



Washington Municipal Treasurers' Association

Debt Policy Certification Program

Sample Debt Policy

[ISSUER NAME]

[EMBLEM OF ISSUER]

DEBT POLICY (SAMPLE)

ADOPTED [DATE]
(DRAFT 7/28/2003)

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Section I. Introduction

Purpose and Overview

The Debt Policy for [Issuer Name] is established to help ensure that all debt is issued both prudently and cost effectively. The Debt Policy sets forth comprehensive guidelines for the issuance and management of all financings of the [Council/Board/Authority/Committee (“Legislative Authority” is used below)]. Adherence to the policy is essential to ensure that the [Legislative Authority] maintains a sound debt position and protects the credit quality of its obligations.

Section II. Legal Governing Principles

In the issuance and management of debt, the [Issuer Name] shall comply with the state constitution and with all other legal requirements imposed by federal, state, and local rules and regulations, as applicable. The following section highlights the legal framework of the debt issuance and roles and responsibilities in debt issuance.

Governing Law

State Statutes - [Issuer Name] may contract indebtedness as provided for by chapter _____ RCW. Indebtedness is subject to the limitations on indebtedness provided for in RCW _____ and Article VIII of the Washington State Constitution. Bonds evidencing such indebtedness shall be issued and sold in accordance with chapter 39.46 [and _____] RCW.

Federal Rules and Regulations - The [Issuer Name] shall issue and manage debt in accordance with the limitations and constraints imposed by federal rules and regulations, including Internal Revenue Code of 1986, as amended; the Treasury Department regulations thereunder; and the Securities Acts of 1933 and 1934.

Local Rules and Regulations - The [Issuer Name] shall issue and manage debt in accordance with the limitations and constraints imposed by local [statutes, charters, ordinances,] rules and regulations.

Permitted Debt by Type

The [Issuer Name] may legally issue debt using only the debt instruments described below:

Unlimited Tax General Obligation Bonds - The [Issuer Name] is authorized to sell Unlimited Tax General Obligation Bonds under chapter ____ RCW, subject to the approval of the [Legislative Authority].

Limited Tax General Obligation Bonds - The [Issuer Name] is authorized to sell Limited Tax General Obligation Bonds under chapter ____ RCW, subject to the approval of the [Legislative Authority].

Revenue Bonds - The [Issuer Name] is authorized to sell Revenue Bonds under chapter(s) ____ RCW, subject to the approval of the [Legislative Authority].

Certificates of Participation - The [Issuer Name] is authorized to sell Certificates of Participation (COPs) under chapter ____ RCW, subject to the approval of the [Legislative Authority].

Special Assessment Bonds - The [Issuer Name] is authorized to sell [Local Improvement] [Utility Local Improvement] [Road Improvement] Bonds under chapter(s) ____ RCW, subject to the approval of the [Legislative Authority].

Short Term Debt - The [Issuer Name] is authorized to sell short term debt, including variable rate bonds under chapter 39.50 RCW, subject to the approval of the [Legislative Authority].

Local Option Capital Asset Lending (LOCAL) Program Debt - The [Issuer Name] is authorized to enter into a financing contract with the Office of the State Treasurer under chapter 39.94 RCW, subject to the approval of the [Legislative Authority].

Other Debt Instruments [if applicable] - The [Issuer Name] is authorized to enter into [true leases,] [conditional sales contracts] [other] under chapter(s) ____ RCW, subject to the approval of the [Legislative Authority].

Purpose for Borrowing

The [Issuer Name] shall issue long-term debt solely for the purpose of financing the cost of design, acquisition and/or construction of capital projects defined in a Capital Facilities Plan.

Unlimited Tax General Obligation Bonds - The [Issuer Name] shall use Unlimited Tax General Obligation Bonds for the purpose of ...

Limited Tax General Obligation Bonds - The [Issuer Name] shall use Limited Tax General Obligation Bonds for the purpose of ...

Revenue Bonds - The [Issuer Name] shall use Revenue Bonds for the purpose of ...

Certificates of Participation - The [Issuer Name] shall use Certificates of Participation for the purpose of ...

Special Assessment Bonds - The [Issuer Name] shall use Special Assessment Bonds for the purpose of ...

Short Term Debt - The [Issuer Name] shall use Short Term Debt for the purpose of ...

Local Option Capital Asset Lending (LOCAL) Program Debt - The [Issuer Name] shall use LOCAL Program Debt for the purpose of ...

Other Debt Instruments [if applicable] -- The [Issuer Name] shall use Other Debt Instruments for the purpose of ...

Limitations on Debt Issuance

Legal Debt Limits - For general obligation debt, constitutionally and statutorily [Issuer Name] is limited to an indebtedness amount not exceeding a) _____% of the value of the taxable property, without the assent of 3/5 of the voters voting at an election held for that purpose and b) _____% of the value of the taxable property, with the assent of 3/5 of the voters voting at an election held for that purpose (RCW 39.36.020 and _____). General obligations include:

- ✓ General Obligation Bonds (Voted and Non-voted), including bond anticipation notes which are to be paid off with the proceeds of the bonds. Interest is included only if it has matured and is due and payable.
- ✓ For deep discount debt (e.g., zero coupon bonds), the face amount of the bond less the unamortized portion of the discount.
- ✓ Warrants and registered warrants issued against the general (current expense) or other tax supported funds.
- ✓ Executory conditional sales or installment sales contracts pledging the full faith and credit of the taxing district. (RCW 39.30.010 and _____).
- ✓ Accounts payable, final judgements payable or combined obligations of the general or other tax supported funds.
- ✓ Compensated absences (e.g., vacation and sick leave), to the extent that they are certain obligations of a determined amount, or employee vested.
- ✓ Other obligations of the general or other tax supported funds, except for loan agreements (statutory limit only) with agencies of the state of Washington or the U.S.A. dated on or after April 3, 1987. (RCW 39.36.060 and 39.69.020).
- ✓ Obligations of internal service funds that provide services to the general or other tax supported funds.
- ✓ Municipal leases (RCW 35.42.200).
- ✓ _____.

Debt Limit Target -- The [Issuer Name] shall not exceed ___ % of the legal debt limits from above.

Short-Term Debt - The [Issuer Name] short-term debt shall not exceed _____% of its total debt.

Roles and Responsibilities

[Legislative Authority] - The [Legislative Authority] shall:

- ✓ Approve indebtedness;
- ✓ Approve appointment of independent financial advisor and bond counsel;
- ✓ Approve the Debt Policy;
- ✓ Approve budgets sufficient to provide for the timely payment of principal and interest on all debt; and
- ✓ In consultation with the [Issuer Name]'s General Counsel, financial advisor, and bond counsel shall determine the most appropriate instrument for a proposed bond sale.

[Finance Committee/Debt Committee/Finance Director (“Responsible Unit” is used below)]

- The primary responsibility for debt management rests with the [Responsible Unit]. The [Responsible Unit] shall:

- ✓ Provide for the issuance of debt at the lowest possible cost and risk;
- ✓ Determine the available debt capacity;
- ✓ Provide for the issuance of debt at appropriate intervals and in reasonable amounts as required to fund approved capital expenditures;
- ✓ Recommend to the [Legislative Authority] the manner of sale of debt;
- ✓ Monitor opportunities to refund debt and recommend such refunding as appropriate;
- ✓ Comply with all Internal Revenue Service (IRS), Securities and Exchange Commission (SEC), and Municipal Securities Rulemaking Board (MSRB) rules and regulations governing the issuance of debt;
- ✓ Provide for the timely payment of principal of and interest on all debt; ensure that the fiscal agent receives funds for payment of debt service on or before the payment date;
- ✓ Provide for and participate in the preparation and review of offering documents;
- ✓ Provide for and participate in the preparation and review of disclosure documents;
- ✓ Comply with all terms, conditions and disclosure required by the legal documents governing the debt issued;
- ✓ Submit to the [Legislative Authority] all recommendations to issue debt;
- ✓ Distribute to appropriate repositories information regarding financial condition and affairs at such times and in the form required by law, regulation and general practice, including Rule 15c2-12 regarding continuing disclosure;
- ✓ Provide for the distribution of pertinent information to rating agencies;
- ✓ Maintain a current database with all outstanding debt; and
- ✓ Apply and promote prudent fiscal practices.

Ethical Standards Governing Conduct

The Members of the [Issuer Name] and the [Legislative Authority] will adhere to standards of conduct as stipulated by the following:

- Public Disclosure Act, chapter 42.17 RCW; and
- Ethics in Public Service Act, chapter 42.52 RCW.

Section III. Professional Services

Professional Services

The [Issuer Name] shall procure professional services as required to execute financing transactions and to advise on non-transaction related work. Professional services may include Consultants (Financial Advisor, Legal Counsel -- Bond, Disclosure and Tax Counsel) and Service Providers (Trustee, Verification Agent, Printer, and Letter of Credit Provider).

Selection Process - The selection of financial and legal professionals to assist the [Issuer Name] in carrying out financing programs should be made through a competitive bid process involving a Request for Proposals (RFP), or similar document.

Respondents shall be required to disclose the following general information in their proposals, in addition to specific questions relating to the professionals' field (as outlined below):

- ✓ Names of any persons or firms, including but not limited to, attorneys, lobbyists, and public relations firms that they engaged to promote their selection by the [Issuer Name];
- ✓ Names of any persons or firms from whom they received or may receive, directly or indirectly, any remuneration arising out of or relating in any way to their relationship with the [Issuer Name], including but not limited to remuneration for promoting such persons or firms for selection by the [Issuer Name]; and
- ✓ The existence and nature of any agreements by and between themselves and any other professionals that relate to a particular [Issuer Name] financing or to the [Issuer Name]'s financing programs in general.

Appointment of Financial Advisor - The [Issuer Name] will select a financial advisor (or advisors) to assist in the issuance and administration of all debt. The firm(s) selected as financial advisor will provide a full range of advisory services in connection with the [Issuer Name]'s financing programs. Specifically, the scope of services provided by the financial advisor(s) may include, but are not limited to, the following transaction-specific and ongoing advisory services:

- ✓ Recommend specific covenants, financing structure, indentures, and terms, including call provisions in relation to current market conditions and complexity of financing.
- ✓ [Prepare/review] preliminary and final official statements, including the official notice of sale, for accuracy and adequacy of disclosure.
- ✓ Review contracts, as necessary, if any, including: a) bond purchase contracts, b) liquidity facility agreements, c) remarketing agreements, and d) investment and trust agreements, relating to financial issues affecting the financing.
- ✓ Review [Resolution/Ordinance] concerning the authorization and award of the financing.
- ✓ Prepare and review advertisements of sales in published and electronic media.
- ✓ Assist the [Issuer Name] in developing and presenting information to rating agencies, investors and other municipal market participants, including credit enhancement providers.

- ✓ Attend meetings of the [Issuer Name] relating to financial issues affecting the financing.
- ✓ Provide assistance in determining whether the financing should be sold competitively or negotiated.
- ✓ For competitive sales, attend bid openings to assist the [Issuer Name] with verification of bids, ensuring compliance with financing terms and conditions, and to recommend acceptance or rejection of bids.
- ✓ For negotiated sales, provide advice during the sale process to assure that the proposed coupon interest rates reflect current market conditions and comparable sales and that underwriting compensation is reasonable.
- ✓ Provide assistance with the preparation and evaluation of RFPs for financial services including underwriting, trustee services, credit enhancement, escrow verification, liquidity facility, and derivative products.
- ✓ Provide assistance with the closing and delivery of securities.
- ✓ Provide post sale analysis, including an issue summary and Final Report for the financing.
- ✓ Provide calendars for upcoming issues and distribution lists that specify the names and addressees for parties working on a particular transaction.
- ✓ Assist the [Issuer Name] with any other financing matters relating to issuance that may be identified during a transaction, including preparing and reviewing set-up with electronic bid providers, investment of proceeds and reserves, bidding out escrow and escrow verification services, CUSIP subscription, and Sure-Bid list verification.
- ✓ Provide advice regarding the administration of the [Issuer Name]'s program and recommendations for legislative and other operational modifications, as requested.
- ✓ Monitor the [Issuer Name]'s outstanding obligations, and identify refunding opportunities.
- ✓ Assist in the review and analysis of state and federal legislation pertaining to the [Issuer Name]'s financing programs.
- ✓ Evaluate proposals on new products and other financing ideas received from underwriters, or other municipal market participants.
- ✓ Assist the [Issuer Name] in special projects relating to debt issuance and debt management, as assigned.
- ✓ Provide other services as are requested by the [Issuer Name].

The following criteria, not listed in order of significance, will be used to evaluate proposals.

- ✓ Compliance with RFP requirements;
- ✓ Firm's qualifications and experience in providing required services;
- ✓ Qualifications and relevant experience of personnel assigned;
- ✓ References; and
- ✓ Cost of services.

These criteria, combined with information obtained from interviews, and other sources, if any, will be used to determine the successful financial advisor(s).

A financial advisor will provide the [Issuer Name] with objective advice and analysis, maintain the confidentiality of [Issuer Name]'s financial plans, and be free from any conflict of interest as defined by:

- ✓ Ethics in Public Service Act, chapter 42.52 RCW; and,
- ✓ any other appropriate federal statute or regulation governing financial advisors.

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

The fees paid to financial advisors shall be on an hourly or retainer basis. Unless otherwise justified, no fees shall be contingent on the sale of bonds or dependent upon the amounts of bonds sold.

The [Responsible Unit] shall submit to the [Legislative Authority] a recommendation for the appointment of Financial Advisor(s). The recommendation shall be accompanied by an evaluation of options and a justification for the recommended course of action. The [Responsible Unit] shall monitor the services rendered by the Financial Advisor(s).

Appointment of Bond Counsel. - All debt issued by the [Issuer Name] shall include a written opinion by legal counsel affirming that the [Issuer Name] is authorized to issue the proposed debt, that the [Issuer Name] has met all federal, state, and local legal requirements necessary for issuance and a determination of the proposed debt's federal income tax status. This approving opinion and other documents relating to the issuance of debt shall be prepared by a nationally recognized legal firm with extensive experience in public finance and tax issues.

Unless otherwise justified, the appointment will be made from among nationally recognized law firms with significant operations in Washington State.

The firm selected as bond counsel will be expected to provide the full range of legal services required in connection with a) the successful issuance and delivery of the bond issues ("Bonds") and b) on-going legal services for the [Issuer Name] ("Issuer") financing programs. The scope of services may include, but not be limited to, the following:

A) Services for Issuance and Delivery of Bonds:

- ✓ **Render Legal Opinion(s).** The bond counsel will render the bond counsel opinion regarding the validity and binding effect of the bonds, the source of payment and security for the bonds, and the excludability of interest on the bonds from gross income for federal income tax purposes.
- ✓ **Prepare and Review Documents.** The bond counsel will prepare and review the documents necessary or appropriate to the authorization, issuance, sale, and delivery of the bonds, coordination of the authorization and execution of these documents -- including authorizing and awarding [Resolutions/Ordinances].
- ✓ **Review Legal Structure of the Bonds.** The bond counsel will review all legal issues relating to the structure of the bonds.
- ✓ **[Prepare/Review] Offering Document(s).** The bond counsel will [prepare/review] those sections of the offering document(s) to be disseminated in connection with the sale

of the bonds that relate to the bonds, financing documents, bond counsel opinion, tax exemption, and the continuing disclosure undertaking of the Issuer.

- ✓ **Assist with Presentations.** The bond counsel will assist, as necessary, the Issuer in presenting information to a) bond rating organizations, b) investors, and, where appropriate, c) other municipal market participants, including credit enhancement providers, relating to legal issues affecting the issuance of the bonds.
- ✓ **Participate in Meetings.** The bond counsel will participate in meetings, as requested, relating to legal issues affecting the issuance of the bonds, including, but not limited to a) [Legislative Authority] meetings, b) due diligence meetings, and c) sale of bonds.
- ✓ **Review or Prepare Contracts.** The bond counsel will review or prepare contracts, as necessary, if any, including: a) bond purchase contracts, b) liquidity facility agreements, c) remarketing agreements, and d) investment and trust agreements, relating to legal issues affecting the issuance of the bonds. The bond counsel will review, as necessary, other documents, relating to legal issues affecting the issuance of the bonds.
- ✓ **Prepare Official Transcript.** The Bond Counsel will prepare bound official transcripts of the proceedings of the financing, including all documentation relating to the authorization, offering, sale and delivery of the issue.
- ✓ **Assist in Other Legal Matters.** The Bond Counsel will assist the Issuer with other legal matters relating to issuance of the bonds that may be identified during a transaction, including investment of proceeds and reserves and compliance with federal arbitrage regulations.

B) On-Going Legal Services [Depends upon the type of engagement]

- ✓ **Tax Advice.** The bond counsel will provide continuing advice regarding any actions necessary to ensure that interest will continue to be tax-exempt.
- ✓ **Regulatory Efforts.** The bond counsel will track and inform the Issuer of proposed efforts and rulings issued by federal regulatory agencies, including, but not limited to, IRS, SEC, and MSRB, that may impact the issuance of bonds
- ✓ **Continuing Disclosure.** The bond counsel will advise the Issuer in planning for the continuing disclosure efforts and in preparing continuing disclosure documents.
- ✓ **Request for Proposals.** The bond counsel will assist with the preparation and evaluation of RFPs for financial services, relating to legal issues affecting the issuance of bonds.
- ✓ **Additional Legal Services.**

The [General Counsel/Prosecutor/City Attorney/City Manager/Other (“General Counsel” is used below)] shall submit to the [Legislative Authority] a recommendation for the appointment or when deemed appropriate reappointment of Bond Counsel(s). The recommendation shall be accompanied by an evaluation of options and a justification for the recommended course of action. The General Counsel shall monitor the services rendered by the Bond Counsel(s).

A Bond Counsel under contract with the [Issuer Name] will not simultaneously represent any other party involving a [Issuer Name]'s financing, unless written dual representation conflict waiver is expressly obtained from the [Issuer Name].

Appointment of Letter of Credit or Liquidity Facility Provider - In order to comply with the requirements of the bond documents and to ensure the liquidity and marketability of the [Issuer

Name]'s publicly remarketed variable rate debt, the [Responsible Unit] shall procure a letter of credit or line of credit in support of such variable rate debt. The selection of a letter of credit/liquidity bank shall be based on a competitive evaluation of proposals submitted in response to a Request for Proposals.

Criteria to be used in the appointment of a bank to provide a liquidity facility shall include, but not be limited to:

- ✓ The short and long-term credit ratings of the bank;
- ✓ Experience providing liquidity facilities to municipal bond issuers;
- ✓ Competitiveness of facility fees, interest charged on liquidity draws, maximum legal and administrative fees;
- ✓ Ability to agree to the [Issuer Name]'s legal terms and conditions; and
- ✓ Trading value of the bank in the current market.

The [Responsible Unit] shall submit to the [Legislative Authority] a recommendation for the appointment of a Letter of Credit/Liquidity Facility provider. The recommendation shall be accompanied by an evaluation of options and a justification for the recommended course of action. The [Responsible Unit] shall monitor the trading value and credit ratings of the provider.

Appointment of Verification Agent - In conjunction with the sale of refunding bonds, the [Responsible Unit] shall procure the services of a verification agent. The purpose of the verification agent is to confirm that sufficient proceeds are escrowed to ensure the timely repayment of principal and interest on the bonds being refunded. The verification agent must be a nationally recognized provider of verification services. The selection of a verification agent shall be based upon a competitive evaluation of proposals submitted in response to a Request for Proposals.

Selection criteria shall include, but not be limited to:

- ✓ Demonstrated ability to provide accurate verification of escrow funding accuracy;
- ✓ Demonstrated ability to provide timely reports; and
- ✓ Competitiveness of fees.

Appointment of Underwriters - If a negotiated sale is approved under Section IV below, the [Responsible Unit] shall select an underwriter(s). The selection of underwriters shall be based upon a competitive evaluation of proposals submitted in response to a Request for Proposals.

Criteria used in the appointment of qualified underwriters shall include, but not be limited to:

- ✓ Demonstrated ability serving on financial transactions with similar complexity to the transaction being planned;
- ✓ Demonstrated ability to structure a debt issue efficiently and effectively;
- ✓ Demonstrated ability to sell debt to institutional and retail investors;
- ✓ Demonstrated ability to put capital at risk;
- ✓ Experience and reputation of assigned personnel; and

- ✓ Fees and expenses.

Respondents shall present in their proposal a complete and detailed list of all proposed fees and expenses, including, but not limited to takedown, management fees, underwriting risk, and itemized not-to-exceed underwriting expenses to be paid by the issuer. The underwriting expense component must be finalized and approved by the [Responsible Unit] 48 hours prior to the day of pricing. The underwriting risk component will not be considered until after the order period closes.

The [Responsible Unit] with assistance from the independent financial advisor shall monitor the services rendered by the underwriter(s).

Appointment of Escrow Agent – The [Responsible Unit] shall, when deemed necessary or when required, procure the services of an escrow agent. The purpose of the escrow agent is to hold securities and/or funds that are to be delivered upon compliance with the conditions contained in an escrow agreement.

The selection of an escrow agent calculation firm shall be based upon a competitive evaluation of proposals.

Appointment of Arbitrage Rebate Calculation Firm – The [Responsible Unit] shall, when deemed necessary or when required, procure the services of an arbitrage rebate calculation firm. The purpose of the arbitrage rebate calculation firm is to provide arbitrage rebate compliance services in accordance with the Internal Revenue Code of 1986, as amended (“Code”).

The selection of an arbitrage rebate calculation firm shall be based upon a competitive evaluation of proposals submitted in response to a Request for Proposals. The scope of services may include, but not be limited to, the following:

- ✓ Determine if the requirements of the spending exception applicable to a debt issue have been met;
- ✓ Prepare initial rebate calculations if the spending requirements are not met;
- ✓ Prepare annual computations to update the initial calculations as needed to determine the rebate amount as described in the Code;
- ✓ Prepare computations if proceeds remain following the temporary period as described in the Code to determine if any yield reduction payments are required; and
- ✓ Consult with the [Responsible Unit] as requested concerning arbitrage regulations and related issues including control procedures and industry practices.

Criteria used in the appointment of qualified arbitrage rebate calculation firm shall include, but not be limited to:

- ✓ Firm’s qualifications and experience in providing arbitrage rebate calculation services;
- ✓ Staff qualifications, tax expertise, and experience;
- ✓ Demonstrated ability to provide timely reports; and
- ✓ Cost of services.

Section IV. Transaction-Specific Policies

Method of Sale

Presumption of Competitive Sale - When deemed appropriate by the [Issuer Name] to minimize the costs and risks of the [Issuer Name]'s debt issue, the issuance and sale of all fixed rate [Issuer Name] debt shall be achieved by competitive bid.

[Alternative text: "Unless otherwise justified and deemed necessary to minimize the costs and risks of the Issuer Name's debt issue, the issuance and sale of all fixed rate Issuer Name debt shall be achieved by competitive bid."].

Competitive Bid Method - Any competitive sale of [Issuer Name] debt will require approval of the [Legislative Authority]. [Issuer Name] debt issued on a competitive bid basis will be sold to the bidder proposing the lowest true interest cost to the [Issuer Name]. Such bid may take the form of hand-delivered or electronically transmitted offers to purchase the bonds.

Negotiated Bid Method - When deemed appropriate to minimize the costs and risks of [Issuer Name]'s debt issue, the [Responsible Unit] will submit to the [Legislative Authority] a request to sell the debt issue on a negotiated basis.

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

The [Issuer Name], with the assistance of its Financial Advisor, shall evaluate the terms offered by the underwriting team. Evaluations of prices, interest rates, fees and commissions shall include prevailing terms and conditions in the marketplace for comparable issuers.

If more than one underwriter is included in the negotiated sale of debt, the [Issuer Name] shall establish appropriate levels of liability, participation and priority of orders.

The [Issuer Name] shall, with the assistance of its Financial Advisor, oversee the bond allocation process. The bond allocation process shall be managed by the lead underwriter, with the following requirements:

- ✓ The bonds are allocated fairly among members of the underwriting team, consistent with the previously negotiated terms and conditions;
- ✓ The allocation process complies with all Municipal Securities Rulemaking Board regulations governing order priorities and allocations; and
- ✓ The lead underwriter shall submit to the [Responsible Unit] a complete and timely account of all orders, allocations and underwriting activities.

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

- ✓ Summary of the pricing, including copies of the actual pricing wires;

- ✓ Results of comparable bond sales in the market at the time of the [Issuer Name]'s pricing;
- ✓ Detailed information on a) orders and allocation of bonds, by underwriting firm, b) detailed information on final designations earned by each underwriter, and c) a summary of total compensation received by each underwriter; and
- ✓ Historic comparisons to Municipal Market Data indexes -- day of sale basis.

No debt issue will be sold on a negotiated basis without an independent financial advisor.

Private Placement - The [Issuer Name] shall not sell debt through private placement. [Alternative text: "When deemed appropriate to minimize the costs and risks of [Issuer Name]'s debt issue, the [Responsible Unit] will submit to the [Legislative Authority] a request to sell the debt issue through private placement."]

Structural Elements

Maturity - The [Issuer Name] shall issue debt with an average life less than or equal to the average life of the assets being financed. Unless otherwise stated in law, the final maturity of the debt shall be no longer than 40 years (RCW 39.46.110).

Debt Service Structure - Unless otherwise justified and deemed necessary, debt service should be structured on a level basis. Refunding bonds should be structured to produce equal savings by fiscal year. Unless otherwise justified and deemed necessary, debt shall not have capitalized interest. If appropriate, debt service reserve funds may be used for revenue bonds.

Maturity Structure - The [Issuer Name]'s long-term debt may include serial and term bonds. Unless otherwise justified, term bonds should be sold with mandatory sinking fund requirements.

Price Structure- The [Issuer Name]'s long-term debt may include par, discount, and premium bonds. Discount and premium bonds must be demonstrated to be advantageous relative to par bond structures, given applicable market conditions.

Coupon Type- Unless otherwise justified and deemed necessary, long-term debt will be sold using current interest coupons. If justified and deemed necessary, capital appreciation bonds (zero coupon bonds) may be issued.

Redemption Features - For each transaction, the [Issuer Name] shall evaluate the costs and benefits of call provisions.

Bond Insurance - For each transaction, the [Issuer Name] shall evaluate the costs and benefits of bond insurance or other credit enhancements. Any credit enhancement purchases by the [Issuer Name] shall be competitively procured.

Tax-exemption - Unless otherwise justified and deemed necessary, the [Issuer Name] shall issue its debt on a tax-exempt basis.

Pledge of revenues – The [Issuer Name]’s pledge of revenues shall be determined for each debt issue depending upon the debt instrument:

- ✓ **Unlimited Tax General Obligation Bonds:** Unlimited Tax General Obligation Bonds of the [Issuer Name] shall be repaid from excess property taxes on property within the jurisdiction of the [Issuer Name].
- ✓ **Limited Tax General Obligation Bonds:** Limited Tax General Obligation Bonds of the [Issuer Name] shall be repaid from regular property taxes on property within the jurisdiction of the [Issuer Name], together with other legally available sources.
- ✓ **Revenue Bonds:** Revenue Bonds of the [Issuer Name] shall be repaid from specified revenues, as defined in the authorizing [Resolution/Ordinance].
- ✓ **Certificates of Participation (“COPs”):** COPs of the [Issuer Name] shall be repaid from taxes or revenues, as defined in the authorizing [Resolution/Ordinance].
- ✓ **Special Assessment Bonds:** Special Assessment Bonds of the [Issuer Name] shall be repaid from assessments collected from within a special assessment district formed by the [Issuer Name] pursuant to applicable law.
- ✓ **Local Option Capital Asset Lending (LOCAL) Program Debt:** (LOCAL) Program Debt of the [Issuer Name] shall be repaid from property taxes on property within the jurisdiction of the [Issuer Name], together with other legally available sources.
- ✓ **Other Debt Instruments [if applicable]:** Other Debt Instruments of the [Issuer Name] shall be repaid from revenues, as defined in the authorizing [Resolution/Ordinance].

Senior/subordinate lien – The [Issuer Name] shall not utilize a senior/subordinate lien structure.

Section V. Communication Policies

Rating Agencies

The [Responsible Unit] shall manage relationships with the rating analysts assigned to the [Issuer Name]'s credit, using both informal and formal methods to disseminate information. Communication with the rating agencies shall include:

- ✓ Full disclosure, on an annual basis, of the financial condition of the [Issuer Name];
- ✓ A formal presentation, on a regular basis, to the rating agencies, covering economic, financial, operational and other issues that impact the [Issuer Name]'s credit;
- ✓ Timely disclosure of any financial events that may impact the [Issuer Name]'s credit;
- ✓ Timely dissemination of the Annual Financial Report, following its adoption; and
- ✓ Complete and timely distribution of any documents pertaining to the sale of bonds.

Credit Objective - The [Issuer Name] shall seek to maintain and improve its current rating of ___ from ___ rating agency.

Bond Insurers

The [Responsible Unit] shall manage relationships with the analysts at the bond insurers assigned to the [Issuer Name]'s credit, using both informal and formal methods to disseminate information.

Section VI. Compliance Polices

Investment of Proceeds

General - The [Issuer Name] shall comply with all applicable Federal, State, and contractual restrictions regarding the investment of bond proceeds, including [Issuer Name]'s Investment Policy. This includes compliance with restrictions on the types of investment securities allowed, restrictions on the allowable yield of some invested funds as well as restrictions on the time period over which some bond proceeds may be invested.

Refunding Escrow - Unless otherwise justified and deemed necessary [Issuer Name] shall utilize State and Local Government Series (SLGS) for the refunding escrow. SLGS are special series of U.S. Treasury securities.

If open markets securities are deemed appropriate the [Issuer Name] shall in consultation with bond counsel comply with each of the following:

- a) Make a bona fide solicitation for securities and, of the bids received, at least three are bona fide bids from sellers that have no involvement in the pricing of the issue; and
- b) Purchase securities from the bidder which made the highest yielding bid and such securities have a yield at least as high as such bid.

Arbitrage Liability Management

Because of the complexity of arbitrage rebate regulations and the severity of non-compliance penalties, the [Issuer Name] shall solicit the advice of bond counsel and other qualified experts about arbitrage rebate calculations. The [Issuer Name] shall, when deemed necessary or when required, contract with a qualified third-party for preparation of the arbitrage rebate calculation.

The [Issuer Name] shall maintain an internal system for tracking expenditure of bond proceeds and investment earnings. The expenditure of bond proceeds shall be tracked in the financial accounting system by issue. Investments may be pooled for financial accounting purposes and for investment purposes. When investment of bond proceeds are co-mingled with other investments, the [Issuer Name] shall adhere to IRS rules on accounting allocations.

Continuing Disclosure

The [Issuer Name] shall comply with SEC 15c-12 regulations, which require municipal debt issuers to provide specified financial and operating information for fiscal years beginning on January 1, 1996. The [Responsible Unit] shall be the Compliance Officer for disclosure requirements.

Bond Users Clearinghouse

The [Issuer Name] shall ensure that the Bond Users Clearinghouse receives municipal bond information for all debt sold as provided by chapters 39.44.200 through 39.44.240 RCW and

Chapter 365-130 WAC. The information requested by RCW 39.44.210 include but are not limited to:

- ✓ the par value of the bond issue;
- ✓ the effective interest rates;
- ✓ a schedule of maturities;
- ✓ the purposes of the bond issue;
- ✓ cost of issuance information; and
- ✓ the type of bonds that are issued.

Legal Covenants

The [Issuer Name] shall comply with all covenants and conditions contained in governing law and any legal documents entered into at the time of a bond offering.

Section VII. Other Policies

Refunding Savings Thresholds

Refundings will be conducted in accordance with the Refunding Bond Act, chapter 39.53 RCW. Unless otherwise justified, [Issuer Name] will refinance debt to achieve true savings as market opportunities arise.

Unless otherwise justified, an “advance refunding” transaction will require a present value savings of five percent of the principal amount of the refunding debt being issued.

Unless otherwise justified, a “current refunding” transaction will require graduated present value savings as follows:

Years Between Call and Final Redemption	Present Value Standard
1-2 years	1%
3-4 years	2%
5-6 years	3%
7-8 years	4%
9+ years	5%

Selection of maturities to be refunded - unless otherwise justified, all callable maturities of an issue will be included in a refunding.

Derivative Products

No derivative products will be utilized unless permitted by law, and not without prior [Legislative Authority] approval. No derivative products shall be utilized without an analysis by an independent financial advisor. No derivative products shall be used for the purpose of interest rate speculation.

Alternative Financings Schemes

The [Issuer Name] shall not utilize alternative financing schemes to avoid restrictions imposed by law or to utilize tax loop-holes. Specifically, the “On Behalf Of” or 63-20 financings alternative financing schemes shall not be utilized by [Issuer Name].

Conduit Financings

Unless expressly authorized by law, the [Issuer Name] shall not utilize conduit financing structures. Any conduit financing shall contain a no-recourse provision to the [Issuer Name].

Any conduit financing structures established must implement formal underwriting standards requiring, but not limited to the following:

- ✓ Exemption from securities registration [depends on the type of conduit financing] - to ensure that only “sophisticated” investors can buy the non-recourse bonds;
- ✓ Projects that have a) acceptance by the local community and b) public purpose and public benefits;
- ✓ Nonprofit borrowers with a demonstrated ability to provide debt service;
- ✓ Private for-profit borrowers that have a) a history of growth and strong prospects of continued growth in the future b) a substantial participation of funds from other sources, c) location in the State of Washington, and c) participants of integrity;
- ✓ An independent financial advisor; and
- ✓ Compliance with all pertinent laws and regulations.

Evaluating Capital Improvement Program Spending

The [Issuer Name] shall integrate its debt issuance with its Capital Improvement Program spending. Prior to each quarterly meeting of the [Finance Committee/Other] to discuss the need for debt financing, the [Responsible Unit] shall cause to be prepared a written report on the status of spending of the Capital Improvement Program and the need for debt. The report shall include:

- ✓ Projected capital funding requirements, collected from the primary capital improvement program project managers;
- ✓ Projected near term financing needs;
- ✓ Projected near term available resources, including cash, and bond proceeds; and
- ✓ An analysis showing the impact of the proposed financing on revenues.

Modeling the Impact of Capital Program Needs

The [Issuer Name] shall develop and maintain a capital finance model to evaluate the impact of capital program spending, operations and maintenance costs, and debt service on its financial condition. To that end, the [Responsible Unit] shall oversee the ongoing maintenance of quantitative modeling that includes, but is not limited to, the following:

- ✓ Historic and projected cash flows for capital and operating expenditures;
- ✓ Historic and projected fund balances;
- ✓ Historic and projected debt service coverage; and
- ✓ Projected revenue requirements.

Debt Database Management

The [Issuer Name] shall maintain complete information on its outstanding debt portfolio, in a database format. The information in the database shall include, but not be limited to, the following:

- ✓ Issue Name
- ✓ Initial Par Amount of the Issue
- ✓ Dated Date and Sale Date of the Issue
- ✓ Purpose of the Issue

- ✓ Security Type (Fixed or Variable) of the Issue
- ✓ Issue Type (New Money or Refunding) of the Issue
- ✓ Sale type (Competitive or Negotiated) of the Issue
- ✓ TIC, Arbitrage Yield, Avg. Life, and Underwriters Discount of the Issue
- ✓ Underwriter(s) of the Issue
- ✓ Principal Amounts by Maturity
- ✓ Principal Amounts Outstanding by Maturity
- ✓ Coupon Rate and Coupon Type (Current Interest or Zeros) by Maturity
- ✓ Original Yield and Original Price by Maturity
- ✓ Interest Payment Frequency by Maturity
- ✓ First Interest Payment Date by Maturity
- ✓ Call Provisions by Maturity
- ✓ Sinking Provisions by Maturity
- ✓ Credit Enhancement, if any, by Maturity

The [Issuer Name] shall use the debt database for the following purposes:

- ✓ Generate reports;
- ✓ Refunding Analyses; and
- ✓ Output to Fund Accounting System.

Accounting for the Issuance of Debt

The [Issuer Name] shall account for the issuance of debt using [general accepted accounting principals ("GAAP") as established by the Governmental Accounting Standards Board ("GASB")] [methods prescribed by the State Auditor]. Cost of issuance shall be reported as an expenditure rather than netted against proceeds.

Debt Policy Review

The [Issuer Name] shall review and update its debt policy every four years.