CONTRA COSTA COUNTY

AGENDA

Debt Affordability Advisory Committee

Wednesday, July 8, 2026 **3:00 PM** **County Administration Building 1025 Escobar, 1st Floor, Room 110C Martinez, CA 94553 | https://cccounty-us.zoom.us/j/84634848109 | (855) 758-1310, webinar ID: 846 3484 8109**

Agenda Items: Items may be taken out of order based on the business of the day and preference of the Committee

1. Call to Order and Introductions

2. Public comment on any item under the jurisdiction of the Committee and not on this agenda (speakers may be limited to two minutes).

3. CONSIDER reviewing and approving the draft FY 2024-25 Annual Debt Report. (Diana Oyler, Committee Staff) **26-3025**

Attachments: CC Debt Rpt FY24-25_(4-22-26 DRAFT)

4. CONSIDER reviewing the Debt Management Policy, approving modifications, and providing direction to staff to update the policy. **26-3026**

Attachments: Debt Management Policy with Appendix- Redline

5. DISCUSS Debt Affordability Advisory Committee meeting format and PROVIDE direction to staff. **26-3027**

Attachments: 2012.03.29 - Memo RE BGO Brown Act
Debt Affordability Advisory Committee - 2006

6. Adjourn

The Committee will provide reasonable accommodations for persons with disabilities planning to attend the Committee meetings. Contact the staff person listed below at least 72 hours before the meeting. Any disclosable public records related to an open session item on a regular meeting agenda and distributed by the County to a majority of members of the Committee less than 96 hours prior to that meeting are available for public inspection during normal business hours. Staff reports related to items on the agenda are also accessible online at www.contracosta.ca.gov. If the Zoom connection malfunctions for any reason, the meeting may be paused while a fix is attempted. If the connection is not reestablished, the committee will continue the meeting in person without remote access. Public comment may be submitted via electronic mail on agenda items at least one full work day prior to the published meeting time.

For Additional Information Contact: Diana.oyler@cao.cccounty.us

CONTRA COSTA COUNTY

Staff Report

1025 ESCOBAR STREET
MARTINEZ, CA 94553

File #: 26-3025 **Agenda Date:** 7/8/2026 **Agenda #:** 3.

Advisory Board: Debt Affordability Advisory Committee
Subject: FY 2024/25 Annual Debt Report
Presenter: Diana Oyler, Committee Staff
Contact: diana.oyler@cao.cccounty.us

Information:
In 2006 the Board of Supervisors adopted the County Debt Management Policy via Resolution 2006/773, which established the Debt Affordability Advisory Committee (DAAC). The DAAC's purpose is to annually review and evaluate existing and proposed new County debt and other findings or issues the committee considers appropriate. The task of the DAAC is to assess the County's ability to generate and repay debt, and issue an annual report to the County Administrator defining debt capacity of the County.

Referral History and Update:
KNN Public Finance, LLC has prepared a draft annual report for FY 2024/25 for the DAAC's review and consideration.

Recommendation(s)/Next Step(s):
Approve draft FY 2024/25 Annual Debt Report.

CONTRA COSTA COUNTY

DEBT REPORT
FISCAL YEAR 2024-25

DEBT AFFORDABILITY ADVISORY COMMITTEE: APRIL 22, 2026 (DRAFT)

PREPARED BY

KNN PUBLIC FINANCE, LLC

County Administrator

County Administration Building
1025 Escobar Street, 4th Floor
Martinez, CA 94553
925-655-2075

Monica Nino
County Administrator

Date: April 22, 2026 (DRAFT)

To: Monica Nino
County Administrator

FR: Debt Affordability Advisory Committee

RE: **Debt Report for Fiscal Year 2024-25**

We present to you the annual report of the County of Contra Costa's ("the County") outstanding debt and rating agency metrics for Fiscal Year 2024-25 (the "Debt Report"), as required pursuant to Section II.C of the County's Debt Management Policy. Key points from the Report are summarized below:

Debt Program Activity in FY 2024-25. The County did not issue any additional debt in FY 2024-25 and there were no changes in the County's very high ratings of 'AAA' from S&P Global Ratings ("S&P") and 'Aa1' from Moody's Investors Service ("Moody's").

The County's General Fund backed debt consists exclusively of Lease Revenue Bonds ("LRBs") currently. During the reporting period, the County fully paid the outstanding balances of its 2015 Series A LRBs, 2015 Series B LRBs, and 2017 Series B LRBs, approximately $71.1 million in total. The County used General Fund balance to pay off all three series of LRBs. As a result, the County's annual LRB debt service will now be lower by amounts ranging from $12.5 million in FY 2025-26 to approximately $1 million lower per year in Fiscal Years 2033-2035.

Following the end of the fiscal year, the County has indicated that progress is expected to be made on capital plans related to the East County Government Center. At this point in time, the expectation is that cash will be utilized to fund the Government Center and other capital needs.

County Credit Metrics and Debt Ratios in FY 2024-25. This Debt Report examines various County credit metrics (from S&P and Moody's) and compares the County's results relative: (a) to median metrics for a group of cohort California counties ("Cohort Counties") (**Section IV(D)**), and (b) to the County's own historical past metrics (**Section IV(E)**). Also, as discussed in the Report, S&P released new methodology in September 2024, requiring us to drop certain "old" metrics in the analysis and to include certain "new" S&P metrics.

The new S&P criteria provide equal 20% weightings to each of: (1) Economy, (2) Management, (3) Financial Performance, (4) Reserves and Liquidity, and (5) Debt and Liabilities. For the Debt and Liabilities category, S&P now scores the County on three key metrics: (i) Net Direct Debt per Capita, (ii) Current Cost for Debt Service and Liabilities (inclusive of current cost for annual pension and OPEB liabilities) and (iii) Net Pension Liabilities per Capita. The inclusion of pension and OPEB liabilities is a significant departure from S&P's prior methodology, which focused primarily on just debt service.

Based on our analysis of the County's credit metrics, we conclude that:

- **Comparison to Cohort Counties:** When compared to cohort counties across twelve S&P and Moody's credit metrics, the County performed better than the cohort median in six of the metrics in total and strongly in all but one of the other metrics.

    - The County scored above the Cohort Median for only two of the Moody's metrics. However, for two of the remaining Moody's metrics - Available Fund Balance and Liquidity - the County still scored well above levels needed to score in the 'Aaa' range. We note however that the County's Economic Growth ratio of -2.90% scores in the 'Baa' category, which is a significant decline and could put downward pressure on the County's rating, especially if it develops into a consistent trend.

    - In relation to the S&P metrics, the County scored above the Cohort Median in four of the S&P metrics. For the remaining metrics, including County per capita Gross County Product ("GCP") as % of US per capita GDP, Net Direct Debt per Capita and Net Pension Liability per Capita, the County scored below the Median but achieves scores of '1' and '2,' which represents a strong result.

- **Comparison to County Historical Performance:** Relative to the County's own average credit metrics over the last three fiscal years, the County's outcomes based on its Fiscal Year 2024-25 results have improved in three of the five Moody's credit metrics. While the County underperformed in the Liquidity Ratio, the County has scored in the highest category for Liquidity Ratio in the past three years and the County experienced only a minor decrease in this ratio during the reporting period.

  We note however that the County's *Economic Growth* ratio of -2.90% scored in the 'Baa' category, which is a significant decline and could put downward pressure on the County's rating, especially if it develops into a consistent trend.

  Since new S&P rating metrics have been introduced and are scored for the first time based on Fiscal Year 2024-25 results, there are no historic comparisons for S&P credit metrics this year in the Debt Report.

Recommendations. Though the County does not have plans for additional debt in fiscal year 2025-26, we encourage the County to continue the prudent debt and financial management efforts that have contributed to improved financial performance in recent years as those efforts are the basis of maintaining the County's current strong ratings.

Also, as highlighted above, the County should try to understand better why it's Economic Growth ratio dropped as much as it did and focus renewed energy on activities to increase economic growth within the County, to the extent possible. We note also the heightened importance of pension and OPEB liabilities in the new S&P metrics and recommend continued efforts to manage these costs.

We continue to recommend that the County build on the Capital Facilities Master Plan by taking steps to establish a formal Capital Improvement Plan ("CIP") since a five-year CIP, updated annually, is one of the strengthening elements of financial management recognized by the rating agencies

We hope that the information in this Debt Report can be used to support the development of sound capital and financial plans and continued adherence to County policies. Together with sound financial planning and adherence to the County's debt and finance policies, this Committee's recommendations will lead to greater fiscal strength in the years ahead.

If you have any questions or comments regarding this Debt Report, please contact Timothy Ewell at (925) 655-2043. Your input is important to us and would be greatly appreciated.

Sincerely,

Members of the Debt Affordability Advisory Committee:

Dan M. Mierzwa, County Treasurer-Tax Collector
Joanne M. Bohren, Assistant Auditor-Controller
Adam Nguyen, County Finance Director
John Kopchik, Department of Conservation and Development Director

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SECTION I: OVERVIEW AND OBJECTIVES

A. Debt Report Overview

In accordance with the requirement of the County's Debt Management Policy, the County's Debt Affordability Advisory Committee must submit a Debt Report to the County Administrator annually.

This Debt Report provides an overview and update of the County's outstanding "bonded indebtedness"[1] and key factors that influence the County's credit ratings. It reports on County obligations secured by the County's General Fund, now only consisting of Lease Revenue Bonds ("LRBs"), as well as County obligations not secured by General Fund, consisting of Tax Allocation Bonds ("TABs") issued by the Successor Agency to the Contra Costa County Redevelopment Agency and Special Tax Bonds issued by the County of Contra Costa Community Facilities District No. 2001-1. Because the rating agencies also consider debt issued by the County's special districts in their debt ratio calculations, we also summarize the outstanding debt of the West Contra Costa Healthcare District in this Report.

Liabilities (i.e. non-bonded), primarily pension and OPEB, are accounted for as part of the credit review of the County. As a result, this Report examines the County's pension and OPEB liabilities as well as annual contributions, in addition to bonded indebtedness. Pension and OPEB metrics will be evaluated in the context of rating agency metrics.

The Debt Management Policy identifies debt burden, annual debt service, fund balance, cash/liquidity, and pension and OPEB as important reporting metrics. This Debt Report provides a discussion of the County's metrics in the context of certain rating agency ratios and relative to: (i) cohort counties in California (**Section IV(D)**); and (ii) relative to the County's historical performance (**Section IV(E)**).

The counties that comprise the Cohort Counties have been identified to align as best with the County's underlying credit factors, including size, budget, and tax base. The current Cohort Counties consist of the Counties of Alameda, Fresno, Sacramento, San Joaquin, San Mateo, Santa Clara, and Ventura.

B. Debt Issuance and Debt Management Achievements in FY 2024-25

The County did not issue any additional obligations in FY 2024-25.

C. Capital Planning and Future Debt Issuance

In September 2022, the County completed a multi-year effort to establish a Capital Facilities Master Plan ("Plan") that will provide a roadmap for two strategic objectives: improving customer service delivery and improving utilization of real estate and facilities assets.

The Plan provides guidance for decision-making on capital improvements for the next 20 years. The 20-Year implementation overview recommends all Service Centers to be constructed in the

[1] This Debt Report frequently uses the words "bonds" and "debt" interchangeably, even when the underlying obligation does not technically constitute "debt" under California's constitution. This conforms with market convention for the general use of the term "debt" and "debt service" as applied to a broad variety of instruments in the municipal market, regardless of their precise legal status. The rating agencies and the investor community evaluate the County's debt position based on all of its outstanding debt regardless of the term of the debt and whether or not such debt is repaid from taxpayer-approved tax levies, the General Fund, or other sources.

next 15 years to meet service needs and eliminate facilities no longer needed before incurring major renovations. Major improvements for facilities that will be maintained in the portfolio are distributed across the 20-year span. Health Services, Fire, Sheriff, Detention Facilities, and EHSD Head Start Facilities were excluded.

The more immediate 5-Year implementation has the following key actions:
» Construct the East County Service Center
» Construct the storage facility at the Central County Planning, Development, and Storage Center
» Initiate FCI-related improvements to facilities with FCI scores of 0.5+
» Begin tenant improvements to existing facilities that will be maintained in the portfolio for 20+ years, since most facilities haven't undergone recent improvements
» Refresh existing facilities that will be disposed in 6-20 years

Currently, the County is in the planning stages to construct the East County service center in Brentwood, CA. The County currently has no specific plans to issue additional debt for this project or any other projects in the near future.

D. Debt Management Policies and Tools

Policy Update

In FY 2023-24, the County approved some minor modifications to the Debt Management Policy regarding the guidelines for the debt affordability measures and the potential issuance of bonds designated as ESG Bonds. The Debt Management Policy changes are summarized below:

1. **Debt Affordability Measures:** The rating agency metrics identified in the Debt Management Policy were updated to reflect changes in rating agency methodology and provide flexibility for future changes to metrics. The County's Municipal Advisor will advise the Debt Affordability Advisory Committee (DAAC) about future changes and incorporate such changes into future Debt Reports.
2. **Use of Labeled Bonds:** The "Use of Labeled Bonds" is a new addition to the "Debt Feature" section of the Debt Management Policy. ESG has increased in relevance as a topic and the County would like to begin evaluating such labels for bond issuances. ESG stands for "Environmental, Social, and Governance", representing a framework for evaluating the sustainability and ethical practices of an entity. The ESG framework serves as a decision-making tool for stakeholders, including investors. In advance of future debt issuances, the County will confer with its Municipal Advisor to determine the relative costs and benefits, if any, of using such labels for future bond sales before committing to using Labeled Bonds.

The proposed changes above were drafted on August 30, 2023. Changes were approved by the Board of Supervisors at the September 12, 2023 Board meeting. No additional changes to the Debt Policy were made in FY 2024-25.

Debt Affordability Model

The County's Municipal Advisor, KNN Public Finance, has continued the practice of updating a County Debt Affordability Model ("DAM") on an annual basis to actively monitor and evaluate key financial and debt metrics. The metrics presented in the DAM and this Debt Report are utilized by the rating agencies for credit ratings and by the County to provide perspective on the affordability of its outstanding debt portfolio relative to the County's revenue and expenditure framework.

KNN will also assist the County in updating the DAM as may be appropriate in the context of future debt issuance planning. When the County identifies future capital projects that may require bonding, the DAM will be used to project the impact of additional debt on current rating agency metrics and to provide a capital markets perspective on the "affordability" of additional debt.

See **Appendix E: County Debt Affordability Model** for a current version of the County's DAM.

SECTION II: COUNTY DEBT OBLIGATIONS

A. County Debt Issuance Objectives

The County's Debt Management Policy sets forth the parameters for issuing debt and managing outstanding debt and provides guidance to decision makers regarding the timing and purposes for which debt may be issued. Subject to the guidelines and procedures detailed in the Debt Management Policy, there are two primary purposes for which the County may proceed with a debt issuance: i) to finance capital projects of the County and ii) to refinance (or "refund") outstanding obligations to achieve interest cost savings or achieve other desired financing flexibility.

Issue New Money Obligations to Finance Capital Projects

The County shall plan long-term and short-term debt issuances to finance its capital program based on its cash flow needs, sources of revenue, capital construction periods, available financing instruments, and market conditions. Generally, the County expects to issue long-term LRBs (or Certificates of Participation ("COPs")) periodically for new money purposes. While the County has previously utilized short-term financings in the form of Tax and Revenue Anticipation Notes ("TRANs") to address cash flow needs within a fiscal year, the County has not issued TRANs since FY 2006-07.

Refund Outstanding Obligations to Achieve Interest Cost Savings

The County may also issue refunding bonds from time to time if significant savings can be achieved. The County Finance Director, in tandem with the County's Municipal Advisor, monitors market conditions for refunding opportunities that, pursuant to the Debt Management Policy, will produce at least 2% net present value savings for each maturity of bonds refunded and a minimum of 4% overall net present value savings.

Over the last ten years, the County has been diligent in capturing market opportunities to achieve debt service saving on its outstanding obligations. **Table 1** below sets forth the amount of savings achieved on refundings undertaken since 2002.

Table 1: Refunding Transactions and Savings Since 2002

Refunding Issuance	Refunded Series	Par Refunded ($mil)	Net Present Value Savings ($mil)	Net Present Value Savings (%)	Average Annual Budgetary Savings
Lease Revenue Bonds					
2002 Series B	1992 COPs	$25.870	$0.85	3.29%	$49,906
2007 Series A (Advance Refunding)	1999A, 2001A, 2001B, 2002A, and 2003A LRBs	$61.220	$3.83	6.26%	$182,380
2007 Series A (Current Refunding)	1997 COPs	$26.815	$0.90	3.36%	$64,286
2007 Series B	1997 COPs	$112.845	$2.93	2.60%	$195,333
2010 Series B	1998A LRBs	$17.400	$1.10	6.32%	$73,330
2015 Series B	1999A, 2002A, 2002B, 2003A, and 2007A LRBs	$55.995	$4.58	8.18%	$416,893
2017 Series A	2007A, 2007B, and 2009A LRBs	$117.030	$9.10	7.78%	$1,105,113
2021 Series B	2010A-2, 2010A-3, 2010 Series B, and 2012 Series A	$48.411	$7.34	15.17%	$774,480
Total		**$465.586**	**$30.63**	**6.58%**	**$2,861,721**

B. Outstanding Obligations: General Fund Supported

The County's debt portfolio now consists entirely of fixed-rate LRBs.

Lease Revenue Bonds

The County has issued LRBs to fund a variety of capital projects including the construction of the new County Administration building and Emergency Operations Center and Public Safety Building, construction of the County hospital and regional health clinics, improvements to County social service and employment centers and the acquisition of furnishings and equipment, among others. Debt service on LRBs is paid either from the County General Fund or Enterprise Funds, depending upon which department is financing the improvements. The County's LRBs are issued by the County of Contra Costa Public Financing Authority (the "Authority").

A detailed listing of the County's LRB's by series is shown in **Table 2** below. Also presented in **Table 2** is the true interest cost ("TIC") for each outstanding bond issue for which such information is available. The TIC varies from issue to issue depending upon the term to maturity and the prevailing interest rate environment when each respective issue was sold.

Table 2: Outstanding Obligations – General Fund Supported (as of June 30, 2025)

Series	Date of Issue	Final Maturity	Original Par	Outstanding Par	True Interest Cost (%)
Lease Revenue Bonds					
2021 Series A (Capital Projects)	3/18/2021	6/1/2041	$63,540,000	$55,190,000	2.26%
2021 Series B (Refunding)	3/18/2021	6/1/2038	$33,880,000	$21,165,000	1.80%
2017 Series A (Refunding and Capital Projects)	3/3/2017	6/1/2027	$99,810,000	$7,625,000	2.33%
Total			**$368,630,000**	**$83,980,000**	

General Fund Debt Service Requirements

Shown in **Chart 1** is the amortization of principal by issue and by fiscal year for all outstanding LRBs as of June 30, 2025. Scheduled principal amortization for FY 2024-25 was approximately $20.6 million. Looking ahead to FY 2025-26, principal amortization falls to $8.5 million then decreases noticeably as the scheduled payments related to the 2017 Series B LRBs are made. As discussed previously, the County utilized cash to pay off three outstanding series of LRBs during FY 2024-25 paying down approximately $71.1 million in principal. As a result, the County's annual LRB debt service will now be lower by amounts ranging from $12.5 million in FY 2025-26 declining to approximately $1 million lower per year in Fiscal Years 2033-2035.

Chart 1: General Fund Principal by Issuance – LRBs

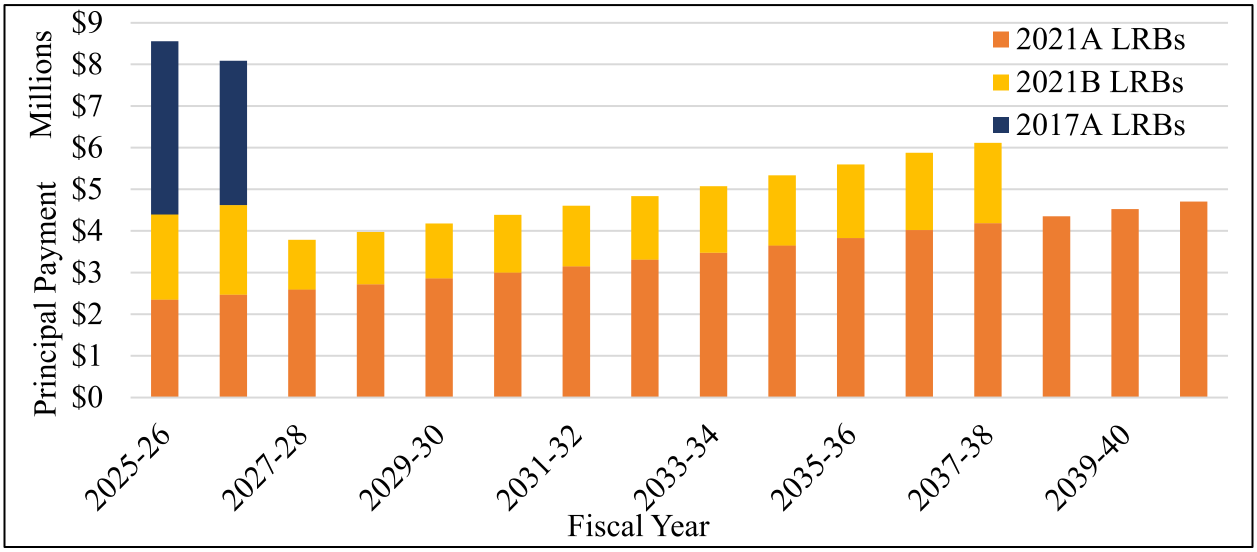
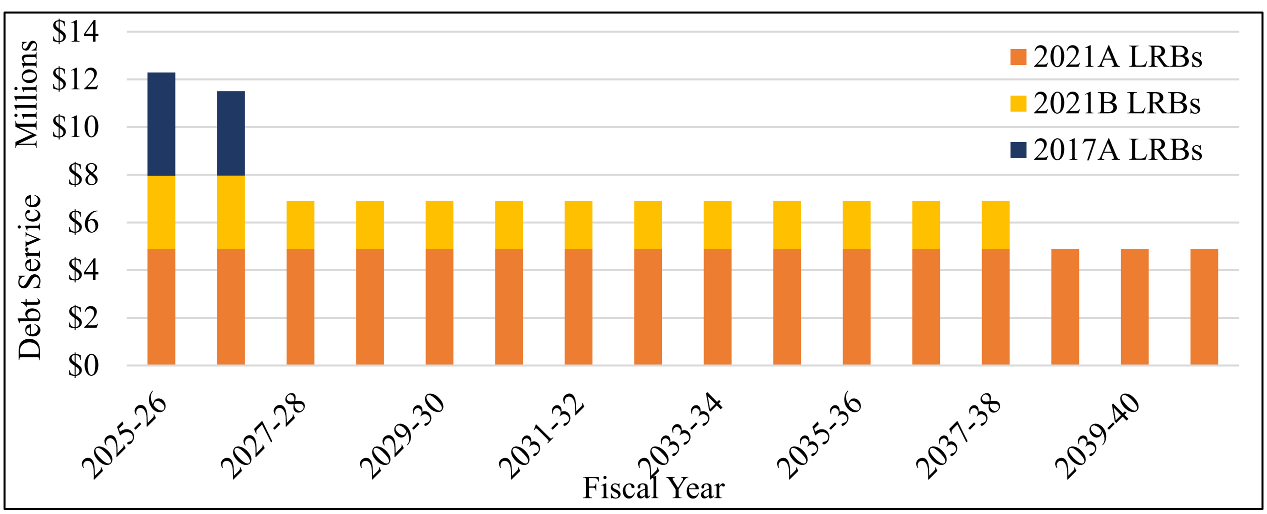


Chart 2 presents the annual debt service for outstanding LRBs by fiscal year. Notably, over the next 10 years, approximately 70% of the County's LRB debt service will be paid. The 2017 Series A LRBs will have fully matured in that time frame. Over the next 5 years, approximately 40% of the County's outstanding General Fund bond debt service will be repaid.

Chart 2: General Fund Annual Debt Service by Issuance – LRBs



See **Appendix A** for the County's cumulative annual debt service for its outstanding LRBs.

C. Outstanding Obligations: Non-General Fund Supported

The County's debt management activities also consist of outstanding obligations which neither have a direct impact nor are secured by the County's General Fund. As of June 30, 2025, the Successor Agency to the Contra Costa County Redevelopment Agency had two outstanding Tax Allocation Bond ("TABs") issues secured by property tax increment revenue. The County of Contra Costa Community Facilities District No. 2001-1 (Norris Canyon) had one outstanding series of special assessment bonds secured by special taxes of the Community Facilities District ("CFD").

Table 3: Outstanding Obligations – Non-General Fund Supported (as of June 30, 2025)

Series	Date of Issue	Final Maturity	Original Par	Outstanding Par
Tax Allocation Bonds				
2017 Series A (Tax-Exempt)	8/16/2017	8/1/2036	$49,530,000	$49,530,000
2017 Series B (Taxable)	8/16/2017	8/1/2025	$23,095,000	$1,820,000
Subtotal			**$72,625,000**	**$51,350,000**
Special Assessment Bonds				
Series 2013A	1/24/2013	9/1/2031	$5,605,000	$2,395,000
Total			**$78,230,000**	**$53,745,000**

See **Appendix B** for the County's annual debt service requirements for the outstanding TABs and Community Facilities District ("CFD") Bonds.

Tax Allocation Bonds

In August 2017, the Successor Agency issued the Tax-Exempt Series 2017A and Taxable Series 2017B Refunding TABs. The Series 2017A and 2017B TABs refunded all $75 million of the then outstanding TABs which had been issued by the Contra Costa County Public Financing Authority. The refunding achieved $17.8 million in net present value savings and average annual savings of $1.38 million. The Series 2017 Bonds are limited obligations of the Successor Agency payable solely from and secured by a pledge and lien on tax revenues. The 2017B TABs started amortizing in 2018 and mature in 2025 while the 2017A TABs start amortizing in 2025 and mature in 2036. Principal payments occur in August therefore, the 2017B TABs have fully matured given the timing of this report.

Special Assessment Bonds

In January 2013, the County of Contra Costa Community Facilities District No. 2001-1 (Norris Canyon) issued its 2013 Special Tax Refunding Bonds to currently refund and legally defease all of the $5,720,000 outstanding principal amount of County of Contra Costa Community Facilities District No. 2001-1 (Norris Canyon) 2001 Special Tax Bonds. The Series 2013 Special Tax Bonds are limited obligations of the County on behalf of the CFD payable solely from the Special Tax (including any prepayments thereof and certain proceeds collected from the sale of property pursuant to foreclosure provisions as set forth in the Fiscal Agent Agreement for delinquency in payment of the Special Tax).

Non-General Fund Debt Service Requirements

Shown in **Chart 3** is the amortization of principal by issue and by fiscal year for the outstanding TABs & CFD Bonds as of June 30, 2025. The outstanding principal is primarily attributed to the TABs, which peak at $5.5 million in FY 2035-36. The scheduled CFD Bonds principal amortization through FY 2031-32 ranges from $315,000 - $355,000.

Chart 3: Non-General Fund Principal by Issuance – TABs & CFDs

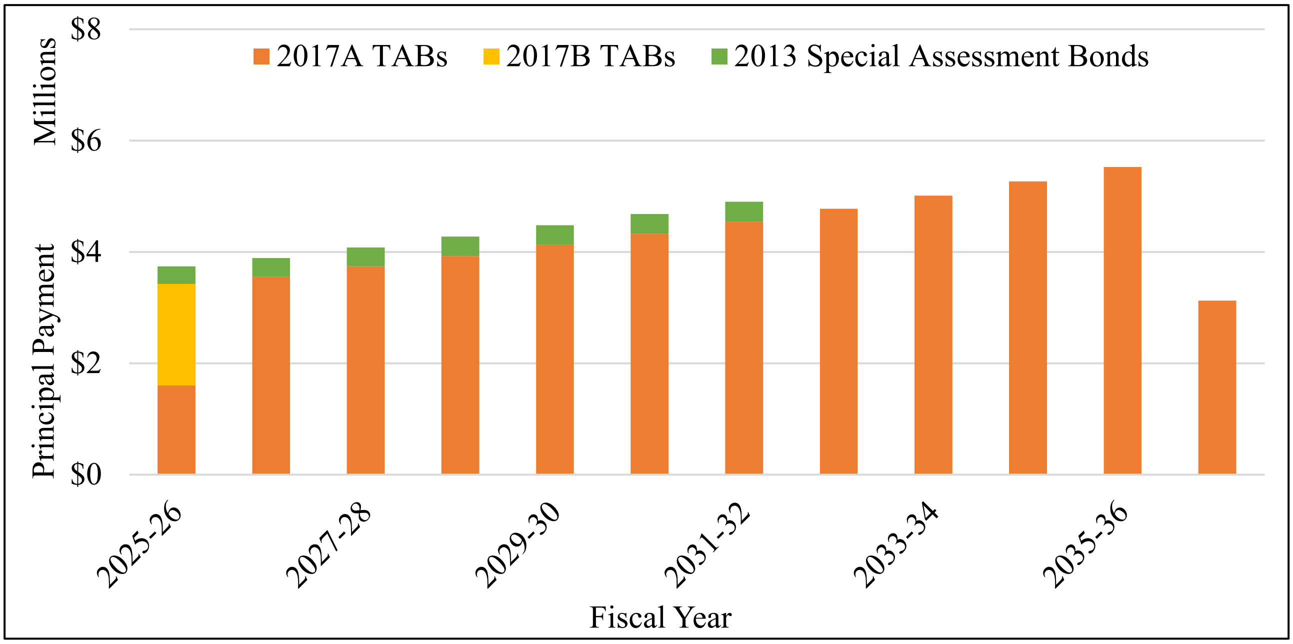
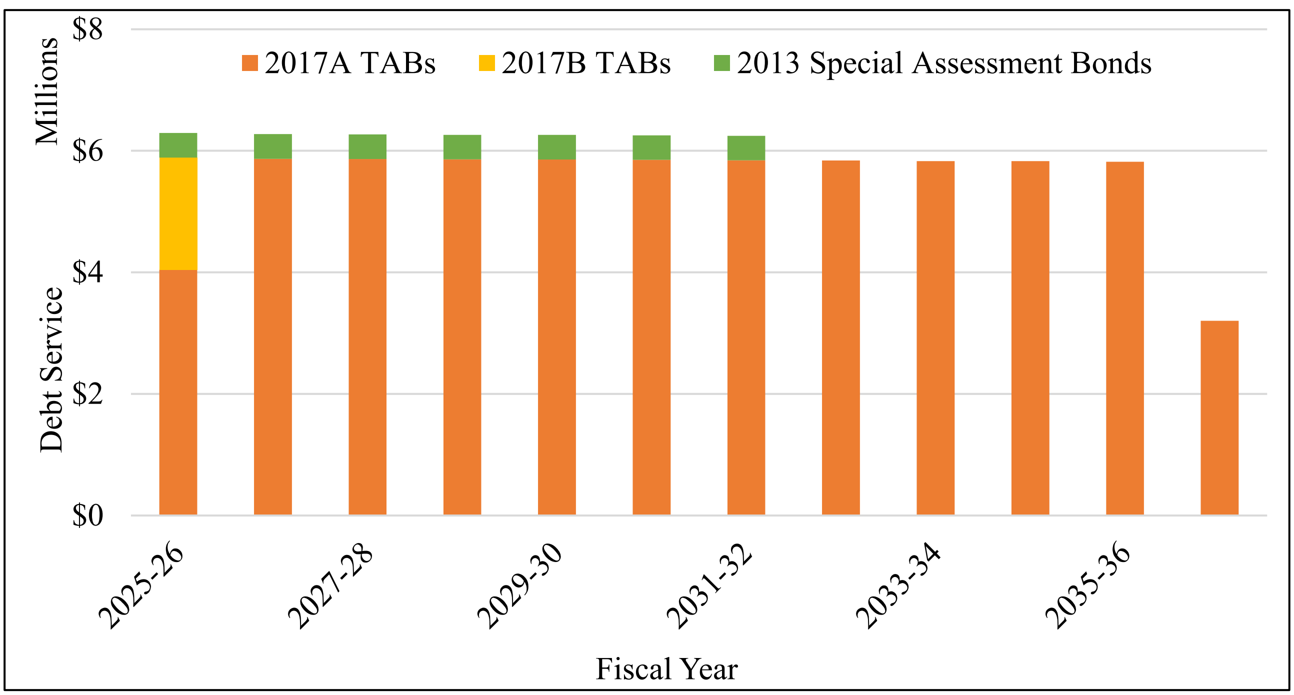


Chart 4 presents the debt service for the outstanding TABs and CFD Bonds by fiscal year. Annual payments made by the Successor Agency are approximately $5.9 million; annual payments made by the CFD are approximately $405,000.

Chart 4: Non-General Fund Annual Debt Service by Issuance – TABs & CFD



D. Outstanding Obligations: Special District Debt

The County's debt management and continuing disclosure activities consist of the General Fund and Non-General Fund obligations as reviewed in the prior **Section II (B)** and **Section II (C)**. However, within its Annual Comprehensive Financial Report ("ACFR"), the reporting of the County's long-term obligations associated with Governmental Activities also includes outstanding obligations of the County's healthcare and fire protection special districts. While not under the direct purview of the County, we note these obligations in the County's financial reporting and, will discuss this in **Section IV (B) and Section IV (C)**, since this debt is considered by Moody's and S&P in evaluating the County's debt ratios.

Table 4: Outstanding Obligations – Special District Debt (as of June 30, 2025)

Series	Date of Issue	Final Maturity	Original Par	Outstanding Par
West Contra Costa Healthcare District				
2021 Refunding Revenue Bonds	12/15/2021	7/1/2042	$44,580,000	$40,155,000
Total			**$174,480,000**	**$40,155,000**

Refunding Revenue Bonds

The West Contra Costa Healthcare District (the "District") is a public agency formed under the State of California Local Healthcare District Law. In 2004, the District passed a super-majority parcel tax measure, known as Measure D. The parcel tax revenues serve as security for the Revenue Bonds issued by the District. The West Contra Costa Healthcare District issued $44,580,000 Refunding Revenue Bonds in December 2021. The bonds were issued to refund the District's outstanding 2018 and 2019 Revenue Bonds on a "current" basis.

SECTION III: CREDIT RATINGS

Long-term credit ratings provided by a rating agency are an independent assessment of the relative credit risk associated with purchasing and holding a particular bond through its scheduled term of repayment. Long-term credit ratings are one of the most important indicators of creditworthiness readily available to the investment community and have a direct impact on the borrowing rates paid by the County. The following discussion focuses on the County's credit ratings and key credit metrics.

A. County Credit Ratings

As of June 30, 2025, Moody's and S&P maintain an implied GO Bond rating (or "Issuer Rating") of Aa1 and AAA, respectively, as shown in **Table 5**.

Table 5: Summary of County Credit Ratings

	Long Term Ratings	
	Moody's	S&P
Investment Grade	Aaa	**AAA**
	Aa1	**AA+**
	Aa2	AA
	Aa3	AA-
	A1	A+
	A2	A
	A3	A-
	Baa1	BBB+
	Baa2	BBB
	Baa3	BBB-
Speculative Grade	Ba	BB
	B	B
	Caa	CCC
	Ca	CC
	C	C
	D	D

LRB Rating **Issuer Rating**

GO Bond ratings are typically one to two notches higher than those of LRBs, owing to the superior credit strength of the ad valorem property taxes pledged to repay GO Bonds versus the General Fund pledge that supports repayment of LRBs and related abatement risk.

The County's implied GO Bond ratings are "high quality investment grade" (Moody's) and "best quality" (S&P) ratings.

A history of the County's implied GO Bond or Issuer Rating, Pension Obligation Bond and Lease Revenue Bond ratings is presented in **Table 6** below.

There were no changes to any of the County's ratings during the period covered by this Debt Report.

Table 6: History of County's Credit Ratings Over Past 10 Years

	Issuer Rating		Pension Obligation Bond		Lease Revenue Bond / Certificates of Participation	
Fiscal Year	Moody's	S&P	Moody's	S&P	Moody's	S&P
2015-16	Aa2	AAA	A1	AA+	A1	AA+
2016-17	Aa2	AAA	A1	AA+	**Aa3**	AA+
2017-18	Aa2	AAA	A1	**AAA**	Aa3	AA+
2018-19	Aa2	AAA	A1	AAA	Aa3	AA+
2019-20	Aa2	AAA	A1	AAA	Aa3	AA+
2020-21	**Aa1**	AAA	**Aa3**	AAA	**Aa2**	AA+
2021-22	Aa1	AAA	Aa3	AAA	Aa2	AA+
2022-23	Aa1	AAA	WD	WD	Aa2	AA+
2023-24	Aa1	AAA	WD	WD	Aa2	AA+
2024-25	Aa1	AAA	WD	WD	Aa2	AA+

Rating changes from the prior year are bolded and outlined in gold
POBs matured in 2022; WD = Withdrawn

Note: A **bolded and gold-boxed** entry indicates a rating change from the prior year.

B. Cohort County Comparable Credits

Table 7 below lists the California cohort counties (Cohort Counties) utilized for the FY 2024-25 Debt Report. The counties are compared by their population, General Fund Revenues, Total Governmental Fund Revenues, and Net Taxable Assessed Value.

Table 7: Cohort County Comparison

	County Information As Reported in Fiscal Year 2024-25 ACFRs				Current Issuer Rating	
County	**Population[1]**	**General Fund Revenues ($000s)**	**Total Governmental Fund Revenues ($000s)**	**Net Taxable Assessed Value ($000s)**	**Moody's**	**S&P**
Contra Costa	1,158,225	$2,518,603	$3,646,322	$283,771,485	Aa1	AAA
Cohort Median	1,037,053	$2,321,035	$2,522,367	$235,413,988	Aa1	AAA
Alameda	1,649,060	$4,006,929	$4,753,100	$425,718,020	Aaa	AAA
Fresno	1,037,053	$1,648,592	$2,424,045	$116,480,149	Not Rated	AA
Sacramento	1,593,000	$3,612,714	$4,265,197	$235,413,988	A1	AA
San Joaquin	782,811	$1,302,983	$1,958,634	$116,457,349	Aa2	AA
San Mateo	748,337	$2,321,035	$2,522,367	$328,936,713	Aaa	AAA
Santa Clara	1,922,259	$5,014,222	$5,957,038	$693,796,589	Aa1	AAA
Ventura	829,005	$1,544,668	$2,167,947	$186,274,436	Aaa	AAA

[1]Shows most recent population total included by each County in their respective ACFR.

The County continues to rank fourth amongst the Cohort Counties across all four metrics reported above; this places the County just above the Cohort Median.

The County's Aa1 (Moody's) and AAA (S&P) credit ratings are equal to the Cohort Median rating for the respective credit rating agencies.

SECTION IV: CREDIT METRICS AND RATIOS

Pursuant to the County's Debt Management Policy, the DAAC must calculate certain credit metrics that are relevant to debt and financial credit factors and compare them to benchmarks and report the results in this Debt Report. Measuring the County's financial and debt performance using credit metrics and ratios provides a convenient way to compare the County's credit profile to other borrowers as well as to the County's own historical performance.

A. Overview of Credit Metrics and Ratios

Moody's Investor Service[1] (Moody's) and S&P Global Ratings[2,3] (S&P) each have published rating criteria for U.S. local governments. Within the context of such published rating criteria, each agency utilizes a scorecard approach designed to enhance the transparency of the rating methodology by identifying critical factors (based on credit metrics and ratios) as a starting point for analysis, along with additional considerations that may affect the final rating assignment.

In the following **Section IV(B)** and **Section IV(C)** we summarize certain of the County's credit metrics and ratios and generate a hypothetical "score" of the County's calculated results based on our understanding of the Moody's and S&P respective frameworks. All the calculations summarized below can be found in **Appendix D**. Following the summaries of the County's credit metrics and ratio outcomes, we then compare such outcomes to those of the Cohort Counties in **Section IV(D)**. Finally, in **Section IV(E)**, we measure the County's outcomes in the past fiscal year against the County's own outcomes over the last three fiscal years.

The calculations and metrics presented in this Debt Report were made based on best efforts to apply rating agency metrics and calculations for these specific ratios utilizing publicly available information for the County and the selected Cohort Counties. However, it should be noted that the rating agencies typically apply certain issuer-specific, internal adjustments to their calculations, which are not incorporated into this Debt Report. Further, there are variations in the ways in which individual Cohort Counties present information in their ACFRs that can make comparisons challenging.

The calculations and scoring of rating metrics are intended to be informative to the County's ongoing evaluation of its credit profile but are not intended to represent or predict actual rating agency scoring nor meant to be prescriptive to the County's overall financial management practices.

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[1] Moody's Investor Service: US Cities and Counties Methodology; November 2, 2022.

[2] S&P Global Ratings: U.S. Local Governments General Obligation Ratings: Methodology and Assumptions; September 12, 2013.

[3] S&P Global Ratings (Updated rating criteria): Methodology For Rating U.S. Governments, September 9, 2024.

B. Moody's Key Metrics, Ratios, and Outcomes

For the County's most recently reported credit rating, Moody's utilized the principal methodology "U.S. Cities and Counties" that was published in November 2022. This Moody's methodology, effective November 2022, is used for the purpose of this Debt Report. The reporting period of this Debt Report marks the third reporting period for which the "new" methodology has been actively in-use.

The Moody's scorecard framework included in the November 2022 methodology consists of a variety of different factor areas, which are weighted for a combined total score of 100%. Each factor area is comprised of sub-factors of various ratios all of which are used to arrive at an indicative rating. For each sub-factor, Moody's provides a range of values which are representative of a rating of "Aaa" at best to "B & Below" at worst.

Table 8 provides an overview of each factor and sub-factor along with the weights they carry.

Table 8: Overview of Moody's Scorecard Framework of Factor Areas and Sub-Factors

Moody's Criteria Category (November 2022)		% of Rating
Economy		**30%**
Resident Income	10%	
Full Value per Capita	10%	
Economic Growth	10%	
Financial Performance		**30%**
Available Fund Balance Ratio	20%	
Liquidity Ratio	10%	
Institutional Framework		**10%**
Leverage		**30%**
Long-term Liabilities Ratio	20%	
Fixed-Costs Ratio	10%	
	TOTAL:	**100%**

Highlighted sub-factors are evaluated with cohort Counties (Table 10).

We use the Moody's methodology to calculate key credit ratios in the following factor areas: i) Economy; and ii) Financial Performance. We also have included the key credit ratios for the "Leverage" factor using information provided directly by Moody's, as various of the inputs to those calculations are not otherwise publicly available.

Below is a **summary** of our scoring of certain of the Moody's metrics for the County and the associated indicative rating for each calculated ratio. The County scores 'Aaa' in five of the seven ratios along with 'Aa' and 'Baa' in the remaining two ratios. We note that the County's Economic Growth of -2.90% scores in the 'Baa' category, which could put downward pressure on the County's rating, especially if it develops into a consistent trend.

Moody's Rating Criteria Summary	
Economy - Resident Income	
Resident Income	136.31%
Ratio Score (≥ 120%)	**Aaa**
Economy - Full Value per Capita	
Full Value Per Capita ($000s)	$245,005
Ratio Score (≥ $180,000)	**Aaa**
Economy - Economic Growth	
Economic Growth	-2.90%
Ratio Score (-4.5% to -2.5%)	**Baa**
Financial Performance - Available Fund Balance Ratio	
Available Fund Balance Ratio	37.62%
Ratio Score (≥ 35%)	**Aaa**
Financial Performance - Liquidity Ratio	
Liquidity Ratio	50.77%
Ratio Score (≥ 40%)	**Aaa**
Leverage - Long-Term Liabilities Ratio	
Long-Term Liabilities Ratio	64.22%
Ratio Score (100% - 200%)	**Aa**
Leverage - Fixed-Costs Ratio	
Fixed-Costs Ratio	5.12%
Ratio Score (≤ 10%)	**Aaa**

Appendix D provides a brief discussion of each of the above credit ratios and the associated calculations for each ratio. We note that we do not replicate Moody's metrics for Net Pension Liability or Net OPEB as the calculations of such ratios are specific to Moody's internal actuarial analysis. We have therefore requested and obtained the two ratios in the Leverage factor area directly from Moody's, which contain the County's Adjusted Net Pension Liability, Adjusted Net OPEB, and Pension Tread Water values.

C. Standard & Poor's Key Metrics, Ratios, and Outcomes

S&P currently utilizes the "Methodology For Rating U.S. Governments" which was published and effective as of September 9, 2024. This update was the first major update to their prior rating criteria, the "U.S. Local Governments General Obligation Ratings: Methodology and Assumptions" which was originally published in September 12, 2013. Scoring under the current methodology will be shown for the first time in this Debt Report.

S&P's scorecard framework generally consists of the same factors with a shift in the weighting for certain factors. Each factor is comprised of subfactors in the form of various measures, all of which are used to arrive at an initial assessment score. Each calculated measure corresponds with a numerical initial assessment score of "1" at best to "6" at worst. After establishing the initial assessment score, qualitative adjustments are made by rating analyst to establish a credit rating.

Table 9 compares the "old" and "new" methodologies side-by-side to provide an overview of the changes. Following Table 9 we briefly discuss each factor area and its subfactors along with the weights they carry.

Table 9: Overview of Standard & Poor's Scorecard Framework of Rating Criteria and Ratios

S&P Criteria Category (Old Methodology)	% of Rating	S&P Criteria Category (New September 2024)		% of Rating
Institutional Framework	**10%**	**Institutional Framework**		**N/A**
Management	**20%**	**Management**		**20%**
Economy	**30%**	**Economy**		**20%**
Total Market Value Per Capita		GCP per Capita as a % of U.S. GDP per Capita	10%	
Per Capita Effective Buying Income as a % of US		County PCPI as a % of U.S.	10%	
Budgetary Performance	**10%**	**Financial Performance**		**20%**
Total Governmental Funds Net Result		Three-year Average Operating Result		
General Fund Net Result				
Budgetary Flexibility	**10%**	**Reserves and Liquidity**		**20%**
Available Fund Balance as a % of Expenditures		Available Reserves as a % of Revenues		
Liquidity	**10%**			
Total Government Available Cash as a % of Debt Service				
Total Government Available Cash as a % of Expenditures				
Budgetary Flexibility	**10%**	**Reserves and Liquidity**		**20%**
Available Fund Balance as a % of Expenditures		Available Reserves as a % of Revenues		
Debt & Contingent Liabilities	**10%**	**Debt & Liabilities**		**20%**
Net Direct Debt as a % of Revenue		Net Direct Debt per Capita	5%	
Debt Service as a % of Expenditures		Current Cost for Debt Service and Liabilities	10%	
		Net Pension Liabilities per Capita	5%	
Total:	**100%**	**Total:**		**100%**

Highlighted sub-factors under the 'new' criteria are evaluated with the Cohort Counties (Table 11).

We use S&P's new methodology to calculate key credit ratios in the following factors: i) Economy, ii) Financial Performance, iii) Reserves and Liquidity, and iv) Debt and Liabilities. We note that Institutional Framework is no longer a weighted factor in the scorecard framework; it is scored as a '2' for all California local government issuers.

i) **Economy**, previously scored based on assessed value and wealth: The economy factor was previously weighted 30% and is now weighted 20%. In place of assessed value, county production levels are scored in relation to national production levels. The subfactor for wealth is similar with added clarity for wealth data to reflect a certain County or MSA geographies.

ii) **Financial Performance**, previously budgetary performance: The financial performance factor was previously weighted 10% and is now weighted 20%. The prior approach to evaluating performance considered the general fund and total governmental funds. The updated approach only focuses on the general fund.

iii) **Reserves and Liquidity**, previously broken out as a liquidity factor and budgetary flexibility factor: This factor is weighted 20%, which can be viewed as unchanged since the prior factors totaled 20% as well. Cash is no longer considered in this factor. A fund balance ratio, similar to the prior budgetary flexibility ratio bears the full weight of this factor.

iv) **Debt and Liabilities**, previously scored outstanding debt and debt service: The debt and liabilities factor was previously weighted 10% and is now weighted 20%. This factor now accounts for pension and OPEB liabilities under a new subfactor. Current cost for pension and OPEB contributions are also included in the same ratio along with the current cost for debt service (the "carrying charge"). Further, population now serves as the denominator in two of the three debt subfactor calculations.

Below is a **summary** of our scoring of certain S&P metrics for the County and the associated indicative scoring for each calculated ratio. The County scores ‘1’ in four of the seven ratios calculated below and a ‘2’ on the other ratios.

S&P Rating Criteria Summary		**Score Range**
Economy		
County PCPI as % of US PCPI (50% of Economy Score)	147.89%	
Ratio Score (> 100%)	**1.00**	**(1-6)**
County per Capita GCP as % of US per Capita GDP (50% of Economy Score)	95.61%	
Ratio Score (110 - 95%)	**2.00**	**(1-6)**
Economy (Total Score)	**1.50**	
Financial Performance		
3-year Average Operating Result	5.20%	
Ratio Score (> 3%)	**1.00**	**(1-4)**
Reserves and Liquidity		
Available Reserves as a % of Revenues	47.19%	
Ratio Score (< 15%)	**1.00**	**(1-5)**
Debt and Liabilities		
Current Costs for Debt Service and Liabilities as a % of Revenues (50% of Debt and Liabilities Score)	11.69%	
Ratio Score (< 8-14%)	**2.00**	**(1-6)**
Net Direct Debt per Capita (25% of Debt and Liabilities Score)	$457	
Ratio Score (<$500)	**1.00**	**(1-6)**
Net Pension Liability per Capita (25% of Debt and Liabilities Score)	$1,046	
Ratio Score ($500 - $1,500)	**2.00**	**(1-6)**
Debt and Liabilities (Total Score)	**1.75**	

We provide brief descriptions and detail our calculations for each metric in **Appendix D.**

D. Credit Evaluation: Cohort County Comparison

As stated at the beginning of this Debt Report, an important focus of the County is the comparison of the County's performance on a variety of credit metrics against its Cohort Counties discussed in **Section III(B)**. Below we offer a comparison of the County's performance on the Moody's and S&P metrics and ratios calculated above vis-à-vis each individual Cohort County performance on the same metrics given their respective FY 2024-25 results.

i) Moody's Metrics and Ratios Relative to Cohort Counties

Table 10 below provides a comparison of the County's outcomes in key Moody's credit metrics and ratios relative to the Cohort Counties. The County performed better than the County Cohort Median on two of the five Moody's measures, including Resident Income and Full Value Per Capita. While the County's Available Fund Balance Ratio and Liquidity Ratio are below the Cohort Median, they are well above levels needed to score in the 'Aaa' range, the highest marks for each measure. However, the County's -2.90% Economic Growth metric is the <u>lowest</u> all of the cohort counties and well below the median. If this metric develops into a consistent trend, some downward pressure on the County's rating can be expected.

Table 10: Moody's Credit Metrics – County Comparison to Cohort Counties

	Moody's Metrics (As of June 30, 2025)				
	Economy			Financial Performance	
County	Resident Income	Full Value Per Capita ($000s)	Economic Growth	Available Fund Balance Ratio	Liquidity Ratio
Moody's Highest Scoring = Aaa	**≥ 120%**	**≥ $180k**	**≥ 0%**	**≥ 35%**	**≥ 40%**
Contra Costa	**136.31%**	**$245,005**	**-2.90%**	**37.60%**	**50.77%**
Cohort Median	**123.04%**	**$224,696**	**-0.12%**	**39.71%**	**63.98%**
Alameda	138.60%	$258,158	-1.09%	60.08%	83.00%
Fresno	89.97%	$112,318	-0.36%	16.04%	50.07%
Sacramento	107.03%	$147,780	0.10%	26.05%	49.66%
San Joaquin	108.65%	$148,768	-0.12%	45.25%	76.75%
San Mateo	170.19%	$439,557	3.99%	91.91%	116.03%
Santa Clara	184.28%	$360,928	2.29%	21.54%	38.17%
Ventura	123.04%	$224,696	-1.14%	39.71%	63.98%

ii) S&P Metrics and Ratios Relative to Cohort Counties

Table 11 provides a comparison of the County's key S&P credit metrics and ratios relative to the Cohort Counties. The County performed better than the County Cohort Median in four of the seven S&P metrics:

1. County Per Capita Personal Income ("PCPI") as % of US PCPI
2. 3-year Average Operating Result
3. Available Reserves as a % of Revenues
4. Current Costs for DS and Liabilities as a % of Revenues

While below the Cohort Median, the remainder of the ratios score a '1' and '2' which represents a strong result:

1. County per capita Gross County Product ("GCP") as % of US per capita GDP is intended
2. Net Direct Debt per Capita
3. Net Pension Liability per Capita

Table 11: S&P Credit Metrics – County Comparison to Cohort Counties

	S&P Metrics (As of June 30, 2025)						
	Economy		Financial Performance	Reserves and Liquidity	Debt and Liabilities		
County	County PCPI as % of US PCPI	County per capita GCP as % of US per capita GDP[1]	3-year Average Operating Result	Available Reserves as a % of Revenues	Current Costs for DS and Liabilities as a % of Revenues	Net Direct Debt per Capita	Net Pension Liability per Capita
S&P Highest Scoring = 1	**> 100%**	**> 110%**	**> 3%**	**> 15%**	**< 8%**	**< $500**	**< $500**
Contra Costa	**147.89%**	**95.61%**	**5.20%**	**47.19%**	**11.69%**	**$457**	**$1,046**
Cohort Median	**112.78%**	**97.65%**	**4.67%**	**30.87%**	**14.24%**	**$447**	**$891**
Alameda	152.00%	128.50%	4.67%	43.54%	16.50%	$825	$841
Fresno	78.66%	72.79%	0.34%	11.17%	13.21%	$426	$477
Sacramento	95.20%	97.65%	-1.35%	8.16%	14.24%	$447	$1,038
San Joaquin	86.08%	66.17%	5.05%	38.49%	16.24%	$137	$1,864
San Mateo	245.42%	339.12%	15.91%	108.05%	11.53%	$687	$891
Santa Clara	215.32%	264.24%	-0.57%	16.31%	21.19%	$1,528	$3,708
Ventura	112.78%	96.72%	9.21%	30.87%	9.38%	$123	$623

[1]Nominal GCP and GDP metrics used to calculate ratio.

E. Credit Evaluation: County Trend Comparison

Also important to the review and evaluation of the County's credit metrics and ratios within this Debt Report is the review of the County's performance against its historic performance. This analysis allows for the tracking of trends within key measures and to identify any notable aberrations from past performance, either in the form of improvements or declines in creditworthiness.

Due to the recent change in Moody's methodology, the data in **Table 12** will only show a full three-year history for one of the five Moody's metrics. Over the last three fiscal years Full Value Per Capita has continued to increased and therefore remains above the 3-yr average. The Resident Income and Available Fund Balance ratios experienced slight increases. Liquidity, on the other hand the liquidity ratio has continued to decline. This decline is largely attributed to revenue growth outpacing increases in cash. This does not raise a large concern since this ratio is evaluated well above the 40% threshold for a 'Aaa' scoring. As mentioned previously, the Economic Growth metric experienced a large year over year decline which warrants monitoring. While this metric is only being evaluated for the third time, **Table 12** will serve as an tool for the County continue monitoring this metric.

Moody's:

1. Resident Income – **Improved**
2. Full Value Per Capita – **Improved**
3. Economic Growth – **Declined (significantly)**
4. Available Fund Balance Ratio – **Improved**
5. Liquidity Ratio – **Declined**

Table 12: Moody's Credit Metrics – County Comparison to Prior Fiscal Year Performance

	Moody's Metrics				
	Economy			Financial Performance	
	Resident Income[2]	Full Value Per Capita[1] ($000s)	Economic Growth[2]	Available Fund Balance Ratio[2]	Liquidity Ratio[2]
Moody's Highest Scoring = Aaa	**≥ 120%**	**≥ $180k**	**≥ 0%**	**≥ 35%**	**≥ 40%**
Fiscal Year 2024-25 Results	**136.31%**	**$245,005**	**-2.90%**	**37.62%**	**50.77%**
Prior 3-Year Average[3]	**135.44%**	**$219,980**	**0.40%**	**36.47%**	**52.70%**
Fiscal Year 2021-22	N/A	$199,084	N/A	N/A	N/A
Fiscal Year 2022-23	135.47%	$223,296	-0.86%	36.56%	53.22%
Fiscal Year 2023-24	135.41%	$237,561	1.66%	36.39%	52.17%

[1]Moody's updated their US Cities and Counties Methodology. The Full Value Per Capita ratio was called Market Value Per Capita in previous county debt reports.

[2]New ratios first presented in FY 2022-23 Debt Report.

[3]2-Year average shown for metrics with two years of historic scorings.

The data in **Table 13** will take on a similar framework as **Table 12**. Since the new S&P metrics were just introduced, we do not yet have historic calculations with which to compare to the County's FY 2024-25 metrics.

Standard & Poor's:

1. County PCPI as % of US PCPI – **(New)**
2. County per capita GCP as % of US per capita GDP – **(New)**
3. 3-year Average Operating Result – **(New)**
4. Available Reserves as a % of Revenues – **(New)**
5. Current Costs for DS and Liabilities as a % of Revenues – **(New)**
6. Net Direct Debt per Capita – **(New)**
7. Net Pension Liability per Capita – **(New)**

Table 13: S&P Credit Metrics – County Comparison to Prior Fiscal Year Performance

	S&P Metrics (As of June 30, 2025)						
	Economy		Financial Performance	Reserves and Liquidity	Debt and Liabilities		
County	County PCPI as % of US PCPI	County per capita GCP as % of US per capita GDP[1]	3-year Average Operating Result	Available Reserves as a % of Revenues	Current Costs for DS and Liabilities as a % of Revenues	Net Direct Debt per Capita	Net Pension Liability per Capita
S&P Highest Scoring = 1	**> 100%**	**> 110%**	**> 3%**	**> 15%**	**< 8%**	**< $500**	**< $500**
FY 2024-25	**147.89%**	**95.61%**	**5.20%**	**47.19%**	**11.69%**	**$457**	**$1,046**
Prior Year Averages	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**

[1]Nominal GCP and GDP metrics used to calculate ratio.

APPENDIX A: GENERAL FUND DEBT SERVICE

Lease Revenue Bond Debt Service

Fiscal Year	Principal	Interest	Total Debt Service
2025-26	$8,555,000	$3,739,713	$12,294,713
2026-27	$8,085,000	$3,423,035	$11,508,035
2027-28	$3,785,000	$3,111,300	$6,896,300
2028-29	$3,975,000	$2,922,050	$6,897,050
2029-30	$4,180,000	$2,723,300	$6,903,300
2030-31	$4,385,000	$2,514,300	$6,899,300
2031-32	$4,605,000	$2,295,050	$6,900,050
2032-33	$4,835,000	$2,064,800	$6,899,800
2033-34	$5,075,000	$1,823,050	$6,898,050
2034-35	$5,335,000	$1,569,300	$6,904,300
2035-36	$5,595,000	$1,302,550	$6,897,550
2036-37	$5,875,000	$1,022,800	$6,897,800
2037-38	$6,115,000	$787,800	$6,902,800
2038-39	$4,350,000	$543,200	$4,893,200
2039-40	$4,525,000	$369,200	$4,894,200
2040-41	$4,705,000	$188,200	$4,893,200
Total	**$83,980,000**	**$30,399,647**	**$114,379,647**

APPENDIX B: NON- GENERAL FUND DEBT SERVICE

Tax Allocation Bond Debt Service

Fiscal Year	Principal	Interest	Total Debt Service
2025-26	$3,425,000	$2,463,675	$5,888,675
2026-27	$3,560,000	$2,307,250	$5,867,250
2027-28	$3,740,000	$2,124,750	$5,864,750
2028-29	$3,925,000	$1,933,125	$5,858,125
2029-30	$4,125,000	$1,731,875	$5,856,875
2030-31	$4,330,000	$1,520,500	$5,850,500
2031-32	$4,545,000	$1,298,625	$5,843,625
2032-33	$4,775,000	$1,065,625	$5,840,625
2033-34	$5,010,000	$821,000	$5,831,000
2034-35	$5,265,000	$564,125	$5,829,125
2035-36	$5,525,000	$294,375	$5,819,375
2036-37	$3,125,000	$78,125	$3,203,125
Total	**$51,350,000**	**$16,203,050**	**$67,553,050**

Special Assessment Bond Debt Service

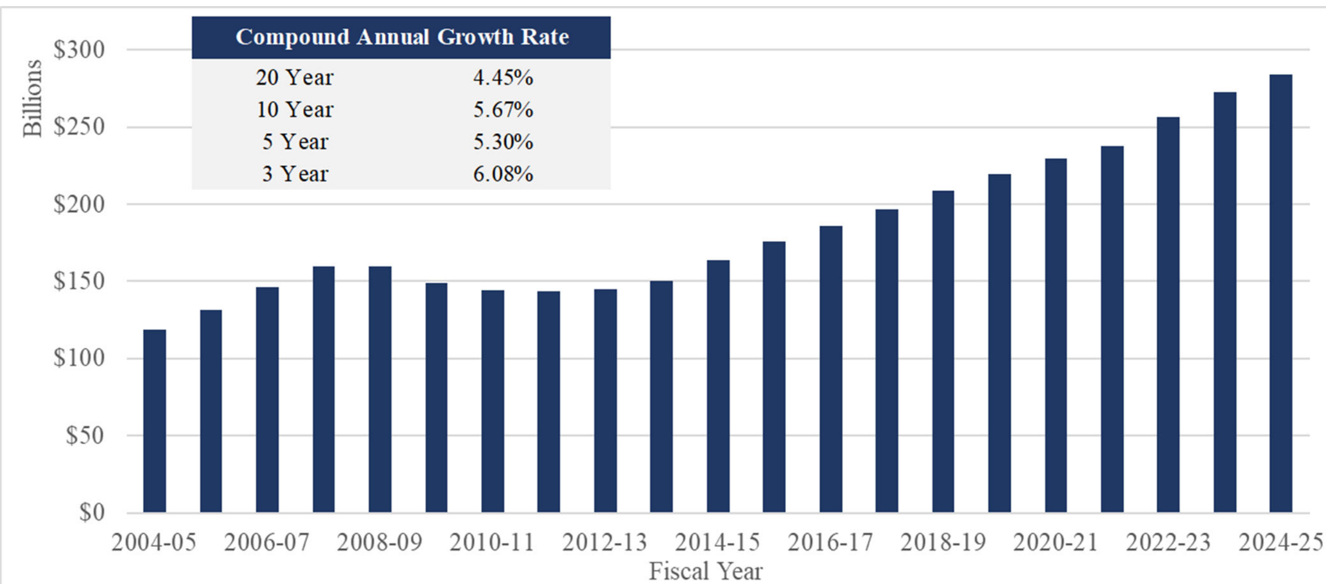
Fiscal Year	Principal	Interest	Total Debt Service
2025-26	$315,000	$85,995	$400,995
2026-27	$330,000	$74,303	$404,303
2027-28	$340,000	$61,990	$401,990
2028-29	$350,000	$49,050	$399,050
2029-30	$355,000	$35,300	$390,300
2030-31	$350,000	$21,200	$371,200
2031-32	$355,000	$7,100	$362,100
Total	**$2,395,000**	**$334,938**	**$2,729,938**

APPENDIX C: COUNTY ASSESSED VALUATION

Given the economy (a factor outside the County's direct control) comprises a large percentage of the Moody's credit scoring in this Report, below we provide initial context of the County's assessed valuation.

For Fiscal Year 2024-25, the County's net assessed value of taxable property was $283.7 billion and the growth rate of total assessed valuation in the County was 4.2%, the thirteenth consecutive fiscal year increase. The local portion of total assessed valuation can grow up to the maximum annual rate of 2% allowed under Proposition 13 for existing property plus additional growth from new construction and the sale and exchange of property. The compound annual growth rate for assessed valuation was 4.5% over the last 20 years, 5.7% over the last 10 years, 5.3% over the last 5 years, and 6.1% over the last 3 years. Chart 5 below summarizes the annual growth in assessed valuation over the past two decades.

Chart 5: Historical Net Taxable Assessed Valuation in the County



APPENDIX D: COUNTY CREDIT METRICS AND RATIOS

Moody's Key Metrics, Ratios, and Outcomes

As discussed below, based on the County's financial results as reported in its FY 2024-25 ACFR, the County's associated indicative rating for five of the seven calculated ratios is "Aaa."

i) Economy

Why It Matters: A county's economy provides important indications of its capacity to generate revenue at the local level.

- **Resident Income:** This ratio is calculated by dividing the median household income for Contra Costa County by the regional price parity divided by 100 and then dividing that number by the median household income for the US.

Economy - Resident Income	
Median Household Income - CC County ($000s)	$127
Median Household Income - US ($000s)	$81
Regional Price Parity	115.61
Resident Income	136.31%
Ratio Score (≥ 120%)	Aaa

- **Full Value Per Capita:** This ratio is calculated by dividing the net taxable assessed valuation by the population residing within the County's boundaries. The population for each County is based upon the population listed in the County's most recent ACFR. Please reference **Appendix C: County Assessed Valuation** for a discussion of the historical performance of the County's assessed valuation.

Economy - Full Value per Capita	
Net Taxable AV ($000s)	$283,771,485
Population	1,158
Full Value Per Capita ($000s)	$245,005
Ratio Score (≥ $180,000)	Aaa

- **Economic Growth:** This ratio is calculated by the difference between the five-year compound annual growth rate (CAGR) in real GDP of the county's metropolitan statistical area (MSA) and the five-year CAGR of US real GDP.

Economy - Economic Growth	
CAGR of County's real GDP	-0.47%
CAGR of real US GDP	2.43%
Economic Growth	-2.90%
Ratio Score (-4.5% to -2.5%)	Baa

ii) Financial Performance

Why It Matters: Operational and financial strength is a significant driver of credit quality. The financial performance of a county, inclusive of its governmental funds and Business-Type activities, greatly influences its ability to meet existing financial obligations and its flexibility to adjust to new obligations or unexpected contingencies, such as unanticipated revenue shortfalls or cost increases.

- **Available Fund Balance Ratio:** The formula for this ratio is the sum of the Available Fund Balance and Net Current Assets divided by Total Revenue.

Financial Performance - Available Fund Balance Ratio	
Available Fund Balance of Governmental Funds ($000s)	$1,412,642
Net Current Assets of Business-Type Activities ($000s)	$925,361
Net Current Assets of Internal Service Funds ($000s)	$239,327
Total Revenue ($000s)	$6,850,162
Available Fund Balance Ratio	37.62%
Ratio Score (≥ 35%)	Aaa

- **Liquidity Ratio:** This ratio calculates the sum of unrestricted cash divided by Total Revenue.

Financial Performance - Liquidity Ratio	
Governmental Funds Cash ($000s)	$2,378,049
Business-Type Activities and Internal Service Funds Cash ($000s)	$1,099,614
Total Revenue ($000s)	$6,850,162
Liquidity Ratio	50.77%
Ratio Score (≥ 40%)	Aaa

iii) Leverage

Why It Matters: Leverage measures provide important indications of a county's capacity to invest in capital assets and pay annual fixed costs, including debt service, while meeting its core responsibility to provide municipal services.

- **Long-term Liabilities Ratio:** The formula for this ratio is the sum of the Direct Debt Outstanding, Adjusted Net Pension Liability, Adjusted Net OPEB, and Other Long-Term Liabilities divided by Total Revenue. The calculation includes both Governmental and Business-Type Activities (BTA) for each item summed. This calculation and ratio were requested and provided by a Moody's analyst.

Leverage - Long-Term Liabilities Ratio	
Total Revenue ($000s)	$6,850,162
Direct debt outstanding - Governmental ($000s)	$547,437
Direct debt outstanding - BTA ($000s)	$114,975
Adjusted Net Pension Liability - Governmental ($000s)	$2,128,465
Adjusted Net Pension Liability - BTA ($000s)	$766,090
Adjusted Net OPEB - Governmental ($000s)	$362,133
Adjusted Net OPEB - BTA ($000s)	$0
Other Long-Term Liabilities - Governmental ($000s)	$231,997
Other Long-Term Liabilities - BTA ($000s)	$247,873
Long-Term Liabilities Ratio	64.22%
Ratio Score (100% - 200%)	**Aa**

- **Fixed-Costs Ratio:** The formula for this ratio is the sum of the Implied Debt Service, Pension Tread Water, OPEB Contribution, and Other Long-Term Carrying Cost divided by Total Revenue. The calculation includes both Governmental and Business-Type Activities for each item summed. This calculation and ratio were also requested and provided by a Moody's analyst.

Fixed-Costs Ratio	
Total Revenue ($000s)	$6,850,162
Implied Debt Service - Governmental ($000s)	$39,675
Implied Debt Service - BTA ($000s)	$8,406
Pension Tread Water - Governmental ($000s)	$158,090
Pension Tread Water - BTA ($000s)	$59,081
OPEB Contribution - Governmental ($000s)	$59,947
OPEB Contribution - BTA ($000s)	$0
Other Long-Term Liability Carrying Cost - Governmental ($000s)	$15,705
Other Long-Term Liability Carrying Cost - BTA ($000s)	$9,921
Fixed-Costs Ratio	5.12%
Ratio Score (≤ 10%)	**Aaa**

Standard & Poor's Key Metrics, Ratios, and Outcomes

i) Economy – Both metrics scored on a 1-6 scale

Why It Matters: The Economy initial assessment score aims to create an economic profile of a local government's jurisdiction. Wealth and production metrics equate to tax revenues which ultimately support debt service payments.

- **County Per Capita Personal Income (PCPI) as % of US PCPI:** This ratio consists of County wealth levels as a percentage of National wealth levels.

Economy - County Per Capita Personal Income (PCPI) as % of US PCPI	
County PCPI	$108,259
US PCPI	$73,204
County PCPI as % of US PCPI	147.89%
Ratio Score (> 100%)	**1.00**

- **Gross County Product (GCP) per Capita as % of US GDP per Capita:** This ratio consists of County production levels as a percentage of National production levels.

Economy - GCP per Capita as % of US GDP per Capita	
Contra Costa County GCP ($000s)	$96,579,110
Contra Costa County Population	1,172,607
Contra Costa County per capita GCP ($000s)	$82
US GDP ($000s)	$29,298,013,000
US Population	340,110,988
US per capita GDP ($000s)	$86
GCP per Capita as % of US GDP per Capita	95.61%
Ratio Score (110 - 95%)	**2.00**

ii) Financial Performance – Scored on a 1-4 scale

Why It Matters: The Financial Performance initial assessment score measures a local government's historic ability to match revenues with expenditures. Deficits are captured in this metric which have implications on an entities ability to repay debt.

- **3-year Average Operating Result:** An Operating Result is calculated for each fiscal year. The formula for Operating Result first takes the sum of general fund revenues and transfers-in, then subtracts the sum of general fund expenditures and transfers-out. The difference is divided by general fund revenues. The three most recent fiscal year's Operating Results are averaged to arrive at a final value.

Financial Performance - 3-year Average Operating Result	
Operating result (FY 2022-23)	6.49%
Operating result (FY 2023-24)	7.34%
Operating result (FY 2024-25)	1.77%
3-year Average Operating Result	5.20%
Ratio Score (> 3%)	**1.00**

iii) Reserves and Liquidity – Scored on a 1-5 scale

Why It Matters: The Reserves and Liquidity initial assessment score measures the degree to which a government can look to additional funds in times of stress to meet fixed obligations.

- **Available Reserves as a Percentage of Revenues:** The formula for this ratio is the sum of the County's assigned and unassigned general fund balances as a percentage of general fund revenues.

Reserves and Liquidity - Available Reserves as a % of Revenues	
Available Reserves	$1,188,575
General Fund Revenues	$2,518,603
Available Reserves as a % of Revenues	47.19%
Ratio Score (> 15%)	**1.00**

iv) Debt and Liabilities – All three metrics scored on a 1-6 scale

Why It Matters: The Debt and Liabilities initial assessment scoring focuses on measures that quantify a local government's indebtedness in relation to their population as well as its financial position. Both outstanding liabilities and annual payments are considered in this factor.

- **Current Cost for Debt Service and Liabilities:** Current Costs is comprised of annual debt service payments made across all governmental funds. This includes but is not limited to, lease revenue bonds, pension obligation bonds, leases liability, and any tax-supported debt. On a case by case basis, payments the County may receive from sources outside of the governmental funds can be viewed as offsetting funds and therefore lower the annual debt service payment accounted for in this ratio. Retirement plan metrics are new to this ratio and are the remaining components of Current Costs. The sum of Current Costs divided by total governmental funds revenues results in the ratio scored for this subfactor. Note that pension contributions make up 66% of total Current Costs while debt service and OPEB contributions account for the remaining 20% and 14% respectively.

Debt and Liabilities - Current Cost for Debt Service and Liabilities	
Total Current Costs:	
Total Governmental Funds Debt Service	$84,750
Pension Contributions ($000s)	$281,541
OPEB Contributions ($000s)	$59,947
Total Current Costs	$426,238
Total Governmental Funds Revenues	$3,646,322
Current Costs for Debt Service and Liabilities as a % of Revenues	11.69%
Ratio Score (8 - 14%)	**2.00**

- **Net Direct Debt per Capita:** The formula for this ratio is the sum of the County's outstanding principal divided by the county's population. This ratio focuses on the same debt the County makes annual debt service payments on as described in the current cost ratio above. Again, while certain types of debt may be paid from the governmental funds of the County, the rating analyst may treat certain of that debt as an obligation of another entity if the County is simply receiving the funds and making the payments from their governmental fund. As alluded to in **Section II (D)**, debt related to the West Contra Costa Healthcare District is reported under governmental activities. Outstanding amounts and associated debt service payments will likely be excluded from the County's debt ratios.

Debt and Liabilities - Net Direct Debt per Capita	
Net Direct Debt (Par) ($000s)	$529,807
Contra Costa County Population	1,158,225
Net Direct Debt per Capita	$457
Ratio Score (<$500)	**1.00**

- **Net Pension Liabilities per Capita:** This ratio sums the net pension and net OPEB liabilities of the County then divides the sum of the liabilities by the County population.

Debt and Liabilities - Net Pension Liabilities per Capita	
Total Net Pension Liability:	
Net Pension Liability ($000s)	$906,772
Net OPEB Liability ($000s)	$304,268
Total Net Pension Liability ($000s)	$1,211,040
Contra Costa County Population	1,158,225
Net Pension Liability per Capita	$1,046
Ratio Score ($500 - $1,500)	**2.00**

APPENDIX E: COUNTY DEBT AFFORDABILITY MODEL

Contra Costa County Debt Affordability Model

General Financial, Pension and OPEB, and Debt Statistics

Projection Assumptions	
	FY 2026-30
Net Assessed Value	2.00%
General Fund Balance	2.00%
General Fund and Total Gov't Fund Revenues	2.00%
General Fund and Total Gov't Fund Expenditures	2.00%
Available Cash	2.00%

	Fiscal Year Ending June 30,	Actual 2023	Actual 2024	Actual 2025	Projected 2026	Projected 2027	Projected 2028	Projected 2029	Projected 2030
	General Financial Statistics								
14	Net Taxable Assessed Valuation (000s)[1]	$256,266,023	$272,393,161	$283,771,485	$289,446,915	$295,235,853	$301,140,570	$307,163,381	$313,306,649
15	Growth	7.79%	6.29%	4.18%	2.00%	2.00%	2.00%	2.00%	2.00%
16	County Population[1][2]	1,147,653	1,146,626	1,158,225	1,158,225	1,158,225	1,158,225	1,158,225	1,158,225
17	Growth	-0.77%	-0.09%	1.01%	0.00%	0.00%	0.00%	0.00%	0.00%
18	Total General Fund Balance (000s)[1]	$880,209	$1,100,140	$1,213,784	$1,238,060	$1,262,821	$1,288,077	$1,313,839	$1,340,116
19	Growth	23.94%	24.99%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
20	Nonspendable General Fund Balance (000s)[1]	$16,144	$21,789	$19,785	$24,521	$25,011	$25,511	$26,021	$26,542
21	As a % of Total Fund Balance	1.83%	1.98%	1.98%	1.98%	1.98%	1.98%	1.98%	1.98%
22	Restricted General Fund Balance (000s)[1]	$9,881	$20,117	$4,346	$22,639	$23,092	$23,554	$24,025	$24,505
23	As a % of Total Fund Balance	1.12%	1.83%	1.83%	1.83%	1.83%	1.83%	1.83%	1.83%
24	Committed General Fund Balance (000s)[1]	$1,128	$1,078	$1,078	$1,213	$1,237	$1,262	$1,287	$1,313
25	As a % of Total Fund Balance	0.13%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
26	Assigned General Fund Balance (000s)[1]	$408,716	$329,556	$604,025	$370,871	$378,288	$385,854	$393,571	$401,443
27	As a % of Total Fund Balance	46.43%	29.96%	29.96%	29.96%	29.96%	29.96%	29.96%	29.96%
28	Unassigned General Fund Balance (000s)[1]	$444,340	$727,600	$584,550	$818,816	$835,192	$851,896	$868,934	$886,313
29	As a % of Total Fund Balance	50.48%	66.14%	66.14%	66.14%	66.14%	66.14%	66.14%	66.14%
30	General Fund Revenue (000)[1]	$2,112,115	$2,344,346	$2,518,603	$2,568,975	$2,620,355	$2,672,762	$2,726,217	$2,780,741
31	Growth	8.60%	11.00%	7.43%	2.00%	2.00%	2.00%	2.00%	2.00%
32	General Fund Transfers In (000s)[1]	$160	$2,073	$23	$23	$24	$24	$25	$25
33	Growth	-13.51%	1195.63%	-98.89%	2.00%	2.00%	2.00%	2.00%	2.00%
34	General Fund Expenditures (000s)[1]	$1,841,019	$2,026,238	$2,319,352	$2,365,739	$2,413,054	$2,461,315	$2,510,541	$2,560,752
35	Growth	5.75%	10.06%	14.47%	2.00%	2.00%	2.00%	2.00%	2.00%
36	General Fund Transfers Out (000s)[1]	$134,269	$148,118	$154,582	$157,674	$160,827	$164,044	$167,325	$170,671
37	Growth	-37.53%	10.31%	4.36%	2.00%	2.00%	2.00%	2.00%	2.00%
38	Total Governmental Fund (TGF) Revenue (000)[1]	$3,049,241	$3,370,462	$3,646,322	$3,719,248	$3,793,633	$3,869,506	$3,946,896	$4,025,834
39	Growth	7.13%	10.53%	8.18%	2.00%	2.00%	2.00%	2.00%	2.00%
40	Total Governmental Funds (TGF) Expenditures(000s)[1]	$2,714,236	$3,028,180	$3,408,605	$3,476,777	$3,546,313	$3,617,239	$3,689,584	$3,763,375
41	Growth	1.25%	11.57%	12.56%	2.00%	2.00%	2.00%	2.00%	2.00%
42	Total Government Available Cash (000s)[1]	$2,863,342	$3,259,521	$3,243,548	$3,308,419	$3,374,587	$3,442,079	$3,510,921	$3,581,139
43	Growth	16.78%	13.84%	-0.49%	2.00%	2.00%	2.00%	2.00%	2.00%
44	Governmental Activities Cash and Investments (000s)[1]	$2,042,915	$2,292,671	$2,378,049	$2,425,610	$2,474,122	$2,523,605	$2,574,077	$2,625,558
45	Growth	9.26%	12.23%	3.72%	2.00%	2.00%	2.00%	2.00%	2.00%
46	Business-Type Activities Cash and Investments (000s)[1]	$820,427	$966,850	$865,499	$882,809	$900,465	$918,474	$936,844	$955,581
47	Growth	40.94%	17.85%	-10.48%	2.00%	2.00%	2.00%	2.00%	2.00%
48	**Pension and OPEB Statistics**								
49	Net Pension Liability (000s)[1]	$1,211,942	$1,135,698	$906,772					
50	Pension Funding (%)[1]	85.93%	87.53%	80.46%					
51	Annual Pension Contribution (000s)[1]	$259,124	$275,720	$281,541					
52	Net OPEB Liability (000s)[1]	$378,402	$312,806	$304,268					
53	OPEB Funding (%)[1]	53.75%	60.94%	64.00%					
54	Annual OPEB Contribution (000s)[1]	$62,567	$58,332	$59,947					
55	**Debt Statistics**								
56	General Fund Pension Obligation Bond Principal Outstanding (000s)[1]	$0	$0	$0	$0	$0	$0	$0	$0
57	General Fund Lease Revenue Bond Principal Outstanding (000s)[1][4]	$193,515	$171,495	$83,980	$75,425	$67,340	$63,555	$59,580	$55,400
58	Lease and Subscription Based Information Technology Arrangements (SBITA) Liabilities[1][4]		$454,134	$429,092	$400,293	$373,132	$348,875	$326,720	$307,398
59	Special Assessment Bond Principal Outstanding (000s)[1][4]	$2,995	$2,700	$2,395	$2,080	$1,750	$1,410	$1,060	$705
60	CCC Fire Protection District POB [1]	$0	$0	$0	$0	$0	$0		
61	West Contra Costa Health Certificates of Participation Principal Outstanding (000s)[1][4]	$43,000	$41,605	$40,155	$38,645	$37,075	$35,445	$33,730	$31,930
62	Total Governmental Principal Amount Outstanding (000s)[4][20] (Sum includes Lease and SBITA)	$239,510	$669,934	$555,622	$516,443	$479,297	$449,285	$421,090	$395,433
63	Total Governmental Funds Debt Service (000s)[5][20]	$54,261	$57,025	$58,832	$55,295	$52,295	$44,337	$41,411	$38,041

Contra Costa County Debt Affordability Model

Rating Agency Metric Ratios and Calculations

	Fiscal Year Ending June 30,	Actual 2023	Actual 2024	Actual 2025	Projected 2026	Projected 2027	Projected 2028	Projected 2029	Projected 2030
70	**Moody's Metrics**								
71	**Full Value Per Capita**	**$223,296**	**$237,561**	**$245,005**	**$249,906**	**$254,904**	**$260,002**	**$265,202**	**$270,506**
72	Net Taxable Assessed Valuation (000s)[1][3]	$256,266,023	$272,393,161	$283,771,485	$289,446,915	$295,235,853	$301,140,570	$307,163,381	$313,306,649
73	County Population[1][2]	1,147,653	1,146,626	1,158,225	1,158,225	1,158,225	1,158,225	1,158,225	1,158,225
74	**Resident Income**	**135.7%**	**135.4%**	**136.3%**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
75	Median Household Income - Contra Costa County (000s)[18]	$120	$126	$127					
76	Median Household Income - US (000s)[18]	$75	$79	$81					
77	Regional Price Parity[18]	$118	$118	$116					
78	**Economic Growth**	**-0.9%**	**1.7%**	**-2.90%**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
79	CAGR of County's Real GDP (%)[19]	1.30%	4.00%	-0.47%					
80	CAGR of US Real GDP (%)[19]	2.16%	2.34%	2.43%					
81	**Available Fund Balance Ratio**	**36.6%**	**36.4%**	**37.6%**	**37.6%**	**37.6%**	**37.6%**	**37.6%**	**37.6%**
82	Available Fund Balance of Governmental Funds (000s)[1][6][3]	$1,049,186	$1,271,847	$1,411,222	$1,439,446	$1,468,235	$1,497,600	$1,527,552	$1,558,103
83	Net Current Assets of Business-Type Funds (000s)[1][7][3]	$733,568	$797,778	$925,361	$943,868	$962,746	$982,000	$1,001,641	$1,021,673
84	Net Current Assets of Internal Service Funds (000s)[1][7][3]	$184,003	$204,034	$239,327	$244,114	$248,996	$253,976	$259,055	$264,236
85	Total Revenue (000s)[1][8][3]	$5,380,191	$6,247,394	$6,850,162	$6,987,165	$7,126,909	$7,269,447	$7,414,836	$7,563,132
86	**Liquidity Ratio**	**53.2%**	**52.2%**	**50.8%**	**50.8%**	**50.8%**	**50.8%**	**50.8%**	**50.8%**
87	Governmental Funds Cash (000s)[1][9][2]	$1,880,637	$2,105,440	$2,378,049	$2,425,610	$2,474,122	$2,523,605	$2,574,077	$2,625,558
88	Business-Type and Internal Service Funds Cash (000s)[1][9][2]	$982,704	$1,154,081	$1,099,614	$1,121,606	$1,144,038	$1,166,919	$1,190,258	$1,214,063
89	Total Revenue (000s)[1][8][2]	$5,380,191	$6,247,394	$6,850,162	$6,987,165	$7,126,909	$7,269,447	$7,414,836	$7,563,132
90	**Standard & Poor's Metrics**								
91	**Market Value Per Capita**	**$223,296**	**$237,561**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
92	Net Taxable Assessed Valuation (000s)[1][3]	$256,266,023	$272,393,161						
93	County Population[1][2]	1,147,653	1,146,626						
94	**Total Government Available Cash as a Percentage of TGF Debt Service**	**6632.7%**	**6182.6%**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
95	Total Government Available Cash (000s)[1][10]	$2,863,342	$3,259,521						
96	Total Governmental Funds Debt Service (000s)[1][11]	$43,170	$52,721						
97	**Available General Fund Balance as a Percentage of Expenditures**	**1968.7%**	**1929.3%**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
98	Available General Fund Balance(000s)[1][12]	$853,056	$1,057,156						
99	General Fund Expenditures(000s)[1][11][13]	$43,330	$54,794						
100	**Net Direct Debt as a Percentage of TGF Revenues**	**8.1%**	**18.7%**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
101	Net Direct Debt (000s)[1][14][20]	$245,583	$631,676						
102	Total Governmental Funds Revenues (000s)[1]	$3,049,241	$3,370,462						
103	**TGF Debt Service as a Percentage of TGF Expenditures**	**1.6%**	**1.7%**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
104	Total Governmental Funds Debt Service (000s)[1][11][20]	$43,170	$52,721						
105	Total Governmental Funds Expenditures(000s)[1]	$2,714,236	$3,028,180						
106	**County PCPI as % of US PCPI**	**n/a**	**n/a**	**147.9%**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
107	County PCPI[19]			$108,259					
108	US PCPI[19]			$73,204					
109	**GCP per Capita as % of US GDP per Capita**	**n/a**	**n/a**	**95.6%**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
110	Contra Costa County GCP per capita (000s)[19]			$82					
111	US GDP per capita (000s)[19]			$86					
112	**3-yr Average Operating Result**	**n/a**	**n/a**	**5.2%**	**3.6%**	**1.8%**	**1.8%**	**1.8%**	**1.8%**
113	Operating Result[15]	6.49%	7.34%	1.77%	1.77%	1.77%	1.77%	1.77%	1.77%
114	**Available Reserves as % of Revenues**	**n/a**	**n/a**	**47.2%**	**47.2%**	**48.2%**	**49.1%**	**50.1%**	**51.1%**
115	Available Reserves (000s)[1][16]			$1,188,575	$1,189,687	$1,213,481	$1,237,750	$1,262,505	$1,287,755
116	General Fund Revenues (000s)[1]			$2,518,603	$2,518,603	$2,518,603	$2,518,603	$2,518,603	$2,518,603
117	**Current Costs for Debt Service and Liabilities as a % of Revenues**	**n/a**	**n/a**	**11.0%**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
118	Total Current Costs[1][5][17][20]			$400,320					
119	Total Governmental Funds Revenues[1]			$3,646,322					
120	**Net Direct Debt per Capita**	**n/a**	**n/a**	**$480**	**$446**	**$414**	**$388**	**$364**	**$341**
121	Net Direct Debt (000s)[1][5][20]			$555,622	$516,443	$479,297	$449,285	$421,090	$395,433
122	County Population[18][2]			1,158,225	1,158,225	1,158,225	1,158,225	1,158,225	1,158,225
123	**Total Net Pension Liability per Capita**	**n/a**	**n/a**	**$1,046**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
124	Total Net Pension Liability (000s)[1]			$1,211,040					
125	County Population[18]			1,158,225					

Contra Costa County Debt Affordability Model

Data Sources

[1] - Contra Costa County ACFR FY 2022-23 through FY 2024-25.
[2] - Projected assumes no growth.
[3] - Projected assumes 2% growth.
[4] - Outstanding principal shown for General Fund LRBs, Lease and SBITA Liability, Healthcare District Revenue COPs, Assessment Bonds. Excludes Tax Allocation Bonds.
[5] - Debt Service shown for General Fund LRBs, Lease and SBITA Liability, Healthcare District Revenue COPs, Assessment Bonds. Excludes Tax Allocation Bonds debt service.
[6] - Moody's Available Fund Balance of Governmental Funds includes Assigned and Unassigned Total Governmental Fund Balances.
[7] - Moody's Net Current Assets is current assets less current liabilities adding back current potion of long-term liabilities.
[8] - Moody's Total Revenue includes Total Governmental Activities Revenues, Total Enterprise Funds Revenues, and Non-operating Revenues.
[9] - Moody's Cash Balance includes Cash and Investments.
[10] - Standard & Poor's Cash Balance includes Total Governmental Funds Cash and Investments.
[11] - Standard & Poor's Total Governmental Funds Debt Service includes the Total Governmental Funds Principal & Interest Expenditures. FY 2023-24 **Leases and SBITA payments included.**
[12] - Standard & Poor's General Fund Balance consists of the Assigned and Unassigned fund balances of the General Fund.
[13] - Standard & Poor's General Fund Expenditures includes General Fund Expenditures plus Total Governmental Funds Principal and Interest.
[14] - Standard & Poor's Net Direct Debt includes the Total Governmental Funds principal outstanding. FY 2023-24 **Leases and SBITA payments included.**
[15] - Standard & Poor's Operating Result is calculated as follows: ((General Fund Revenues + General Fund Transfers In) - (General Fund Expenditures + General Fund Transfers Out)) / General Fund Revenues
[16] - Standard & Poor's Available Reserves includes Assigned and Unassigned General Fund Balances
[17] - Standard & Poor's Current Costs include Pension contributions, OPEB contributions, and general fund debt service (see footnote 5).
[18] - Bureau of Economic Analysis.
[19] - U.S. Census Bureau.
[20] - Note: While portions of certain debt are presented as business-type activities in the County ACFR, this model conservatively assumes such obligations are paid from the General Fund. KNN will work on modeling such details in the context of a transaction planning.

CONTRA COSTA COUNTY

1025 ESCOBAR STREET
MARTINEZ, CA 94553

Staff Report

File #: 26-3026 **Agenda Date:** 7/8/2026 **Agenda #:** 4.

Advisory Board: Debt Affordability Advisory Committee
Subject: County Debt Policy Review
Presenter: Diana Oyler
Contact: diana.oyler@cao.cccounty.us

Information:
In 2006 the Board of Supervisors adopted the County Debt Management Policy via Resolution 2006/773, which established the Debt Affordability Advisory Committee (DAAC). The DAAC's purpose is to annually review and evaluate existing and proposed new County debt and other findings or issues the committee considers appropriate. The task of the DAAC is to assess the County's ability to generate and repay debt, and issue an annual report to the County Administrator defining debt capacity of the County.

The County's Debt Management Policy (policy) serves as a framework for prudent financial stewardship, providing structured guidance for the issuance and management of debt obligations. The policy emphasizes the integration of debt management with broader capital planning and financial management practices. In addition, the Debt Management Policy incorporates best practices for post-issuance compliance, disclosure, and ongoing monitoring. Periodically, the DAAC will review and provide updates and revisions to the policy, as needed.

Referral History and Update:
The DAAC last updated the policy in September 2023. Routine review and updating the policy is necessary to ensure the policy aligns with current organizational operations, debt obligations, and legal framework. Review and revision to the policy include:

1) Review to ensure the policy aligns incorporates updates in the County operations, legal framework, and best practices.
2) The policy incorporates changes in relation to generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board (GASB)
3) The policy incorporates accurate and current information relating to the County debt obligations, as explained in the appendices.

Recommendation(s)/Next Step(s):
Review the County Debt Management Policy, accept changes, and provide direction to staff on revisions to the policy.

Contra Costa County, California
Debt Management Policy

County Administration
1025 Escobar Street, 4th Floor
Martinez, California 94553

~~September 12, 2023~~
July xx, 2026

DEBT MANAGEMENT POLICY
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Contra Costa County, California
Debt Management Policy

***I. PURPOSE*: ** The County recognizes the foundation of any well-managed debt program is a comprehensive debt policy. A debt policy sets forth the parameters for issuing debt and managing outstanding debt and provides guidance to decision makers regarding the timing and purposes for which debt may be issued, types and amounts of permissible debt, method of sale that may be used and structural features that may be incorporated. The debt policy should recognize a binding commitment to full and timely repayment of all debt as an intrinsic requirement for entry into the capital markets. Adherence to a debt policy helps to ensure that a government maintains a sound debt position and that credit quality is protected. Advantages of a debt policy are as follows:

- enhances the quality of decisions by imposing order and discipline, and promoting consistency and continuity in decision making,
- provides rationality in the decision-making process,
- identifies objectives for staff to implement,
- demonstrates a commitment to long-term financial planning objectives, and
- is regarded positively by the rating agencies in reviewing credit quality.

II. DEBT AFFORDABILITY ADVISORY COMMITTEE

A. Purpose. By adoption of this Debt Policy, the Debt Affordability Advisory Committee is established. Its purpose is to annually review and evaluate existing and proposed new County debt and other findings and/or issues the committee considers appropriate.

It is the task of this committee to assess the County's ability to generate and repay debt. The committee will issue an annual report to the County Administrator defining debt capacity of the County. This review will be an important element of the budget process and will include recommendations made by the committee regarding how much new debt can be authorized by the County without overburdening itself with debt service payments.

B. Members. The committee shall be composed of the Auditor-Controller, Treasurer-Tax Collector, Director/Conservation and Development Department, and County Finance Director.

C. Debt Affordability Measures. The committee shall examine specific statistical measures regarding the County's debt and financial position using rating agency ratios (or other municipal market-informed ratios) and compare these ratios to: (i) those of a cohort group of counties, and (ii) Contra Costa County's historical ratios, all to provide a perspective on the County's debt affordability.

County staff will work with the County's Independent Registered Municipal Advisor ("Municipal Advisor") to identify the most relevant ratios used by Moody's Investors Service and Standard & Poor's and/or other nationally recognized rating agencies or market organizations such as the Government Finance Officers Association. The annual reporting of such ratios will include those that are most relevant to County's assessment of debt affordability and feasible to be calculated independently by the County and the Municipal Advisor. The ratios ideally will address debt burden, annual debt service, fund balance, cash/liquidity, and pension and OPEB metrics though the specific ratios examined may change year to year, upon advice of the Municipal Advisor, based on those ratios being utilized most currently by the rating agencies and the municipal market.

III. COMPREHENSIVE CAPITAL PLANNING

A. Planning. The County Administrator's Office shall prepare a multi-year capital program for consideration and adoption by the Board of Supervisors as part of the County's budget process. Annually, the capital budget shall identify revenue sources and expenditures for the coming current year and the next succeeding three fiscal years. The plan shall be updated annually.

B. Funding of the Capital Improvement Program. Whenever possible, the County will first attempt to fund capital projects with grants or state/federal funding, as part of its broader capital improvement plan. When such funds are insufficient, the County will use dedicated revenues to fund projects. If these are not available, the County will use excess surplus from the reserve and debt financing, general revenues. The County shall be guided by three principles in selecting a funding source for capital improvements: equity, effectiveness and efficiency.

1. **Equity**: Whenever appropriate, the beneficiaries of a project or service will pay for it. For example, if a project is a general function of government that benefits the entire community, such as an Office of Emergency Services, the project will be paid for with general purpose revenues or financed with debt. If, however, the project benefits specific users, such as a building permit facility, the revenues will be derived through user fees or charges, and assessments.

2. **Effectiveness**: In selecting a source or sources for financing projects, the County will select one or more that effectively funds the total cost of the project. For example, funding a capital project, or the debt service on a project, with a user fee that does not provide sufficient funds to pay for the project is not an effective means of funding the project.

3. **Efficiency**: If grants or current revenues are not available to fund a project, the County will generally select a financing technique that provides for the lowest total cost consistent with acceptable risk factors and principals of equity and effectiveness. These methods currently consist of County issued debt, special funding programs funded by state or federal agencies, or special pool financing. Examples include funding pools like the Association of Bay Area Governments Participation Certificates.

C. Maintenance, Replacement and Renewal~~/FLIP~~. The County intends to set aside sufficient current revenues to finance ongoing maintenance needs and to provide periodic replacement and renewal consistent with its philosophy of keeping its capital facilities and infrastructure systems in good repair and to maximize a capital asset's useful life.

D. Debt Authorization. No County debt issued for the purpose of funding capital projects may be authorized by the Board of Supervisors unless an appropriation has been included in the capital budget (Some forms of debt such as Private Activity Bonds for housing, Mello-Roos for infrastructure, and redevelopment bonds for infrastructure/facilities may not be appropriate for inclusion in the County capital improvement program. The policies for such forms of debt are included as Appendixes 4, 5, and 6).

IV. PLANNING AND STRUCTURE OF COUNTY INDEBTEDNESS

A. Overview. The County shall plan long- and short-term debt issuance to finance its capital program based on its cash flow needs, sources of revenue, capital construction periods, available financing instruments and market conditions. The County Finance Director shall oversee and coordinate the timing, issuance process and marketing of the County's borrowing and capital funding activities required in support of the capital improvement plan. The County shall finance its capital needs on a regular basis dictated by its capital spending pattern. Over the long-term this policy should result in a consistently low average interest rate. When market conditions in any one-year result in higher-than-average interest rates, the County shall seek refinancing opportunities in subsequent years to bring such interest rates closer to the average. The Debt Affordability Advisory Committee shall use the Government Financial Officers Association checklist set forth in Appendix 1 hereto in planning and structuring any debt issuances.

B. Financing Team. The County employs outside financial specialists to assist it in developing a debt issuance strategy, preparing bond documents and marketing bonds to investors. The key team members in the County's financing transactions include its financial advisor and outside bond and disclosure counsel, the underwriter and County representatives (the County Auditor-Controller, Treasurer-Tax Collector, and the County Finance Director, among others). Other outside firms, such as those providing paying agent/registrar, trustee, credit enhancement, verification, escrow, auditing, or printing services, are retained as required. The County will issue Requests for Qualifications (RFQs) for financial advisor, bond & tax counsel, disclosure counsel and underwriters every three years, with the option to renew for a maximum of two additional years. The financing team shall meet at least semi-annually to review the overall financing strategy of the County and make recommendations to the County Administrator.

C. Term of Debt Repayment. Borrowings by the County shall mature over a term that does not exceed the economic life of the improvements that they finance and usually no longer than 20 years, unless special structuring elements require a specific maximum term to maturity, as is the case with pension obligation bonds. The County shall finance improvements with a probable useful life less than five years using pay-go funding for such needs. Bonds sold for the purchase of equipment with a probable useful life exceeding five years are repaid over a term that does not exceed such useful life.

D. Legal Borrowing Limitations/Bonds and other indebtedness. California Government Code Section 29909 limits General Obligation Bond indebtedness to five percent of the total assessed valuation of all taxable real and personal property within the County, excluding Public Financing Authority lease revenue bonds, Private Activity Bond, Mello-Roos special tax, and Assessment District Debt for which no legal limitations are currently in effect.

E. Debt Features.

1. Original issue discount or premium. The County's bonds may be sold at a discount or premium, in order to achieve effective marketing, achieve interest cost savings or meet other financing objectives. The maximum permitted discount is stated in the Notice of Sale accompanying the County's preliminary official statement on the Bond Purchase Agreement, as applicable.

2. Debt service structure/Level Debt Service. The County shall primarily finance its long-lived municipal improvements over a 20-year term or less, on a level debt service basis. This policy minimizes long-run impact on a funding department's budget. The County will seek to continue this practice, unless general fund revenues are projected to be insufficient to provide adequately for this debt service structure.

3. Call provisions. The County shall seek to minimize the protection from optional redemption given to bondholders, consistent with its desire to obtain the lowest possible interest rates on its bonds. The County's tax-exempt bonds are generally subject to optional redemption. The County seeks early calls at low or no premiums because such features will allow it to refinance debt more easily for debt service savings when interest rates drop. The County and its financial advisor shall evaluate optional redemption provisions for each issue to assure that the County does not pay unacceptably higher interest rates to obtain such advantageous calls. The County shall not sell derivative call options.

4. Interest rates. The County shall first consider the use of fixed-rate debt to finance it capital needs, except for short-term needs (such as short-lived assets) that will be repaid or refinanced in the near term; and may consider variable rate debt under favorable conditions.

5. Use of Labeled Bonds. Labeled Bonds are bonds issued to promote sustainability, better Environmental, Social and Governance (ESG) performance and are becoming an important part of financial markets. The County shall evaluate the use of Labeled Bonds (including “green”, “social” or “sustainable” bonds) in each competitive or negotiated sale transaction to determine whether the use of Labeled Bonds would result in an expanded pool of ESG investors, which may result in more affordable costs in the sale of bonds by the County. The evaluation shall be conducted in collaboration with the County’s Independent Registered Municipal Advisor (IRMA) and include any additional costs associated with primary market and continuing disclosure requirements unique to the Labeled Bonds. It is the County’s preference to issue Labeled Bonds if the evaluation demonstrates a financial or policy benefit to the County.

F. Other Obligations Classified as Debt/Other Post-Employment Benefits (OPEB)/~~Vested Vacation Benefits~~Compensated Absences. OPEBs and ~~vacation benefits~~compensated absences are earned by County employees based on time in service. The County records these ~~vacation~~ benefits as earned in accordance with generally accepted accounting principles as established by the Governmental Accounting Board (GASB). Other obligations include leases, recorded in compliance with GASB 87 and Subscription-based information technology arrangements (SBITAs), record in compliance with GASB 96. The liability for the ~~benefit~~ obligation is recorded on the Fund level financial statements. The expense is recorded during the conversion to the Government Wide financial statements in accordance with GASB standards. For Enterprise funds the expense and liability are accrued in the respective funds. In this initial policy, the amount of OPEB and vacation benefits will not be in measures used to evaluate the County’s debt affordability. However, the County’s net OPEB obligation is posted to the County’s balance sheet.

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V. METHOD OF SALE. The County will select a method of sale that is the most appropriate in light of financial, market, transaction-specific and County-related conditions, and explain the rationale for its decision.

A. Competitive Sales. Debt obligations are generally issued through a competitive sale. The County and its financial advisor will set the terms of the sale to encourage as many bidders as possible. By maximizing bidding, the County seeks to obtain the lowest possible interest rates on its bonds. Some of the conditions that generally favor a competitive sale include:

1. the market is familiar with the County;
2. the County is a stable and regular borrower in the public market;
3. there is an active secondary market with a broad investor base for the County’s bonds;
4. the issue has a non-enhanced credit rating of A or above or can obtain credit enhancement prior to the competitive sale;
5. the debt structure is backed by the County’s full faith and credit or a strong, known or historically performing revenue stream;
6. the issue is neither too large to be easily absorbed by the market nor too small to attract investors without a concerted sale effort;
7. the issue does not include complex or innovative features or require explanation as to the bonds’ security;
8. the issue can be sold and closed on a schedule that does not need to be accelerated or shortened for market or policy reasons; and
9. interest rates are stable, market demand is strong, and the market is able to absorb a reasonable amount of buying or selling at reasonable price changes.

B. Negotiated Sales. When certain conditions favorable for a competitive sale do not exist and when a negotiated sale will provide significant benefits to the County that would not be achieved through a competitive sale, the County may elect to sell its debt obligations through a private placement or negotiated sale, upon approval by the County Board of Supervisors. Such determination shall be made on an issue-by-issue basis, for a series of issues, or for part or all of a specific financing program. The following practices are recommended to be observed in the event of a negotiated sale:

1. ensure fairness by using a competitive underwriter selection process through a request for

proposals distributed to the established underwriter pool so that multiple proposals are

5

considered;

2. remain actively involved in each step of the negotiation and sale processes to uphold the public trust;
3. ensure that either an employee of the County and an outside professional other than the issue underwriter, who is familiar with and abreast of the condition of the municipal market, is available to assist in structuring the issue, pricing, and monitoring sales activities;
4. require that the financial advisor used for a particular bond issue not act as underwriter of the same bond issue;
5. require that financial professionals disclose the name or names of any person or firm, including attorneys, lobbyists and public relations professionals compensated in connection with a specific bond issue;
6. request all financial professionals submitting joint proposals or intending to enter into joint accounts or any fee-splitting arrangements in connection with a bond issue to fully disclose to the County any plan or arrangements to share tasks, responsibilities and fees earned, and disclose the financial professionals with whom the sharing is proposed, the method used to calculate the fees to be earned, and any changes thereto; and
7. review the "Agreement among Underwriters" and ensure that it is filed with the County and that it governs all transactions during the underwriting period.

VI. REFINANCING OF OUTSTANDING DEBT. The County may undertake refinancing of outstanding debt under the following circumstances:

A. Debt Service Savings. The County may refinance outstanding long-term debt when such refinancing allows the County to realize significant debt service savings (2% minimum by maturity and a minimum 4% savings overall) without lengthening the term of refinanced debt and without increasing debt service in any subsequent fiscal year. The County may also consider debt refinancing when a primary objective would be the elimination of restrictive covenants that limit County operations.

B. Defeasance. The County may refinance outstanding debt, either by advance refunding to the first call or by defeasance to maturity, when the public policy benefits of replacing such debt outweigh the costs associated with new issuance as well as any increase in annual debt service.

VII. CREDIT RATINGS

A. Rating Agency Relationships. The County Finance Director, or designee, is responsible for maintaining relationships with the rating agencies that assign ratings to the County's various debt obligations. This effort includes providing periodic updates on the County's general financial condition along with coordinating meetings and presentations in conjunction with a new debt issuance.

B. Quality of Ratings. The County shall request ratings prior to the sale of securities from at least two major rating agencies for public issuances of municipal bonds. Currently, there are three major rating agencies providing ratings to municipal issuers, including Moody's Investors Service ("Moody's), Standard & Poor's Global Ratings (S&P) and Fitch Ratings. The County is currently rated by Moody's and S&P. The County shall provide a written and/or oral presentation to the rating agencies to help each credit analyst make an informed evaluation of the County's financial condition and to present details of the proposed issuance. The County shall make every reasonable effort to maintain its implied general obligation bond credit ratings. The County may, on a case by case basis, decide to obtain one or no ratings prior to a bond issuance if, after consulting with its financial advisor, bond counsel and disclosure counsel, it is determined that this is in the best interest of the County.

VIII. MANAGEMENT PRACTICES. The County has instituted sound management practices and will continue to follow practices that will reflect positively on it in the rating process. Among these are the County development of and adherence to long-term financial and capital improvement plans, management of expense growth in line with revenues and maintenance of an adequate level of operating reserves.

A. Formal Fiscal Policies. The County shall continue to establish, refine, and follow formal fiscal policies such as: Investment Policy, General Fund Reserve Policy, Budget Policy, and this Debt Management Policy.

B. Rebate Reporting and Continuing Covenant Compliance. The County Finance Director, or designee, is responsible for maintaining a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of the federal tax code and/or contracting for such service. This effort includes tracking investment earnings on debt proceeds, calculating rebate payments in compliance with tax law, and remitting any rebatable earnings to the federal government in a timely manner in order to preserve the tax- exempt status of the County's outstanding debt issues. Additionally, general financial reporting and certification requirements embodied in bond covenants are monitored to ensure that all covenants are complied with.

C. Reporting Practices. The County will comply with the standards and best practices of the Government Finance Officers Association for financial reporting and budget presentation and the disclosure requirements of federal regulatory agencies including the Securities and Exchange Commission and Internal Revenue Service; state agencies charged with the regulation of municipal securities, including the State Treasurer's Office; and self-regulatory organizations such as the Municipal Standards Rulemaking Board.

D. Post-Issuance Tax Compliance Procedures for Tax-Exempt and Tax-Advantaged Bonds. To assure it manages its debt obligations in accordance with all federal tax requirements, the County will comply with the Post-Issuance Tax Compliance Procedures for Tax-Exempt and Tax-Advantaged Bonds, as set forth in Appendix 2 to this Policy.

E. Continuing Disclosure Procedures. To assure it manages its debt obligations in accordance with the terms of Continuing Disclosure Agreements included in individual bond issuances and federal and state regulations, the County has adopted policies and procedures set forth in Appendix 3 hereto.

APPENDIX 1

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Checklist of Debt Policy Considerations

1. How long is the capital planning period?
2. Have all non-debt sources of funds been considered?
3. How are borrowing plans reviewed internally?
4. What level of debt is manageable in order to maintain or improve the government's credit quality?
5. How much "pay-as-you-go" financing should be included in the capital plan?
6. How much short-term borrowing will be undertaken, including both operating and capital borrowings?
7. How much debt will be issued in the form of variable-rate securities?
8. How does the redemption schedule for each proposed issue affect the overall debt service requirements of the government?
9. What types of affordability guidelines will be established to help monitor and preserve credit quality?
10. What provisions have been made to periodically review the capital plan and borrowing practices?
11. What is the overlapping debt burden on the taxpayer?
12. How will the formal debt policies be integrated into the capital planning and funding process?

Appendix 2

County of Contra Costa
Post-Issuance Tax Compliance Procedures
for
Tax-Exempt and Direct Pay Bonds

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ARTICLE III - POST-ISSUANCE COMPLIANCE REQUIREMENTS 2

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Section 2. California Debt and Investment Advisory Commission (CDIAC) 2
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ARTICLE I

PURPOSE

The purpose of these Post-Issuance Tax Compliance Procedures is to establish policies and procedures in connection with tax-exempt bonds and other tax-advantaged bonds (such as direct pay "Build America bonds") (together, the "Bonds") issued by the County of Contra Costa and the County of Contra Costa Public Financing Authority (together, the "County") so as to ensure that the County complies with all applicable post-issuance requirements of federal income tax law needed to preserve the tax-exempt or tax-advantaged status of the Bonds and with certain State law filing requirements.

ARTICLE II

GENERAL PRINCIPLES

Ultimate responsibility regarding post-issuance compliance for all matters relating to County financings and refundings, other than Tax and Revenue Anticipation Notes ("TRANs"), rests with the County Administrator (the "Administrator"). The County Treasurer and County Auditor-Controller are responsible for compliance with respect to TRANs.

ARTICLE III

POST-ISSUANCE COMPLIANCE FILING REQUIREMENTS

Section 1. **Timely Reporting of Final Sale.** The Administrator and other appropriate County personnel shall file timely any report required by state and federal regulatory agencies notifying those agencies of the final sale of bonds, or receipt of bank loan/private placement proceeds, as required by law.

Section 2. **California Debt and Investment Advisory Commission (CDIAC) Filings**

(A) Report of Proposed Debt Issuance. This report details information about the issuer and the bond issuance. This report requires the issuer to certify that it has adopted debt policies concerning the use of debt and that the proposed debt issuance is consistent with those policies. The report is required to be filed no later than 30 days prior to the sale of any debt issue, pursuant to Government Code § 8855.

(B) Report of Final Sale. This report details information about the issuer and the bond issuance. The report requires attachment of the Official Statement related to the transaction or other bond documents in the case of a bank loan/private placement. The report is required to be filed within 21 days of closing, pursuant to Government Code § 8855.

(C) Special Requirement for Refunding Bonds sold via Negotiated Sale or Private Placement. In addition to the Report of Final Sale identified in Section 2(B) above, if refunding bonds are sold through a negotiated sale or private placement, CDIAC requires submission of a written statement explaining the reasons for not selling those bonds at a public sale or on a competitive basis, as applicable, within 14 days of closing, pursuant to Government Code § 53583(c)(2)(B).

Section 3. **Internal Revenue Service (IRS) Filings**

(A) IRS Form 8038-G "Information Return for Tax-Exempt Governmental Obligations". This filing details information about the issuer and tax-exempt governmental obligations over $100,000. The report is required to be filed no later than the 15th day of the second calendar month after the close of the calendar quarter in which the bond was issued, pursuant to Internal Revenue Code § 149(e).

ARTICLE IV

EXTERNAL ADVISORY AND DOCUMENTATION

Section 1. **General**. The Administrator and other appropriate County personnel shall consult with bond counsel and other legal counsel and advisors, as needed, throughout the Bond issuance process to identify requirements and to establish procedures necessary or appropriate so that the Bonds will continue to qualify for the appropriate tax status. Those requirements and procedures shall be documented in a County resolution(s), Tax Certificate(s) and/or other documents finalized at or before issuance of the Bonds.

Those requirements and procedures shall include future compliance with applicable arbitrage rebate requirements, private use limitations and all other applicable post-issuance requirements of federal tax law throughout (and in some cases beyond) the term of the Bonds.

Section 2. **Oversight**. The Administrator and other appropriate County personnel also shall consult with bond counsel and other legal counsel and advisors, as needed, following issuance of the Bonds to ensure that all applicable post- issuance requirements in fact are met. This shall include, without limitation, consultation in connection with future contracts with respect to the use of Bond-financed assets and future contracts with respect to the use of output or throughput of Bond-financed assets.

Section 3. **External Advisors**. Whenever necessary or appropriate, the County shall engage expert advisors (each a "Rebate Service Provider") to assist in the calculation of arbitrage rebate payable in respect of the investment of Bond proceeds.

ARTICLE V

ROLE OF COUNTY AS BOND ISSUER

Section 1. **Custody of Bond Proceeds.** Unless otherwise provided by County resolutions, unexpended Bond proceeds shall:

(A) be held by the County, and the investment of Bond proceeds shall be managed by the Administrator. The Administrator shall maintain records and shall prepare regular, periodic statements to the County regarding the investments and transactions involving Bond proceeds; or

(B) if a County resolution provides for Bond proceeds to be administered by a trustee, the trustee shall provide regular, periodic (monthly) statements regarding the investments and transactions involving Bond proceeds.

Section 2. **Arbitrage Rebate and Yield**. Unless a Tax Certificate documents that bond counsel has advised that arbitrage rebate will not be applicable to a specific issue of Bonds, the County shall:

(A) the County shall engage the services of a Rebate Service Provider, and the County or Trustee of the Bonds shall deliver periodic statements concerning the investment of Bond proceeds to the Rebate Service Provider on a prompt basis;

(B) upon request, the Administrator and other appropriate County personnel shall provide to the Rebate Service Provider additional documents and information reasonably requested by the Rebate Service Provider to allow for complete arbitrage rebate and yield restriction analysis;

(C) the Administrator, and other appropriate County personnel, shall monitor efforts of the Rebate Service Provider and assure payment of required rebate amounts, if any, no later than 60 days after each "rebate computation" date of the Bonds (consistent with relevant law and the Tax Certificate for each Bond issue), and no later than 60 days after the last Bond of each issue is redeemed; and

(D) during the construction period of each capital project financed in whole or in part by Bonds, the Administrator and other appropriate County personnel shall monitor the investment and expenditure of Bond proceeds and shall consult with the Rebate Service Provider to determine compliance with any applicable exceptions from the arbitrage rebate requirements during each 6-month spending period up to 6 months, 18 months or 24 months, as applicable, following the issue date of the Bonds.

Section 3. Use of Bond Proceeds. The Administrator, and other appropriate County personnel, shall:

(A) monitor the use (for this purpose, use means any arrangement including operating contracts, leases and licenses) of Bond proceeds, the use of Bond-financed assets (e.g., facilities, furnishings or equipment) and the use of output or throughput of Bond-financed assets throughout the term of the Bonds (and in some cases beyond the term of the Bonds) to ensure compliance with covenants and restrictions set forth in applicable County resolutions and Tax Certificates;

(B) maintain records identifying the assets or portion of assets that are financed or refinanced with proceeds of each issue of Bonds;

(C) consult with Bond Counsel and other professional expert advisers in the review of any contracts, leases, licenses or arrangements involving use of Bond-financed facilities to ensure compliance with all covenants and restrictions set forth in applicable County resolutions and Tax Certificates;

(D) maintain records for any contracts, leases, licenses or arrangements involving the use of Bond-financed facilities as might be necessary or appropriate to document compliance with all covenants and restrictions set forth in applicable County resolutions and Tax Certificates;

(E) meet at least annually with personnel responsible for Bond-financed assets to identify and discuss any existing or planned use of Bond-financed, assets or output or throughput of Bond-financed assets, to ensure that those uses are consistent with all covenants and restrictions set forth in applicable County resolutions and Tax Certificates.

ARTICLE VI

RECORD RETENTION POLICY

Section 1. General Policy. Unless otherwise specified in applicable County resolutions or Tax Certificates, the County shall maintain the following documents for the term of each issue of Bonds (including refunding Bonds, if any) plus five years, or longer if contemplated by a Tax Certificate for a specific issuance:

(A) a copy of the Bond closing transcript(s) and other relevant documentation delivered to the County at or in connection with closing of the issue of Bonds;

(B) a copy of all material documents relating to capital expenditures financed or refinanced by Bond proceeds, including (without limitation) construction contracts, purchase orders, invoices, trustee requisitions and payment records, as well as documents relating to costs reimbursed with Bond proceeds and records identifying the assets or portion of assets that are financed or refinanced with Bond proceeds;

(C) a copy of all contracts and arrangements involving private use of Bond-financed assets or for the private use of output or throughput of Bond-financed assets; and

(D) copies of all records of investments, investment agreements, arbitrage reports and underlying documents, including trustee statements.

Section 2. Electronic Records Retention. The records outlined above may be retained through an electronic database that meets the requirements of section 4.01 of IRS Revenue Procedure 97-22, incorporated herein by reference, including any updates or successor regulations. County Departments responsible for maintaining records outlined above that choose to retain those records electronically shall coordinate with the Chief Information Officer to ensure that the information technology system used to store those documents satisfies the requirements outlined in by section 4.01 of IRS Revenue Procedure 97-22.

Section 3. Department Retention Policies Superseded. This countywide record retention policy related to the County's debt management program supersedes any departmental document retention policies that may relate to the records indicated above.

APPENDIX 3

COUNTY OF CONTRA COSTA

CONTINUING DISCLOSURE PROCEDURES

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ARTICLE I

DEFINITIONS

The following capitalized terms shall have the following meanings in these Procedures:

"Agency" shall mean the Successor Agency to the former Redevelopment Agency of Contra Costa County.

"Annual Report" shall mean any annual report to be filed by the County or the Authority in connection with its obligations under any Continuing Disclosure Certificate executed in accordance with Rule 15c2-12 under the Securities Exchange Act of 1934.

"Auditor-Controller" shall mean the Auditor-Controller of the County of Contra Costa.

"Authority" shall mean the Contra Costa County Public Financing Authority, a joint exercise of powers authority of which the County of Contra Costa and the Contra Costa County Flood Control and Water Conservation District are members.

"Board of Supervisors" shall mean the Board of Supervisors of the County of Contra Costa.

"Bonds" shall mean any bonds, certificates of participation, notes or any other evidence of indebtedness issued by or on behalf of the County or the Authority which is subject to Rule 15c2-12.

"Bond Insurer" shall mean an issuer of a financial guaranty insurance or municipal bond insurance policy guaranteeing the scheduled payment of principal of and interest on an outstanding issue of Bonds when due.

"CDIAC" shall mean the California Debt and Investment Advisory Commission.

"Continuing Disclosure Certificate" shall mean each continuing disclosure certificate, undertaking or agreement executed and delivered by the County or the Authority in connection with an issue of Bonds.

"County" shall mean the County of Contra Costa, a political subdivision of the State of California.

"County Counsel" shall mean an attorney within the Office of the County Counsel of the County of Contra Costa, California.

"County Finance Director" shall mean the County Finance Director of the County of Contra Costa in the County Administrator's Office.

"Credit Facility Provider" shall mean a bank providing a direct-pay letter of credit or other security or liquidity instrument in connection with an issue of Bonds which secures the payment of the principal or purchase price, if any, of and interest on an outstanding issue of Bonds when due.

"Debt Affordability Advisory Committee" shall mean a committee composed of the Auditor-Controller, Treasurer-Tax Collector, Director of Conservation and Development and the County Finance Director that advise the County Administrator on debt management issues.

“Director of Conservation and Development” shall mean the Director of the Department of Conservation and Development of the County of Contra Costa.

“Disclosure Coordinator” shall mean the person or persons designated by a Disclosure Representative to assist in taking such action necessary or desirable to comply with the terms of the Continuing Disclosure Certificates, as provided in Article III hereof.

“Disclosure Counsel” shall mean a firm of nationally recognized standing in matters pertaining to the disclosure obligations under Rule 15c2-12 of the Securities and Exchange Commission of the United States of America, duly admitted to the practice of law before the highest court of any state of the United States of America.

“Disclosure Representatives” shall mean the County Administrator, Director of Conservation and Development and County Finance Director who are collectively responsible for compliance with the terms of the Continuing Disclosure Certificates, as provided in Article III.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access system or any other successor thereto as designated by the SEC or the MSRB.

“Event Notice” shall mean any notice of the occurrence of a Listed Event.

“Listed Event” shall mean any event described in Article IV hereof.

“MSRB” shall mean Municipal Securities Rulemaking Board.

“Official Statement” shall mean any Preliminary Official Statement, final Official Statement or any other disclosure document that the County or the Authority prepared in connection with the issuance and sale of any Bonds.

“Paying Agent” shall mean any bank, trust company, banking association or financial institution appointed to perform the functions of a paying agent for an issue of Bonds.

“Procedures” shall mean these Continuing Disclosure Procedures.

“Rating Agency” shall mean each of Moody’s Investor’s Service and Standard & Poor’s Rating Services or any other nationally recognized statistical rating organization registered with the SEC.

“Rule 15c2-12” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

“Treasurer-Tax Collector” shall mean the Treasurer - Tax Collector of the County of Contra Costa.

“Trustee” shall mean the bank, trust company, national banking association or other financial institution appointed as a trustee for an issue of Bonds.

ARTICLE II

GENERAL PRINCIPLES

The County is committed to complete and accurate market disclosure in accordance with the disclosure requirements under the federal securities laws, including rules and regulations promulgated by the SEC and the MSRB. In order to achieve this objective and, in accordance therewith, these Procedures are approved by the Board of Supervisors, as recommended by the Debt Affordability Advisory Committee (DAAC), and may be amended and supplemented from time to time as necessary or desirable, as SEC and MSRB rules are amended, as Bonds mature, or are redeemed, and as Bonds that are subject to Rule 15c2-12 are issued.

ARTICLE III

DISCLOSURE REPRESENTATIVES AND COORDINATORS

Section 1. **Appointment of Disclosure Representatives**. The County Administrator, Director of Conservation and Development, and County Finance Director are appointed as Disclosure Representatives to fulfill the duties set forth in Section 2 of this Article III.

Section 2. **Duties of the Disclosure Representatives.**

(A) The Disclosure Representatives shall:

(i) monitor and maintain compliance by the County with its respective Continuing Disclosure Certificates and these Procedures;

(ii) serve as the main contact for each Disclosure Coordinator to communicate issues and information that may be included in an Event Notice or an Annual Report;

(iii) maintain the lists attached as Exhibits A and B;

(iv) receive and file notification from Disclosure Coordinators that necessary Event Notices, Annual Reports, and other information has been timely filed with the EMMA systemand

(v) take such other action as may be necessary or useful to achieve the objectives of these Procedures and to comply with all applicable federal securities laws.

Section 3. **Appointment of Disclosure Coordinator**.

The Disclosure Representatives shall appoint one or more Disclosure Coordinators from time to time to fulfill the duties set forth in Section 4 of this Article III. The Disclosure Coordinators may work with employees in various County or Authority offices and departments in order to effectively comply with the objectives of these Procedures.

Section 4. **Duties of the Disclosure Coordinator.**

(A) The Disclosure Coordinator shall:

(i) draft, review and file all proposed Event Notices, Annual Reports, and other information with the EMMA system, in consultation with County Counsel and Disclosure Counsel, as needed, and notify the Disclosure Representative of completed filings.

(ii) serve as a contact for County staff to communicate issues and information that may be included in an Event Notice or an Annual Report;

(iii) maintain filing records of Event Notices of ListedEvents and Annual Reports filed on the EMMA system;

(iv) keep informed regarding all of the County's public disclosures, including disclosures to Bond Insurers, Credit Facility Providers, Rating Agencies, Trustees, and CDIAC;

(v) document the County's continuing disclosure filings by retaining the documents set forth in Article VIII hereof; and

(vi) take such other action as may be necessary or useful to achieve the objectives of these Procedures and to comply with all applicable federal securities laws.

(B) In addition to the duties set forth above in Section (A) above, the Disclosure Coordinator shall review the Listed Events regularly to determine whether an event has occurred that may require a filing of an Event Notice.

ARTICLE IV

LISTED EVENTS REQUIREMENTS

Section 1. **General**.

(A) The Continuing Disclosure Certificates entered into by the County or the Authority with respect to Bonds are subject to the following listed events requirements:

(i) Continuing Disclosure Certificates entered into prior to December 1, 2010 require Event Notices to be filed upon the occurrence of any event listed in Section 2 of Article IV hereof, if material. Any such Event Notice shall be filed "in a timely manner".

(ii) Continuing Disclosure Certificates entered into on or after December 1, 2010 through February 26, 2019 require Event Notices to be filed upon the occurrence of any event listed in Section 3 of Article IV hereof no later than 10 business days after the occurrence of such Listed Event.

(iii) Continuing Disclosure Certificates entered into on or after February 27, 2019 require Event Notices to be filed upon the occurrence of any event listed in Section 4 of Article IV hereof no later than 10 business days after the occurrence of such Listed Event.

Section 2. **Listed Events for Bonds Issued Prior to December 1, 2010.**

(A) For Bonds issued prior to December 1, 2010, pursuant to the provisions of the applicable Continuing Disclosure Certificate, the County or Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the outstanding obligation, if material, in a timely manner:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on any credit enhancements reflecting financial difficulties;

(v) substitution of any credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions or events affecting the tax-exempt status of the securities;

(vii) modifications to the rights of security holders;

(viii) bond calls;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the securities; and

(xi) rating changes.

Section 3. Listed Events for Bonds Issued on and after December 1, 2010 through February 26, 2019.

(A) For Bonds issued on or after to December 1, 2010 through February 26, 2019, pursuant to the provisions of the applicable Continuing Disclosure Certificate, the County or Authority shall give, or cause to be given, notice of the occurrence of any of the following Listed Events within ten (10) business days of the occurrence thereof:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(vii) modifications to rights of security holders, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the securities, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the obligated person (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person);

(xiii) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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;

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Section 4. Listed Events for Bonds Issued on and after February 27, 2019.

(A) For Bonds issued on or after to February 27, 2019, pursuant to the provisions of the applicable Continuing Disclosure Certificate, the County or Authority shall give, or cause to be given, notice of the occurrence of any of the following Listed Events within ten (10) business days of the occurrence thereof:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(vii) modifications to rights of security holders, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the securities, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the obligated person (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person);

(xiii) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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;

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(xv) incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material.

(xvii) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

ARTICLE V

ANNUAL REPORT REQUIREMENTS

Section 1. <u>**General**</u>

Pursuant to the various Continuing Disclosure Certificates, the County and the Authority is required to provide its respective Annual Report with respect to an issue of Bonds by the date set forth in Exhibit B attached hereto. The Disclosure Coordinator shall commence collection of information for each Annual Report at such time as determined necessary or useful in order to timely complete and file the Annual Report. The Disclosure Coordinator shall obtain any information necessary to be included in an Annual Report that is not included in the County's audited financial statements and is necessary to make the statements contained in the Annual Report not misleading in any material respect. The Annual Report shall include the financial information and other operating data set forth in the respective Continuing Disclosure Certificate as summarized in Exhibit B attached hereto.

Section 2. <u>**Financial Statements**</u>

In accordance with the Continuing Disclosure Certificates, if audited financial statements are not available by the date the Annual Report is required to be filed, unaudited financial statements are to be included in such Annual Reports and audited financial statements shall be filed when such statements become available. In addition, the Continuing Disclosure Certificates require the County to file a notice of any failure to provide its Annual Report, on or before the date specified in a Continuing Disclosure Certificate.

ARTICLE VI

FILING AND NOTICE REQUIREMENTS

Section 1. <u>**Annual Reports and Event Notices.**</u>

The Disclosure Representative shall file each Annual Report on such dates as provided in Exhibit B attached hereto and shall file each Event Notice as required pursuant to Article III hereof and the related Continuing Disclosure Certificate. The Disclosure Representative shall submit all filings of Annual Reports and Listed Events through EMMA or any other repository so designated by the MSRB or the SEC, unless the County is otherwise advised by a written opinion of Disclosure Counsel.

Section 2. <u>**California Debt and Investment Advisory Commission**</u>**.**

The Disclosure Representative shall file each periodic report required to be prepared and filed with CDIAC as set forth in statute. This includes, but is not limited to, annual Self-Certifications for direct pay bonds allocated to the County by the State and reports required pursuant to Senate Bill 1029 (Chapter 307, Statutes of 2016) and any subsequent or successor legislation.

Section 3. <u>**Required Notices**</u>**.**

The Disclosure Representative shall file any notice required to be given to any Bond Insurer, Credit Facility Provider, Paying Agent, Rating Agency or Trustee as may be required from time to time.

ARTICLE VII

VOLUNTARY DISCLOSURES

The Disclosure Representative may determine to file voluntary disclosure or information that is not required under the Continuing Disclosure Certificates. The County shall have no obligation to update any voluntary disclosure or information.

ARTICLE VIII

RECORD RETENTION POLICY

Section 1. <u>General</u>

In accordance with Article III hereof, the Disclosure Coordinator shall maintain the following documents for the term of each issue of Bonds (including refunding Bonds, if any) plus seven years, or longer if contemplated by a Tax Certificate for a specific issuance.

Section 2. <u>Refunded Issuances</u>

For refunded bonds, documentation relating to the original issuance and all material records related to the refunding issue should be maintained until seven years, or more if required by a Tax Certificate, after the final redemption of both bond issues.

Section 3. <u>Documents to be Retained</u>

(A) At a minimum, the following documentation shall be retained for the durations identified in Sections 1 and 2 of this Article VIII:

(i) Continuing Disclosure Certificate:

(ii) Annual Reports, including any EMMA transmittal letters and filing receipts;

(iii) Event Notices, including any EMMA transmittal letters and filing receipts;

(iv) CDIAC transmittal letters and filing receipts, including those related to filing of Annual Debt Transaction Reports (ADTRs), pursuant to Senate Bill 1029 (Chapter 207, Statutes of 2016);

(v) Rating Agency reports; and

(vi) Such other information as the Disclosure Representative determines necessary or useful in accordance with the Continuing Disclosure Certificates.

Section 4. <u>Department Retention Policies Superseded</u>

This countywide record retention policy related to the County's debt management program supersedes any departmental document retention policies that may relate to the records indicated above.

EXHIBIT A: COUNTY AND AUTHORITY OUTSTANDING DEBT as of ~~August 30, 2023~~ July 1, 2026

Name of Issue	Issuing Entity	Principal Amount	Date of Issue	Final Maturity Date	CUSIP for Final Maturity	Trustee or Paying Agent	Annual Report Due Date	Disclosure Representative	Disclosure Coordinator
Lease Revenue Bonds/Obligations:									
Lease Revenue Bonds, **2021 Series B** (Refunding)	County of Contra Costa Public Financing Authority	$ 33,880,000	3/18/2021	6/1/2038	21226PPW2	Wells Fargo	3/31	County Finance Director	~~Chief Asst. CAO~~Deputy CAO
Lease Revenue Bonds, **2021 Series A** (Capital Projects)	County of Contra Costa Public Financing Authority	$ 63,540,000	3/18/2021	6/1/2041	21226PPD4	Wells Fargo	3/31	County Finance Director	~~Chief Asst. CAO~~ Deputy CAO
~~Lease Revenue Bonds, **2017 Series B** (Capital Projects) *****Private Placement*****~~	~~County of Contra Costa Public Financing Authority~~	~~$ 100,285,000~~	~~5/26/2017~~	~~6/1/2032~~	~~N/A~~	~~Wells Fargo~~	~~N/A~~	~~County Finance Director~~	~~Chief Asst. CAO~~
Lease Revenue Bonds, **2017 Series A** (Refunding and Capital Projects) *****Private Placement*****	County of Contra Costa Public Financing Authority	$ 99,810,000	3/3/2017	6/1/2027	21226PNH7	Wells Fargo	N/A	County Finance Director	~~Chief Asst. CAO~~ Deputy CAO
~~Lease Revenue Bonds, **2015 Series A** (Capital Projects) and **2015 Series B** (Refunding)~~	~~County of Contra Costa Public Financing Authority~~	~~$ 71,150,000~~	~~8/25/2015~~	~~6/1/2035 (A) 6/1/2028 (B)~~	~~21226PLV8 (A) 21226PMJ4 (B)~~	~~Wells Fargo~~	~~3/31~~	~~County Finance Director~~	~~Chief Asst. CAO~~
Tax Allocation Bonds:									
Tax Allocation Refunding Bonds, Series 2017A, $49,530,000	Successor Agency to the Contra Costa County Redevelopment Agency	$ 49,530,000	8/16/2017	8/1/2036	212263AM9	US Bank	3/31	DCD Director	Affordable Housing Program Manager
~~**Taxable Tax Allocation Refunding Bonds**, Series 2017B, $23,095,000~~	~~Successor Agency to the Contra Costa County Redevelopment Agency~~	~~$ 23,095,000~~	~~8/16/2017~~	~~8/1/2025~~	~~212263AV9~~	~~US Bank~~	~~3/31~~	~~DCD Director~~	~~Affordable Housing Program Manager~~
Special Assessment Districts:									
2013 Special Tax Refunding Bonds (Norris Canyon), $5,605,000	County of Contra Costa Community Facilities District No. 2001-1	$ 5,605,000	1/24/2013	9/1/2031	212288CT9	BNY Mellon	3/31	DCD Director	Affordable Housing Program Manager

Commented [DO1]: Redeemed early on June 1, 2025. Res 2025-142 & 2025-143

Commented [DO3]: Confirm with DCD, matured?

A-1

As of ~~August 30, 2023~~ July 1, 2026

EXHIBIT B:
REQUIRED INFORMATION FOR ANNUAL REPORTS OF COUNTY AND AUTHORITY

Issue Description	Due Date	Filing Requirements
Lease Revenue Bonds:		
County of Contra Costa Public Financing Authority Lease Revenue Bonds, $97,420,000 consisting of $63,540,000 2021 Series A (Capital Projects) and $33,880,000 2021 Series B (Refunding)	Nine months after FYE 6/30 (3/31)	(a) The audited financial statements of the County for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. (b) A maturity schedule for the outstanding 2021 Bonds. (c) Numerical and tabular information for the immediately preceding Fiscal Year of the type contained in the Official Statement under the following captions: 1. Table B-1–"County of Contra Costa General Fund Budget Summary;" 2. Table B-3–"County of Contra Costa Summary of Secured Assessed Valuations and Ad Valorem Property Taxation;" 3. Table B-6–"County of Contra Costa General Fund Statement of Revenues, Expenditures and Changes in Fund Balances;" 4. Table B-9–"Contra Costa County Outstanding Lease Revenue Obligations and Pension Obligation Bonds"). (d) In addition to any of the information expressly required to be provided under Sections 4(a) and 4(b), the County shall provide such other information, if any, necessary to the required statements, in light of the circumstances under which they were made, not misleading. (e) The presentation and format of the Annual Report may be modified from time to time as determined in the judgment of the County to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the County to reflect changes in the business, structure, or operations of the County; provided that any such modifications shall comply with the requirements of the Rule. (f) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which, have been made available to the public on the MSRB website. The County shall clearly identify each such other document so included by reference.
~~County of Contra Costa Public Financing Authority Lease Revenue Bonds, $71,115,000 consisting of $19,055,000 2015 Series A (Capital Projects) and $52,060,000 2015 Series B (Refunding)~~	~~Nine months after FYE 6/30 (3/31)~~	~~(a) The audited financial statements of the County for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.~~ ~~(b) Numerical and tabular information for the immediately preceding Fiscal Year of the type contained in the Official Statement under the following captions:~~ ~~1. The status of the construction and installation of the improvement constituting the 2015 Project, until such time as the 2015 Project is completed;~~ ~~2. Report of changes in "DEBT SERVICE SCHEDULE;"~~ ~~3. Table B-1 "County of Contra Costa General Fund Budget Summary;"~~ ~~4.~~1. ~~Table B-2 "County of Contra Costa Summary of Secured Assessed Valuations and *Ad Valorem* Property Taxation;"~~

Commented [DO4]: Redeemed June 2025 per Res 2025-62 & 2025-63

As of ~~August 30, 2023~~ July 1, 2026

EXHIBIT B: REQUIRED INFORMATION FOR ANNUAL REPORTS OF COUNTY AND AUTHORITY		
Issue Description	**Due Date**	**Filing Requirements**
		~~5. Table B-5 "County of Contra Costa General Fund Statement of Revenues, Expenditures and Changes in Fund Balances;"~~ ~~6. Table B-8 "Contra Costa County Employees' Retirement Association Schedule of Funded Status;"~~ ~~7. Table B-16 "Contra Costa County Other Post Employment Benefit Plan Summary of Contributions;" and~~ ~~8. Table B-19 "Contra Costa County Outstanding Lease Revenue Obligations and Pension Obligation Bonds").~~ ~~(c) In addition to any of the information expressly required to be provided under Sections 4(a) and 4(b), the County shall provide such other information, if any, necessary to the required statements, in light of the circumstances under which they were made, not misleading.~~ ~~(d) The presentation and format of the Annual Report may be modified from time to time as determined in the judgment of the County to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the County to reflect changes in the business, structure, or operations of the County; provided that any such modifications shall comply with the requirements of the Rule.~~ ~~(e)~~(c) ~~Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which, have been made available to the public on the MSRB website. The County shall clearly identify each such other document so included by reference.~~

EXHIBIT B: REQUIRED INFORMATION FOR ANNUAL REPORTS OF COUNTY AND AUTHORITY		
Issue Description	**Due Date**	**Filing Requirements**
Tax Allocation Bonds:		
Tax Allocation Refunding Bonds, Series 2017A (Tax-Exempt), $49,530,000, ~~Series 2017B (Taxable), $23,095,000~~	Nine months after FYE 6/30 (3/31)	(a) The audited financial statements of the Successor Agency for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the audited financial statements of the Successor Agency are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. (b) Numerical and tabular information for the immediately preceding Fiscal Year of the type contained in the Official Statement as follows: (i) Aggregate assessed values, incremental values, and projected Tax Revenues for the Project Areas; (ii) Assessed values for the Ten Largest Property Taxpayers in the Project Areas substantially in the form of Table 8 of the Official Statement; (iii) Information about each resolved and/or open appeal of assessed values in the Project Areas that exceeds 5% of the aggregate assessed value of the Project Areas substantially in the form of Table 9 of the Official Statement; (iv) The outstanding principal amount, debt service schedule, and debt service coverage ratios for the Series 2017 Bonds, and any outstanding Parity Debt secured by Tax Revenues; and (v) The balance in the Reserve Account, if a municipal debt service reserve insurance policy is not deposited into the Reserve Account. (c) In addition to any of the information expressly required to be provided under Sections 4(a) and 4(b), the Successor Agency shall provide such other information, if any, necessary to make the required information, in light of the circumstances under which they were made, not misleading. (d) The presentation and format of the Annual Report may be modified from time to time as determined in the sole judgment of the Successor Agency to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the Successor Agency to reflect changes in the business, structure, or operations of the Successor Agency; provided that any such modifications shall comply with the requirements of the Rule. (e) Any or all of the items listed in this Section 4 may be included by specific reference to other documents, including official statements of debt issues of the Successor Agency or related public entities, which have been made available to the public on the MSRB website. The Successor Agency shall clearly identify each such other document so included by reference.
Special Assessment Districts:		
2013 Special Tax Refunding Bonds, $5,605,000	Nine months after FYE 6/30 (3/31)	(a) The audited financial statements of the County for the prior fiscal year prepared in accordance with generally accepted accounting principles in effect from time to time by the Governmental Accounting Standards Board to apply to governmental entities. If the audited financial statements are not available by the time the Annual Disclosure Report is required to be filed pursuant to Section 3(a), the Annual Disclosure Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Disclosure Report when they become available.

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EXHIBIT B: REQUIRED INFORMATION FOR ANNUAL REPORTS OF COUNTY AND AUTHORITY		
Issue Description	**Due Date**	**Filing Requirements**
		(b) The following information with respect to the 2013 Bonds and the District: 1. The principal amount of the 2013 Bonds outstanding. 2. The balances of all funds and accounts established by the Fiscal Agent Agreement as of the end of the next preceding fiscal year. 3. Total assessed value of all parcels subject to the Special Tax. 4. Actual Special Tax levy for the most recent fiscal year, Special Tax and property tax delinquency rate for parcels in the District for the most recent year. 5. Concerning delinquent parcels: (i) number of parcels delinquent in payment of Special Tax, (ii) amount of total delinquency and as a percentage of total Special Tax levy, and (iii) status of the County's foreclosure proceedings upon delinquent properties. 6. Identity of any delinquent tax payer obligated for more than 10% of the annual Special Tax levy and: (i) assessed value of applicable properties, and (ii) summary of results of foreclosure sales, if available. 7. Significant amendments to land use entitlements for property in the District known to the Director of the Department of Conservation and Development. 8. Status of any significant legislative, administrative, and judicial challenges to the construction of the development in the District known to the Director of the Department of Conservation and Development, without independent inquiry, for any year in which construction activity has occurred in the District.

APPENDIX 4

CONTRA COSTA COUNTY

FINANCING POLICIES FOR COMMUNITY FACILITIES DISTRICTS

APPENDIX 4

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SECTION I: GENERAL POLICY STATEMENT

Contra Costa County (the "County") has created these goals and policies concerning the use of the Mello-Roos Community Facilities Act of 1982 (Government Code sections 53311 and following), as amended (the “Act”) in providing adequate public services and public infrastructure improvements (the "Policies"). The Policies will apply to all Community Facilities Districts (“CFDs”) and related debt financing. In those cases in which fixed lien special assessment or other types of land based financing is substituted for CFD financing, the County will apply the appropriate provisions of these Policies. These Policies are intended to serve as guidelines to assist all concerned parties in determining the County's approach to CFD financing, provide specific guidance for approval of public financing for provision of public services and public infrastructure improvements and establish the standards and guidelines for the review of proposed development financings. It is the County's intent to support projects which address a public need and provide a public benefit. These Policies are also designed to comply with Section 53312.7(a) of the Government Code.

A. Community Facilities District Financings

1. The County encourages the development of residential, commercial and industrial property consistent with the adopted General Plan. The Board of Supervisors will consider the use of CFDs to assist these types of projects.

2. The County will consider the funding of services permitted under the Act if such funding does not create an unreasonable economic burden on the land and special taxpayers.

3. The County encourages the formation of CFDs as acquisition districts. In acquisition districts, a developer is reimbursed for projects only when discrete, useable public facilities are deemed by the County to be completed. In construction districts, to the extent permitted under the Act, developers are provided progress payments during the construction of facilities. Acquisition districts provide stronger credit features, and better assure that the public facilities are completed.

4. While recognizing that public facilities proposed to be financed by a CFD are to benefit those properties within the boundaries of the proposed CFD, the Board of Supervisors finds that public benefit can only be "significant" when the benefit is also received by the community at large or are regional in nature but have a benefit to the properties within the proposed CFD.

5. The use of CFDs will be permitted to finance public facilities as described in Paragraph B below, whose useful life will be at least five (5) years and equal to or greater than the term of the bonds. Facilities which are, upon completion, owned, operated or maintained by public agencies will be considered public facilities. Limited exceptions may be made for facilities to be owned, operated or maintained by private utilities, or for facilities which could be owned by public agencies, or utilities.

6. The County is concerned that the proposed project that is to be financed is not premature for the area in which it is to be located. The proposed project must meet the land use approvals listed in subsection E of Section IV below.

7. Extending public financing to a proposed project for identified public improvements cannot be

done without considering the aggregate public service needs for the project. Upon receipt of an application for public financing, the County will notify the other public entities having responsibility to serve the proposed project and request comment on the application. Periodic meetings, on a regional basis, with all affected public entities will be encouraged by the County to address the issues relative to overlapping debt

8. The Debt Affordability Advisory Committee (described in Section III below) may waive all or some of the provisions of these policies if unique and special circumstances apply to specific CFD financings.

B. Eligible Facilities

Facilities eligible to be financed by a CFD, upon completion of the construction or acquisition thereof, are intended to be owned by the County, another public agency or a public utility and must have a useful life of five (5) years or more. The list of public facilities eligible to be financed by a CFD may include, but is not limited to the following: streets, highways, and bridges; water, sewer, and drainage facilities; parks; libraries; police and fire stations; traffic signals and street lighting; recreation facilities; governmental facilities; flood control facilities; environmental mitigation measures; and public rights-of-way landscaping.

Facilities to be financed must be legally eligible under the Act and federal tax law, if applicable, to the satisfaction of bond counsel. The Board of Supervisors will have the final determination as to the eligibility of any facility for financing under these Policies.

C. Eligible Services

Services eligible to be funded through a CFD include: police protection services, fire protection and suppression services, ambulance and paramedic services, maintenance and lighting of parks, parkways, streets, roads and open space, flood and storm protection services, and services with respect to the removal or remedial action for the cleanup of any hazardous substance released or threatened to be released in to the environment. The Board of Supervisors will have the final determination as to the prioritization of funding such services. A CFD may not finance public services already provided by a public agency.

SECTION II: INITIATION OF THE FINANCING

A. Application

The proponent of a project must obtain and submit the required application to the initiating County department. The initiating County department with respect to CFD financings is the Department of Conservation and Development (the “Department”).

Any application for the establishment of a CFD district will contain such information and be submitted in such form as the Department may require. At a minimum each application must contain:

1. Proof of authorization to submit the application on behalf of the owner of the property proposed for new development for which the application is submitted if the applicant is not the owner of such property;
2. Evidence satisfactory to the Department that the applicant represents or has the consent of the owners of not less than 67% by area, of the property proposed to be subject to the levy of the special tax; and
3. For any CFD financing to benefit new development, a business plan for the development of the property within the proposed CFD and such additional information as the Department may deem necessary to adequately review the financial feasibility of the CFD. For any CFD financing to benefit new development, the applicant must demonstrate to the satisfaction of the Department the ability of the owner of the property to be developed to pay the special tax installments for the CFD and any other assessments, special taxes and ad valorem on such property until full build out and sale or lease up of the property.

An application must be completed and the necessary information provided, as determined by the Department, before any action will be taken to process the application and initiate financing for a project.

B. Processing and Formation Fees

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

An initial deposit in an amount of not less than $35,000 for a CFD is to be attached to the completed application submitted. The Department, in its discretion, may determine a larger deposit amount is appropriate. The deposit will be placed in a separate trust account held by the County. The deposit may be placed in an interest bearing account so long as it is directed to do so by the Board of Supervisors and is allowable under state law. All costs of the County and/or its consultants retained during the formation process are to be paid from this account.

If, in the judgment of the Department, the costs incurred or projected will cause the balance in this account to fall below $5,000, a written demand will be made to the applicant to advance monies sufficient to bring the account to a balance that is projected to meet remaining costs required to establish the CFD. Failure to advance the requested monies within ten (10) days of a written demand by the County will result in all processing of the application to cease and no further actions to be taken toward establishing the financing district until the monies have been received.

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

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

C. Petition for Formation and Waiver of Time Requirements of the Election

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

The Act also provides that the formation can be shortened if one hundred percent (100%) of the property owners within the proposed boundaries of the CFD execute a waiver regarding the timing of and certain procedures associated with arequired special election. The applicant should indicate on the application whether this waiver can be secured.

D. Selection of the Financing Team

The County will select the bond counsel, municipal advisor, underwriter or placement agent, and fiscal agent/trustee. It will require the retention of underwriter's counsel or disclosure counsel. Providers of letters of credit, liquidity supports and other types of credit enhancements are also subject to the approval of the County. Bond counsel and underwriter counsel must be different firms.

In addition to the consultants that compose the financing team, as noted above, the County will select a special tax consultant to determine a fair and reasonable method to allocate the special tax required to meet debt service on the bonds and other related expenses of the proposed CFD.

Unless satisfactory and current information regarding land values for property within the proposed CFD and subject to the special tax is available, the County will require that a real estate appraiser of its choice be retained and an appraisal made. Additionally, an economist or real estate appraiser or other qualified independent third party may also be retained for the purpose outlined in Section IV.A.

In addition, the County reserves the right to retain additional professional consultants that it deems appropriate.

SECTION III: DEBT AFFORDABILITY ADVISORY COMMITTEE

The Board of Supervisors established the Debt Affordability Advisory Committee (the "Committee") to review issues relevant to capital markets transactions and to make recommendations to the Board of Supervisors when appropriate. The Committee will be comprised of the County Auditor-Controller, the County Treasurer-Tax Collector, Director of the Department of Conservation and Development, and the Senior Deputy County Administrator/Finance Director. The Committee is charged with the task of reviewing and commenting upon all CFD financing as well as other types of financing proposed to be issued by the County or its related districts or agencies. The Committee is to review each proposed debt issue and provide comment on whether the proposed debt issue is consistent with these Policies. It is to comment on the economic viability and credit worthiness of the proposed debt issue. In performing its function the Committee may, in its sole discretion, review a matter more than once and retain additional consultants to assist in its review. The cost of such consultants is to be borne by the proponent of the debt issue. In addition, the Committee has an ongoing responsibility to monitor the status of debt issued by the County or related districts or agencies.

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

The following are those matters which at minimum the Debt Affordability Advisory Committee is to review and comment upon with regard to the CFD financings.

1. Prior to the Board of Supervisors considering the resolution of intention to establish a CFD, the Department is to determine that all land use approvals required for the project under Section IV.E. have been fulfilled and that the proposed rate and method of apportionment of the special tax is consistent with Section V.A. of these Policies. Any variation from these Policies is to be noted and a recommendation made to the Board of Supervisors with regard thereto.

2. Prior to the Board of Supervisors considering the resolution authorizing the sale and issuance of bonds, the Debt Affordability Advisory Committee is to determine that:

   a) A current appraisal and any related absorption study have been prepared consistent with Section IV.A. and IV.B of these Policies and that satisfactory land value to lien ratios exist.

   b) Each property owner responsible for twenty percent (20%) or more of the debt service on the bonded indebtedness to be incurred has supplied the financial security required by Section IV.C. and IV.D. of these Policies.

   c) The rate and method of apportionment of the special tax is in compliance with Section V.A. of these Policies.

   d) The structure of the proposed financing is consistent with the applicable subsections of Section VI of these Policies.

e) Each property owner responsible for 20% or more of the debt service in connection with any series of bonds must be current with respect to payment of all general property taxes, and any assessments or special taxes levied.

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

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

Any proposal for refunding or defeasing a particular CFD financing is to be reviewed for consistency with Section XI of these Policies and commented on by the Debt Affordability Advisory Committee prior to it being submitted to the Board of Supervisors for consideration.

Once issuance of bonds has been approved by the Board of Supervisors and the bonds have been sold, the County department or related district or agency having responsibility for the administration of the bond issue is to annually file with the State and the Auditor Controller of the County a report regarding the status of the bond financing. The occurrence of a technical default, or the likelihood thereof, is to be reported immediately to the Auditor Controller of the County by the administering County department or related district or agency.

SECTION IV: ECONOMIC VIABILITY OF THE FINANCING

In evaluating the application and the proposed debt issue, the County may require any or all of the following to determine the economic viability of the proposed project and the timing of the sale of any bonds or series thereof. The following requirements would apply to a CFD to finance services only to the extent determined by the Department.

A. Absorption Study

Unless waived by the Debt Affordability Advisory Committee, an absorption study of anyproposed project for substantially undeveloped property will be required for CFD financings. The absorption study will be used: (1) as a basis to verify proposed base pricing of the finished products (lots or completed buildings or dwelling units) subject to the levy of the special tax; (2) to determine the projected market absorption of such finished products and (3) as a basis for verification that the assumptions supporting the special tax formula are appropriate and sufficient revenues can be collected to support the bonded indebtedness to be incurred.

The absorption study will also be used to evaluate the timing consideration identified by the applicant and the financing team. The absorption study will be provided to the appraiser and the appraisal required below in Section IV.B. is to reflect consideration of the absorption study.

B. Appraisal

1. Definition of Appraisal

   An appraisal is a written self-contained report independently and impartially prepared by a qualified appraiser setting forth an opinion of defined value of an adequately described property to be included in a CFD as of a specific date, supported by the presentation and analysis of relevant market information. A qualified appraiser is a state certified real estate appraiser, as defined in Business and Professions Code Section 11340.

2. Standards of Appraisal

   A detailed complete appraisal will be prepared to support any CFD financing where the property to be included in the CFD is not substantially built out. A detailed complete appraisal will reflect nationally recognized appraisal standards including, to the extent appropriate, the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation, the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute. An appraisal should also generally conform to the Appraisal Standards for Land - Secured Financings provided by the California Debt and Investment Advisory Commission ("CDIAC"). Appraisals undertaken to establish value-to-lien ratios in CFD's should value the fee simple estate, subject to any existing special assessment and special tax liens. The estimate of Market Value should be refined to reflect the Retail Value of fully improved and occupied properties and the Bulk Sale Value of all vacant properties, including both unimproved properties and improved or partially improved but unoccupied properties. An appraisal must contain sufficient documentation including valuation data and the appraiser's analysis of the data to support his or her opinion of value. At a minimum, the appraisal will contain the following items:

   a) The purpose and/or function of the appraisal, an identification of the property being appraised, the intended use, the identity of the current and intended uses, and a statement of the assumptions and limiting conditions affecting the appraisal.

   b) An adequate description of the physical characteristics of the property being appraised, location, General Plan/zoning, present use, and an analysis of highest and best use.

   c) Relevant and reliable approaches to value consistent with commonly accepted professional appraisal practices. If a discounted cash flow analysis is used, it should be supported with at least one other valuation method, such as a market approach using sales that are at the same stage of land development, when possible. If more than one approach is utilized, there will be an analysis and reconciliation of approaches to value that are sufficient to support the appraiser's opinion of value.

   d) A description of comparable sales, including a description of all relevant physical, legal and economic factors such as parties to the transaction, source and method of financing, and verification by a party involved in the transaction.

   e) A statement of the value of real property.

f) The effective date of valuation, date of appraisal, signature and certification of the appraiser.

3. Community Facilities District Appraisal Premises. The valuation of proposed special tax districts will be based on all of the following three premises:

   a) Raw Land Value. (Premise #1). The total land within the project will be valued "as is":

      (i) Without proposed infrastructure being financed or any future private improvements;
      (ii) With existing parcel configuration and existing land use entitlements; and
      (iii) Considering planned densities allowed by the General Plan, specific plan, zoning or other project approvals then in effect

   This is a typical type of land valuation.

   b) Project Build-out value. (Premise #2). The total land within the project is valued under projected conditions:

      (i) With completion of proposed infrastructure being financed;
      (ii) At the planned densities allowed by the General Plan, specific plan, zoning or other approvals then in effect: and
      (iii) Land development is at the stage of being marketed to merchant builders or tentative tract maps ready to be filed.

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

   c) Bulk Land Value. (Premise #3). The total land within the project is valued under projected conditions:

      (i) With completion of proposed infrastructure being financed;
      (ii) With existing parcel configuration; and
      (iii) Considering planned densities allowed by the General Plan, specific plan, zoning or other project approvals then in effect.

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

4. Timeliness of Information. To ensure that the opinion of value is current at the time of any bond sale, the valuation date of the appraisal or an update to the appraisal should be within three months of the bond sale.

C. Financial Information Required of Applicant

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

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

D. Potential Third Party Guarantee of Special Tax Payments During Project Development

The greatest exposure to default on CFD bonds is the period between the issuance of bonds and project build out. The risk of default is increased when only a single or a few property owners are responsible for the special assessment or special tax payments that support the repayment of the bonds. While the County's credit is not pledged to support the bonds, a default on CFD bonds can negatively impact the investment community's perception of the County.

To minimize the risk of default, the County may require a third party guarantee for the annual special tax payments within a district while the project is being developed and until there is significant absorption of the new development. The need for, nature and duration of any third party guarantees will be evaluated by the County and its financing team on a case by case basisIf required, the commitment letter for the third party guarantee must be provided within five days of the Resolution of Issuance and the third party guarantee must be provided prior to printing the preliminary official statement for the financing.

Third party guarantees may include letters of credit ("LOCs"), surety bonds, or some other mechanism which assures payment of special taxes while the project is being developed. When LOCs are provided, they must be in form and substance acceptable to the County from a bank acceptable to the County.

E. Land Use Approvals

For CFD financings the County will require, at a minimum that the proposed project must

1. be consistent with the County's General Plan;
2. be reviewed by the Director of the Department or designee, and have satisfied or be able to satisfy, all of the relevant land use requirements specified by the Director; and,
3. have had the service levels for the required public facilities established or the exact public facilities required for the project identified.

A proposed project that requires: (i) a General Plan amendment, (ii) a change of zone that increases the density or intensity of land use, (iii) a specific plan, or (iv) a specific plan amendment that increases the density or intensity of land use will be referred to the Department's Community Development Division for evaluation as to whether the project is premature.

An appropriate environmental review of the proposed project is to have been completed as part of land use entitlement proceedings that will have addressed all of the public facilities that are to be constructed through the proposed financing.

F. Equity Participation by Applicant and Major Participants

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

SECTION V: REVENUE SUPPORTING THE FINANCING

CFD bonds are termed "limited obligations" whose primary repayment is secured by a special tax levied on property in the CFD. The following are criteria that will be applied in evaluating the revenue stream that will be supporting a proposed CFD bond financing.

A. The rate and method of apportionment of the special tax must be both reasonable and equitable in apportioning the costs of the public facilities and services to be financed to each of the parcels within the boundaries of the proposed CFD.

B. The rate and method of apportionment must be structured to produce special taxes sufficient to pay scheduled debt service on all bonds (and provide coverage equal to 10% of debt service - see Section V.F. below), pay annual services or maintenance expenses (if applicable), establish or replenish any reserve fund for a bond issue, and pay reasonable and necessary administrative expenses of the CFD. In addition, the rate and method of apportionment may be structured to produce amounts to pay directly the costs of public facilities authorized to be financed by the CFD, the accumulation of funds reasonably required for future debt service, amounts equal to projected deficiencies in special tax payments, any remarketing, credit enhancement or liquidity fees and any other costs or payments permitted by law.

C. The rate and method of apportionment of the special tax is to provide for the administrative expenses of the proposed CFD, including, but not limited to, those expenses necessary for the annual enrollment and collection of the special tax and bond administration.

D. All property not otherwise exempted by the Act from taxation will be subject to the special tax. The rate and method of apportionment may provide for exemptions to be extended to parcels that are publicly-owned, held by property owners associations, used for a public purpose such as permanent open space or wetlands, or affected by public utility easements making impractical their use for other than the purposes specified in the easement

E. The annual special tax levy on each residential parcel developed to its final land use will not escalate, except that a variation for services and administrative expenses will be allowed. The County will allow an annual escalation factor, not to exceed two percent (2%) per year, on parcels to be developed for commercial or industrial uses.

F. The maximum annual special tax, together with *ad valorem* property taxes, County Service Area charges, special assessments or taxes for an overlapping financing district, or any other charges, taxes or fees payable from and secured by the property, including potential charges, taxes, or fees relating to authorized but unissued debt of public entities other than the County, in relation to the expected assessed value of each parcel upon completion of the private improvements to the parcel is of great importance to the County in evaluating the proposed financing.

   The objective of the County is to limit the total tax burden, including the *ad valorem* property taxes levied by the County, special taxes levied by any existing district for the payment of bonded indebtedness or ongoing services, assessments levied for any assessment district or maintenance district for the payment of bonded indebtedness or services and the assigned special tax for the proposed CFD, on any parcel to a maximum of two percent (2%) of the expected assessed value of the parcel upon completion of the private improvements. In evaluating whether this objective can be met, the County will consider the aggregate public service needs for the proposed project. It will consider what public improvements the applicant is proposing be financed in relation to these aggregate needs and decide what is an appropriate amount to extend in public financing to the identified public improvements.

G. The total maximum annual special taxes that can be collected from taxable property in a district, taking into account any potential changes in land use or development density or rate, and less all projected administrative expenses, must be equal to at least one hundred ten percent (110%) of the gross annual debt service on any bonds issued by or on behalf of the CFD in each year that said bonds will remain outstanding.

H. The rate and method of apportionment of the special tax mayinclude a provision for a back up tax or other assurances to protect against any changes in development that would result in insufficient special tax revenues to meet the debt service requirements of the CFD. Such backup tax or other assurances will be structured in such a manner that it will not violate any provisions of the Act regarding cross-collateralization limitations for residential properties.

I. A formula to provide for the prepayment of the special tax may be provided; however, neither the County nor the CFD will be obligated to pay for the cost of determining the prepayment amount which is to be paid by the requesting property owner.

SECTION VI: STRUCTURING THE FINANCING

In structuring a CFD financing, the County and its financing team will insure that the following issues are addressed in connection with the CFD bond issue.

A. Limited Obligations of the County

Both the statutory authority providing for the issuance of CFD bonds as well as the proceedings resulting in the sale and issuance of the bonds must ensure the bonds are limited obligations of the County payable only from the revenue source identified and do not require the expenditure of the general funds or any other revenues of the County to satisfy debt service obligations or to replenish any reserve fund established for the bonds.

B. Structuring of Debt Service

While the County prefers that debt service be structured with approximately level debt service, CFD financings may be structured with level, escalating, or declining debt service. The bonds must mature within forty (40) years of the date of the initial bonds issued. No bonds will be issued with a maturity date greater than the expected useful life of the majority of the facilities being financed.

C. Reserve Funds

The County will require that for CFD financings a reserve fund be established at a required funding level as determined appropriate by the financing team.

D. Capitalized Interest

Interest will be capitalized for a bond issue only as long as necessary to place the special tax installments on the assessment roll; provided, however, that interest may be capitalized for a longer term to be established in the sole discretion of the County on a case by case basis, not to exceed an aggregate of 18 months, taking into consideration the value to lien ratio for such bonds, the expected timing of initial occupancies of residential dwelling units or nonresidential structures within the CFD, expected absorption and buildout of the property within the applicable Community Facilities District, expected construction and completion schedule for the facilities to be funded from the proceeds of the bonds, the size of the bond issue, the development pro forma and the equity position of the applicant and such other factors as the County may consider relevant.

E. Foreclosure Covenant

In collecting delinquent special taxes, the County seeks to balance the bondholders' right to receive timely payment with fairness to property owners within the CFD who, due to extenuating circumstances, may have difficulty paying their special taxes in a timely manner. Because CFD financings generally are repaid from special tax receipts and solely secured by liens against property within the CFD, the investment market expects to see appropriate foreclosure covenants in the CFD bond documents. A foreclosure covenant would compel the County to take action to file a foreclosure action against a parcel with certain delinquency thresholds are reached. For example, a covenant may require the County to institute foreclosure if an individual delinquency exceeds a certain threshold (e.g., $5,000) or the total amount of delinquencies for all properties in a CFD exceeds a specified percentage of the total special taxes to be received (e.g., 5%). Those standards may differ if the reserve fund for the issue remains fully funded.

For each bond issue, the County and its financing team will analyze key aspects of the proposed CFD (e.g., number of parcels, special tax rates, and debt service) to structure foreclosure covenants in a manner that satisfies the bondholders' need to reduce the likelihood of a shortfall in special taxes to pay debt service with the desire to provide flexibility in treatment of individual special tax payers.

F. Underwriter and Original Issue Discount

The underwriter's discount will be negotiated and determined solely by the County and will be competitive with and comparable to such discounts on similar financings being issued by the County and other public entities. The County will consider any other compensation the underwriter may be receiving in connection with the bond financing in determining the appropriate amount of the discount.

An original issue discount will be permitted only if it is expected that such discount will result in a lower true interest cost on the bonds and that, for CFD financings, the use of an original issue discount will not adversely affect the ability of the CFD to construct public facilities identified by the bond documents.

SECTION VII: AGREEMENTS WITH AFFECTED PUBLIC ENTITIES

A. County Initiated CFD Financings

1. For CFDs, the joint community facilities agreement(s) required with other public entities which will own, maintain or operate the facilities to be financed must be adopted and approved by all parties at or prior to the adoption of the resolution providing for the issuance of bonds for the CFD.

2. Should a CFD bond issue be for the construction of public facilities required to be sized to exceed the service needs of the properties within the boundaries of the financing district, the County may negotiate the following:

   a) To the extent that the affected public entity's regulations allow, a credit against connection fees or other fees such that the credit will preclude the affected properties from contributing twice toward the cost of the identified public facilities.

   b) To the extent that the affected public entity's regulations allow, a reimbursement for oversized facilities that will allow the CFD to balance the bonded indebtedness incurred with the level of benefit the properties are to receive from the public facilities that are to be financed.

   c) Any reimbursements for oversizing received from the affected public entity are to be paid to the CFD and, depending upon date of receipt, will be used either to augment construction proceeds or to reduce the outstanding bonded indebtedness of the financing district as determined appropriate by the County.

B. CFD Financings Not Initiated by the County

An administrative review will be made by the Department of all non-County initiated CFD financings that will require a joint community facilities agreement with the County to ensure compliance with the following minimum requirements. Only those financings that do not satisfy these minimum requirements will be referred to the Debt Affordability Advisory Committee for review and comment.

1. For CFDs containing residential projects, the rate and method of apportionment of the special tax will not provide for an annually increasing maximum special tax for any residential classification. However, for commercial and industrial projects within the CFD, the County will accept a maximum special tax for such classifications that escalates at a rate not to exceed two percent (2%) per year.

2. For CFDs, the total projected annual special tax revenues, less estimated annual administrative expenses, must exceed the projected annual gross debt service on the bonds by ten percent (10%). In structuring the rate and method of apportionment of the special tax, projected annual interest earnings may also be included as part of the projected annual revenues to satisfy this coverage requirement. Annual bond reserve fund interest earnings will be calculated at a rate to be determined by the County but, in no event greater than the then current passbook savings rate.

3. Whether the projected *ad valorem* property tax and other direct and overlapping debt for the property within the proposed boundaries of the CFD, including the proposed maximum special tax, does meet the County's objective of not exceeding two percent (2%) of the anticipated assessed value of each improved parcel upon completion of the private improvements as articulated in Section V.E. will be reviewed. This review will include current or estimated County Service Area or Community Service District charges, benefit assessments, levies for authorized but unissued debt and any other anticipated charge which may be included on the property tax bill.

4. With regard to any bonds to be issued, there will be created a reserve fund that will be established for each series of bonds.

5. If the County or its related districts or agencies are to:

   a) own, operate, or maintain a majority of the facilities to be financed, or,

   b) be the single largest recipient of the facilities to be financed, or,

   c) own, operate or maintain facilities having a combined construction cost of $100,000 or more, including design, engineering, construction contingencies and related costs of the construction project,

   then the County will require that all of the appropriate Policies set forth herein will be adhered to before entering into a joint community facilities agreement.

SECTION VIII: CREDIT ENHANCEMENTS

Credit enhancements, if required by the County, are to be utilized either to improve the credit worthiness of the proposed financing or to insure that the debt service requirements of the proposed debt issue are met in a timely manner. It is important to the County to minimize the possibility of a debt issue being placed in default and to insure that sufficient cash flows are available to meet debt service requirements. Section IV. D. contains a potential requirement for credit enhancement related to the ownership of 20% or more of the property within a CFD.

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

SECTION IX: OFFERING STATEMENTS AND DISCLOSURE

It is the intent of the County to comply with all applicable federal or state requirements regarding disclosure to insure that fair and accurate descriptions of debt issues are provided to the purchasers of the bonds. The County and any owner of property within a CFD that has not reached its entitled development and that will be responsible for the payment of special taxes representing such portion (as determined by bond counsel) of annual debt service on an issue of bonds that would cause such person or entity to be an “obligated person” under federal securities law (each, an “Obligated Person”) will use all reasonable means to ensure compliance with applicable federal securities laws in connection with the issuance of debt and the provision of financial information and operating data regarding any CFD established by the County with respect to which bonds have been issued.

The County will retain disclosure counsel for any particular land secured or conduit financing having an aggregate principal value of $1,000,000 or more. Decisions as to the adequacy of the disclosure will be determined by the County, its counsel, bond counsel and disclosure counsel. No preliminary or final offering statement for a particular land secured or conduit financing will be released for circulation unless it is deemed final by the County on the advice of its counsel, bond counsel or disclosure counsel.

With regard to the initial disclosure, each Obligated Person will be required to provide for inclusion in the official statement or other offering materials distributed in connection with the offering and sale of such bonds, such information as may be required to satisfy any requirements of, or avoid any liability under, any applicable federal or state securities laws.
The proponent(s) of a particular land secured or conduit financing and all principal participants therein are expected to provide the information requested by the County, its counsel, the underwriter, its counsel, disclosure counsel, or bond counsel that is deemed necessary for disclosure purposes. Failure on the part of the proponent and any principal participants to comply with such requests will jeopardize completion of the debt issue.

With regard to continuing disclosure, each Obligated Person will be required to enter into a continuing disclosure agreement pursuant to which such Obligated Person will agree to provide financial information and operating data, on an ongoing basis, as may be required for the underwriter of such bonds to satisfy the requirements pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934.

The proponent of a particular land secured or conduit financing and all Obligated Persons will be required to execute those certificates and provide those written opinions of their respective counsel that are required by the terms of the bond purchase agreement. Failure to do so will result in the bonds not being sold and issued.

Failure of the proponent of a particular land secured or conduit financing or of any Obligated Person to comply with such proponent's or Obligated Person's initial or continuing disclosure obligations pertaining to bonds previously issued for any other CFD will be grounds for denial of the application for the formation of a CFD. Any such failure should be remedied by the time of providing the preliminary official statement and such failure will be disclosed in the preliminary and final official statements as required by bond counsel and/or disclosure counsel.

SECTION X: ADMINISTRATION

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

A. Debt Administration

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

B. Notice to Future Property Owners

The Act requires that certain disclosure certificates regarding the existence of a CFD and the special tax obligation be provided to those individuals purchasing property within the CFD, including to interim purchasers and merchant builders. The County will require that the statutorily prescribed disclosure be made to the initial purchaser of property within a CFD, and the proponent of the CFD and/or developer will make available the information necessary to complete the disclosure certificate required for subsequent property transfers.

C. Annual Reporting

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

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

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

SECTION XI: REFUNDINGS

The principal objective of the County in refunding an outstanding debt issue is to secure a public benefit which may include an interest rate savings that will result in both an annual and present value savings to the property owners responsible for paying special taxes that are used to pay the debt service on the bonds. The actual value of the savings must significantly exceed the costs of the refunding and any increase in the principal amount of bonds that will be outstanding as a result of the refunding.

Refunding of a particular CFD financing must at minimum be structured to reflect the following:

1. The refunding bonds will mature on a date not later than the date on which the bonds being refunded (the "prior bonds") mature.

2. Annual debt service savings to be realized from the refunding are to be apportioned over the remaining life of the refunding bonds.

3. The prior bonds (or any portion thereof being refunded) are to be legally defeased in accordance with the indenture or fiscal agent agreement authorizing their issuance. If there is no provision for their defeasance, a defeasance escrow will be established that will contain only cash or direct obligations of the United States.

The County will also consider refunding an outstanding land secured financing to address unacceptable or unworkable bond covenants, debt service schedules or bond maturities.

SECTION XII: AMENDMENTS AND EXCEPTIONS

The County reserves the right to amend or modify these policies at any time and the right to make exceptions or grant waivers for specific financing projects, as facts and circumstances warrant.

APPENDIX 5

Contra Costa County
Debt Management Policies
For
Multifamily Mortgage Revenue Bond Program

I. SUMMARY

This Appendix 5 provides specific policies and procedures for multifamily mortgage revenue bond (MFMRB) issues, which are in addition to those established by the County in the Contra Costa County, California Debt Management Policy (County Policy). The MFMRB program is administered by the County's Department of Conservation and Development (DCD)[1].

Federal, state and local legislation authorize issuance of mortgage revenue bonds by local governments to finance the acquisition, development, and rehabilitation of multifamily rental housing projects pursuant to Section 52075 of the California Health and Safety Code, and applicable provisions of the Internal Revenue Code. The allocation of private activity bond authority needed for the issuance of tax-exempt bonds is secured through the California Debt Limit Allocation Committee (CDLAC). The interest on the bonds can be exempt from federal and state taxation. As a result, bonds provide below market financing for qualified rental projects located within Contra Costa County (the "County")[2]. In addition, the bonds issued under the program can qualify projects for allocations of federal low-income housing tax credits (LIHTC), that provide a significant portion of the equity funding necessary to develop affordable housing.

There is no direct legal liability to the County in connection with the repayment of bonds; there is no pledge of the County's faith, credit or taxing power and the bonds do not constitute general obligations of the County because the security for repayment of bonds is limited to project revenue and other sources specified under each financing. Project loans are, in most cases, secured by a first deed of trust on the bond-financed property. The program is completely self-supporting; developers must secure funding to pay for costs of issuance of the bonds and all other costs under each financing.

The bonds may be used for construction, rehabilitation and permanent financing. The effective mortgage rate is the aggregate of the applicable bond rate and the add-on fees charged under the program such as lender, trustee, issuer's fee, etc. The bond rate, for fixed rate bonds, is determined at the time of a bond sale, and the resulting mortgage rate typically is approximately 1.5-2 percent below conventional mortgage rates. The project loans generally have a 30-year amortization schedule.

The goals of the program include:

- Increase and preserve the supply of affordable rental housing;
- Encourage economic diversity within residential communities;
- Maintain a quality living environment for residents of assisted projects and surrounding properties; and
- In the event of provision of public funds towards the project, optimize the effectiveness of those funds by maximizing the leveraging of private sector funds.

[1] DCD also manages a single-family mortgage revenue bond (SF MRB) program. It seeks an annual allocation of SFMRB financing authority from the California Debt Limit Allocation Committee and converts the allocation to Mortgage Credit Certificates (MCCs). MCC program information is available on the County website at http://ca-contracostacounty2.civicplus.com/4768/Mortgage-Credit-Certificate-Program.

[2] The County receives resolutions (or letters of support) from the cities and towns in which projects are located for each applicable transaction prior to seeking a reimbursement resolution from the Board of Supervisors.

II. ELIGIBILITY

The project must be located within the County and consist of complete rental units, including full kitchens and bathrooms, and cannot be used for transient or student housing, although in certain cases single room occupancy projects may be financed.

There is no limit on the minimum or maximum project size or number of units. However, smaller size projects (fewer than 40 units or less than $2 million loan) may not find tax exempt financing economically efficient due to the costs of issuance, services of the financial team, rating fees, etc. Proposed combined or pooled projects will be considered on a case by case basis.

Loan funds may be used for costs of property acquisition (no more than 25% of tax-exempt bond proceeds can be used for the acquisition of land), construction, rehabilitation, improvements, architectural and engineering services, construction interest, loan fees and other capital costs of the project incurred after the Bond Reimbursement date (specified in Section VII -Financing Process).

Pursuant to federal requirements, if bonds are used for acquisition and rehabilitation, an amount at least equal to 15 percent of the portion of the acquisition cost of the building and related equipment financed with the proceeds of the bonds must be used for rehabilitation of the project.

No more than two percent of any tax-exempt bond loan can be used to finance costs of issuance, such as the services of the financing team members, rating and printing of bonds, bond allocation, etc.

III. COUNTY COMPENSATION

The County's fees are comprised of (1) a non-refundable application fee due prior to drafting a Reimbursement Resolution, (2) an issuance fee due upon bond closing, and (3) an annual fee due in advance to cover costs of monitoring compliance with State and federal law requirements as contained in a Regulatory Agreement for each bond issue. The annual fees may be negotiated, however the standard fee is 1/8 of 1 percent (or 0.125 percent) of the principal amount of bonds outstanding. Annual fees are charged for the full term of the Regulatory Agreement, generally 55 years. At the County's discretion, annual fees above a $5,000 minimum may be subordinated to payment of debt service. The County fees are summarized in the table below:

Issuer Fee Schedule

<table>
<tr><th>Application (1)</th><th colspan="2">Issuance Fee</th><th colspan="2">Annual Fee (2)</th></tr>
<tr><td rowspan="6">$2,500</td><td>Rate (3)</td><td>0.125%</td><td>Rate (3)</td><td>0.125%</td></tr>
<tr><td>Minimum</td><td>$5,000</td><td>Minimum</td><td>$5,000</td></tr>
<tr><td>Maximum</td><td>$75,000</td><td>Maximum</td><td>$25,000</td></tr>
<tr><td colspan="4">(1) Payable upon request of a Reimbursement Resolution. Amount is applied to Issuance Fee at closing. DCD may waive this requirement in its sole discretion.</td></tr>
<tr><td colspan="4">(2) Amounts above the minimum may be subordinated to bond debt service, at the County's option.</td></tr>
<tr><td colspan="4">(3) Percentage applied to the outstanding bond issuance amount.</td></tr>
</table>

IV. TYPES OF BONDS

The County may issue either tax-exempt or taxable bonds. Taxable bonds would generally be issued in combination with tax-exempt bonds. Tax-Exempt Private Activity Bonds (non-refunding) require an allocation of bond authority from CDLAC. To obtain the allocation the County must submit an application to CDLAC on behalf of the developer (Project Sponsor). Submittal of the application is at the discretion of the County, not the Project Sponsor. The Project Sponsor must pay all required CDLAC fees when due.

The interest on taxable bonds is not exempt from federal taxation. These bonds are not subject to federal volume "cap" limitations and therefore do not require allocation authority from CDLAC. Taxable bonds can be used in combination with low-income housing tax credits awarded by the Tax Credit Allocation Committee. Taxable bond issues must meet all applicable requirements of this Policy (including rating requirements) and any additional regulations that may be promulgated, from time to time, by the County or as set forth in the County Policy.

The County may issue 501(c)(3) bonds on behalf of qualified nonprofit organizations. 501 (c)(3) bonds are tax-exempt and do not require an allocation from CDLAC, but cannot be used with the LIHTC Program.

Refunding Bonds will be allowed if the issuance meets the following conditions:

1. The Project Sponsor agrees to cover all costs of the issuer.
2. Projects originally financed by tax-exempt bonds prior to the 1986 Tax Act will have to make a minimum 10 percent of the units affordable to persons earning 50 percent of the median area income with the rents affordable at the same level.
3. The affordability restrictions of the existing bond regulatory agreement are subject to extension and/or additional restrictions. All specifics of refunding proposals must be approved by the County.
4. Default refunding applications require a default refunding analysis (to determine the eligibility for a default refunding). The County shall choose the firm to conduct the analysis. The Project Sponsor will deposit the cost for the study with the County before the study begins.

V. AFFORDABILITY REQUIREMENTS

A. Term
The project must remain as rental housing and continuously meet the affordability requirements for at least 55 years from the date of 50 percent occupancy of the project (the "Qualified Project Period" or "QPP"). At the conclusion of the regulatory period, rent of "in-place" tenants will continue to be governed by the applicable affordability restriction, so long as those tenants continue to live in the development.

B. Income Restrictions
To be eligible for tax-exempt bond financing, federal and State law require that the project meet one of the following conditions:

1. A minimum of 20 percent of the units in the project must be set aside for occupancy by households whose income does not exceed 50 percent of area median income, as adjusted for family size; or
2. A minimum of 10 percent of the units in the project must be set aside for occupancy by households whose incomes do not exceed 50 percent of area median income, as adjusted for family size AND an additional 40 percent of the units in the project must be set aside for occupancy by households whose incomes do not exceed 60 percent of area median income, as adjusted for family size.

In general, project owners must certify their tenant's eligibility annually. If at the annual certification it is found that a tenant's income exceeds 140 percent of the current income limit, the owner must rent the next available unit of comparable size to a new income eligible tenant. The owner may raise the current tenant's rent to market rent only upon renting the next available unit to a new low-income or very low-income household, as applicable. A unit occupied only by full time students does not count towards the set-aside requirement.

C. Rent Restrictions
The maximum rents for all the affordable units are equal to 30 percent of the applicable monthly maximum income level, assuming one person in a studio, two persons in a one-bedroom, three persons in a two-bedroom and four persons in a three-bedroom unit. These assumptions differ for projects using LIHTC. If applicable, the County may use TCAC rents pursuant to AB 1714. The maximum rents are further reduced by the amount of the utility allowance applicable to those units, based on unit size. Utility allowances are set by the Housing Authority of the County of Contra Costa (HACCC) and are based solely upon the utilities paid by the tenant. The utility allowance does not include phone, cable or internet connections.

The set-aside units must proportionately reflect the mix of all units in the project, be distributed throughout the project, and generally have the same floor area, amenities, and access to project facilities as market-rate units.

D. Regulatory Agreement
The rental and affordability unit requirements will be contained in a regulatory agreement that is recorded against the property and must be complied with by the project owner and any subsequent buyers for the applicable compliance period. The

Regulatory Agreement will be drafted by the County's bond counsel and must be in a form acceptable to and approved by the County. Pursuant to Section 5220(c)(1) of the CDLAC Regulations, the Regulatory Agreement for any tax-exempt financing that received a CDLAC allocation must incorporate by reference and as an attachment the CDLAC resolution allocating private activity bond authority to the County for the project. The requirements are terminated at the later of the end of the applicable compliance period and repayment in full of the bonds, or in the event of total casualty loss or foreclosure.

VI. FINANCING TEAM

Bond counsel and a municipal advisor, if desired, specifically represent the interests and concerns of the County in ensuring the integrity of the bond transaction. The Project Sponsor may, at its own expense, add additional members to the finance team to represent its interests.

A. Municipal Advisor

If deemed necessary, the Municipal Advisor will be designated by DCD. They may be requested to prepare a feasibility study of whether it is economically advisable to proceed with the financing, including: evaluations of the financial strength of the project; assumptions regarding income and expenses; sources of security for bonds in addition to the project; Project Sponsors financial situation and experience in operating and managing rental projects; marketability of the bonds; rights and resources of parties to the transaction in the event of default; and provide financial advice on all relevant financial issues to best protect the interests of the County. The compensation for any municipal advisory services to determine whether it is advisable to proceed with a financing will not be contingent on the sale of the bonds.

B. Bond Counsel

Bond counsel will be designated for each financing by the County Board of Supervisors. Bond counsel will prepare the necessary legal documentation for each financing, including provisions regarding compliance with any applicable continuing disclosure requirements, provide an opinion regarding the validity of the bonds and if applicable their tax exemption, and provide legal advice on all relevant legal issues to best protect the interests of the County. (See also Section IV.B, Financing Team in the County Policy.)

C. Additional Parties

The Bond Underwriter, Private Placement Purchaser, Disclosure Counsel and Bond Trustee, if any is required, will be selected by the County in consultation with the project sponsor. The fees for such services will be paid solely out of bond proceeds or otherwise by the project sponsor.

VII. THE FINANCING PROCESS

A. Request for Financing (New or Refunding) – A letter of request must be sent to the DCD to review for consistency with County and CDLAC policy. The letter and accompanying information must state the desire to use the County's Multifamily Mortgage Revenue Bond Program. The letter should include:
    1. Name of Development Project,

2. Name of Project Sponsor, including the Project Sponsor's experience with multifamily housing development
3. Location by street address and assessor's parcel number (if known);
4. Estimated number units,
5. Estimated development costs including land (bonds to be issued cannot exceed this amount),
6. Exact legal name of the ownership entity at the time of bond closing (e.g. name of individual, partnership, corporation, etc.),
7. If different, name of the operating entity at the time of bond closing,
8. Proposed management company with a statement of experience in managing income restricted housing, and
9. Non-refundable application fee of $2,500 to cover the administrative costs of reviewing the project feasibility, Inducement and TEFRA Hearing processes.

B. Board of Supervisor Approval of Reimbursement Resolution – The Reimbursement Resolution is a conditional statement of intent on the part of the County to provide tax-exempt financing for the project. The Resolution is non-binding, however it authorizes the submittal of an application to CDLAC by the County (if tax-exempt bonds are to be issued) and it sets the date (which is 60-days earlier than the Reimbursement Date) from which costs related to the project are eligible for tax-exempt financing.

C. Public Hearing/Section 147(f) Resolution ("TEFRA") – Tax law requires that a public hearing be held for any proposed tax-exempt financing to take comments on the nature of and location of the facility proposed to be financed with private activity bonds. The hearing must be noticed in a local newspaper of general circulation or to be posted on the County's website, at least 7 days prior to the hearing. After the public hearing, the Board of Supervisors then adopts a resolution approving the issuance of bonds pursuant to Section 147(f) of the Internal Revenue Code. This is not the final approval of the bond issuance. The DCD holds the hearing administratively and the Board of Supervisors approves the Section 147(f) Resolution at a subsequent Board meeting. DCD may opt to schedule the required public hearing with the Board of Supervisors.

D. Obtaining a CDLAC Allocation –CDLAC allocation of private activity bond authority needed for the issuance of tax-exempt bonds is subject to an application process. The application must be submitted to the County by the project sponsor for review and comment at least 10 days prior to the CDLAC deadline. The final application must include the current application fee for CDLAC and a performance deposit to be held by the County. The deposit is returned according to CDLAC procedures, but is subject to reversion to CDLAC if the financing does not close according to their procedures. The CDLAC process includes approximately 60 days for review of applications prior to allocation.

E. Bond Sale Resolution – When an allocation is received the County and financing parties will have a limited time in which to complete the financing and sell and close on the issuance of the bonds. All real estate, lender and bond documents are completed. The Board of Supervisors must approve a Bond Sale Resolution, typically 30 days in advance of the proposed bond closing.

VIII. BOND SALE MODES/ISSUING CRITERIA

Under its tax exempt financing program the County, as a conduit issuer, facilitates loans typically secured by a first deed of trust. A fundamental requirement for financings is that the project have loan underwriting and if applicable, credit enhancement from a third party institution that bears the ultimate risk and responsibility of repayment of the loan. The County may consider unrated bonds on a case-by-case basis. Subordinate financing from other federal, state, or local agencies may be integrated into a plan of finance for the project. Early consultation with County staff is encouraged.

Any bonds issued under the program that are sold to the public should generally be rated "A", or its equivalent, or better from a nationally recognized rating agency. The same rating requirement applies in the case of a substitution of existing credit facility for publicly held bonds that are outstanding.

A preferred way of obtaining the required rating on the bonds is through the provision of additional, outside credit support for the bond issue provided by rated, financially strong private institutions, such as bond insurance companies; domestic and foreign banks and insurance companies; FHA mortgage insurance or co-insurance, etc. The rating on the bonds is based on the credit worthiness of the participating credit enhancement provider. The applicant is required to identify and obtain credit enhancement for each bond issuance to be publicly held. As the primary source of security for the repayment of bonds, the credit enhancement provider reviews and approves the borrower and the project and its feasibility, including the size of the loan and the terms of repayment using their own underwriting criteria.

Fixed rate bonds, or their portion, can be issued without credit enhancement if the proposed financing structure results in the required minimum rating on the bonds by a nationally recognized rating agency. Bonds issued without credit enhancement will be sold to institutional investors in minimum $100,000 denominations.

Private Placement Bonds
Private Placement Bonds are allowed under the following conditions:

- The bonds are privately placed with "qualified institutional buyers" under Rule 144A of the Securities Act of 1933, or "accredited investors," as generally defined under Regulation D of the Securities Act of 1933.
- The bonds must be sold in minimum $100,000 denominations.
- All initial and subsequent purchasers (unrelated to the initial purchaser) must be willing to sign a sophisticated investor letter in a form approved by the County. While the bonds remain unrated, their transferability will be restricted to qualified institutional buyers or accredited investors who sign an Investor Letter, unless the transferee is related to the initial purchaser.
- The County may limit the number of investors.
- The owner must indemnify the County against any costs incurred by the County related to the financing, including any lawsuit initiated by the bondholder or any other party, regardless of whether the developer is negligent.

IX. OTHER

Underwriter criteria: See Section V. Method of Sale in the County Policy for underwriter selection criteria.

X. OTHER ISSUERS

Projects financed with subordinate financing from the County (CDBG, HOME, etc.) will be financed by bonds issued by the County. The County may consent to the use of statewide issuers for private activity bonds (including 501c3 bonds) to finance projects located within the unincorporated County when such projects are part of a common plan of finance with one or more projects located within the County. DCD may waive the limitations on the use of statewide issuers.

XII POST-ISSUANCE

See County Policy, Post-issuance Tax Compliance Procedures (Appendix 2) and Continuing Disclosure Procedures (Appendix 3). The following policies and procedures are in addition to those procedures and are specific to multifamily mortgage revenue bond issues. Project sponsors that received tax-exempt financing with an allocation from CDLAC are also required to maintain compliance with the CDLAC resolution associated with each such bond issuance.

A. Change of Ownership

The County reserves the right to approve any voluntary change in ownership (i) that results in a transfer of 50% or more of the total equity interests in a developer or (ii) that results in a transfer of any general partner or managing member interest in the developer. Such approval to transfer ownership shall be at the discretion of the County. Transfers made by a limited partner tax credit investor to its affiliates may, at the County's discretion, be exempted from this requirement. The County shall review proposed owner management practices on current and previously owned properties, inspections, financial statements and credit histories.

B. Compliance

Post-issuance compliance activities are carried out by DCD staff, including its Redevelopment Housing Specialist, under the supervision of the County's Assistant Deputy Director. The County currently has a license agreement with Compliance Services for its FOCUS program. Project Sponsors access information and submit reports through FOCUS at http://www.housingcompliance.org/ . (The County reserves the right to change vendors at any time.)

1. Issuance Report: Following bond issuance, Bond Counsel submits the Report of Final Sale pursuant to CDIAC regulations.
2. Qualified Project Period: The QPP begins when the development has achieved 50 percent occupancy. Project Sponsors of new construction projects are required to submit a recorded Certificate of Commencement of Qualified Project Period. For acquisition/rehabilitation projects, the QPP begins upon bond issuance.

3. Quarterly Reports: Upon commencement of the QPP, reports are due 15 days following the end of each quarter based on a calendar year using the form embedded in FOCUS.
4. Annual Reports: Annual reports for projects that received a CDLAC allocation must provide annual reports using the CDLAC Self-Certification Compliance forms are due to the County 45 days prior to the CDLAC report deadline. The County submits its comprehensive reports on all applicable developments prior to the CDLAC deadline.
5. Compliance Verification:
    a. Rent and income limits are calculated annually and are available to the Project Sponsors through FOCUS. The HACCC utility allowance schedule is uploaded in FOCUS. The Project Sponsor supplies the tenant-paid utility costs to the County and to FOCUS. The FOCUS program automatically compares the project rent and income information with the current limits and flags any non-compliance issues.
    b. Service amenities are included in any applicable CDLAC resolution and are verified by County staff at project completion, through annual reports, and during periodic site visits.
    c. Site visits are conducted at least once every three years during the compliance period. Staff reviews tenant files to confirm rent and incomes are appropriate and consistent with the on-line reports. Staff also confirms that amenities included in any applicable CDLAC resolution are being provided. Any findings or discrepancies are included in any applicable annual compliance report submitted by the County to CDLAC.
    d. Non-compliance is reported to CDLAC with anyannual required reports. Any such report will include the nature of the non-compliance and County staff's efforts to remedy the non-compliance. The County requires that the Regulatory Agreement for each development include identification of default and enforcement actions.

6. Record Retention: Any CDLAC application, County resolutions (TEFRA, reimbursement, and intent to issue), the bond legal documents, and compliance reports are retained for five years following the later of bond defeasance or expiration of the applicable project regulatory agreement.

7. Site-based Record Retention: Tenant income certification information for all initial tenants is retained for five years following the later of bond defeasance or expiration of the applicable regulatory agreement. Tenant files for future tenants a retained for five years following tenant move-out.

APPENDIX 6

Contra Costa County
Debt Management Policies
For
Successor Agency to the former Contra Costa County Redevelopment Agency

This Appendix 6 provides specific policies and procedures for tax allocation bond (TAB) issues, which are in addition to those established by the County in the Contra Costa County, California Debt Management Policy (County Policy). The TABs are administered by the County's Department of Conservation and Development (DCD).

I. Purpose

The purpose of this Successor Agency to the former Redevelopment Agency of Contra Costa County ("Agency") Debt Management Policy is to organize and formalize the Agency's debt-related policies and practices and establish a framework for administering and potentially refinancing the Agency's debt.

The primary objectives of the policy are to:

- Promote sound financial management
- Assist the Agency in evaluating debt refinancing options
- Ensure full and timely repayment of debt
- Maintain full and complete financial disclosure and good investor relations
- Ensure compliance with applicable state and federal laws

II. Responsibility/Approval Process

The Director of the Department of Conservation and Development, or designee, shall be responsible for managing and coordinating all activities related to the administration and potential refinancing of the Agency's debt, including investment of bond proceeds, compliance with bond covenants, continuing disclosure, and arbitrage compliance.

III. Debt Issuance

Refinancing The Agency may refinance all or a portion of an outstanding debt issue when such refinancing enables the Agency to realize significant debt service savings or other policy goals. In general, refinancing that produces a net present value savings of at least three percent of the refinanced debt, without extending the term of the refinanced debt, will be considered economically viable. Refinancing that produce a net present value savings of less than three percent will be considered on a case-by-case basis if there is a compelling public policy objective that is accomplished by retiring the debt. For example, the Agency may pursue a non-economic refinancing to eliminate undesirable legal covenants in outstanding bond documents, to restructure the debt service profile, or to change the tax status of the debt.

IV. Debt Structure

Debt Service Reserve Fund The Agency may finance a debt service reserve fund from bond proceeds or other funds, consistent with federal tax law, to enhance the marketability of the bonds and/or to satisfy requirements of outstanding debt covenants. The Agency may purchase a reserve fund equivalent (such as a reserve fund surety) when such purchase is considered to be advantageous to the economics of the debt issuance.

Bond Insurance The Agency may purchase bond insurance (or secure a letter of credit) for any proposed financing if the economic benefit of the insurance realized through lower interest costs exceeds the cost of the insurance. The Director of the Department of Conservation and Development, or designee will solicit quotes from providers, and shall have the authority to select a provider whose bid is most cost effective, and whose terms and conditions are satisfactory to the County.

Call Provisions In general the bonds will include a call feature that is no longer than 10 years from the date of delivery of the bonds. The Agency will seek to avoid the sale of non-callable bonds absent careful evaluation by the Agency of the value of the call option.

Original Issue Discount An original issue discount will be permitted only if the Agency determines that such discount results in a lower true interest cost on the bonds and that the use will not adversely affect the projects to be financed.

Interest Rate Mode The Agency shall use only fixed-rate debt to refinance its bonds.

VI. Financing Team

Bond counsel and a municipal advisor, if applicable, specifically represent the interests and concerns of the Agency in ensuring the integrity of the bond transaction.

A. Municipal Advisor
If deemed necessary, the Municipal Advisor will be designated by DCD. They will prepare a feasibility study of whether it is economically advisable to proceed with the financing, including: evaluations of the financial strength of the project; assumptions regarding income and expenses; sources of security for bonds in addition to the project. The compensation for municipal advisory services to determine whether it is advisable to proceed with a financing will not be contingent on the sale of the bonds.

B. Bond Counsel
Bond counsel will be designated for each financing by the County Board of Supervisors. Bond counsel will prepare the necessary legal documentation, including provisions regarding compliance with any applicable continuing disclosure requirements, provide an opinion regarding the validity of the bonds and their tax exemption, and provide legal advice on all relevant issues to best protect the interests of the Agency.

C. Additional Parties
The Bond Underwriter, Remarketing Agent, Private Placement Purchaser, Disclosure Counsel, if any, and Bond Trustee, if required, will be selected by the Agency in consultation with the municipal advisor. The fees for such services will be paid solely out of bond proceeds or otherwise by the project sponsor.

(See also Section IV.B. – Financing Team in the County Policy)

VII. Method of Sale

The Agency may select a method of sale that is most appropriate for a particular financing or debt program in light of the financial, market, transaction-specific, and Agency-related conditions. The Director of the Department of Conservation and Development, or designee shall be responsible for determining the appropriate manner in which to offer any securities to investors, and may consider negotiated sale, competitive bid or private placement, as appropriate. The Agency's bonds have traditionally been sold via negotiated sale. This has been reflective of a complex structure which has required significant up-front work by the bond underwriter, and a strong pre-marketing effort at sale. The Agency may elect to privately place its debt if it is demonstrated to result in a cost savings to the Agency relative to other methods of debt issuance.

VIII. Debt Administration

Investment of Bond Proceeds Investments of bond proceeds shall be consistent with federal tax requirements, the County's adopted Investment Policy as modified from time to time, and with requirements contained in the governing bond documents.

Continuing Disclosure The Agency is committed to full and complete primary and secondary market financial disclosure in accordance with disclosure requirements established by the Securities and Exchange Commission and Municipal Securities Rulemaking Board, as may be amended from time to time. The Agency is also committed to cooperating fully with rating agencies, institutional and individual investors, other levels of government, and the general public to share clear, timely, and accurate financial information.

Arbitrage Compliance The Agency shall maintain a system of record keeping and reporting to meet the arbitrage compliance requirements of federal tax law or procure an outside contractor for such service.

1025 ESCOBAR STREET
MARTINEZ, CA 94553

File #: 26-3027 **Agenda Date:** 7/8/2026 **Agenda #:** 5.

Advisory Board: Debt Affordability Advisory Committee
Subject: DAAC Meeting Format
Presenter: Diana Oyler
Contact: diana.oyler@cao.cccounty.us

Information:
In 2006 the Debt Affordability Advisory Committee (DAAC) was formed. The DAAC's purpose is to annually review and evaluate existing and proposed new County debt and other findings or issues the committee considers appropriate. The task of the DAAC is to assess the County's ability to generate and repay debt, and issue an annual report to the County Administrator defining debt capacity of the County.

As an all-staff committee, advisory to the County Administrator, the DAAC is not subject to the Brown Act. No clause in the Debt Management Policy, which established the DAAC, specifies meeting format or structure.

Referral History and Update:
Since formation in 2006, the DAAC has met at least annually. Generally, meetings have been open to the public and the agendas posted online prior to the meeting.

The DAAC current practice is to post agendas online 72 hours prior to the meeting and provide access to the public, virtually or at the physical location.

Recommendation(s)/Next Step(s):
Provide direction to staff on the committee's preference for future meetings.

Office of the County Counsel
651 Pine Street, 9th Floor
Martinez, CA 94553

Contra Costa County
Phone: (925) 335-1800
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Date: March 29, 2012

To: County Boards, Commissions and Committees and their Administrative Officers and Secretaries

From: Sharon L. Anderson, County Counsel
By: Mary Ann McNett Mason, Assistant County Counsel M.A.M.

Re: Selected Brown Act and Better Government Ordinance Provisions

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County advisory bodies are subject to both the Ralph M. Brown Act (Government Code, sections 54950 et. seq.) and the County's expanded open meeting law, the Better Government Ordinance (Contra Costa County Code, Chapter 25-2.) For your information, we provide this summary of the critical provisions of these open meeting laws.

A. *Open Meetings*. The Brown Act and Better Government Ordinance generally require that all County Board, commission and committee ("County body") meetings be open for public attendance, that all interested persons be permitted to attend and participate, and that meetings be held on noticed dates at fixed times and places and in accordance with posted agendas. Most county bodies provide for regular fixed times and places for meetings. Meetings generally must be held within the jurisdictional limits of the Board of Supervisors and at locations accessible to the public, including disabled persons. (Gov. Code, §§ 54950, 54954(a),(b), 54961; Ord. § 25-2.602.)

B. *County Bodies Subject to Open Meeting Laws*. The Brown Act applies to all "legislative bodies" of a local agency, i.e., the County. Legislative bodies include: 1) the governing body of the local agency, (e.g., the Board of Supervisors); 2) committees created by statute; 3) committees created by formal action of the Board, whether composed of lay persons or a combination of lay persons and board members; 4) standing committees composed solely of members of the Board which have a continuing subject matter jurisdiction (e.g., permanent subcommittees such as the "Internal Operations" committee); 5) standing committees created by a Board appointed committee and composed solely of members of that body (e.g., a Mental Health Commission subcommittee). (Gov. Code, § 54952 (a), (b).)

The Better Government Ordinance applies to all County bodies subject to the Brown Act *and* to all other Board or committee created County bodies, including temporary, ad hoc advisory committees composed solely of Board members or committee members and appointed to deal with a single topic for only one meeting or a small number of unscheduled meetings. (Ord. § 25-2.202(a), 25-2.204(a), 25-2.205.) County bodies that are not subject to the Brown Act nevertheless must comply with comparable provisions under the Ordinance. (Ord. § 25-2.202(a), 25-2.204(a), 25-2.205.) We caution that very few committees will be exempt from both the Act and the Ordinance and that the safer course of action is to assume that both open meeting laws apply.

Bodies subject to the Brown Act and the Ordinance do not include advisory committees to a single individual which are formed by the unilateral action of that individual, e.g., a committee to assist the County Administrator or a single Supervisor and do not include committees made up entirely of County staff. (56 Ops.Cal.Atty.Gen. 14 (1973); Ord. § 25-2.202.) However, unless composed entirely of County staff, a permanent advisory committee created by the County Administrator or a department head must permit the public to attend its meetings upon request to the extent possible consistent with the facilities and the purpose of the gathering. Meetings of these committees need not be formally noticed or provide for public comment. (Ord. § 25-2.204 (d), (e).)

C. *<u>Definition of "Meeting"</u>*. "Meetings" include:

* Any congregation of a majority of members of a County body at the same place and location (including teleconference locations) to hear, discuss, deliberate or take action on any item within the body's subject matter jurisdiction. (Gov. Code, 54952.2 (a).)

* Any serial use of communication, personal intermediaries, or technological devices through which a majority of the body's members discuss, deliberate, or take action on an item. (For example, for a five person body, such an illegal "serial" meeting could occur where committee member A e-mails committee member B about his position on a committee issue and B forwards A's e-mail to committee member C.) A mere series of e-mails or telephone calls by a majority of the body about one of its business items violates the Brown Act. (Gov. Code, § 54952.2 (b).)

D. *<u>Social and Ceremonial Occasions</u>*. Meetings generally do not include social or ceremonial occasions, provided that a majority of the members do not discuss among themselves business within the subject matter jurisdiction of the legislative body of the local agency. (Gov. Code, § 54952.2(c)(5).) However, when a County body, as a body, sponsors a social, recreational or ceremonial occasion, such as a holiday party, and a majority of the body is invited to attend, the occasion must be accessible to the public upon request, to the extent possible consistent with the facilities and the purpose of the gathering. The occasion need not be noticed formally, conducted at a particular location or provide for public comment. (Ord. § 25-2.204 (d) (2), (e).)

E. *<u>Regular Meetings- Agenda Posting Requirements and Related Provisions</u>*.

1. <u>Enhanced Agenda Notice Requirement</u>. Under the Brown Act, agendas must be posted at least 72 hours before each scheduled regular meeting. (Gov. Code, § 54954.2

(a).) However, the Better Government Ordinance extends this posting period an additional day. (Ord. § 25.2-206 (a).) Thus, at least 96 hours before each scheduled regular meeting, an agenda containing a brief general description of each item of business to be transacted at the public body's meeting, including items to be discussed in closed session, must be posted. The description generally need not exceed 20 words. The agenda must specify the time and location of the regular meeting.

The agenda must be physically posted in a location freely accessible to members of the public during the entire 96 hour period. (Gov. Code, § 54954.2(a); Ord. § 25.2-206 (a); 78 Ops.Cal.Atty.Gen.328 (1995).) In addition, certain bodies must *also* post their agendas on the their website, or arrange for posting on the County's website 96 hours in advance of the meeting. (Gov. Code, § 54951, 54954.2 (d); see attached memorandum, **Internet and Physical Agenda Posting Required for Certain Bodies**.)

If an item is not specified on the agenda, the County body may not act on <u>or discuss</u> that item, or add that item to the agenda as an urgency item, except as set forth below in subsections 3 and 4. (Gov. Code, § 54954.2 (a), (b); Ord. § 25.2-205.)

2. <u>Deadline for Staff Materials</u>. At least 96 hours in advance of a regular scheduled meeting, all staff reports and other materials prepared or forwarded by staff that provide background information and recommendations on agenda items must be made available to the public and to members of the body. (Ord. § 25-2.206 (a).) In the case of items that are placed on the agenda for a scheduled meeting at a prior meeting occurring not more than seven days before the scheduled meeting, supporting written staff materials may be made available 24 hours before the scheduled meeting. (Ord. § 25-2.206 (a).)

3. <u>Exceptions to the Better Government Ordinance 96 hour agenda notice and staff material deadline</u>. Under limited circumstances, the County body may waive the requirement that an agenda and supporting staff reports must be made available to the public and to members of the body at least 96 hours before the meeting. Upon a determination by *three-fourths* vote of the body that it is essential to waive the time limits *and* after receiving from staff a written explanation as to why the agenda and/or staff reports could not be made available 96 hours in advance, the body may waive the time limits. (Ord. § 25-2.206 (a).) *Notwithstanding a waiver of the Better Government Ordinance requirements, the 72 hour agenda notice requirements and exceptions thereto of the Brown Act continue to apply to all County bodies covered by the Act.*

4. <u>Exceptions to Brown Act 72 hour agenda notice</u>.

a. <u>"Brief Response" to Public Comment; Reference to Staff</u>. (Gov. Code, § 54954.2 (a).) A County body may engage in certain limited activities that are not discussion of or action on, non-agenda items. If an item not on the agenda is raised by a member of the public during the "public comment" portion of the meeting, members of the County body may "briefly respond." Until a court has construed "briefly respond," we recommend that County bodies interpret the right to respond narrowly, and keep responses limited. On any matter, either in response to questions posed by members of the public or on their own initiative, members of County bodies may ask questions for clarification. In addition, subject to the body's rules or procedures, members of County bodies may provide a reference to staff or other resources for factual information, may request that staff report back at a subsequent meeting on a matter, or may request that staff place a matter on a future agenda. (Gov. Code, § 54954.2 (a).)

b. Limits on Discussion and Action on Non-Agenda Items. (Gov. Code, § 54954.2 (b). Discussion may occur and action may be taken on items which are not set forth on the posted agenda where, prior to discussion or action, the body publicly identifies the item and:

(1) The majority of members of the body vote and find that an emergency exists which involves a work stoppage or other activity which severely impairs public health, safety or both or a crippling disaster which severely impairs public health and safety or both, or

(2) Upon a determination by a two-thirds vote of the body (or, if less than two-thirds of the members are present, a unanimous vote of the members present) that there is a need to take immediate action and that the need for action *came to the attention of the local agency after the agenda was posted*, or

(3) The item was posted for a prior meeting, but action on the item was continued to the present meeting, which is not more than five calendar days after the meeting for which the item was posted. (Gov. Code, § 54954.2 (b).)

We caution that these exceptions will rarely apply in the case of County advisory bodies.

F. *Special Meeting Notice Requirements*. The Brown Act law requires that notice of a special meeting be provided by 24 hour advance written notice to each member of the public body (unless notice has been appropriately waived) and to each local newspaper, radio or television station which had requested notice in writing. Notice may be given by personal delivery or *by any other means* (i.e., facsimile or e-mail). In addition, the call and notice of the special meeting must be physically posted at least 24 hours prior to the meeting in a location that is freely accessible to members of the public. Bodies subject to the internet posting requirement must also simultaneously post the special meeting agenda on their website, or if they don't have a website, on the County's website. The notice must identify the time and place of the meeting and the business to be transacted. Only the business set forth in the notice may be transacted at the meeting. (Gov. Code, § 54956.)

1. Public Input. The notice for the special meeting must provide an opportunity for public comment on the item which is the subject of the special meeting before the public body acts on that item. (Gov. Code, § 54956.)

G. *Emergency Meeting Notice Requirements*. The Brown Act allows the calling of emergency meetings in specified circumstances (work stoppages, crippling disasters, or other activities which will severely impair public health, safety or both, as determined by a majority of the public body) without complying with the special meeting 24 hour notice or 24 hour posting requirements. If telephone services are functioning, each newspaper and radio or television station that has filed a request for special notice must be noticed by telephone at least one hour prior to the emergency meeting. (Gov. Code, § 54956.5 (a) (1), (b).)

In the case of dire emergencies (crippling disaster, mass destruction, terrorist act, threatened terrorist act that poses immediate and significant peril as determined by a majority of the public body), even the one hour notice to media outlets is eliminated. If telephone services are functioning, telephone notice of the meeting must be given to the media outlets at or near the time that the chair notifies members of the body of the meeting. (Gov. Code, § 54956.5 (a) (2), (b).)

As to any emergency meeting, if telephone services are not functioning, as soon after the meeting as possible, newspapers and radio or television stations must be notified of the meeting, of its purpose, and of any action taken at it. In addition, as soon after the meeting as possible, the minutes of the emergency meeting must be posted for a minimum of 10 days in a public place. (Gov. Code, § 54956.5 (e).)

H. *Public Input*.

1. Provide Opportunity to Comment. Every agenda must provide an opportunity for members of the public to directly address the body on 1) items that are within the subject matter jurisdiction of the body, even if they are not on the agenda and 2) items on the agenda. The opportunity to comment on agenda items must be afforded *before or during* the body's consideration of the item. (Gov. Code, § 54954.3(a); Ord. § 25-2.205 (c).) To ensure that the public is not denied the opportunity to comment on specific agenda items, and to enhance the flow of the meeting, we suggest that the public comment period as to all items usually be scheduled for the beginning of the meeting.

If a member of the public addresses an item not appearing on the posted agenda, no response, discussion, or action on that item may occur except as set forth in section E, subparts 3 and 4 above.

2. No Prohibition of Criticism. During a meeting, the County body may not abridge or prohibit public criticism of the County's policies, procedures, programs, or services, and may not abridge or prohibit public criticism of acts or omissions of the body. However, the body may apply its adopted rules of procedure concerning time per speaker. (Gov. Code, § 54954.3 (a); Ord. § 25-2.604.)

3. Overflow Capacity. If the number of spectators at a meeting of the Board of Supervisors, or of a permanent board or commission, or of a permanent subcommittee of the Board, exceeds the legal capacity of the meeting room, the public address system must broadcast into an adjacent area to permit the overflow audience to hear the meeting. If this is not possible, the meeting must be adjourned to a facility with sufficient capacity to accommodate the entire audience. (Ord. § 25-2.602.)

I. *Teleconferencing*. A body may hold meetings by "teleconference," that is, a meeting of a body whose members are in different locations, connected electronically through audio and/or video. During the teleconference, at least a quorum of the members of the body must participate from locations within the boundaries of the body. Teleconferencing may be used for all purposes in connection with a public meeting, including voting. All votes taken during a teleconferenced meeting must be by roll call. Each teleconference location must be identified in the agenda for the meeting, and each teleconference location must be accessible to the public. The agenda must permit members of the public to address the body directly at each teleconference location. Agendas must be posted at all teleconference locations. (Gov. Code, § 54953 (b).)

J. *Record of Meetings*. Each County body must keep a record of its meetings. Though the record need not be verbatim, i.e., a tape-recording, it must accurately reflect the agenda and the decisions made in the meeting. (Ord. § 25-2.205 (d).)

K. *Assistance for Persons with Disabilities on Request*. Upon request, agendas, agenda packets, and other writings distributed to the public body must be made available in appropriate alternative formats to persons with disabilities as required by the federal Americans with Disabilities Act. In addition, every public body agenda, including all subcommittee agendas, must include information regarding how, to whom, and when a request for disability-related modification or accommodation, including auxiliary aides or services, may be made by a person with a disability who requires a modification or accommodation to participate in a meeting. (Gov. Code, §§ 54954.1; 54954.2 (a); 54957.5 (b).)

L. *Distributed Materials as Public Records*. Except for certain writings exempt from disclosure under the California Public Records Act, documents distributed to the County body by staff or any other person for consideration at a public meeting are public records. If presented during a meeting during discussion on an agenda item, such records must be immediately available for public inspection. If presented during a meeting prior to commencement of discussion on the agenda item to which the records relate, such non-exempt documents must be made available to the public for inspection before and during discussion on the agenda item. (Gov. Code, § 54957.5(a),(c); Ord. § 25-2.206 (c).)

Before a meeting, except for records that are exempt by law from disclosure, any county record that is intended for distribution to the body, even if not yet distributed to the body, must be available for public inspection and copying upon request. (Ord. § 25-2.206 (b).)

M. *Provision of Agenda Materials Required.*

1. Written Request for Packet. The Brown Act permits a member of the public to place a standing request that copies of the agenda or of the agenda packet be mailed to him. Such request must be made in writing and will apply for the entire calendar year in which it is filed. The body must mail the requested materials at the time the agenda is posted, or upon distribution to a majority of the members of the County body, whichever is first. Thus, if the agenda packet is mailed to members of the county body a week before the meeting, the packet must be mailed simultaneously to a requestor. (Gov. Code, § 54954.1.)

2. Materials Distributed Less Than 72 Hours Before Meeting. If a document related to an open session agenda item on a regular meeting agenda is distributed to a majority of the body less than 72 hours before the meeting, the document must be made available to the public at a specified location at the same time it is provided to the body. Each meeting agenda must specify the location where such documents will be available for public inspection. (Gov. Code, § 54957.5 (b) (2).) Inasmuch as the County's Better Government Ordinance requires that the agenda and supporting staff reports be made available to the public and members of the body at least 96 hours before a regular meeting, there should be few occasions on which a document is distributed less than 72 hours before a meeting.

Please note that these two State law requirements apply, even if a legislative body subject to the Better Government Ordinance acts by a three-fourths vote to waive ordinance requirements that the agenda and supporting staff reports must be made available to the public 96 hours in advance of the meeting. (Ord. § 25-2.206 (a).)

2. Fees for Provision of Packet. The County body may establish a fee for provision of agenda packets. (Gov. Code, § 54954.1.) However, the Better Government Ordinance imposes a limitation on fees for duplication of agendas and related materials. Bodies considering establishment of a fee for mailing of the agenda or agenda packet should be sure

such fee conforms to these limitations. While a body may charge actual mailing costs, a body may not charge for copying meeting agendas and related materials that are twenty or fewer pages per document. A fee of one cent per page may be charged for a copy of agendas and related materials that contain more than twenty pages per document. (Ord., §§ 25-2.206 (d); 25-4.610.)

N. *Closed Sessions*. There are a number of express grounds (to receive legal advice concerning threatened or pending litigation, etc.) authorizing adjournment of a County body from a public meeting to a closed session. However, this office envisions only the rarest of situations arising in which the public bodies that it advises other than the Board of Supervisors or legislative special district bodies would be permitted to go into closed session. For this reason, we suggest that if the County body feels a closed session may be justified the body should authorize its chairperson or staff to contact this office to discuss whether a closed session is appropriate, how it should be noticed, and how action taken should be reported out.

1. Agenda Notice Requirements. Regular meeting agendas and special meeting notices must include a brief, general description of the matters to be discussed in closed session. (Gov. Code, §§ 54954.2, 54956.) The Brown Act provides agenda descriptions for each of the various closed session topics. While the Act does not require use of these descriptions, their use provides a "safe harbor" against challenges to the adequacy of the notice. (Gov. Code, § 54954.5.)

2. Announcing and Reporting Out. Before conducting a closed session, the body must announce in open session the items to be discussed. Disclosure may be made by reference to the agenda item number or letter. (Gov. Code, § 54957.7(a).) After completing closed session, the public body must reconvene in open session and make a public report of certain specified actions. The content of the report depends upon the nature of the closed session. Generally, in addition to other matters, where action is taken the County body must report out the vote or abstention of every member present. (Gov. Code, §§ 54957.1.)

3. Closed Session Prohibited for Temporary Bodies. A County body subject to the Better Government Ordinance, but not otherwise subject to the Brown Act, (i.e., a temporary ad hoc committee composed solely of members of the county body) may not hold a closed session. It must conduct all meetings in open session. (Ord., § 25-2.205 (a).)

O. *Procedure to Void Actions Taken in Violation of the Brown Act's Requirements*. The Brown Act sets forth a procedure for invalidating actions of a covered public body taken in violation of that Act. (Gov. Code, § 54960.1.) The procedure provides that before any interested person may initiate legal action to obtain a judicial determination of whether the public body has violated the Act and that any action taken is null and void, the person must make a written demand on the public body to cure the alleged defect. If your body received such a demand, it immediately should be brought to the attention of the County Counsel's Office.

Should the interested party file and succeed in litigation, the court can award costs and reasonable attorneys fees against the County body. (Gov. Code, § 54960.5.)

P. *Criminal Penalty for Unlawful Meeting*. Each member of a body who attends a meeting of that body where action is taken in violation of any provision of the Brown Act, and where the member intends to deprive the public of information to which the member knows or has reason to know the public is entitled under the Brown Act, is guilty of a misdemeanor. (Gov. Code, § 54959.)

Conclusion. As can be seen from the foregoing, it is very important that your County body properly prepare agendas and provide required notice of its meetings. If these procedural matters are not done correctly, interested parties may use legal process to void actions taken at an improperly noticed meeting. If your body has any particular questions concerning these requirements, please have your chairperson or administrative staff contact this office for clarification.

MAM/am

attachment

cc: Members, Board of Supervisors, District Offices
County Administrator
Clerk of the Board
Thomas Kensok, Senior Deputy District Attorney
County Department Heads

H:\BRNACT\selected brown act provisions 2012.wpd

TO: BOARD OF SUPERVISORS

FROM: FINANCE COMMITTEE
Mary N. Piepho, Chair
John Gioia

DATE: December 19, 2006

SUBJECT: **County Debt Management Policy**

Contra Costa County

SD.4

SPECIFIC REQUEST(S) OR RECOMMENDATION(S) & BACKGROUND AND JUSTIFICATION

RECOMMENDATION:

CONSIDER accepting report from the Finance Committee on the need for a formal County Debt Management Policy and adopting Resolution 2006/773 to enact such a policy.

FISCAL IMPACT:

No specific fiscal impact.

BACKGROUND:

On December 7, 2006 the Finance Committee reviewed and discussed a report regarding establishing a County Debt Management Policy. The Committee directed staff to report to the full Board on December 19, 2006 the recommendation to adopt the attached County Debt Management Policy (Resolution 2006/773).

During the 2006 calendar year, the Board of Supervisors worked exceptionally hard to address the County's financial issues. The Board of Supervisors set very ambitious and necessary goals for lowering cost growth, balancing the budget, and increasing reserves. These solutions were aimed at addressing both short and long term needs and improving the County's future ability to maintain public services. There are four major financial areas the County Administrator's office identified which would benefit from formal policies, three of which have been established:

- Budget Policy (established November 2006)
- General Fund Reserve policy (established December 2005)
- Facilities Maintenance (included in Budget Policy)
- Debt Policy (no formal policy)

CONTINUED ON ATTACHMENT: ____ YES SIGNATURE: Lisa Driscoll

✓ RECOMMENDATION OF COUNTY ADMINISTRATOR ✓ RECOMMENDATION OF BOARD COMMITTEE
✓ APPROVE ____ OTHER

SIGNATURE(S):

ACTION OF BOARD ON 12/19/06 APPROVED AS RECOMMENDED X OTHER ____

VOTE OF SUPERVISORS

VACANT SEAT: DISTRICT IV
X UNANIMOUS (ABSENT ∅)
AYES: ____ NOES: ____
ABSENT: ____ ABSTAIN: ____

I HEREBY CERTIFY THAT THIS IS A TRUE AND CORRECT COPY OF AN ACTION TAKEN AND ENTERED ON MINUTES OF THE BOARD OF SUPERVISORS ON THE DATE SHOWN.

Contact: Lisa Driscoll 335-1023

Cc: Steve Ybarra, Auditor Controller
County Budget Cabinet (via CAO)

ATTESTED 12/19/06
JOHN CULLEN, CLERK OF THE BOARD OFSUPERVISORS

BY: ____, DEPUTY

The California Debt and Investment Advisory Commission (CDIAC) provides information, education and technical assistance on public debt, investments, and economic development financing tools to local public agencies and other public finance professionals. In March 2006, CDIAC updated its 'Debt Issuance Primer'. This Primer, sample financial policies from other public agencies, the Government Finance Officers Association's article on 'Best Practices in Public Financing', and the County's financial advisor were resources deployed in the development of this report and its recommendation regarding establishment of a formal debt policy to complete the County's key policy initiatives.

Debt Affordability Standards and Debt Policies
Generally, debt is a method of spreading out the cost of a capital improvement or public program over time and should not be considered an additional source of revenue[1]. Because there are restrictions on local agency revenue sources, the County needs a way to gauge the effect of ongoing debt service on its budgets and fiscal priorities over time.

Debt affordability standards will help the County to evaluate when, why, and how much debt should be issued. These standards should include target ratios for debt. These ratios can be based on assessed valuation of property, revenues, population, system users, or other factors relevant to specific types of issues. The ratios may be varied depending on factors such as volatility of revenue streams, concentration of tax or revenue base, overall community policies, and preferences regarding debt and the overall need for capital investment.

In addition to debt affordability standards, the County should consider adopting a formal debt policy.

A debt policy:

- Establishes parameters for issuing and managing debt
- Provides guidance to decision makers so as not to exceed the debt affordability standards
- Directs staff on objectives to be achieved both pre- and post-issuance
- Promotes objectivity in decision-making and limits the role of political influence
- Facilitates the process by considering and making important policy decisions in advance of an actual financing

Debt policies can be helpful in maintaining and improving the County's general credit rating and worthiness, as explicitly recognized by Standard and Poor's in its new Financial Management Assessment service. The elements of a debt policy will vary for a county versus a city or a state, and should reflect the scope of activities the issuer is likely to undertake in the debt financing arena. In addition, it is important that the debt policy reflect community standards and attitudes about debt. Debt policies should address such issues as:

- The types of debt that will be issued
- Structural features with respect to the debt
- Method(s) of sale of debt (i.e. circumstances under which negotiated or competitive sales will be used)
- Refundings/Refinancing
- Selection of consultants
- Disclosure practices
- Arbitrage rebate and continuing disclosure compliance
- Investment of bond proceeds

Strategic planning for debt issuance, in light of the County's capital outlay program, also should be addressed with a view to giving the County the ability to access the market when it expects to need funds while avoiding an unnecessarily high number of issuances in a short period of time.

Planning should take advantage of opportunities to pool financing, where appropriate, to save on costs of issuance as well as building in flexibility in scheduling to avoid being forced to issue in a high interest rate environment.

[1] In some cases (as with general obligation bonds or land-secured financings), the statutes permitting the issuance of debt also permit the levying of taxes or assessments to pay debt service.

Contra Costa County, California
Debt Management Policy

County Administration
651 Pine Street, 10th Floor
Martinez, California 94553
925-335-1023
FAX 925-646-1353
ldris@cao.cccounty.us

Resolution No. 2006/773

DEBT MANAGEMENT POLICY
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Government Finance Officers Association:
Checklist of Debt Policy Considerations — Appendix

Res. 2006/773 p2

Contra Costa County, California
Debt Management Policy

I. ***PURPOSE:*** The County recognizes the foundation of any well-managed debt program is a comprehensive debt policy. A debt policy sets forth the parameters for issuing debt and managing outstanding debt and provides guidance to decision makers regarding the timing and purposes for which debt may be issued, types and amounts of permissible debt, method of sale that may be used and structural features that may be incorporated. The debt policy should recognize a binding commitment to full and timely repayment of all debt as an intrinsic requirement for entry into the capital markets. Adherence to a debt policy helps to ensure that a government maintains a sound debt position and that credit quality is protected. Advantages of a debt policy are as follows:

- enhances the quality of decisions by imposing order and discipline, and promoting consistency and continuity in decision making,
- provides rationality in the decision-making process,
- identifies objectives for staff to implement,
- demonstrates a commitment to long-term financial planning objectives, and
- is regarded positively by the rating agencies in reviewing credit quality.

The scope of this initial policy (the "Debt Policy") is intended to include only General Fund financings (i.e. County Tax and Revenue Anticipation Notes, Certificates of Participation, and General Obligation bonds), with Redevelopment debt and Assessment District debt incorporated into future updates of the Debt Policy.

II. DEBT AFFORDABILITY ADVISORY COMMITTEE

A. Purpose. By adoption of this Debt Policy, the Debt Affordability Advisory Committee is established. Its purpose is to annually review and evaluate existing and proposed new County debt and other findings and/or issues the committee considers appropriate.

It is the task of this committee to assess the County's ability to generate and repay debt. The committee will issue an annual report to the County Administrator defining debt capacity of the County. This review will be an important element of the budget process and will include recommendations made by the committee regarding how much new debt can be authorized by the County without overburdening itself with debt service payments.

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B. Members. The committee shall be composed of the Auditor-Controller, Treasurer-Tax Collector, Director/Community Development Department, and Senior Deputy County Administrator/Finance Manager.

C. Debt Affordability Measures. The committee shall examine specific statistical measures to determine debt capacity and relative debt position and compare these ratios to other counties, rating agency standards and Contra Costa County's historical ratios to determine debt affordability. From Moody's Investors Service, the committee will evaluate the County against the following three debt ratios from the most recent available national medians for counties in the "Aa" rating tier contained in Moody's "Municipal Financial Ratio Analysis – U.S. Counties (Population > 1 million)" and for the County's cohort group in Moody's "California County Medians":

1. Direct net debt as a percentage of Assessed Valuation;
2. Overall net debt as a percentage of Assessed Valuation; and
3. Assessed Valuation per-capita.

From Standard and Poor's, the committee will evaluate the County against the following three debt ratios from the most recent available national medians for counties in the "AA" rating tier :

1. Percentage of total fund equity;
2. Percentage of unreserved fund equity; and
3. Direct debt per-capita.

III. COMPREHENSIVE CAPITAL PLANNING

A. Planning. The County Administrator's Office shall prepare a multi-year capital program for consideration and adoption by the Board of Supervisors as part of the County's budget process. Annually, the capital budget shall identify revenue sources and expenditures for the coming current year and the next succeeding three fiscal years. The plan shall be updated annually.

B. Funding of the Capital Improvement Program. Whenever possible, the County will first attempt to fund capital projects with grants or state/federal funding, as part of its broader capital improvement plan. When such funds are insufficient, the County will use dedicated revenues to fund projects. If these are not available, the County will use excess surplus from the reserve and debt financing, general revenues. The County shall be guided by three principles in selecting a funding source for capital improvements: equity, effectiveness and efficiency.

1. Equity: Whenever appropriate, the beneficiaries of a project or service will pay for it. For example, if a project is a general function of government that benefits the entire community, such as an Office of Emergency Services, the

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project will be paid for with general purpose revenues or financed with debt. If, however, the project benefits specific users, such as a building permit facility, the revenues will be derived through user fees or charges, and assessments.

2. Effectiveness: In selecting a source or sources for financing projects, the County will select one or more that effectively funds the total cost of the project. For example, funding a capital project, or the debt service on a project, with a user fee that does not provide sufficient funds to pay for the project is not an effective means of funding the project.

3. Efficiency: If grants or current revenues are not available to fund a project, the County will generally select a financing technique that provides for the lowest total cost consistent with acceptable risk factors and principals of equity and effectiveness. These methods currently consist of County issued debt, special funding programs funded by state or federal agencies, or special pool financing. Examples include funding pools like the Association of Bay Area Governments Participation Certificates.

C. Maintenance, Replacement and Renewal/FLIP. The County intends to set aside sufficient current revenues to finance ongoing maintenance needs and to provide periodic replacement and renewal consistent with its philosophy of keeping its capital facilities and infrastructure systems in good repair and to maximize a capital asset's useful life.

D. Debt Authorization. No County debt issued for the purpose of funding capital projects may be authorized by the Board of Supervisors unless an appropriation has been included in the capital budget (Some forms of debt such as Private Activity Bonds for housing, Mello-Roos for infrastructure, and redevelopment bonds for infrastructure/facilities may not be appropriate for inclusion in the County capital improvement program. These forms of debt are currently covered under separate policy).

IV. PLANNING AND STRUCTURE OF COUNTY INDEBTEDNESS

A. Overview. The County shall plan long- and short-term debt issuance to finance its capital program based on its cash flow needs, sources of revenue, capital construction periods, available financing instruments and market conditions. The Senior Deputy County Administrator/Finance Manager shall oversee and coordinate the timing, issuance process and marketing of the County's borrowing and capital funding activities required in support of the capital improvement plan. The County shall finance its capital needs on a regular basis dictated by its capital spending pattern. Over the long-term this policy should result in a consistently low average interest rate. When market conditions in any one year result in higher than average interest rates, the County shall seek refinancing opportunities in subsequent years to bring such interest rates closer to the average. The Debt

Affordability Advisory Committee shall use the Government Financial Officers Association checklist set forth in the Appendix hereto in planning and structuring any debt issuances.

B. Financing Team. The County employs outside financial specialists to assist it in developing a debt issuance strategy, preparing bond documents and marketing bonds to investors. The key team members in the County's financing transactions include its financial advisor and outside bond and disclosure counsel, the underwriter and County representatives (the County Auditor-Controller, Treasurer-Tax Collector, and the Senior Deputy County Administrator/Finance Manager, among others). Other outside firms, such as those providing paying agent/registrar, trustee, credit enhancement, verification, escrow, auditing, or printing services, are retained as required. The financing team shall meet at least semi-annually to review the overall financing strategy of the County and make recommendations to the County Administrator.

C. Term of Debt Repayment. Borrowings by the County shall mature over a term that does not exceed the economic life of the improvements that they finance and usually no longer than 20 years, unless special structuring elements require a specific maximum term to maturity, as is the case with pension obligation bonds. The County shall finance improvements with a probable useful life less than five years using pay-go funding for such needs. Bonds sold for the purchase of equipment with a probable useful life exceeding five years are repaid over a term that does not exceed such useful life.

D. Legal Borrowing Limitations/Bonds and other indebtedness. California Government Code Section 29909 limits General Obligation Bond indebtedness to five percent of the total assessed valuation of all taxable real and personal property within the County, excluding Public Financing Authority lease revenue bonds, Public Facility Corporation certificates of participation, Private Activity Bond, Mello-Roos special tax, and Assessment District Debt for which no legal limitations are currently in effect.

E. Debt Features.

1. Original issue discount or premium. The County's bonds may be sold at a discount or premium, in order to achieve effective marketing, achieve interest cost savings or meet other financing objectives. The maximum permitted discount is stated in the Notice of Sale accompanying the County's preliminary official statement on the Bond Purchase Agreement, as applicable.

2. Debt service structure/Level Debt Service. The County shall primarily finance its long-lived municipal improvements over a 20-year term or less, on a level debt service basis. This policy minimizes long-run impact on a funding department's budget. The County will seek to continue this practice, unless general fund revenues are projected to be insufficient to provide adequately for this debt service structure.

3. Call provisions. The County shall seek to minimize the protection from optional redemption given to bondholders, consistent with its desire to obtain the lowest possible interest rates on its bonds. The County's tax-exempt bonds are generally subject to optional redemption. The County seeks early calls at low or no premiums because such features will allow it to refinance debt more easily for debt service savings when interest rates drop. The County and its financial advisor shall evaluate optional redemption provisions for each issue to assure that the County does not pay unacceptably higher interest rates to obtain such advantageous calls. The County shall not sell derivative call options.

4. Interest rates. The County shall first consider the use of fixed-rate debt to finance it capital needs, except for short-term needs (such as short-lived assets) that will be repaid or refinanced in the near term; and may consider variable rate debt under favorable conditions.

F. Other Obligations Classified as Debt/Other Post Employment Benefits (OPEB)/Vested Vacation Benefits. OPEBs and vacation benefits are earned by County employees based on time in service. The County records these vacation benefits as earned in accordance with generally accepted accounting principles as established by the Governmental Accounting Board (GASB). The liability for the benefit is recorded on the Fund level financial statements. The expense is recorded during the conversion to the Government Wide financial statements in accordance with GASB standards. For Enterprise funds the expense and liability are accrued in the respective funds. In this initial policy, the amount of OPEB and vacation benefits will not be in measures used to evaluate the County's debt affordability. However, the County's net OPEB obligation, if any, will be posted to the County's balance sheet beginning FY 2007/08, at which point such an obligation may be viewed as debt by the rating agencies.

V. METHOD OF SALE. The County will select a method of sale that is the most appropriate in light of financial, market, transaction-specific and County-related conditions, and explain the rationale for its decision.

A. Competitive Sales. Debt obligations are generally issued through a competitive sale. The County and its financial advisor will set the terms of the sale to encourage as many bidders as possible. By maximizing bidding, the County seeks to obtain the lowest possible interest rates on its bonds. Some of the conditions that generally favor a competitive sale include:

1. the market is familiar with the County;
2. the County is a stable and regular borrower in the public market;

3. there is an active secondary market with a broad investor base for the County's bonds;
4. the issue has a non-enhanced credit rating of A or above or can obtain credit enhancement prior to the competitive sale;
5. the debt structure is backed by the County's full faith and credit or a strong, known or historically performing revenue stream;
6. the issue is neither too large to be easily absorbed by the market nor too small to attract investors without a concerted sale effort;
7. the issue does not include complex or innovative features or require explanation as to the bonds' security;
8. the issue can be sold and closed on a schedule that does not need to be accelerated or shortened for market or policy reasons; and
9. interest rates are stable, market demand is strong, and the market is able to absorb a reasonable amount of buying or selling at reasonable price changes.

B. Negotiated Sales. When certain conditions favorable for a competitive sale do not exist and when a negotiated sale will provide significant benefits to the County that would not be achieved through a competitive sale, the County may elect to sell its debt obligations through a private placement or negotiated sale, upon approval by the County Board of Supervisors. Such determination shall be made on an issue-by-issue basis, for a series of issues, or for part or all of a specific financing program. The following practices are recommended to be observed in the event of a negotiated sale:

1. ensure fairness by using a competitive underwriter selection process through a request for proposals where multiple proposals are considered;
2. remain actively involved in each step of the negotiation and sale processes to uphold the public trust;
3. ensure that either an employee of the County, or an outside professional other than the issue underwriter, who is familiar with and abreast of the condition of the municipal market, is available to assist in structuring the issue, pricing, and monitoring sales activities;
4. require that the financial advisor used for a particular bond issue not act as underwriter of the same bond issue;
5. require that financial professionals disclose the name or names of any person or firm, including attorneys, lobbyists and public relations professionals compensated in connection with a specific bond issue;
6. request all financial professionals submitting joint proposals or intending to enter into joint accounts or any fee-splitting arrangements in connection with a bond issue to fully disclose to the County any plan or arrangements to share tasks, responsibilities and fees earned, and disclose the financial professionals with whom the sharing is proposed, the method used to calculate the fees to be earned, and any changes thereto; and

7. review the "Agreement among Underwriters" and insure that it is filed with the County and that it governs all transactions during the underwriting period.

VI. REFINANCING OF OUTSTANDING DEBT. The County may undertake refinancings of outstanding debt under the following circumstances:

A. Debt Service Savings. The County may refinance outstanding long-term debt when such refinancing allows the County to realize significant debt service savings (2% minimum by maturity on its own and a minimum 4% savings overall on its own or if combined with more than one refinancing) without lengthening the term of refinanced debt and without increasing debt service in any subsequent fiscal year. The County may also consider debt refinancing when a primary objective would be the elimination of restrictive covenants that limit County operations.

B. Defeasance. The County may refinance outstanding debt, either by advance refunding to the first call or by defeasance to maturity, when the public policy benefits of replacing such debt outweigh the costs associated with new issuance as well as any increase in annual debt service.

VII. CREDIT RATINGS

A. Rating Agency Relationships. The Senior Deputy County Administrator/Finance Manager is responsible for maintaining relationships with the rating agencies that assign ratings to the County's various debt obligations. This effort includes providing periodic updates on the County's general financial condition along with coordinating meetings and presentations in conjunction with a new debt issuance.

B. Quality of Ratings. The County shall request ratings prior to the sale of securities from each of two major rating agencies for municipal bond public issues. Currently these agencies are Moody's Investors Service and Standard & Poor's Corporation. The County shall provide a written and/or oral presentation to the rating agencies to help each credit analyst make an informed evaluation. The County shall make every reasonable effort to maintain its Aa implied general obligation bond credit ratings.

VIII. MANAGEMENT PRACTICES. The County has instituted sound management practices and will continue to follow practices that will reflect positively on it in the rating process. Among these are the County development of and adherence to long-term financial and capital improvement plans, management of expense growth in line with revenues and maintenance of an adequate level of operating reserves.

A. Formal Fiscal Policies. The County shall continue to establish, refine, and follow formal fiscal policies such as: Investment Policy, General Fund Reserve Policy, Budget Policy, and this Debt Management Policy.

B. Rebate Reporting and Covenant Compliance The Senior Deputy County Administrator/Finance Manager is responsible for maintaining a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of the federal tax code and/or contracting for such service. This effort includes tracking investment earnings on debt proceeds, calculating rebate payments in compliance with tax law, and remitting any rebatable earnings to the federal government in a timely manner in order to preserve the tax-exempt status of the County's outstanding debt issues. Additionally, general financial reporting and certification requirements embodied in bond covenants are monitored to ensure that all covenants are complied with.

C. Reporting Practices. The County will comply with the standards of the Government Finance Officers Association for financial reporting and budget presentation and the disclosure requirements of the Securities and Exchange Commission.

Res. 2006/773 P.10

APPENDIX
GOVERNMENT FINANCE OFFICERS ASSOCIATION

Checklist of Debt Policy Considerations

1. How long is the capital planning period?
2. Have all non-debt sources of funds been considered?
3. How are borrowing plans reviewed internally?
4. What level of debt is manageable in order to maintain or improve the government's credit quality?
5. How much "pay-as-you-go" financing should be included in the capital plan?
6. How much short-term borrowing will be undertaken, including both operating and capital borrowings?
7. How much debt will be issued in the form of variable-rate securities?
8. How does the redemption schedule for each proposed issue affect the overall debt service requirements of the government?
9. What types of affordability guidelines will be established to help monitor and preserve credit quality?
10. What provisions have been made to periodically review the capital plan and borrowing practices?
11. What is the overlapping debt burden on the taxpayer?
12. How will the formal debt policies be integrated into the capital planning and funding process?

Res. 2006/773 P.11

Debt Management Policy

December 19, 2006

S&P's Financial Management Assessment

Revenue & Expenditure Assumptions	Standard
Budget Amendments & Updates	Strong
Long-term Financial Planning	Strong
Long-term Management Policies	Strong
Debt Management Policies	Standard
Reserve & Liquidity Policies	Strong

A Debt Policy

- Establishes parameters for issuing & managing debt
- Provides guidance – when, why & how much debt to issue
- Directs pre- and post-issuance objectives
- Promotes objectivity in decision-making
- Facilitates the process by establishing policy decisions in advance of financing

Scope of this Policy

- Intended to include only General Fund financing (i.e. County Tax and Revenue Anticipation Notes, Certificates of Participation, and General Obligation bonds
- Redevelopment debt and Assessment District debt will be incorporated into future updates of this debt policy

Purpose

Ad debt policy guides:

- Timing for issuing and managing debt
- Purpose for which debt may be issued
- Types of permissible debt
- Method of sale
- Structural features

Debt Affordability Advisory

- Establishes Committee to annually review and evaluate existing and proposed new County debt
- Annually examines specific statistical measures to determine debt capacity and relative debt position

Comprehensive Capital Planning

- Multi-year capital program (considered as part of budget)
- Directs funding (equity, effectiveness, efficiency)
- FLIP (Facilities Life-Cycle Investment Prg)
- Debt authorization (appropriation)

Planning & Structure of Indebtedness

- Plan long- and short-term debt to finance capital program based on cash flow needs, sources of revenue, construction periods, available financing instruments and market conditions
- Financing Team
- Term of Debt Repayment (20 years)
- Legal Borrowing Limitations
- Debt Features (issue, structure/level debt service, call provisions, fixed interest rates)
- Other Obligations (OPEB, vacation benefits)

Method of Sale

- Seek most appropriate method, includes
  - Competitive Sales – policy includes some of the conditions which favor this type of sale
  - Negotiated Sales (private placement or negotiated sale) – determination shall be made on an issue-by-issue basis following the practices recommended in the policy for a negotiated sale

Refinancing Outstanding Debt

- Debt service savings (2% minimum by maturity on its own or 4% combined, minimize lengthening of term, no increase to debt service
- Defeasance (refinancing – advance funding) – allowable when the public policy benefits outweigh the costs

Credit Ratings

- Rating Agency relationships
- Quality of ratings

Management Practices

- Formal fiscal policies
- Rebate reporting & covenant compliance
- Reporting practices

Request Adoption of Debt Management Policy