

BEXAR COUNTY

DEBT MANAGEMENT POLICY

Adopted by Commissioners Court on August 14, 2007

Revised October 7, 2008

Revised February 3, 2015

Revised March 21, 2017

Revised September 12, 2017

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TITLE: DEBT MANAGEMENT POLICY

EFFECTIVE DATE: March 21, 2017

Section 1: PURPOSE AND OBJECTIVES

1.1 Purpose

The purpose of this policy is to provide guidance regarding the issuance, management, continuing evaluation and reporting on all debt obligations issued by Bexar County, Texas (the "County"). The Bexar County Commissioners Court recognizes there are no absolute rules or easy formulas that can substitute for a thorough review of all information affecting the County's debt position. Debt decisions should be the result of deliberative consideration of all factors involved. This policy is intended to augment the deliberation process by addressing the methods, procedures and practices to be utilized to ensure effective and judicious fiscal management of County funds.

The terms of this Debt Management Policy (the "Policy") are intended to comply with all Texas and Federal Law governing debt, including, but not limited to, Texas law, Internal Revenue Service rules and regulations, United States Securities and Exchange Commission ("SEC") regulations, Municipal Securities Rulemaking Board ("MSRB") regulations, court rulings, and existing County debt covenants.

1.2 Objectives

Debt Management shall be conducted with the primary objectives of:

- a. Maintain and/or improve the County's existing credit rating;
- b. Maintain access to capital; and
- c. Minimize borrowing costs.

Section 2: SCOPE

- 2.1 This Policy shall govern debt obligations issued by the County that finance the construction or acquisition of infrastructure and other assets or to refinance existing debt. The County may also desire to issue debt obligations on behalf of external agencies, non-profit corporations, or other authorities for the purpose of construction or acquisition of infrastructure or other assets that further the goals and objectives of County government. In that case, the County shall take reasonable steps to confirm the financial feasibility of the project and the financing solvency of any necessary borrower; and shall take all reasonable precautions to ensure the public purpose and financial viability of such transactions. This policy does not apply to the County's Capital Lease Program.

Section 3: ROLES AND RESPONSIBILITIES

- 3.1 As provided by the Texas Local Government Code, each member of Commissioners Court has a fiduciary responsibility in the management of the County's indebtedness. All debt programs are to be made in accordance with applicable Texas and federal regulations. The Commissioners Court will approve all County indebtedness.
- 3.2 The County Manager has the primary responsibility for making debt-financing recommendations to the Commissioners Court.
- 3.3 The County Manager, or his designee, will coordinate all activities necessary to issue debt, including, but not limited to:
 - a. Review of resolutions provided by bond counsel;
 - b. Review of offering memoranda provided by financial advisors; and
 - c. Review of all related financial analyses.
- 3.4 The County Manager, in conjunction with the Auditor's Office and Management and Finance Department, will report to the Commissioners Court:
 - a. A projected list of expected capital needs for the year;
 - b. An annual debt issuance schedule for capital projects;
 - c. An updated five-year capital improvement plan as part of the budget;
 - d. Ensure that the County is current on all debt service payments; and
 - e. Disclosure of any bond covenant violations or defaults over the past year.
- 3.5 The County Manager, or his designee, will implement and oversee the Capital Project Process for County offices and departments pursuant to Section 20 of this policy.
- 3.6 The County Manager, or his designee, will recommend to the Commissioners Court a financing team consisting of bond counsel, financial advisors, and underwriters.
- 3.7 The Office of the County Auditor is responsible for reporting monthly in its financial report a schedule that includes outstanding debt requirements as well as commercial paper activity. These reports will include principal and interest requirements, dates for each and related interest rates.
- 3.8 The Office of the County Auditor is responsible for assuring that all debt service payments are made in a timely manner to the appropriate trustee/paying agents.
- 3.9 The Office of the County Auditor is responsible for preparing the annual continuing disclosure and the County's bond counsel is responsible for reviewing, approving, and submitting the continuing disclosure pursuant to SEC Rule 15c2-12.
- 3.10 The Office of the County Auditor is responsible for the annual estimation of the cumulative rebate amount (arbitrage) for each debt issuance as defined in Section 148(f)(2) of the Internal Revenue Code of 1986, as amended (the "Code"). These annual estimates are for both external and internal reporting purposes.
- 3.11 The Office of the County Auditor is responsible for ensuring compliance with the filing requirements with the Internal Revenue Service related to arbitrage and rebate set forth in Section 19 of this policy.

- 3.12 Offices and Departments administering projects financed with debt funding are responsible to comply with Section 17 of this Policy relating to private business use and with Section 6 relating to project expenditures.
- 3.13 The Office of the County Auditor is responsible for general recordkeeping and will maintain a copy of the following documents on file at all times, to include but not limited to:
- a. Annual Financial Statements
 - b. Reports of any examinations by the Internal Revenue Service of Bexar County's financings
 - c. Documentation of allocation of bond proceeds to expenditures
 - d. Copies of contracts
 - e. Records of expenditures of bond proceeds
 - f. List or schedule of all bond-financed county owned facilities or equipment with depreciation schedules.

Such records will be maintained for the life of the related bonds (including any refunding bonds) for the life of the bonds plus three years.

- 3.14 The Office of the County Auditor and the County Manager, or his designee, has general oversight of the post-issuance compliance of bond financings and will review compliance matters on a regular basis. To that end, the County will endeavor to identify training opportunities and educational materials regarding post-issuance compliance.
- 3.15 The County Manager, or his designee, will prepare material events disclosure in accordance with SEC Rule 15c2-12, as needed.

Section 4: REPORTING

- 4.1 The County Manager, or his designee, will report to the Commissioners Court:
- a. A projected list of expected capital needs for the year;
 - b. An annual debt issuance schedule for capital projects;
 - c. An updated five-year capital improvement plan as part of the budget;
 - d. Certification that the County is current on all debt service payments; and
 - e. Disclosure of any bond covenant violations or defaults over the past year.
- 4.2 The Office of the County Auditor is responsible for reporting monthly in its financial report a schedule that includes outstanding debt requirements as well as commercial paper activity. These reports will include principal and interest requirements, dates for each and related interest rates.
- 4.3 The Office of the County Auditor is responsible for preparing the annual continuing disclosure and the County's bond counsel is responsible for reviewing, approving, and submitting the continuing disclosure pursuant to SEC Rule 15c2-12.
- 4.4 The Office of the County Auditor is responsible for the annual estimation of the cumulative rebate amount (arbitrage) for each debt issuance as defined in Section 148(f) (2) of the Code. These annual estimates are for external and internal reporting purposes only.

- 4.5 The Office of the County Auditor is responsible for ensuring compliance with the filing requirements with the Internal Revenue Service related to arbitrage and rebate set forth in Section 19 of this policy.
- 4.6 Offices and Departments administering projects financed with debt funding are responsible to comply with Section 17 of this Policy relating to private business use and with Section 6 relating to project expenditures.

Section 5: ORGANIZATIONS AFFECTED

- 5.1 All County offices and departments must comply with the guidelines and procedures set forth in this Policy.

Section 6: USE OF DEBT INSTRUMENTS

- 6.1 Debt financing will not generally be considered appropriate for any recurring purpose such as current operating and maintenance expenditures. The County will use debt financing for the acquisition of capital assets and capital improvement projects which may include certain operating expenditures required to implement the projects under the following circumstances:
- a. The acquisition of all debt funded assets and debt funded projects must be approved by Commissioners Court;
 - b. The capital asset or a project's useful life will be equal to or exceed the term of the financing;
 - c. Revenues sufficient to service the debt, whether from future property taxes, user fees, or other specified and reserved resources will be available;
 - d. Review and approval of the total project budget, including personnel services, travel and remunerations, operational costs, supplies and materials and capital expenditures, by the County Manager's Office; and
 - e. Compliance with the appropriate provisions of Texas Law and the Code.
- 6.2 Operating expenditures required to implement capital improvement projects will be funded using debt financing in accordance with Chapter 1201, as amended, Texas Government Code and Chapter 1431, as amended, Texas Government Code. These expenses could include but not be limited to ancillary charges necessary to put the project in place in its intended location and ancillary charges necessary to place the asset in its intended condition for use.
- 6.3 Debt financing will not generally be used for maintenance expenses, training, feasibility studies or any current operating expenditure.
- 6.4 Debt financing will not generally be used for functional consulting. Functional consulting includes activities such as training, troubleshooting, and running reports during training.
- 6.5 Per Governmental Accounting Standards Board (GASB) guidelines, activities associated with developing and installing computer software projects will be divided into three stages of project development:
- a. Preliminary project stage, which includes the conceptual formulation and evaluation of alternatives, the determination of the existence of needed technology, and the final selection of alternatives;

- b. Application development stage, which includes the design of the chosen path, including software configuration and software interfaces, coding, installation of hardware and testing, including the parallel processing phases and data conversion phases; and
- c. Post-implementation/operation stage, which includes training and application maintenance.

Only activities associated with the application development stage will be debt financed.

- 6.6 Direct costs of materials and services consumed in developing or obtaining internal-use computer software, including payroll-related costs devoted directly to the project, may be financed with debt.
- 6.7 Generally, personnel required to implement a project should be contract employees or temporary employees. However, with prior approval of Commissioners Court and for projects with a total cost greater than \$5 million, County Subject Matter Experts (regular County employees) may be employed for implementation of a project and those costs may be debt financed during the application development stage. The cost of these personnel (regular County employees) expenditures will not exceed 5 percent of the project amount to be financed.

Section 7: STRUCTURE AND TYPE OF DEBT

- 7.1 Debt service will be structured to match projected cash flows and minimize the impact on future property tax levies.
- 7.2 The term of the debt issuance should equal the lesser of the useful life of the asset being financed or the maximum of 40 years in accordance with Chapter 1201, as amended, Texas Government Code.
- 7.3 The types of debt instruments to be issued by the County include:
 - a. General Obligation Bonds (including Limited Tax Bonds, Unlimited Tax Road Bonds, Flood Control Tax Bonds, and Pass-Through Revenue and Limited Tax Bonds);
 - b. Certificates of Obligation;
 - c. Revenue Bonds (including Venue Project Revenue Bonds);
 - d. Refunding Bonds;
 - e. Commercial Paper;
 - f. Tax Anticipation Notes; and
 - g. Any other debt instrument authorized for issuance by a County in accordance with the Texas Government Code or other applicable law.
- 7.4 Individual revenue streams considered for proposed debt service should meet a minimum debt service coverage ratio test of 1.15 along with any appropriate revenue or contingency funds. Debt coverage is defined as total revenue divided by total debt service.
- 7.5 Generally, tax-exempt debt will be issued. However, when appropriate and when the cost of a project is greater than \$5 million, no more than 10 percent of the amount to be financed may be issued in the form of taxable debt.

Section 8: DEBT LIMITS

- 8.1 The County will not exceed the debt issuance limits described in Article 3, Section 52 of the Texas Constitution and Chapter 1301 of the Texas Government Code.

- 8.2 The County shall use economic ratios as a tool to assist in providing an objective analytical approach to determine debt capacity for new projects. These ratios may include:
- a. Debt per capita;
 - b. Debt as a percent of statutory debt limit;
 - c. Debt as a percent of appraised valuation;
 - d. Debt service payments as a percent of governmental expenditures; or
 - e. Level of overlapping net debt of all local taxing jurisdictions.
- 8.3 The County will maintain a debt service fund balance of at least 15 percent of the annual debt service requirement for the fiscal year; provided; however, that this requirement shall comply with the provisions of the Code.

Section 9: METHOD OF SALE

- 9.1 The County may use competitive sales, negotiated sales, or private placements. When considering the method of sale, the County will take into consideration:
- a. Financial conditions;
 - b. Market conditions;
 - c. Transaction-specific conditions;
 - d. County-related conditions; and
 - e. Risks associated with each method.
- 9.2 Competitive sales are the preferred method under the following circumstances:
- a. A general obligation pledge or annual appropriation of general revenue;
 - b. Simple structure and financial analysis;
 - c. Stable financial market; and
 - d. Moderate par amount.
- 9.3 Negotiated sales are the preferred method under the following circumstances:
- a. A general obligation tax pledge, special revenue pledge, or combinations of general obligation tax and special revenue pledge;
 - b. Moderate to high par amount;
 - c. Simple structure transactions to complex transactions that require extensive financial modeling, credit analysis, premarketing effort, or that are interest rate sensitive; and
 - d. Stable or volatile financial markets.
- 9.4 Private Placement is the preferred method under the following circumstances:
- a. Small issue size;
 - b. Questionable security for the issue; and
 - c. Overall cost savings to the County.

Section 10: REIMBURSEMENT RESOLUTION

- 10.1 As provided in the Texas Government Code, Section 1201.042, as amended, Department of the Treasury Regulation, Section 1.150-2 of the Code, Commissioners Court may decide that it is in the County's best interest to pass a reimbursement resolution prior to the formal issuance of debt. The purpose of the resolution would be to announce the intent to reimburse itself for expenditures related to capital programs for which debt will be issued and the appropriate Fund (General Fund, Capital, etc.) could then be reimbursed once the debt is sold. The County will intend to reimburse itself within 18 months from the later of date of the original expenditure or the date the property

financed is placed into service (but in no event more than 3 years after the original expenditure is paid).

Section 11: REFUNDING OF DEBT

- 11.1 The County may elect to refund existing debt for reasons including, but not limited to, the following:
- a. To achieve Net Present Value (NPV) savings generally of at least 3 percent;
 - b. To update bond covenants on outstanding debt which impair efficient operations or prohibit necessary or desirable activities;
 - c. To restructure the debt service schedules associated with outstanding bond issues; or
 - d. To alter bond characteristics such as call provisions or payment dates.
- 11.2 If a refunding is undertaken, the County will evaluate:
- a. Issuance costs that will be incurred;
 - b. Interest rate at which the refunding bonds can be issued;
 - c. Maturity dates of the refunded bonds;
 - d. Call date (if any) on the refunded bonds; and
 - e. Call premium (if any) on the refunded bonds

Section 12: VARIABLE RATE EXPOSURE

- 12.1 The County may use variable rate debt (including commercial paper) to lower the cost of borrowing and provide a hedge against interest rate risk.
- 12.2 The County should establish a target of not to exceed 20 percent of its total outstanding debt in a variable rate mode.
- 12.3 Variable rate debt should be converted to fixed rate debt as necessary to maintain the 20 percent target, to meet the particular needs of a financing program, or to lock in low long-term fixed interest rates.
- 12.4 When issuing variable rate debt, the County will have appropriate contingency plans in place, such as reserves or hedging instruments, to mitigate the risk associated with rising interest rate environments.

Section 13: INTEREST RATE SWAP AGREEMENTS

- 13.1 The County will consider the use of interest rate swap agreements on a case-by-case basis and consistent with Texas law and financial prudence.
- 13.2 Interest rate swap agreements may be used for the following purposes:
- a. To achieve significant savings as compared to other, non-derivative type products available in the bond market;
 - b. To prudently hedge risk in the context of a particular financing or the overall asset/liability management of the County;
 - c. To incur variable rate exposure within prudent financial guidelines;
 - d. To achieve more flexibility in meeting overall financial objectives than available in conventional markets; or
 - e. To accomplish a financial objective not otherwise obtainable using traditional financing methods.

- 13.3 The County will not enter into an interest rate swap agreement without advice of an independent advisor and bond counsel.
- 13.4 The County may enter into an interest rate swap agreement if the counterparty has at least two long term unsecured credit ratings of at least equal to the County's long term general obligation rating from Fitch Ratings, Moody's Investors Service, Inc. or S&P Global Ratings and the party has demonstrated experience in successfully executing interest rate swap agreements.
- 13.5 The County will select counterparties utilizing one of the Methods of Sale as outlined in Section 9 of this policy.
- 13.6 Before entering into an interest rate swap agreement, the County shall evaluate all the risks inherent in the transaction including counterparty risk, termination risk, rollover risk, basis risk, tax event risk, credit risk and amortization risk. Evaluation of risk will also include the following considerations:
- a. Uncertainty with respect to the County's future debt obligations;
 - b. Effect on the County's credit quality;
 - c. Cumulative exposure to all risk factors identified;
 - d. Difficulty and costs associated with terminations; and
 - e. Limitations on the ability to refund the swap's underlying bonds.
- 13.7 The County will monitor interest rate swap agreements on a quarterly basis to ensure compliance with corresponding swap documentation.

Section 14: CONTINUING DISCLOSURE

- 14.1 The County will periodically review the requirements of the MSRB and the recommendations of the Government Finance Officers Association (GFOA), including the GFOA recommendation that financial statements be prepared and presented according to generally accepted accounting principles.
- 14.2 The County will remain in compliance with SEC Rule 15c2-12 by filing its annual financial statements and other financial and operating data for the benefit of its bondholders within six months after the end of each fiscal year.

Section 15: MATERIAL EVENTS

- 15.1 Material Events are defined as those events which are considered likely to reflect on the credit supporting the securities.
- 15.2 The County will issue a material event notice in accordance with the provisions of SEC Rule 15c2-12.
- 15.3 The events Bexar County will consider material are:
- a. principal and interest payment delinquencies;
 - b. nonpayment related defaults, if material;
 - c. unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. substitution of credit or liquidity providers, or their failure to perform;

- f. adverse tax opinions, 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;
- g. modifications to rights of bond owners, if material;
- h. bond calls, if material and tender offers;
- i. defeasance;
- j. release, substitution, or sale of property securing repayment of the security, if material;
- k. rating changes;
- l. bankruptcy, insolvency, receivership, or similar event of the County, which will occur as described below;
- m. the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of 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; and
- n. appointment of a successor or additional trustee or the change of name of a trustee, if material.

Section 16: EXPENDITURE OF BOND PROCEEDS

- 16.1 A list of projects will be developed to ensure compliance with Federal and State laws.
- 16.2 The County Manager and the Auditor's Office will monitor the expenditure of bond proceeds, to ensure expenditures are made in a timely manner for the purposes for which the bonds were authorized.
- 16.3 With respect to the reimbursement of any expenditure paid prior to the date of issue of the bonds, the County Manager and the Auditor's Office will monitor compliance with the requirement of the Regulations that such reimbursement allocation to bond proceeds is made not later than 18 months after the later of (i) the date the original expenditure is made or (ii) the date the project is placed in service, but in no event more than three years after the original expenditure is paid. Furthermore, the County Manager and the Auditor's Office will monitor compliance with the requirement of the Regulations that such reimbursement allocation is for the reimbursement of the expenditures paid on or after 60 days prior to the date of a reimbursement resolution (including for this purpose a bond order).

Section 17: PRIVATE BUSINESS USE

- 17.1 Private business use exists if proceeds of the issue or the property to be financed by the bond proceeds are used directly or indirectly by any nongovernmental person in that person's trade or business. Private business use may occur due to arrangements (typically contractual) that give nongovernmental persons special legal entitlements with respect to the use of bond-financed property (including a sale or other transfer of bond-financed property to a nongovernmental person). Further, a bond issue is considered to have private security or payments if the payment of the debt service of an issue is either (a) secured directly or indirectly by property or payments derived from private business use or (b) to be derived from payments for a private business use. The tax-exempt status of governmental bonds may be jeopardized if both (a) the private business use associated with an issue of bonds exceeds five percent (and, in certain circumstances, ten percent) of the proceeds of an issue and (b) the private security or payments associated with an issue exceeds five percent (and, in certain circumstances, ten percent) of the proceeds of such issue.
- 17.2 If any action will create private business use or private payments as outlined above, Bexar County will take measures designed to preserve the intended federal income tax status of that issue of bonds.

Such measures may include ensuring that such agreement falls into an applicable exception under the private business use rules, making a determination that private use will not exceed the applicable limit or such other action as may be recommended by bond counsel, including taking remedial actions with respect to the issue of bonds whose federal tax status is implicated.

It is recognized that certain of the County's bond issues (e.g. bonds that finance certain venue projects) were structured to take into account projected private business use of the facilities being financed with such issue. For such issues, the County will monitor any changes relating to the type or amount private business use of such facilities and, if necessary, will take measured designed to preserve the intended federal income tax status of that issue of bonds as described above.

- 17.3 No more than five percent of the proceeds of an issue of bonds may be used to make loans or arrangements that allow a nongovernmental party to defer payments that it is obligated to make with respect to the financed property or the bonds.

Section 18: INVESTMENT OF DEBT PROCEEDS

- 18.1 Debt proceeds will be invested in accordance with the County's Investment Policy Section 3.10 or as otherwise permitted in the order or resolution authorizing the issuance of the debt.
- 18.2 Interest earned on proceeds from bonds, certificates of obligation, commercial or other short-term or long-term debt proceeds (excluding capital lease proceeds) is generally allocated to the Debt Service Fund.
- 18.3 Interest earned on proceeds from bonds, certificates of obligations, or other short-term or long-term debt proceeds (excluding capital lease proceeds) allocated to the Debt Service Fund shall be used solely to pay current and future debt service payments, as well as all related issuance cost.

Section 19: ARBITRAGE/REBATE

- 19.1 The County will follow a policy of full compliance with all arbitrage rebate requirements of the Code and will perform (via contract consultant) arbitrage calculations for each debt issue subject to rebate on an annual basis. All necessary rebate liability will be filed and paid when due.
- 19.2 Additionally, the Office of the County Auditor may choose to hire a rebate analyst to monitor compliance with rebate and yield restriction rules on an annual basis.

Section 20: CAPITAL PROJECT PROCESS

- 20.1 As set forth in Section 3 of this policy, the County Manager is responsible for making debt-financing recommendations to the Commissioners Court. In order to ensure sufficient cash flow is available to meet capital improvement project cash requirements, an annual debt issuance schedule is required. The Capital Project Process will provide the basis for the annual debt issuance schedule.
- 20.2 During the annual budget process, each office or department will complete the Capital Request Form for each project to be considered for adoption by Commissioners Court. The form requires offices and departments to detail the different phases of the project, a timeline for each phase, and cost per phase.
- 20.3 Upon approval of a new capital project, the information provided on the Capital Request Form will be used to develop the annual debt issuance schedule to meet the cash requirements of each project.

Section 21: POST-ISSUANCE COMPLIANCE

- 21.1 Bexar County acknowledges that as the issuer of debt obligations subject to the Code, it is responsible for post-issuance compliance with respect to such debt obligations.
- 21.2 After the debt is issued, and as project expenses are incurred, the County Auditor's Office and County Manager will periodically ensure continued compliance with aforementioned laws and guidelines.
- 21.3 Corrective action may be required if, for example, it is determined that bond proceeds were not properly expended, Bexar County is not in compliance with the arbitrage requirements imposed by the Code or Bexar County has taken a deliberate action (e.g., sale of bond-financed property) that results in impermissible levels of private business use.
- 21.4 If Bexar County determines or is advised that corrective action is necessary with respect to any issue of its obligations, Bexar County will, as may be applicable, in a timely manner:
- Seek to enter into a closing agreement under the Tax-Exempt Bonds Voluntary Closing Agreement Program described in Notice 2008-31 (or any successor notice thereto)
 - Take remedial action described under Section 1.141-12 of the Code
 - Take such other action as recommended by Bond Counsel
- 21.5 Any issues of non-compliance will be resolved by the County Manager and the County Auditor's Office with the assistance of the County's Bond Counsel and Financial Advisors.

Section 22: DEFINITIONS

- a. Arbitrage - Arbitrage is the profit that results from investing tax-exempt proceeds in higher-yielding taxable securities. In general, Internal Revenue Service (IRS) Regulations require that positive arbitrage earnings be rebated back to the government.
- b. Bond Indenture - The contract that sets forth the promises of a bond issuer and the rights of investors in the bond.
- c. Bond Covenant - A clause in a bond indenture that either requires or forbids some act by, and the issuer is obligated to comply with the covenant by virtue of issuing its bonds.
- d. Call Dates - The date, prior to maturity, on which a callable bond may be redeemed.
- e. Call Premium - The price, as established in the bond covenant, at which bonds will be redeemed.
- f. Certificate of Obligation - The Certificate of Act of 1971 (as amended) permits a County to issue certificates of obligations for the purpose of paying contractual obligations incurred in the construction of public works and the purchase of materials, supplies, equipment, buildings, professional services and real property. Certificates of obligation are normally secured by ad valorem tax revenue and there is no requirement for voter approval.
- g. Call Provisions - A clause in a bond contract granting the issuer the right to buy back all or part of an issue prior to the maturity date.
- h. Capital Lease - A contract for the purchase of capital equipment through installment payments.
- i. Code - The Internal Revenue Code of 1986, as amended.
- j. Commercial Paper - Short-term, unsecured promissory notes usually backed by a line of credit with a bank. Maturities do not exceed 270 days.
- k. Competitive Sales - A sale whereby the issuer determines the bond structure and solicits bids. The bonds are then awarded to the underwriting firm that submits the lowest interest costs for the debt.
- l. Continuing Disclosure - An agreement or covenant of the County made for the benefit of the owners of the security for so long as it remains obligated to advance funds to pay the security which includes a requirement to provide certain updated financial information and operating data to the MSRB annually within six months after the end of each fiscal year of the County.
- m. General Obligation - Bonds backed by the annual levy of an ad valorem tax as necessary, within the limits prescribed by law (if any), to pay off the bonds. Bonds are issued upon approval by the public in an election.
- n. Interest Rate Management Agreement - An agreement entered into in connection with the issuance of debt by an issuer or in connection with debt already outstanding, with a counterparty to provide for an exchange of payments based upon fixed and/or variable interest rates.
- o. Issuance Costs - The expenses associated with the sale of new securities, including such items as underwriter's spread, printing, legal fees and rating costs.
- p. Negotiated Sales - A sale whereby the issuer selects an underwriter in advance so that the underwriter can assist with determining the appropriate structure of the bonds.

DEFINITIONS (cont.)

- q. Private Placement - A sale whereby the issuer sells the bonds directly to a qualified institutional investor.
- r. Regulations - The applicable proposed temporary or final Treasury regulations promulgated under the Code or, to the extent applicable under the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.
- s. Refunding Bonds - Bonds issued to retire a bond already outstanding that may be sold for cash and outstanding bonds redeemed with cash or exchanged with holders of outstanding bonds.
- t. Revenue Bonds - Bonds issued where the money raised to pay off the bonds comes from a non-tax revenue source or a special/specific enterprise fund.
- u. Tax Anticipation Notes - Short-term notes issued in anticipation of collections of taxes. Short-term notes issued by the county to finance current operations, with repayment from anticipated tax receipts. Also called tax anticipation warrant. These notes are issued at a discount, and must have a maturity of thirteen months or less, and mature either at a specific future date or when property and other taxes are collected. Tax anticipation notes hold first claim on tax receipts when collected.
- v. Variable Rate Debt - Bonds with interest rates that fluctuate based upon an index or pricing procedure. These bonds often offer lower interest rates and have short maturities.