (UTGO)**

UTGO debt is secured by the full faith and credit and property taxing authority of the County. This includes voter-approved excess property tax levies not subject to statutory and constitutional limits. The County is authorized to issue UTGO debt, subject to the approval of both the Council and voters within the jurisdiction of the County.

### **Limited Tax General Obligation (LTGO)**

LTGO debt is secured by the full faith and credit and regular property taxing authority of the County. LTGO debt does not require voter approval.

### **Revenue**

Revenue bonds are secured by a pledge of revenues generated by a project or enterprise such as water, wastewater, solid waste, or electric facilities. Revenue bonds do not require voter approval.

### **Local Option Capital Asset Lending (LOCAL) Program**

The LOCAL program is operated by the Washington State Treasurer and can be used for financing real or personal property when it is expected to provide a lower cost of borrowing.

### **Assessment**

Local Improvement District (LID) Bonds, Road Improvement District (RID) Bonds, and Utility Local Improvement District (ULID) Bonds are considered assessment bonds. LID, RID, and ULID bonds are secured by and payable from special assessments levied against the properties benefitting from the bond-financed public improvements. ULID assessments may also be pledged as part of a revenue bond financing. Assessment bonds do not require voter approval.

County debt shall generally be issued as publicly offered bonds or debt placed directly with a commercial lender (direct bank placement). The County may also issue the following types of debt (which shall be secured by one of the four pledges described above):

### **State and Federal Loans**

Several Washington State agencies operate loan programs to finance infrastructure projects, including the Department of Ecology (wastewater), Department of Health (drinking water), Department of Commerce (general public works), and the Department of Transportation (roads, bridges, ferries, and general aviation airports). State loan programs generally provide below-market interest rates or other advantageous financing terms and are often better suited to smaller borrowings.

In addition, the U.S. government operates several loan programs, which are typically better suited for larger, more complex financing plans. The County may utilize either state or federal loan programs when such programs provide a demonstrable benefit relative to a public offering or direct bank placement of bonds.

### **Capital Leases**

A capital lease is a lease that meets one or more of the following criteria:

- Ownership of the asset is transferred to the lessee at the end of the lease term

- The lease contains a bargain purchase option
- The lease term is equal to 75% or more of the estimated economic life of the leased asset; or
- The present value of the lease equals or exceeds 90% of the excess of the fair value of the leased asset.

Capital leases are generally considered LTGO debt. The Washington State Treasurer's Local Option Capital Asset Leasing (LOCAL) program is a capital leasing program.

### **Lines of Credit**

The County may enter into agreements with commercial banks or other financial institutions to acquire lines of credit. Lines of credit provide the County with access to credit under a set of specified terms and conditions. Lines of credit shall be in support of general operating expenditures and/or approved capital projects.

### **Bond Anticipation Notes**

The County may choose to issue Bond Anticipation Notes as a source of interim financing.

### **Tax and Revenue Anticipation Notes**

The County may issue Tax and Revenue Anticipation Notes to fund cash flow needs.

### **Internal Lines of Credit and Interfund Loans**

The County has the authority to loan money between allowable funds and establish lines of credit using internal funding sources. These financing options must adhere to certain criteria and comply with requirements set forth in the Washington State BARS manual, specifically chapter 3.9. These internal borrowing mechanisms are not subject to continuing disclosure requirements and other forms of required federal reporting and compliance. Internal borrowing is not treated as resulting in "debt" for state law purposes and does not require one of the specific security pledges described above.

### **Limitations on Debt Issuance**

#### **Legal Debt Limits**

General obligation debt is constitutionally and statutorily limited to an indebtedness amount not exceeding:

- 1½ % of the value of the taxable property without voter approval; and
- 2½ % of the value of the taxable property, for total outstanding general obligation debt, including non-voted debt and bonds issued with the assent of 60% of the voters voting at an election held for that purpose, where the total number of voters casting ballots at the election is not be less than 40% of the number of votes cast in the last state general election (RCW 39.36.020(2)(a)(ii) and RCW 39.36.020(2)(b)).

In calculating the County's legal debt limit, the County will consult with its legal advisors to determine whether certain obligations are to be treated as debt within the statutory and constitutional limits.

Prior to undertaking any issuance of debt, the County will identify the anticipated source

of repayment and evaluate the sufficiency of such repayment source to ensure that future debt service requirements can be met.

### **Ethical Standards Governing Conduct**

The County elected officials and department heads will adhere to standards of conduct as stipulated by the following:

- Ethics and Conflict of Interest Policy – Thurston County Personnel Rules Policy 15.5; and
- Code of Ethics for Municipal Officers – Contract Interests RCW 42.23; and
- Applicable federal laws, rules, and regulations.

## **Roles & Responsibilities**

### **County Finance Committee**

In accordance with RCW 36.48.070, the **County Finance Committee (the Committee)** is comprised of the County Treasurer, the County Auditor, and the chair of the county legislative authority. The Committee will implement and oversee the debt policy, which shall be reviewed at least once every four years and updated as needed. The Committee is responsible for ensuring compliance with this policy.

### **Board of County Commissioners**

To fulfill its statutory mission relative to the financing of capital items, the **Board of County Commissioners (the Board)** will comply with limitations imposed on the issuance of county debt in accordance with Article VIII of the Washington State Constitution and RCW 36.67 and RCW 39.46. The Board will also appropriate annually the amount required to pay principal of, and interest on, outstanding debt in accordance with RCW 39.46. The Board will also apply and promote prudent county financial practices. The Board will review the Committee's recommendation and then vote on the debt issuance. The Board is the sole authority for debt issuance in Thurston County and all debt must be authorized by the Board prior to issuance.

Biannually, the Board will adopt a Capital Improvement Plan (CIP) that lists the capital projects and needs of the county for a six-year period. The plan will remain flexible to accommodate changes in project priorities. Debt will be issued in accordance with the needs identified in the CIP.

### **County Treasurer**

The **County Treasurer**, in accordance with state law, will account for and pay all bonded indebtedness and will appoint a Fiscal Agent\*. The County Treasurer is also the primary operating contact for the use of the State Treasury LOCAL (Local Option Capital Asset Lending) program. Bonded Indebtedness includes all general obligations (backed by full faith and credit) of the county, regardless of form.

\*Fiscal Agent is a financial institution that provides any or all of the following services on a fee basis: debt paying agent, registrar, transfer agent, authenticating trustee.

### **County Debt Committee**

To facilitate the daily work of coordination of county debt issuance, the County has

established a **Debt Committee**. The debt committee is comprised of the County Manager or designee, the county's Financial Advisor, the county's Bond Counsel, and any other department representatives or staff as determined by the County Debt Committee.

In coordination with the County Treasurer, the County Debt Committee will perform the following duties:

- Coordinate among departments to achieve the best possible financing for the County.
- Consolidate Capital Improvement Plan (CIP) projects into a multiyear financing plan.
- Assure timely debt issuance to meet department cash needs as authorized by the Board.
- Maintain communication and transparency with applicable credit rating agencies.
- Inform the County Treasurer of all general obligation issues at least 3 months prior to estimated closing.
- Adopt procedures to ensure compliance with debt policy.

## **Professional Services**

To assist in debt processes, the county will use the following professional services:

### **Financial Advisor**

The services of a financial advisor will be obtained through a competitive evaluation of proposals submitted in response to a request for proposals. The financial advisor shall have comprehensive municipal debt experience, including debt structuring and pricing of municipal securities. The financial adviser should also have specific experience with Washington counties. The financial adviser must be registered with the Securities and Exchange Commission.

The financial advisor will provide the County with objective advice and analysis, maintain the confidentiality of the county financial plans, and be free from any conflict of interest as it relates to county business.

A financial advisor under contract with the county will not purchase or sell any county debt until underwriting accounts are closed or debt is freed from underwriter pricing restrictions, whichever comes first.

### **Bond Counsel**

The services of Bond Counsel will be obtained through a competitive evaluation of proposals submitted in response to a request for proposals. Bond Counsel will be appointed by the Prosecuting Attorney to serve as special prosecutor. The successful firm will be a recognized private legal counsel with extensive experience in public finance and tax issues.

All debt issued by the County will include a written opinion by legal counsel affirming that the County is authorized to issue the proposed debt, that the County has met all constitutional and statutory requirements necessary for issuance, and a determination of the proposed debt's federal income tax status.

**Underwriter**

The primary role of an underwriter is to market the debt to investors and to purchase the debt from the County. The County has a general preference for competitive sales, as described herein.

For negotiated sales, the Treasurer or County Manager (or designee) will select one or more underwriters based on relevant experience and proposed costs. The selection of underwriter may be for an individual bond issue, a series of issues, or a specified time period, as determined by the County. Unless there are extenuating circumstances, the County shall use a competitive RFP process to select the underwriter for a negotiated sale.

**Lender**

In a direct bank placement method of sale, the County sells bonds directly to one or more lenders (typically a commercial bank). Unless otherwise justified, the County will use a competitive process to solicit term sheets from interested lenders in a direct bank placement.

**Fiscal Agent**

The County Treasurer will appoint the Fiscal Agent (RCW 39.44.130) and may, at his/her discretion, serve as registrar for very small issues or those privately placed with investors. Neither the County or special purpose districts can obligate the County Treasurer to serve as registrar without prior written approval of the Treasurer.

**Other Service Providers**

Other professional services such as verification agent, escrow agent, or arbitrage rebate calculation firm shall be appointed by the County Treasurer or County Manager (or designee) as needed and are considered incidental to undertaking issuance of debt.

**Transaction Specific Policies****Method of Sale**

The County shall use the competitive bid method as the primary means of selling bonds. Bids will be submitted to the County Treasurer who will make the determination of the final award.

Negotiated sales require approval of the County Finance Committee.

**Competitive Bid Method**

Unless otherwise deemed necessary to minimize the costs and risks of borrowing, all general obligation fixed rate county debt will be sold by competitive bid. Debt issued on a competitive bid basis will be sold to the bidder offering the lowest true interest cost to the Issuer, provided the bid meets all other requirements.

**Negotiated Sale Method**

When market conditions or special complexity or other features of a debt issuance may cause the debt issuance to be less suited for sale by the competitive bid method, the Debt Committee will submit to the Board a request to sell the debt issue on a negotiated basis.

If debt is sold on a negotiated basis, the negotiations of terms and conditions shall include, but not be limited to prices, interest rates, yields, priority of orders, and underwriting or remarketing



fees.

The Debt Committee, with the assistance of its Financial Advisor, shall evaluate the terms offered by the underwriting team. Evaluations of prices, interest rates, yields, and fees shall include prevailing terms and conditions in the marketplace for comparable issuers.

If more than one underwriter is included in the negotiated sale of debt, the Debt Committee shall establish appropriate levels of underwriting liability and the method of allocating compensation among the members of the underwriting group.

The County may require a post-sale analysis and reporting for each negotiated bond sale. The Financial Advisor shall perform such analysis and provide a final pricing book by the day of the closing. A post-sale analysis will include, but not be limited to:

- Summary of the pricing, including copies of the actual pricing wires
- Results of comparable bond sales in the market at the time of the Issuer's pricing
- Historic comparisons to Municipal Market Data indexes -- day of sale basis
- Details of orders and allotments.

#### **Direct Placement or Private Placement**

Market conditions, financing complexity, or other structural aspects of a debt issuance may also lend themselves to a direct bank placement, in which the County sells bonds directly to a commercial bank or other financial institution. Absent extenuating circumstances, the County will use a competitive process to select its preferred lender for a direct bank placement of bonds.

The above methods are not applicable to state or federal loans in which another governmental entity serves as lender. Such loan programs are often designed with below market interest rates or other favorable terms and conditions. The County may pursue state or federal loan programs to the extent such programs provide a financial or other benefit relative to a public offering or direct bank placement.

### **Debt Structural Elements**

#### **Maturity**

The County will not issue debt for any capital improvement for a term that exceeds the useful life of that improvement. The County shall not use long-term debt to finance current operations.

#### **Coupon Type**

Unless otherwise justified, long-term debt will be sold with maturities paying interest on a periodic basis.

#### **Redemption Features**

For each transaction, the County shall evaluate the costs and benefits of call provisions.

#### **Enhancements**

The decision to purchase bond insurance or other credit enhancements will be made based on the cost effectiveness of the enhancement. Cost effectiveness is calculated as difference in the present value of the total payments for the enhanced and non-enhanced

debt as compared to the cost of the enhancement. This decision will be based on recommendations from the County's Financial Advisor.

## **Compliance Policies**

### **Issuance and Post-Issuance Tax Compliance Policies and Procedures**

The Post Issuance Compliance Policy is attached to this Debt Policy as Addendum A.

### **Arbitrage**

The County will fully comply with all arbitrage requirements of the federal tax code and IRS regulations and will perform arbitrage rebate calculations for each issue subject to rebate on an annual basis. All necessary rebates will be filed and paid when due. The County Treasurer will provide necessary information about the investment returns on bond funds sufficient for the debt committee to perform arbitrage calculations.

### **Issuance and Post-Issuance Disclosure Policies and Procedures**

The County, in consultation with its bond counsel and other members of the Financing Team as appropriate, shall adopt comprehensive policies and procedures relating to the Issuer's disclosure obligations. These include (i) the preparation, vetting/review and approval of official statements for all public offerings of its securities that must be delivered to the underwriter for distribution to potential and actual purchasers and that set forth the terms of the securities and information regarding the Issuer; (ii) compliance with continuing disclosure obligations entered into by the County pursuant SEC Rule 15c2-12 that require the County to provide certain annual financial information and event notices to the public; and (iii) ensuring that if and when the County provides information that can reasonably be expected to be relied on by the financial market, that such information is not inaccurate or misleading.

### **Primary market disclosure**

The County Manager or designee will serve as the focal point for information requests relating to official statements to be used in the initial offering of the County's bonds or notes. The County Manager or designee will request from relevant departments, information required for disclosure to investors and rating agencies. Each department bears responsibility for the information provided for use in the County's official statements.

The Commission will be provided with a copy of the official statement for each issue of debt, and the County Manager and the Finance Director will sign a statement attesting to the accuracy and completeness of the information therein.

### **Secondary market disclosure**

The County Manager or designee shall review any proposed undertaking to provide secondary market disclosure and will provide secondary market disclosure annually consistent with SEC Rule 15c2-12 or other agreements with lenders, as applicable. The County Manager or designee shall also provide material events notices as required under SEC Rule 15c2-12 or other continuing disclosure agreements.

## **Other Policies**

### **Investment of Bond Proceeds**

Bond proceeds will be invested in a manner consistent with the County's investment policy, any

restrictions imposed the governing bond documents and IRS regulation regarding investment of tax-exempt bond proceeds (if applicable).

### **Rating Agencies**

The County, in consultation with the Financial Advisor, shall manage relationships with the ratings analysts assigned to the County's credit. As of September 2022, the County's outstanding limited tax obligation bonds are rated "Aa2" by Moody's Investors Service and "AA+" by S&P Global Ratings. The County shall generally target bond credit ratings in the "AA" category. The County will consult with its financial advisor in determining whether to apply for credit ratings prior to issuance of debt.

### **Refunding**

Refinancing of debt will be approved in advance by the Finance Committee when the advantages clearly demonstrate positive cost/benefit for the county. Unless otherwise justified, a refunding transaction should yield a minimum of 3% net present value savings. The financial advisor will provide recommendations for refunding debt based on changes in the interest rate environment.

### **Conduit Financing**

Financing outside entities using the County's creditworthiness shall only be done when the County receives sufficient guarantees, revenues, or other consideration to offset the risk and contingent liability associated with such financing. There should be a clear business nexus between the County and the borrowing entity. The conduit financing should offer an advantage or clear improvement to the citizens of the County.


**Approved by the Thurston County Finance Committee 1/23/2023**



Jeff Gadman, Thurston County Treasurer  
Chair, Thurston County Finance Committee



Mary Hall, Thurston County Auditor  
Secretary, Thurston County Finance Committee



Carolina Mejia, Chair, Thurston County Commissioners  
Member, Thurston County Finance Committee

# Addendum A

## **Post Issuance Compliance Policy**

This policy is intended to guide Thurston County, Washington (the "County") in meeting its obligations under applicable statutes, regulations and documentation associated with publicly offered and privately placed securities of the County. This policy addresses obligations of the County that arise and will continue following the issuance of securities. These obligations may arise as a result of federal tax law (with respect to tax-exempt securities) and securities laws (with respect to ongoing disclosure) or as a result of contractual commitments made by the County. This policy outlines obligations that may be applicable to each issue of securities and identifies the party to be responsible for monitoring compliance. In the County, the Budget and Fiscal Manager, or his or her designee (the "Budget and Fiscal Manager") will be responsible for ensuring that the policy is followed and checklists and records maintained. The Budget and Fiscal Manager may delegate responsibility to employees and outside agents for developing records, maintaining records and checklists. The County will provide educational opportunities (opportunities to attend educational programs/seminars on the topic) for the parties identified in this policy with responsibilities for post-issuance compliance in order to facilitate their performance of these obligations.

### A. Transcripts

1. The County's bond counsel shall provide the County with three copies of a full transcript related to the issuance of securities (for each issue). The transcript shall be delivered in the following forms: two CD\_ROM transcripts (one to the County Treasurer and one to the Budget and Fiscal Manager) and one soft-bound paper transcript shall be delivered to the County following the date of issuance of securities. It is expected that the transcript will include a full record of the proceedings related to the issuance of securities, including proof of filing an 8038-G or 8038-GC, if applicable.
2. Bond transcripts will be retained in the Office of the County Treasurer and in the Office of the Budget and Fiscal Manager within the County

### B. Federal Tax Law Requirements (Applicable only if the securities are issued as "tax-exempt" securities).

#### 1. Use of Proceeds

- a. If the project(s) to be financed with the proceeds of the securities will be funded with multiple sources of funds, the County will adopt an accounting methodology that:
  - i. Maintains each source of funding separately and monitors the actual expenditure of proceeds of the securities;
  - ii. Commingles the proceeds and monitors the expenditures on a first in, first out basis; or
  - iii. Provides for the expenditure of funds received from multiple sources on a proportionate basis.
- b. Records of expenditures (timing of expenditure and object code) of the proceeds of securities will be maintained by the Budget and Fiscal Manager.
- c. Records of interest earnings on the proceeds of securities will be maintained by the Budget and Fiscal Manager. Interest earnings on proceeds will be deposited in the fund in which the proceeds of the

- securities were deposited (if not, then the plan for use of interest earnings will be discussed with the County's bond counsel.
- d. Records of interest earnings on reserve funds maintained for the securities (unless the original principal amount of securities issue (including other issues issued or incurred during the same calendar year) was \$5,000,000 or less).
2. Arbitrage Rebate. The Budget and Fiscal Manager of the County ("Rebate Monitor") will monitor compliance with the arbitrage rebate obligations of County for each issue ("issue") of securities. The County will provide educational opportunities (opportunities to attend educational programs/seminars on the topic) for the Budget and Fiscal Manager in order to facilitate his/her performance of these obligations.
- a. If the Rebate Monitor determines that the total principal amount of governmental obligations (including all tax-exempt leases, etc.) of the County issued or incurred by the County during the calendar year, including the issue, will not be greater than \$5,000,000, the Rebate Monitor will not be required to monitor arbitrage rebate compliance, *except* to monitor expenditures and the use of proceeds after completion of the project (see #3 below).
  - b. If the Rebate Monitor determines that the total principal amount of governmental obligations (including all tax-exempt leases, etc.) of the County issued or incurred will be greater than \$5,000,000, the Rebate Monitor will monitor rebate compliance.
    - i. *Rebate Exceptions.* The Rebate Monitor will review the tax certificate in the transcript in order to determine whether the County expected to comply with a spending exception that would permit the County to avoid having to pay arbitrage rebate. If the tax certificate identifies this spending exception (referred to as the six-month exception, the 18-month exception or the 24-month exception), then the Rebate Monitor will monitor the records of the expenditures (see B.1 above) to determine whether the County met the spending exception (and thereby avoid having to pay any arbitrage rebate to the federal government).
    - ii. *Rebate Compliance.* If the County does not meet or does not expect to meet any of the spending exceptions described in (i) above, the County will:
      - x. Review the investment earnings records retained as described in B.1 above. If the investment earnings records clearly and definitively demonstrate that the rate of return on investments of all proceeds of the issue were lower than the yield on the issue (see the tax certificate in the transcript), then the County at its option may not follow the steps described in the following paragraph.
      - y. Retain the services of an arbitrage rebate consultant in order to calculate any potential arbitrage rebate liability. The rebate consultant shall be selected no later than the completion of the project to be financed with the proceeds of the issue. A rebate consultant may be selected on an issue by issue basis or for all securities issues of the County. The Rebate Monitor will obtain the names of at least three qualified consultants and request that

consultants submit proposals for consideration prior to being selected as the County's rebate consultant. The selected rebate consultant shall provide a written report to the County with respect to the issue and with respect to any arbitrage rebate owed if any.

- z. Based on the report of the rebate consultant, file reports with the Internal Revenue Service, no later than the fifth anniversary of the date of each issue (plus 60 days), and every five years thereafter, with the final installment due no later than 60 days following the retirement of the last obligation of the issue.

- 3. *Unused proceeds following completion of the project.* Following completion of the project(s) financed with the issue proceeds, the Budget and Fiscal Manager will:
  - a. Review the expenditure records to determine whether the proceeds have been allocated to the projects(s) intended (and if any questions arise, consult with bond counsel in order to determine the method of re-allocation of proceeds); and
  - b. Direct the use of the remaining unspent proceeds (in accordance with the limitations set forth in the authorizing proceedings (i.e., bond ordinance)) and if no provision is otherwise made for the use of unspent proceeds, to the redemption or defeasance of outstanding securities of the issue.
- 4. *Use of the facilities financed with proceeds.* In order to maintain tax-exemption of securities issued on a tax-exempt basis, the financed facilities (projects) are required to be used for governmental purposes during the life of the issue. The Budget and Fiscal Manager of the County will monitor and maintain records regarding any private use of the projects financed with tax-exempt proceeds. The IRS Treasury Regulations prohibit private business use (use by private parties (including nonprofit organizations and the federal government)) of tax-exempt financed facilities beyond permitted *de minimus* amounts unless cured by a prescribed remedial action. Private use may arise of the result of:
  - a. Sale of the facilities;
  - b. Lease of the facilities (including leases, easements or use arrangements for areas outside the four walls, e.g. hosting of cell phone towers);
  - c. Management contracts (in which the County authorizes a third party to operate a facility (e.g., cafeteria));
  - d. Preference arrangements (in which County permits a third party preference parking in a public parking lot).

If the Budget and Fiscal Manager identifies private use of tax-exempt debt financed facilities, the Budget and Fiscal Manager will consult with the County's bond counsel to determine whether private use will adversely affect the tax-exempt status of the issue and if so, what remedial action is appropriate.

- 5. *Records Retention*
  - a. Records with the respect to matters described in this Subsection B will be retained by the County for the life of the securities issue (and any issue that refunds the securities issue) and for a period of three years thereafter.
  - b. Records to be retained:
    - i. The transcripts;
    - ii. Arbitrage rebate reports prepared by outside consultants;

- iii. Work papers that were provided to the rebate consultants;
  - iv. If no rebate report was prepared, then records of expenditures and investment receipts (showing timing of expenditure and object code of the expenditure and in the case of investment, timing of receipt of interest earnings). (Maintenance of underlying invoices should not be required; however, if those documents are maintained as a matter of policy in electronic form, then continue to maintain those records in accordance with this policy);
  - v. Copies of all certificates and returns filed with the IRS (e.g., for payments of arbitrage rebate); and
  - vi. Copies of all leases, user agreements for use of the financed property (agreements that provide for the use of the property for periods longer than 30 days), whether or not the use was within the four walls, e.g., use of the roof of the facility for a cell phone tower.
- C. Ongoing Disclosure. Under the provision of SEC Rule 152c2-12 (the "Rule"), underwriters are required to obtain an agreement for ongoing disclosure in connection with the public offering of sureties. Unless the County is exempt from compliance with the Rule as a result of certain permitted exemptions, the transcript for each issue will include an undertaking by the County to comply with the Rule. The Budget and Fiscal Manager of the County will monitor compliance by the County with its undertakings. These undertakings may include the requirement for an annual filing of operating and financial information and will include a requirement to file notices of listed "material events." For some types of material events (early bond calls), the State's fiscal agent has undertaken the responsibility of filing notice of the applicable material event.
- D. Other Notice Requirements. In some instances, the proceedings authorizing the issuance of securities will require the County to file information periodically with other parties, e.g., bond insurers, banks, rating agencies. The types of