RESOLUTION NO. 2017-_____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MERCED, CALIFORNIA, ADOPTING DEBT POLICY AND CONTINUING DISCLOSURE POLICY

THE CITY COUNCIL OF THE CITY OF MERCED DOES HEREBY RESOLVE, DETERMINE, FIND, AND ORDER AS FOLLOWS:

SECTION 1. That certain document entitled, "Debt Policy and Continuing Disclosure Policy" is hereby adopted as the official policy for the City of Merced.

SECTION 2. The City Manager and Interim Finance Officer or Finance Officer are hereby authorized and directed to comply with the Debt Policy and Continuing Disclosure Policy effective immediately.

PASSED AND ADOPTED by the City Council of the City of Merced at a regular meeting held on the _____ day of ______________ 2017, by the following vote:

AYES: Council Members:

NOES: Council Members:

ABSENT: Council Members:

ABSTAIN: Council Members:

APPROVED:

____

Mayor

ATTEST:
STEVE CARRIGAN, CITY CLERK

BY:______________________________
Assistant/Deputy City Clerk

(SEAL)

APPROVED AS TO FORM:

Kelly C. Turner 9/27/17
City Attorney Date

City of Merced
Debt Policy
And Continuing
Disclosure Policy

678 West 18th Street
Merced, CA 95340
www.cityofmerced.org

Adopted
October 16, 2017

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SECTION 1 – POLICY

This Debt Issuance and Management Policy ("Debt Policy") sets forth debt management objectives for the City and establishes general parameters for issuing and administering the City's debt. It primarily addresses debt securities issued by the City in public or private placement markets.

While this policy provides guidelines for general use, it allows for exceptions in extraordinary conditions. In the event there are proposed exceptions to Debt Policy and Continuing Disclosure Policy guidelines when a debt issue is structured, those exceptions will be discussed in the applicable staff reports at the time the bond issue goes to City Council for consideration.

This Policy is intended to comply with the requirements of Senate Bill 1029, codified as part of Governmental Code Section 8855.(i), effective on January 1, 2017.

1.1. Objectives

The purpose of the policy is to assist the City in the pursuit of the following important objectives, while providing full and complete financial disclosure and ensuring compliance with applicable state and federal laws:

- Minimize debt service and issuance costs;
- Maintain access to cost-effective borrowing;
- Achieve the highest possible credit rating;
- Achieve full and timely repayment of debt;
- Provide complete financial disclosure and reporting;
- Describe the purposes for which debt proceeds may be used;
- List the types of debt that may be issued;
- Discuss the relationship of debt and integration with capital improvement programs or budget;
- Describe internal control procedures to ensure that proceeds of bond debt is directed to its intended use;
- State policy goals related to planning goals and objectives
- Ensure the City complies with all relevant State and Federal securities laws and other applicable laws and regulations.

1.2. Purpose and Use of Debt

Debt issuance is to be used for financing capital projects. Debt issuance is not to be used to fund operating expenses.

1.3. Budget Integration

The decision to incur new debt should be integrated into the Operating Budget and Capital Improvement Program Budget through City's Council action. Prior to issuance of debt, a reliable revenue source shall be identified to secure payment of the debt and the annual debt service payments shall be included in the Operating Budget.

1.4. Financing Priorities

The Finance Officer (or designee) shall be responsible for analyzing a financing proposal to determine if it is beneficial to the City and conforms to the City's financial planning objectives.

An analysis of proposed debt may include:

- Confirmation that the project is eligible for debt financing;
- Review of all available financing instruments for the project and make determination of the most cost effective option;
- Total cost of the capital project including its design, construction cost, cost of furnishings, fixtures and equipment;
- Source of revenue to fund the annual debt service;
- Analysis of the municipal bond market, including economic and interest rate trends;
- Alternative bond structures;
- Cost analysis of bond issuance;
- Timing of when the City should enter the bond market.

1.5 Policy Goals Related to planning Goals and Objectives

This Debt Policy has been adopted to assist with the City's goal of financial sustainability and financial prudence. In following this Debt Policy, the City shall pursue the following policy goals:

- The City is committed to financial planning, maintaining appropriate reserve levels and employing prudent practices in governance, management and budget administration. The City intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the City's annual Operating Budget;

- It is a policy goal of the City to protect taxpayers, ratepayers and constituents by utilizing conservative financing methods and techniques so as to obtain the highest practical credit ratings, if applicable, and the lowest practical borrowing costs;

- It is a policy goal of the City to reduce the unfunded liabilities for employee pension and other post-employment benefits (OPEB);

- The City will comply with applicable State and Federal law as it pertains to the maximum term of debt and the procedures for levying and imposing any related taxes, assessments, rates and charges; and

- When refinancing debt, it shall be the policy goal of the City to achieve, whenever possible and subject to any overriding non-financial policy, minimum aggregate net present value debt service savings of at least 3% of the refunded principal amount.

1.6 Internal Control Procedures

When issuing debt, in addition to complying with the terms of this Debt Policy, the City shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds.

The City will periodically review the requirements of and will remain in compliance with the following:

- Federal securities law, including any continuing disclosure undertakings under SEC Rule 15c2-12;
- Any federal tax compliance requirements including without limitation arbitrage and rebate compliance, related to any prior bond issues;
- The City's investment policies as they relate to the investment bond proceeds;
- Government Code section 8855(k) and the annual reporting requirements therein.

The City shall be vigilant in using bond proceeds in accordance with the stated purpose at the time that such debt was issued. The City Manager, Finance Officer or designee will monitor the expenditure of bond proceeds to ensure they are used only for the purpose and authority for which the bonds were issued. Whenever reasonably possible, proceeds of debt will be held by a third-party trustee and the City will submit written requisitions for such proceeds. The City will submit a requisition only after obtaining the signature of the City Manager and the Finance Officer.

1.7 Debt Policy Review and Changes

Recognizing that cost-effective access to the capital market depends on prudent management of the City's debt program, a periodic review of the debt policy should be performed and any substantive changes to the policy shall be brought to City Council for consideration and approval.

SECTION 2 – METHODS OF FINANCING

The Finance Officer (or designee) will investigate all possible project financing alternatives including, but not limited to, bonds, loans, state bond pools, and grants. The City Council has also implemented an impact fee program whereby new development pays its fair share for the increased capital and operating costs that result from new construction. Although impact fee payments may be restricted to specific projects or types of projects, the use of these payments can be an important source of financing for certain capital projects.

2.1 Cash Funding

The City funds a significant portion of capital improvements on a "pay-as-you-go" basis. As part of a "pay as you go" strategy, the City may consider grant funding for capital projects.

2.2 Interfund Borrowing

The City may borrow internally from other funds with surplus cash in lieu of issuing debts. Purposes, warranting the use of this type of borrowing could include short-term cash flow imbalances due to grant terms, interim financing pending the issuance of bonds, or long-term financing in lieu of bonds for principal amounts of under $10 million. The City funds from which the money is borrowed shall be repaid with interest based upon the earning rate of the City's investment pool. The Finance Officer (or designee) shall also exercise due diligence to ensure that it is financially prudent for the Fund making the loan.

Interfund loans will be evaluated on a case-by-case basis. Any borrowing between two City funds requires approval by City Council. The purpose of interfund borrowing is to finance high priority needs and to reduce costs of interest, debt issuance and/or administration.

2.3 **Bank Loans/Lines of Credit**

Although the City does not typically utilize lines of credit for the financing of projects, financial institution credit is an option for municipal issuers and may be evaluated as a financing option.

2.4 **Other Loans**

The City will evaluate other loan programs, including but not limited to capital leases, and state loans such as the Water Resources Control Board's revolving fund loans for the construction of water and wastewater infrastructure projects.

2.5 **Bond Financing Types**

In order to maximize the financial options available to benefit the public, the City will consider the issuance of all generally acceptable types of debt, subject first to a careful review by City staff to determine whether it meets the City's long-term objectives. The review shall include an analysis of all available and projected funding sources and how the proposed debt structure would fit within the overall debt portfolio of the City. The City shall not undertake any new debt obligations without a thorough analysis of the City's long-term revenue and expenditure trends and its ability to support and service additional debt service payments. The generally acceptable types of debt the City may consider include the following as more fully discussed below:

A. General Obligation (GO) Bonds

(i) GO Bonds are backed by the credit and taxing power of the City and are used to finance municipal improvements under certain restrictions. GO Bonds are suitable for use in the construction or acquisition of improvements to real property when the City determines the public interest and necessity demands the acquisition, construction or completion of such municipal improvements, which are necessary or convenient to carry out the objectives, purposes, and powers of the City. All GO Bonds shall be authorized by the requisite number of voters in order to pass. Examples of projects include libraries, parks, and public safety facilities.

B. Revenue Bonds/Certificates of Participation (COPs)

(i) Revenue Bonds and COPs are limited-liability obligations tied to a specific enterprise or special fund revenue stream and the financed projects must relate to the enterprise or are a permitted use of the special revenue. Generally, no voter approval is required to issue such bonds and they are not subject to a debt limitation, however the City may need to comply with Proposition 218 regarding rate adjustments. Examples of this type of bond include Water Revenue Bonds, Water Revenue COPs, Sewer System Revenue Bonds, Wastewater Revenue Bonds, and Wastewater Revenue COPs.

C. General Fund-Supported Debt

(i) General Fund-Supported Debt is generally comprised of COPs and Lease Revenue Bonds (LRBs) which are lease obligations secured by an installment sale or lease-back arrangement between the City and another public entity. Typically, the City appropriates annually available General Fund revenues or funds on hand to pay the lease payments to the other entity and, in turn, the public entity uses the lease payments received by the City to pay debt service on the COPs or the LRBs. Lease-backed debt does not constitute indebtedness under the state or City's constitutional debt limit and does not require voter approval.

(ii) General Fund-Supported Debt may also include judgment obligation bonds (JOBs) issued to refund obligations imposed by law or pension obligation bonds (POBs) issued to refund unfunded accrued actuarial liabilities for pension plans.

D. Land-Secured Debt

(i) Land-Secured Debt is generally comprised of special assessment/special tax debt issued under the Mello-Roos Community Facilities Act of 1982, as amended, by special districts such as Community Facilities Districts (CFDs) and limited obligation bonds issued under applicable assessment statutes by 1913/1915 Act Assessment Districts (ADS).

(ii) The City will consider requests for special district formation and debt issuance secured by property based assessments or special taxes in order to provide necessary infrastructure for new development under certain guidelines of the City Council (the City's Land Secured Financing Policies), which may include minimum value-to-lien ratios, minimum debt service coverage and maximum tax burdens. Each application will be considered on a case-by-case basis. Typically, the City will require a minimum value-to-lien of 3 to 1 prior to issuing any CFD or AD bonds. In order to protect bondholders as well as the City's creditworthiness, the City will also comply with all State guidelines regarding the issuance of special tax or special assessment debt.

E. Loans

(i) The City is authorized to enter into loans, installment payment obligations, or other similar funding structures secured by a prudent source or sources of repayment. Examples include State Revolving Fund Loans, Infrastructure and Development Bank (I-Bank) Loans, and Interfund loans.

F. Tax Allocation Bonds (TABs)

(i) TABs are special obligations that are secured by the allocation of tax increment revenues that are generated by increased property taxes in the (now former) redevelopment project areas. TABs are not debt of the City, but are subject to certain restrictions. Under the "Dissolution Law" (California Health and Safety Code, Division 24, Parts 1.8 and 1.85) successor agencies to now dissolved redevelopment agencies may issue TABs only to refund bonds properly issued prior to January 1, 2011.

G. Tax Increment Financing

(i) Tax Increment Financing provides options to finance infrastructure and economic development projects using as a repayment stream property tax revenues generated above an established "base year" value (tax increment). The City may consider tax increment financing to the extent permitted under State law. Examples include TABs as well as debt issued by Enhanced Infrastructure Financing Districts (EIFDs) or Community Revitalization and Investment Authorities (CRIAs). When considering tax increment financing mechanisms permitted by law, the City should analyze the practical viability of the proposed financing and take into account the potential impact of the proposed structure on existing debt limitations.

H. Conduit Financing

(i) Conduit financing involves the issuance of securities by a government agency to finance a third party's project such as of a non-profit organization or other private entity. Conduit financings are typically not secured by the City's credit. The City may sponsor conduit financings for those activities that have a general public purpose and are consistent with the City's overall service and strategic objectives. While conduit financings do not constitute a general obligation of the City, the same level of due diligence prior to bond issuance is required. Examples include industrial development bonds and financings for affordable rental housing and qualified 501(c)(3) organizations.

I. Short-Term Financing

(i) Although Short-term borrowing has not been part of the City's past practice, Short-term borrowing, such as Tax and Revenue Anticipation Notes (TRANs), Bond or Grant Anticipation Notes (BANs), and lines of credit, may be considered as an interim source of funding in anticipation of long-term borrowing or receipt of revenues and may be issued to generate funding for cash flow purposes. The final maturity of the debt issued to finance the project shall be consistent with the useful life of the project.

(ii) In compliance with applicable State law, any such notes shall be payable either not later than the last day of the fiscal year in which they are issued or during the fiscal year succeeding the fiscal year of issuance, but in no event later than

15 months after the issuance date, and only if such notes are payable only from revenue received or accrued during the fiscal year in which they were issued.

(iii) Short-term debt may also be used to finance short-lived capital projects, such as equipment or lease-purchase financing.

J. Joint Powers Authority (JPA) Financing

(i) In addition to some of the financing instruments described above, the City may also consider joint powers arrangements with other governmental agencies when a project serves the public interest beyond city boundaries.

K. Refunding Bonds

(i) As market opportunities arise, the Finance Officer shall identify refunding opportunities and prepare an analysis that describes the economic effects of the refunding. Refundings may be undertaken in order to:

- Take advantage of lower interest rates and achieve debt service cost savings.
- Eliminate restrictive or burdensome bond covenants.
- Restructure debt to lengthen the duration of repayment, relieve debt service spikes.
- Reduce volatility in interest rates or free up reserve funds.

(ii) Generally, the City shall strive to achieve a minimum of 3% net present value savings for a current refunding and a minimum of 5% net present value savings for an advance refunding. Refundings producing less than 3% net present value savings will be considered on a case-by-case basis by the City Council. Upon the advice of the Finance Officer and with the assistance of the City's municipal advisor and bond counsel, the City will consider undertaking refundings for other than economic purposes based upon a finding that such a restructuring is in the City's overall best financial interest.

L. Fixed and Variable Rate Bonds

(i) Debt can be issued as either fixed rate or variable rate debt. For each decision, the City must make a specific determination as to why the chosen rate structure would be beneficial to the City in a specific circumstance. It will be the City's preference to issue debt as fixed rate debt unless the City makes a specific determination as to the reason that a variable rate issue would be beneficial to the City in a specific circumstance.

M. Other

(i) The City may from time to time find that other forms of debt would be beneficial to further its public purposes and may approve such debt without an amendment of this Debt Policy. Although alternative financing structures and debt instruments may provide a lower borrowing cost in the short run, they may carry greater risk in the long run. Before entering into such arrangements, the City should carefully evaluate the benefits and risks associated with such alternative financing mechanisms and the potential implications on the City's debt affordability and credit profile.

SECTION 3 - FINANCING TEAM – ROLES AND SELECTION PROCESS

3.1. Financing Team Definitions and Roles

The Financing Team is the working group of City staff and outside consultants necessary to complete a debt issuance including but not limited to bond counsel, disclosure counsel, underwriter, municipal advisor, trustee or fiscal agent, pricing consultant, and special tax consultant or other consultants as needed.

Typically, the Finance Officer, the City Attorney, the City Manager, and appropriate Department Head(s) or other designated staff form the City staff portion of the Financing Team. Other staff members or designees may be appointed to the Financing Team.

3.2. Consultant Selection

The City will consider the professional qualifications and experience of consultants as it relates to the particular bond issue or other financing under consideration. In certain instances, the City will conduct a request for proposal/qualification process to select such consultants. Other professionals may be selected by the Finance Officer (or designees) on an as-needed basis.

If the City determines from the initial analysis phase that a negotiated sale (Section 5.1) is the best method of sale for an issue, the Finance Officer (or designee) shall select an underwriter and a separate municipal advisor.

SECTION 4 –STRUCTURE AND TERM

4.1. Term of Debt

Debt will be structured for the shortest period possible, consistent with a fair allocation of costs to current and future users. The standard term of long-term debt borrowing is typically 15-30 years.

Consistent with the City's philosophy of keeping its capital facilities and infrastructure systems in good condition and maximizing a capital asset's useful life, the City will make every effort to set aside sufficient current revenues to finance ongoing maintenance needs and to provide reserves for periodic replacement and renewal. Generally, no debt will be issued for periods exceeding the useful life or average useful lives of projects to be financed.

4.2. Debt Repayment Structure

When structuring debt, the City will manage the amortization of the debt and, to the extent possible, match its cash flow to the anticipated debt service payments. In addition, the City will seek to structure debt with aggregate level debt service payments over the life of the debt. Structures with unequal annual debt service will be considered when one or more of the following exist:

- Natural disasters or extraordinary unanticipated external factors make payments on the debt in the early years prohibitive;

- Such structuring is beneficial to the City's aggregate overall debt payment schedule;

- Such structuring will allow debt service to more closely match project revenues during the early years of the project's operation.

4.3. Bond Maturity Options

For each issuance, the City will select serial bonds or term bonds, or both. On the occasions where circumstances warrant, capital appreciation bonds ("CABs") may be used. The decision to use term, serial or CABs is typically driven by market conditions and investor demand. The City will carefully evaluate the potential use of CABs to decide whether such use would comply with the City's long-term goals and objectives.

4.4. Interest Rate Structure

The City currently issues securities on a fixed interest rate basis only. Fixed rate securities ensure budget certainty through the life of the issue and avoid the volatility of variable rates. It will be the City's preference to issue debt as fixed rate debt unless the City makes a specific determination as to the reason that a variable rate issue would be beneficial to the City in a specific circumstance.

4.5. Credit Enhancement

Credit enhancement may be used to improve or establish a credit rating on a City debt obligation. Types of credit enhancement include letters of credit, bond issuance and surety policies. The Finance Officer (or designee) will recommend the use of a credit enhancement if it reduces the overall cost of the proposed financing or if the use of such credit enhancement furthers the City's overall financial objectives.

4.6. Debt Service Reserve Fund

Debt service reserve funds are held by the Trustee to make principal and interest payments to bondholders in the event that pledged revenues are insufficient to do so. The City will fund debt service reserve funds when it is in the City's overall best financial interest.

Under federal tax law, the size of the reserve fund for a tax-exempt debt issue is generally limited to the least of 1) 10% of par amount of bonds, 2) 125% of average annual debt service and 3) 100% of maximum annual debt service.

In lieu of funding a cash funded reserve, the City may substitute a surety bond or other credit instrument in its place. The decision to cash fund a reserve fund rather than to use a credit facility is dependent upon market conditions, the cost of the credit instrument and the investment opportunities. Additionally, the City may decide not to utilize a reserve fund or to fund a partial reserve fund if the Finance Officer (or designee), in consultation with the City's municipal advisor, determines there would be no adverse impact to the City's credit rating, interest rates, or security of debt.

4.7. Call Options/Redemption Provisions

A call option or optional redemption provision gives the City the right to prepay or retire debt prior to its stated maturity date. This option may permit the City to achieve interest savings in the future through the refunding of the bonds. Often the City will pay a higher interest rate as compensation to the buyer for the risk of having the bond called in the future. In addition, if a bond is called, the holder may be entitled to a premium payment ("call premium"). Because the cost of call options can vary depending on market conditions, an evaluation of factors will be conducted in connection with each issuance. The Finance Officer (or designees) shall evaluate and recommend the use of a call option on a case by case basis. In general, the City's debt issues will include a call feature that is no later than ten (10) years from the date of delivery of the debt. The city will general avoid the sale of non-callable debt.

4.8. Debt Limits

California Government Code Section 43605 states the City shall not incur indebtedness payable from the proceeds of property tax which exceeds 15 percent of the assessed value of all real and personal property of the City. Other debt limitations will be established for specific issuances to ensure all debt covenants can be met and operations can be maintained.

Debt issues supported by Enterprise Funds should maintain a minimum ratio of net operating income to annual debt service that the Finance Officer (or designee) concludes is beneficial to the City. Typically, the higher the ratio the better the rating and the lower the interest rate paid by the City.

4.9. Refundings

The City may refinance debt to achieve savings as market opportunities arise. The Finance Officer (or designee) shall remain cognizant of fluctuations in interest rates for the purpose of identifying refunding opportunities and prepare a present value analysis identifying the economic effects of a refunding to determine the value of refunding.

Refundings may be undertaken in order to:

- Take advantage of lower interest rates and achieve debt service costs savings;
- Eliminate restrictive or burdensome bond covenants;
- Restructure debt to either lengthen the duration of debt or free up reserve funds.

Generally, the City shall strive to achieve a minimum of three percent net present value savings for a current refunding and a minimum of five percent net present value savings for an advance refunding. Upon the advice of the Finance Officer and with the assistance of the municipal advisor and bond counsel, the City will consider undertaking refundings for other than economic purposes upon a finding that such a restructuring is in the City's overall best financial interest.

SECTION 5 – METHOD OF ISSUANCE AND SALE

5.1. Method of Sale

The City will determine on a case-by-case basis whether to sell its bonds through a public sale or a private placement.

A. Public Sale – There are two methods of public sale of debt, competitive and negotiated. Both methods of sale shall be considered for all issuance of debt to the extent allowed by law, as each method has the potential to achieve the lowest financing cost given the right conditions. In each method, debt issues are sold to a single underwriter or to an underwriting syndicate.

(i) Competitive Sale – When a competitive bidding process is deemed the most advantageous method of sale for the City, award shall be based upon, among other factors, the lowest offered True Interest Cost ("TIC"), as long as the bid adheres to requirements set forth in the official notice of sale.

(ii) Negotiated Sale – When a negotiated sale process is deemed the most advantageous method of sale for the City, selection shall be based upon, among other factors, qualifications, experience, pricing ability, and fees.

B. Private Placement – Such method of sale shall be considered if it is demonstrated to result in cost savings or provide other advantages relative to other methods of debt issuance, or if it is determined that access to the public market is unavailable and timing considerations require that a financing be completed.

The selected method of sale will be that which is most beneficial to the City in terms of lowest net interest rate, after taking into consideration the costs of issuance, most favorable terms in financial structure, and market conditions.

5.2. Initial Disclosure Requirements

Under the guidance of Disclosure Counsel, the City will distribute or cause distribution of its Preliminary Official Statement (POS) and final Official Statement (OS) (neither is typically required in a private placement, although in some cases a "private placement memorandum" may be required by the investor).

The Financing Team shall be responsible for soliciting "material" information (as defined in Securities and Exchange Commission Rule 10b-5) from City departments and identifying contributors who may have information necessary to prepare portions of the Official Statement or who should review portions of the Official Statement. In doing so, the Financing Team shall confirm that the Official Statement accurately states all "material" information relating to the decision to buy or sell the subject bonds and that all information in the Official Statement has been critically reviewed by an appropriate person.

In connection with an initial offering of securities, the City and other members of the Financing Team will:

- Identify material information that should be disclosed in the Official Statement;
- Identify other persons that may have material information (contributors);
- Review and approve the Preliminary Official Statement;
- Ensure the City's compliance, and that of its related entities, with federal and state securities laws.

The Financer Officer (or designee) shall contact the individuals and departments identified as contributors as soon as possible in order to provide adequate time for them to perform their assigned tasks. Contributors shall assist in reviewing and preparing the Preliminary Official Statement using his or her knowledge of the City and, if appropriate, by discussing the Preliminary Official Statement with other members of the contributor's department to ensure accuracy.

The Finance Officer (or designee) shall review the Preliminary Official Statement, identify any material differences in the presentation of financial information from the financial statements and ensure there are no misstatements or omissions of material information in any section that contain information prepared by the Finance Department or of relevance to the finances of or circumstances of the City.

The City Attorney (or designee) shall review the Preliminary Official Statement descriptions of (i) any material current, pending or threatened litigation, (ii) any material settlements or court orders and (iii) any other legal issues that are material information for purposes of the Official Statement.

Following receipt of the Preliminary Official Statement from the Financing Team, the Disclosure Review Group (described in Section 7.5) shall critically evaluate the Preliminary Official Statement for accuracy and compliance with federal and state securities laws, and shall, if appropriate, ask questions of the Financing Team and of any contributors or other person who reviewed or drafted any section of the Preliminary Official Statement. The Disclosure Review Group may instruct the Financing Team to solicit information or review from additional contributors before approving the Preliminary Official Statement. Once the Disclosure Review Group has completed its evaluation and the Financing Team has responded appropriately, the Preliminary Official Statement must be presented to the City Council for approval.

The approval of a Preliminary Official Statement shall be placed on the City Council agenda for consideration. The staff report will summarize the City Council's responsibilities with respect to the Preliminary Official Statement and provide the City Council the opportunity to review a substantially final Official Statement. The City Council shall undertake such review as deemed necessary by the City Council to fulfill the City Council's securities law responsibilities.[1]

For any privately placed debt with no Official Statement, the Disclosure Review Group will be provided with the final staff report describing the issue and such other documents the Disclosure Review Group may request before the transaction is approved by the City Council.

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[1] The Securities and Exchange Commission (the "SEC"), the agency with regulatory authority over the City's compliance with the federal securities laws, has issued guidance as to the duties of the City Council with respect to its approval of the POS. In its "Report of Investigation in the Matter of County of Orange, California as it Relates to the Conduct of the Members of the Board of Supervisors" (Release No. 36761 / January 24, 1996) (the "Release"), the SEC stated that, if a member of the City Council has knowledge of any facts or circumstances that an investor would want to know about prior to investing in the bonds, whether relating to their repayment, tax-exempt status, undisclosed conflicts of interest with interested parties, or otherwise, he or she should endeavor to discover whether such facts are adequately disclosed in the Official Statement. In the Release, the SEC stated that the steps that a member of the City Council could take include becoming familiar with the POS and questioning staff and consultants about the disclosure of such facts.

SECTION 6 – CREDITWORTHINESS OBJECTIVES

Ratings are a reflection of the general fiscal soundness of the City, the capabilities of its management and local and regional demographics. Typically, the higher the credit ratings, the lower the interest cost is on the City's debt issues. To enhance creditworthiness, the City is committed to prudent financial management, systematic capital planning, and long-term financial planning. The City recognizes that external economic, demographic, natural, or other events may, from time to time, affect the creditworthiness of its debt.

The most familiar nationally recognized bond rating agencies are Standard and Poor's, Moody's Investors Service, and Fitch Ratings. When issuing a credit rating, rating agencies consider various factors including but not limited to:

- City's fiscal status;
- City's general management capabilities;
- Economic conditions that may impact the stability and reliability of debt repayment sources;
- Regional demographics
- City's general reserve levels;
- City's debt history and current debt structure;
- Project being financed;
- Covenants and conditions in the governing legal documents.

6.1. Bond Ratings

The Financing Team will assess whether a credit rating should be obtained for an issuance. The City typically seeks a rating from at least one nationally recognized rating agency on new and refunded issues being sold in the public market. The Finance Officer (or designee), working with the Financing Team, shall be responsible for determining which of the major rating agencies the City shall request provide a rating. When applying for a rating on an issue, the City shall oversee preparation of a presentation of the City's finances and developments within the City which will be reviewed by the Disclosure Review Group (Section 5.2) before its presentation to a rating agency.

6.2. Rating Agency Communications

The Finance Officer (or designee) is responsible for maintaining relationships with the rating agencies. This effort shall include providing the rating agencies with the City's financial statements, if applicable, as well as any additional information requested.

SECTION 7 - POST ISSUANCE ADMINISTRATION

7.1. Investment of Proceeds

The Finance Officer (or designee) shall invest debt proceeds and reserve funds in accordance with each issue's indenture or trust agreement, utilizing competitive bidding when possible. All investments will be made in compliance with the City's Investment Policy objectives of safety, liquidity and then yield.

Unexpended debt proceeds shall be held by the bank trustee or Fiscal Agent. The trustee will be responsible for recording all investments and transactions relating to the proceeds and providing monthly statements regarding the investments and transactions.

7.2. Use of Debt Proceeds

The Finance Officer or (designee) is responsible for ensuring debt proceeds are spent for the intended purposes identified in the debt documents and that the proceeds are spent in the time frames identified in the tax certificate prepared by the City's bond counsel.

7.3. Arbitrage Compliance

The City shall follow a policy of full compliance with all the arbitrage and rebate requirements of the federal tax code and Internal Revenue Service regulations. The City shall engage qualified third parties for the preparation of arbitrage and rebate calculations. All necessary rebates will be filed and paid when due.

7.4. Ongoing Disclosure

The City shall comply with the requirements of the Continuing Disclosure Certificates entered into at the time of each bond issue. The Finance Officer (or designee) shall be responsible for providing ongoing disclosure information to the Municipal Securities Rulemaking Board's (MSRB's) Electronic Municipal Market Access (EMMA) system, the central depository designated by the Securities and Exchange Commission for ongoing disclosure by municipal issuers.

The City shall engage qualified third parties (Administrators) for the preparation and overseeing the Continuing disclosure compliance requirement for certain bond issues. The Finance Officer (or designee) shall direct the Administrator to prepare disclosure reports in accordance with the Continuing Disclosure Certificates. The Finance Officer (or designee) shall identify material information that should be disclosed and identify other persons that may have knowledge of material information. Once the annual disclosure reports are in final draft form, the Financer Officer (or designee) shall direct the Administrator to submit them for review by the Disclosure Review Group described in Section 7.5 of this policy and Bond Counsel.

In addition to annual reports, Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) obligates the City to disclose, in a timely manner to the MSRB, notice of certain specified events with respect to the City's securities, including the following:

A. Principal and interest payment delinquencies;

B. Non-payment related defaults;

C. Unscheduled draws on debt service reserves reflecting financial difficulties;

D. Unscheduled draws on credit enhancements reflecting financial difficulties;

E. Substitution of credit or liquidity providers, or their failure to perform;

F. Adverse tax opinions or event affecting tax-exempt status of security;

G. Modifications to rights of securities holders, if material;

H. Bond calls, if material, or tender offers;

I. Defeasances;

J. Release, substitution, or sale of property securing repayment of the securities, if material;

K. Rating changes;

L. Bankruptcy, insolvency, receivership of an obligated person;

M. Consummation of a merger, consolidation, or acquisition or sale of substantially all of the assets of an obligated party (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

N. Change of fiscal agent or trustee;

O. Failure to provide annual financial information or event notification as required.

The Finance Officer (or designee) shall identify material information that should be disclosed or any specified events listed in the Continuing Disclosure Certificate and direct the Administrators to prepare and file a notice with MSRB as it happens without approval of the Disclosure Review Group if the City is contractually obligated to file and the Disclosure Document contains no discretionary content.

If any member of the Disclosure Review Group concludes that an event may have occurred, Finance Officer (or designee) shall be notified and the potential event shall be discussed with the Disclosure Review Group.

7.5. Disclosure Review Group

The City has established a Disclosure Review Group to ensure the accuracy of its disclosure information and the City's compliance with all applicable federal and state securities laws. The Disclosure Review Group shall review and approve, to the best of its ability, the City's disclosure documents listed below.

Members - The members of the group shall include the following:

- Finance Officer/Deputy Finance Officer (or designee);
- City Attorney/Disclosure Counsel (or designee);
- Department Heads (applicable to specific issue);
- Accounting Supervisors/ Accountants;

The Disclosure Review Group is an internal working group of City staff and not a decision-making or advisory body subject to the provisions of the Ralph M. Brown Act (Government Code Sections 54950 et seq.).

Meetings - The Disclosure Review Group shall meet as often as necessary to fulfill its obligations. The Finance Officer (or designee) shall be responsible for convening meetings of the Disclosure Review Group, although any member of the Disclosure Review Group may request the Finance Officer (or designee) to convene a meeting.

Review and Approval - The Disclosure Review Group shall critically evaluate a disclosure document for accuracy and compliance with federal and state securities laws, and shall, if appropriate, ask questions. The Disclosure Review Group may send the Disclosure Document back for revisions.

Disclosure Documents - Disclosure documents shall include, but are not limited to, the following:

A. Preliminary and final official statements;

B. Private placement memoranda and remarketing memoranda;

C. Any filing made by the City with the MSRB, whether made pursuant to a continuing disclosure undertaking to which the City is a party or made voluntarily;

D. Offering documents prepared by related entities if such documents are subject to the approval of the City Council;

E. Press releases to the extent that such release are intended as communication to the financial markets.

Any person preparing a document for release to the public that may be considered a Disclosure Document shall notify the Finance Officer (or designee) of such information and its proposed or mandatory dissemination date. If the document is not on the list of Disclosure Documents and the Finance Officer (or designee) determines it is intended as communication to the financial markets, he or she shall inform the Disclosure Review Group. Disclosure Counsel may be consulted for advice.

Training - The Finance Officer (or designee) shall arrange for periodic disclosure training sessions for the Disclosure Review Group. Such training sessions shall include the City's disclosure obligations under applicable federal and state laws and the disclosure responsibilities and potential liabilities of members of City staff and members of the City Council. Such training sessions may be conducted using a recorded presentation. City Councilmembers, at a minimum, will be informed of the disclosure responsibilities at his or her new member orientation and prior to approving a bond issue.

7.6. Compliance with Other Bond Covenants

In addition to financial disclosure and arbitrage, the City is also responsible for verifying compliance with all undertakings, covenants, and agreements of each bond issuance on an ongoing basis. This typically includes ensuring:

- Annual appropriation of revenues to meet debt service payments;
- Taxes/fees are levied and collected where applicable;
- Timely transfer of debt service payments to the trustee;
- Compliance with insurance requirements;
- Compliance with rate covenants.

The City shall comply with all covenants and conditions contained in governing law and any legal documents entered into at the time of the bond offering. The Finance Officer (or designee) will coordinate verification and monitoring of covenant compliance.

7.7. Retention

A copy of all relevant documents and records will be maintained by the Finance Department for the term of the bonds (including refunding bonds, if any) plus ten years. Relevant documents and records will include sufficient documentation to support the requirements relating to the tax- exempt status, including the following:

- Bond transcripts, official statement and other offering documents.
- All documents relating to capital expenditures financed by bond proceeds. Such documents will include construction contracts, purchase orders, invoices and payment records. Such documents will include documents relating to costs reimbursed with bond proceeds.
- Records will be maintained identifying the assets or portion of assets that are financed with bond proceeds.
- All contracts and arrangements involving private use of the bond financed assets.
- All reports relating to the allocation of bond proceeds and private use of bond financed assets.
- All records of investments, investment agreements, arbitrage reports, return filings with the IRS and underlying documents, trustee statements, rating correspondence, and continuing disclosure.

7.8. Investor Relations

While the City shall post its annual financial report as well as other financial reports on the City's website, this information is intended for the citizens of City. Information with the intention of reaching the investing public, including bondholders, rating analysts, investment advisors, or any other members of the investment community shall be filed on the EMMA system.

7.9. Financial Statements Requirements

It is the City's policy to hire an auditing firm that has the technical skills and resources to properly perform an annual audit of the City's financial statements. More specifically, the firm shall be a recognized expert in the accounting rules applicable to the City and shall have the resources necessary to review the City's financial statements on a timely basis.

APPENDIX A – GLOSSARY AND MUNICIPAL SECURITIES TERMINOLGY

Ad Valorem Tax: A tax calculated "according to the value" of property. Such a tax is based on the assessed valuation of real property and a valuation of tangible personal property.

Advance Refunding: Refunding bonds that are issued more than 90 days prior to the date upon which the refunded bonds will be redeemed. Proceeds of the advance refunding bonds are placed into an escrow account with a fiduciary and used to pay interest and principal on the refunded bonds and then used to redeem the refunded bonds at their maturity or call date.

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

Assessed Valuation: The appraised worth of property as set by a taxing authority through assessments for purposes of ad valorem taxation.

Assessment District Bonds: Bonds issued for public improvements benefiting property within assessment districts created pursuant to the Improvement Act of 1911 and the Municipal Improvement Act of 1913.

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

Bond Anticipation Notes (BANS): Short-term notes issued usually for capital projects and paid from the proceeds of the issuance of long-term bonds. Provide interim financing in anticipation of bond issuance.

Bond Counsel: An attorney retained by the issuer to give a legal opinion concerning the validity of securities. The bond counsel's opinion usually addresses the subject of tax exemption. Bond counsel may prepare or review and advise the issuer regarding authorizing resolutions, trust indentures and litigation.

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

Bond Resolution: Resolution adopted by the City Council authorizing the issuance of bonds, approving the Notice of Sale and the Official Statement.

Book-Entry: Bonds that are issued in fully registered form but without certificates of ownership.

Call Option: The right to redeem a bond prior to its stated maturity, either on a given date or continuously. The call option is also referred to as the optional redemption provision. Often a "call premium" is added to the call option as compensation to the holders of the earliest bonds called.

Capital Appreciation Bond: A municipal security on which the investment return on an initial principal amount is reinvested at a stated compounded rate until maturity, at which time the investor receives a single payment representing both the initial principal amount and the total investment return.

CAFR: The City's Comprehensive Annual Financial Report.

Certificates of Participation: A financial instrument representing a proportionate interest in payments such as lease payments by one party (such as a city acting as a lessee) to another party (often a trustee).

Commercial Paper: Short-term debt instrument. The debt is usually issued at a discount, reflecting prevailing market interest rates.

Competitive Sale: A sale of bonds in which an underwriter or syndicate of underwriters submit sealed bids to purchase the bonds. Bids are awarded on a true interest cost basis ("TIC"), providing that other bidding requirements are satisfied. Competitive sales are recommended for simple financings with a strong underlying credit rating. This type of sale is in contrast to a Negotiated Sale.

Conduit Financing: The issuance of securities by a governmental entity to finance a project that will primarily benefit a third party. The security for this type of financing is the credit of the third party. Usually such securities do not constitute general obligations of the issuer since the private entity is liable for generating the pledged revenues for repayment. Industrial development bonds are a common type of conduit refinancing.

Continuing Disclosure: The requirement by the Securities and Exchange Commission for most issuers of municipal debt to provide current financial information to the Municipal Securities Rulemaking Board for access by the general marketplace.

Coupon Rate: The interest rate on specific maturities of a bond issue. While the term "coupon" is derived from the days when virtually all municipal bonds were in bearer form with coupons attached, the term is still frequently used to refer to the interest rate on different maturities of bonds in registered form.

Credit Rating Agency: A company that rates the relative credit quality of a bond issue and assigns a letter rating. These rating agencies include Moody's Investors Service, Standard & Poor's, and Fitch Ratings.

Current Refunding: Refunding bonds are issued 90 days or less before the date upon which the refunded bonds will be redeemed.

CUSIP Number: The term CUSIP is an acronym for the Committee on Uniform Securities Identification Procedures. An identification number is assigned to each maturity of an issue. The CUSIP numbers are intended to help facilitate the identification and clearance of municipal securities.

Debt Limit: The maximum amount of debt that is legally permitted by a jurisdiction's charter, constitution, or statutes.

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

Default: The failure to pay principal or interest in full or on time and, in some cases, the failure to comply with non-payment obligations after notice and the opportunity to cure.

Defeasance: Providing for the payment of principal, premium (if any) and interest on debt through the call date or scheduled principal maturity in accordance with the terms of the debt. A legal defeasance usually involves establishing an irrevocable escrow funded with only cash and U.S. Government obligations.

Depository Trust Company (DTC): A limited purpose trust company organized under the New York Banking Law. The DTC facilitates the settlement of transactions in municipal securities.

Derivative: A financial instrument which derives its own value from the value of another instrument, usually an underlying asset such as a stock, bond, or an underlying reference such as an interest rate index.

Disclosure Counsel: An attorney retained to provide advice on issuer disclosure obligations, to prepare the official statement and to prepare the continuing disclosure undertaking.

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

Enterprise Activity: A revenue generating project or business. The project often provides funds necessary to pay debt service on securities issued to finance the facility. Common examples include water and sewer treatment facilities and utility facilities.

Financing Team: The working group of City staff and outside consultants necessary to complete a debt issuance.

General Obligation Bond: A bond secured by an unlimited property tax pledge. Requires a two-thirds vote by the electorate. GO bonds usually achieve lower rates of interest than other financing instruments since they are considered to be a lower risk.

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

Industrial Development Bonds: Securities issued to finance the construction or purchase of industrial, commercial or manufacturing facilities to be purchased by or leased to a private user. These securities are backed by the credit of the private user and generally are not considered liabilities of the governmental issuer.

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

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

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

Letter of Credit: An unconditional pledge of the bank's credit which is used to guarantee payment of principal and interest on debt in the event insufficient funds are available to meet a debt service obligation. Letters of credit are most often employed when the stated interest on the City's securities is variable.

Line of Credit: A contract with a financial institution, usually a bank, that establishes a maximum loan balance that the bank will permit the borrower to maintain. The borrower can draw down on the line at any time, as long as the maximum set in the agreement is not exceeded.

Mortgage Revenue Bonds: Bonds issued for the purpose of providing single-family mortgage financing or acquisition and construction funds for multi-family housing projects. The bonds are secured by the mortgage repayments and project revenue. See Conduit Financing.

Municipal Advisor: A consultant who provides the issuer with advice on the structure of the bond issue, timing, terms and related matters for a new bond issue.

Municipal Securities Rulemaking Board (MSRB): A self-regulating organization established on September 5, 1975 upon the appointment of a 15-member board by the Securities and Exchange Agreement. The MSRB, comprised of representatives from investment banking firms, dealer bank representatives, and public representatives, is entrusted with the responsibility of writing rules of conduct for the municipal securities market.

Negotiated Sale: A sale of securities in which the terms of the sale are determined through negotiation between the issuer and the purchaser, typically an underwriter, without competitive bidding. The negotiated sales process provides control over the financing structure and issuance timing. Negotiated sales are recommended for unusual financing terms, periods of market volatility and weaker credit quality. A thorough evaluation of market conditions will be performed to ensure reasonable final pricing and underwriting spread.

Net Interest Cost (NIC): A method of computing the interest expense to the issuer of bonds, which may serve as the basis of award in a competitive sale of a new issue of municipal securities. NIC takes into account any premium or discount applicable to the issue, as well as the dollar amount of coupon interest payable over the life of the issue. NIC does not take into account the time value of money (as would be done in other calculation methods, such as the "true interest cost" (TIC) method). The term "net interest cost" refers to the overall rate of interest to be paid by the issuer over the life of the bonds.

Official Statement (Prospectus): A document published by the issuer in connection with a primary offering of securities that discloses material information on a new security issue including the purposes of the issue, how the securities will be repaid, and the financial, economic and social characteristics of the security for the bonds. Investors may use this information to evaluate the credit quality of the securities.

Original Issue Discount Bonds: Bonds sold at a substantial discount from their par value at the time of the original sale.

Par Value: The face value or principal amount of a security.

Pension Obligation Bonds (POBs): Financing instruments used to pay some or all of the unfunded pension liability of a pension plan. POBs are issued as taxable instruments over a 30-40 year term or by matching the term with the amortization period of the outstanding unfunded actuarial accrued liability.

Preliminary Official Statement: A version of the Official Statement prepared by or for an issuer of municipal securities for potential customers prior to the availability of the final Official Statement. Under SEC Rule 15c2-12, the difference between a Preliminary Official Statement and a final Official Statement is that the final Official Statement includes "pricing information," i.e., offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, any other terms or provisions required by an issuer of such securities to be specified in a competitive bid, ratings, other terms of the securities depending on such matters, and the identity of the underwriter(s).

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

Present Value: The value of a future amount or stream of revenues or expenditures.

Pricing Consultant: The Pricing Consultant provides a fairness letter to the City or its agent regarding the pricing of a new issue of municipal securities.

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

Private Placement: A bond issue that is structured specifically for one purchaser. Private placements are typically carried out when extraneous circumstances preclude public offerings. A private placement is considered to be a negotiated sale.

Refunding: A procedure whereby an issuer refinances an outstanding debt issue by issuing a new debt issue.

Related Entities: Those independent agencies, joint power authorities, special districts, component units, or other entities created by the City Council or by State law for which the City Council serves as the governing or legislative body in his or her official capacity, or for which the City has agreed to provide initial or continuing disclosure in connections with the issuance of securities.

Rule 10b5: Rule adopted by the Securities and Exchange Commission that requires the disclosure of all material facts and prohibits the omission of facts necessary to make statements not misleading.

Rule 15c2-12: Rule adopted by the Securities and Exchange Commission setting forth certain obligations of (i) underwriters to receive, review and disseminate official statements prepared by issuers of most primary offerings of municipal securities, (ii) underwriters to obtain continuing disclosure agreements from issuers and other obligated persons to provide ongoing annual financial information on a continuing basis, and (iii) broker-dealers to have access to such continuing disclosure in order to make recommendations of municipal securities in the secondary market.

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

Revenue Bond: A bond which is payable from a specific source of revenue and to which the full faith and credit of an issuer is **not** pledged. Revenue bonds are payable from identified sources of revenue, and do not permit the bondholders to compel a jurisdiction to pay debt service from any other source. Pledged revenues often are derived from the operation of an enterprise.

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

Serial Bonds: Bonds of an issue that mature in consecutive years or other intervals and are not subject to mandatory sinking fund provisions.

Special Tax Bonds: Bonds issued to fund eligible public improvements and paid with special taxes levied in a community facilities district formed under the Mello-Roos Community Facilities Act of 1982, as amended. The City's policy on Community Facilities Districts and Special Tax Bonds is further outlined in City Council Resolution 2009-103.

State Revolving Funds: The State Revolving Fund ("SRF") loan is a low interest loan program for the construction of water and wastewater infrastructure projects.

Tax Allocation Bonds (TABs): Bonds issued to fund eligible capital facilities located within a Redevelopment Project Area. Bonds are secured by a portion of the property taxes collected within the project area. The Thousand Oaks Redevelopment Agency was dissolved as of February 1, 2012, due to the passage of AB X1 26. Its operations were substantially eliminated but for the continuation of certain enforceable obligations to be administered by the City of Thousand Oaks as successor agency.

Tax and Revenue Anticipation Notes (TRANS): Short-term notes issued in anticipation of receiving tax receipts and revenues at a future date. Proceeds allow the municipality to manage the periods of cash shortfalls resulting from a mismatch between timing of revenues and timing of expenditures.

Term Bonds: Bonds that come due in a single maturity whereby the issuer may agree to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity or for payment at maturity.

True Interest Cost (TIC): Under this method of computing the interest expense to the issuer of bonds, true interest cost is defined as the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the new issue of bonds. Interest is assumed to be compounded semi-annually. TIC computations produce a figure slightly different from the "net interest cost" (NIC) method because TIC considers the time value of money while NIC does not.

Trustee: A bank retained by the issuer as custodian of bond proceeds and official representative of bondholders. The trustee ensures compliance with the indenture. In many cases, the trustee also acts as paying agent and is responsible for transmitting payments of interest and principal to the bondholders.

Underwriter: A broker-dealer that purchases a new issue of municipal securities from the issuer for resale in a primary offering. The bonds may be purchased either through a negotiated sale with the issuer or through a competitive sale.