Bernalillo County, NM

DEBT MANAGEMENT POLICY & GUIDELINES

Approved April 9, 2013
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Bernalillo County
Debt Management Policy & Guidelines – Purpose

The County recognizes the foundation of any well-managed debt program is a comprehensive debt management policy. The Debt Management Policy & Guidelines set forth the parameters for issuing debt and managing the outstanding debt portfolio and provides guidance to decision makers regarding the purposes for which debt may be issued, types and amounts of permissible debt, timing and method of sale that may be used, and structural features that may be incorporated. Adherence to a debt management policy helps to ensure that Bernalillo County maintains a sound debt position and that credit quality is protected.

1. It is the intent of the County to establish a debt management policy to:

   a. Ensure high quality debt management decisions
   b. Impose order and discipline in the debt issuance process
   c. Promote consistency and continuity in the decision making process
   d. Provide all disclosures required by law and promote transparency
   e. Strategic diagnosis for financial condition and demonstrate commitment to long-term financial planning objectives, and
   f. Ensure debt management decisions are viewed positively by the investment community, taxpayers and rating agencies
   g. Maintain compliance with applicable federal tax laws and regulations

I. DEBT MANAGMENT POLICY & GUIDELINES - Introduction

The County's Debt Management Policy & Guidelines provides for the following:

1. The County will evaluate the impact of debt amounts and debt service requirements of any new proposed debt within the overall context of outstanding debt.
2. Maintain Post Issuance Compliance Guidelines that formalize post issuance compliance controls and procedures related to the County's financial and legal obligations (see Appendix).
3. General obligation bonds approved by the voters shall be used to finance county capital projects.
4. Gross receipts tax revenue bonds shall be issued for capital projects that would either enhance the County's economic condition, or preserve or replace its major infrastructure.
5. Enterprise (solid waste) revenue bonds will be used for enterprise capital projects.
6. Special assessment district bonds, public improvement district bonds, or other self- supporting bonds, will be used for capital projects that benefit smaller segments of the County's population.
7. Inter-fund borrowing may be used as an alternative to conventional borrowing. The fund may be reimbursed preceding the sale of bonds with a reimbursement agreement.
8. The County shall not pledge any County revenues to its conduit bond financings or guarantee indebtedness of others. Furthermore, the County has no moral obligation to repay bondholders of conduit financings issued under its authority. The obligated borrower in conduit financing shall be responsible for complying with all arbitrage rebate requirements associated with the bonds and shall, prior to the closing of the bonds, enter into a contract for rebate services with a firm recognized as having expertise in performing arbitrage rebate calculations for tax-exempt bonds.
9. The County may use the services of qualified internal staff and outside advisors, including Bond Counsel, Tax Counsel, Disclosure Counsel, Underwriters and Municipal Advisors, to assist in the analysis, evaluation, and decision process.
10. The County shall select a method of sale that achieves the financial goals of the County and minimizes financing costs. Such sales can be competitive, negotiated or private placement, depending upon the project and market conditions. The recommendation by the County's Municipal Advisor will be considered in the decision as to the most appropriate sale method. The recommended method of sale for each financing as recommended by the Debt Advisory Committee shall be subject to Commission approval.
11. The County shall make every attempt to earn and maintain the highest investment grade rating achievable.
12. Finance team members including Municipal Advisors, Bond Counsel, Disclosure Counsel, Tax Counsel, Arbitrage Services and Underwriters will be selected in accordance with all applicable procurement laws, County Procurement and Business Services Department procedures and the Debt Management Policy & Guidelines ("Debt Policy"). The selection should maximize the quality of services received while minimizing the cost to the County. Selected Underwriters and Municipal Advisors shall adhere to the Municipal Securities Rule-making Board ("MSRB") and the Securities and Exchange Commission ("SEC") rules and regulations.
13. The County shall maintain good communications with bond rating agencies to ensure complete and clear understanding of the credit worthiness of the County.
14. Financial reports and bond official statements shall follow a policy of full, complete and accurate disclosure of financial conditions and operating results. Reporting with other relevant guidelines issued by the Securities and Exchange Commission ("SEC") and the Internal Revenue Service (IRS) to meet the disclosure needs of rating agencies, underwriters, investors and taxpayers. (See Appendix Post-Issuance Tax and Securities Compliance Guidelines for Bonds)

15. Federal income tax laws may restrict the ability to earn and/or retain arbitrage profits in connection with tax-exempt bonds. Expenditure of bond proceeds shall be made to eliminate or minimize negative arbitrage while maintaining compliance with arbitrage rebate requirements.

II. DEBT ADVISORY COMMITTEE & DEBT POLICY ADMINISTRATION

1. A Debt Advisory Committee is created to administer the Debt Management Policy & Guidelines. It is the role of the Debt Advisory Committee to develop and maintain a Debt Management Policy & Guidelines under the direction of the Deputy County Manager of Finance (DCMF); and to review and recommend action to the DCMF both the finance teams and structuring plans for all capital financings prior to the introduction of such legislation. The DCMF may employ the assistance of the County's retained Municipal Advisor and Legal Counsel in the development and ongoing administration of its debt management responsibilities.

   Key debt management administration responsibilities include but are not limited to:

   a. Develop and maintain comprehensive supporting guidelines in accordance with the County's Debt Management Policy & Guidelines.
   b. Annually assess the County's ability to issue and repay debt utilizing financial benchmarks specified within the County's Debt Management Policies & Guidelines.
   c. Review and evaluate results of debt financing operations including, but not limited to:
      i. Issuance of long-term and short-term debt obligations,
      ii. Selection of bond type, structure, methods of sale and marketing of bonds, and
      iii. Investor and rating agency communications.
   d. Review expenditures of bond proceeds and the status of various projects being financed, including the capital improvement program for timeliness of spent bond proceeds.
   e. Review and evaluate services provided by Legal Counsel (including but not limited to Bond Counsel, Disclosure Counsel and Tax Counsel), Municipal Advisor (s), Underwriters and other service providers in bond transactions for effectiveness and quality of service.
   f. Review and recommend changes annually to the Debt Management Policy & Guidelines based upon the DCMF's review of operations.
   g. Review and recommend changes annually to Post Issuance Tax and Securities Compliance Guidelines that formalize post issuance compliance controls and procedures related to the County's financial obligations.
   h. Manage and maintain compliance under the Post Issuance Tax and Securities Compliance Guidelines.
   i. Prepare an annual report to Commission as stated below in II. 4.

2. A Debt Advisory Committee composed of the following positions shall serve as members of the Debt Advisory Committee:

   a. Deputy County Manager of Finance (DCMF)
   b. Finance Special Projects Coordinator
   c. Director of Economic Development
   d. Director of Accounting and Budget
   e. Director of Parks, Recreation and Open Space Department
   f. Public Safety Special Projects Coordinator
   g. Chief of Staff to the County Manager (CIP Manager)
   h. The County Attorney, Finance Division Senior Financial Accountant, Treasurer and

The Assessor shall serve on the Committee in an ex-officio status. Other ex-officio participation, as deemed appropriate by the Committee is encouraged. The Debt Advisory Committee shall be chaired by the Deputy County Manager of Finance or designee.

3. Members of the Debt Advisory Committee may designate staff to represent them.
4. Annual Debt Report
   a. The DCMF will release an Annual Debt Report to the Commission. Such report will pertain to the prior fiscal year, and will include the following elements:
   b. Calculations of appropriate ratios and measurements necessary to evaluate the County's credit, as compared with acceptable rating agency medians for similarly rated counties (those identified in the Debt Policy and any other such ratios and measurements, as the Debt Advisory Committee shall deem appropriate).
   c. Information related to any significant events affecting outstanding debt.
   d. An evaluation of savings related to any refinancing activity.
   e. A summary of any changes in Federal or State laws affecting the County's debt program.
   f. A summary statement as to the overall status of the County's Debt Obligations and Debt Management activities.

III. DEBT AFFORDABILITY COORDINATION WITH THE LONG RANGE FINANCIAL PLAN AND CAPITAL IMPROVEMENT PROGRAM

As an important step within the annual development of the budget, the DCMF will annually assess the County's ability to issue and repay its debt. At a minimum, the DCMF shall review and evaluate proposed financing plans in conjunction with the long range financial plan, the capital improvement program, current financial position and financial policy to assess the County's ability to issue and repay its debt. The DCMF shall recommend how much new debt, if any, the County may authorize.

IV. DEBT AFFORDABILITY AND CAPACITY MEASURES

The approach, introduced in Table 1, is comprised of two levels of financial measures for evaluating debt capacity for general obligation and gross receipt revenue bonds. Level 1 establishes acceptable debt capacity measures as long-term average targets. Level 2 establishes quantitative upper limits for debt capacity that should generally not be exceeded. Once an upper limit is exceeded, projects requiring new debt need to demonstrate an economic benefit and overall conditions must allow benchmarks to return within the level 1 long-term average target levels within five fiscal years or less.

TABLE 1.

	G.O. BOND MEASUREMENTS		GRT BOND MEASUREMENTS
Level	Population's Ability to Pay	Burden on Taxable Property Values	**Gross Receipts Tax (GRT) Only:** Government's Current Debt Service Capacity
Level One 1	1. Direct Debt Per Capita as % of Income Per Capita <= 1%	2. General Obligation (G.O.) Debt Outstanding As % of Assessed Value of Taxable Property <= 2.00% 3. Direct and Overlapping Debt Burden <= 10% 4. Direct Debt as % of Full Value <=.66%	5. Annual GRT Debt Service as % of General Fund Adopted Budgeted Expenditures <=5% 6. GRT Debt Service Minimum Coverage from Pledged Revenue >= 300% 7. General Fund Balance as % of Revenues >= 42% 8. General Fund Balance Reserve Requirement 8a. Restricted: 3/12 Reserve Requirement: >= 25% 8b. Unassigned: Revenue Stabilization & Operating Reserve: 3%-5% of budgeted operating expenditures.
Level Two 2	1. Direct Debt Per Capita as % of Income Per Capita <= 3%	2. General Obligation (G.O.) Debt Outstanding As % of Assessed Value of Taxable Property <= 4.00% 3. Direct and Overlapping Debt Burden <=12% 4. Direct Debt as % of Full Value <= 3.5%	5. Annual GRT Debt Service as % of General Fund Adopted Budgeted Expenditures <=7.5% 6. GRT Debt Service Minimum Coverage from Pledged Revenue >= 250% 7. General Fund Balance as % of Revenues >=30% 8. General Fund Balance Reserve Requirement 8a. Restricted 3/12 Reserve Requirement: >=25% 8b. Unassigned Revenue Stabilization & Operating Reserve: 3%-5% of budgeted operating expenditures.

(1) **Direct Debt Per Capita as a % of Income Per Capita**—Creditors and credit rating agencies measure the population's ability to pay by dividing direct debt (includes debt supported by general revenues and taxes such as G.O. bonds debt) by per capita income. Management will utilize the corresponding benchmarks as set forth in Table 1 to evaluate the population's ability to pay for outstanding and proposed debt.

(2) **General Obligation (G.O.) Debt Outstanding as a Percent of Assessed Value of Taxable Property—** This measure evaluates the portion of long-term debt burden that is to be repaid by local property taxes. G.O. debt is limited by the State of New Mexico Constitution Article IX, Section 13, to 4.00% of the value of taxable property from the last assessment.

(3) **Direct and Overlapping Debt Burden—** This measure evaluates the burden of direct and overlapping debt upon the broadest possible measure of the County's property tax base. This measure expresses direct and overlapping debt as a percentage of Assessed Value. Management will utilize the corresponding benchmarks as set forth in Table 1 to evaluate the population's ability to pay for outstanding and proposed debt. Overlapping jurisdictions with G.O. debt outstanding includes the State, School District, Flood Control Authority and College District.

(4) **Direct Debt as Percentage of Full Value—** This measure evaluates the burden of governmental direct debt upon the broadest possible measure of the County's property tax base. Direct debt is the amount of all long-term debt (generally debt supported by general revenues and taxes such as G.O. debt) less sinking fund accumulations and less self-supporting enterprise debt. Self-supporting enterprise debt is excluded because it is repaid exclusively from revenues generated by the enterprise activity for which the debt was issued, e.g. enterprise revenue bonds or project revenue bonds. Full Value is defined as total fair market value of taxable property in the County, plus any exemptions and exclusions. Management will utilize the corresponding benchmarks as set forth in Table 1 to evaluate the population's ability to pay for outstanding and proposed debt.

(5) **Annual GRT Debt Service as % of General Fund Adopted Budgeted Expenditures—** This measure helps management evaluate the government's capacity to absorb additional debt. The measure is important because total appropriations may exceed governmental revenues. Table 2 shows typical ranges against which a rating agency generally evaluates a local government's ability to repay tax secured debt.

TABLE 2.

Tax Secured Debt	High	Moderate	Low
GRT Debt Service as Percent of Governmental Expenditures	>10%	8%>measure>5%	<6%

(6) **GRT Debt Service Minimum Coverage from Pledged Revenue**—The County must collect enough revenue from all pledged GRT increments to cover at least 300% of its actual annual direct GRT debt service obligations.

(7) **General Fund Balance as Percentage of Revenues**—The General Fund Balance is the ending General Fund balance. The term "revenues" means total actual General Fund Revenues [of prior fiscal years].

(8) **Restricted and Unassigned Fund Balance**—The restricted and unassigned fund balance as described in the County's fund balance policy.

V. FINANCING ALTERNATIVES

1. The County shall assess all financial alternatives for funding capital improvements prior to issuing debt. Pay-as-you-go financing should be considered before issuing any debt. Pay-as-you go financing may include: intergovernmental grants from federal, state and other sources, current revenues and fund balances; private sector contributions; and public/private partnerships. Once the County has determined that "pay-as-you-go" and intergovernmental or private sector grants are not a feasible financing option, the County may use Short-term or Long-term debt to finance capital projects.

2. The County will not fund current operations or normal maintenance from proceeds of long-term financing. The County will confine long-term borrowing and capital leases to capital improvements, projects, or equipment that cannot be financed from current financial resources. In an effort to conserve debt capacity, the County shall borrow only when necessary and utilize pay-as-you-go financing to the extent possible. The term of the obligation should not exceed the useful life of an asset or project.

VI. SHORT TERM DEBT & INTERIM FINANCING (Maturity of one (1) year or less)

1. Short term obligations may be issued to finance projects or portions of projects for which the County ultimately intends to issue long-term debt (or where cash is available in a debt service fund and can be "sponged" to retire bonds immediately thereafter); i.e., it shall be used to provide interim financing which shall eventually be refunded with the proceeds of long-term obligations. Short-term obligations may be backed with a tax or revenue pledge, or a pledge of other available resources.

   a. Lines and Letters of Credit

      i Where their use is judged by the DCMF and Debt Advisory Committee to be prudent and advantageous to the County, the County has the power to enter into agreements with commercial banks or other financial entities for purposes of acquiring lines or letters of credit that shall provide the County with access to credit under terms and conditions as specified in such agreements. Any agreements with financial institutions for the acquisition of lines or letters of credit shall be approved by the County Commission. Lines and letters of credit entered into by the County shall be in support of projects contained in the approved capital improvement plans or similar plans implemented by the County.

VII. LONG-TERM DEBT FINANCING (Maturity over one (1) year)

1. General Obligation Bonds (G.O.)

   a. Long-term general obligation or revenue bonds shall be issued to finance significant capital improvements for purposes set forth by voters in bond elections and the capital improvement program or similar plans implemented by the County. G.O. bonds are secured by a pledge of the full faith and credit of the County. They are payable from ad valorem property taxes, which are required to be levied in an amount sufficient to pay interest and principal on the bonds maturing in each year, pursuant NMSA 6-15-1 through 6-15-28, 1978.

2. Gross Receipts Tax Revenue Bonds (GRT)

   a. GRT bonds may be issued in response to public need without voter authorization. Long-term debt may be incurred for only those purposes as provided by the State Constitution or State Law, which include capital improvements and long-term assets associated with, but not limited to constructing, acquiring, improving etc. county or public parking lots, structure or facilities or any combination of the foregoing, pursuant NMSA 4-62-1 to 4-62-10, 1978.

3. Enterprise System Revenue Bonds

   a. In addition to G. O. and GRT bonds the County may from time to time find it necessary to issue bonds secured by revenues of its enterprise systems (such as Solid Waste).

   b. In order to ensure adequate debt service coverage the County shall determine that the Net Pledged System Revenues for the Fiscal Year immediately preceding the date of issuance of such additional parity bonds or parity obligations shall have been sufficient to pay an amount representing one hundred thirty (130%), of combined average annual principal and interest requirements of the outstanding parity bonds and other parity obligations of the County payable from and constituting a lien upon the pledged revenue and the parity bonds or other parity obligations proposed to be issued (excluding accumulation of any reserves therefore), pursuant NMSA 4-62-1 to 4-62-10, 1978. If more restrictive requirements are included in any bond ordinance governing a series of enterprise system revenue bonds, the County shall comply with such requirements.

4. Enterprise System Rate Covenant

   a. Rates for services rendered by the enterprise systems (such as Solid Waste) shall be reasonable and just, taking into account the cost and value of the System, operation and maintenance expenses, proper allowances for depreciation and the amounts necessary to retire all bonds payable from the revenues, and any accumulation of reserves therefor. There shall be charged against all users, including the County, rates and amounts, which shall be increased from time to time if necessary, sufficient to produce revenues to pay the annual operation and maintenance expenses, the accumulation of reserves and annual renewal and replacement fund requirements, if any, and 130% of the annual principal of and interest of all outstanding bonds and other obligations payable from the Pledged Revenues. No free services of the enterprise shall be furnished by the County. Any use of the System by the County shall be paid for from the County's general fund at the reasonable value of the use so made, pursuant NMSA 4-62-1 to 4-62-10, 1978. If more restrictive requirements are included in any bond ordinance governing a series of enterprise system revenue bonds, the County shall comply with such requirements.

5. Conduit Financings

   a. The Economic Development Department, with review and concurrence of the Debt Advisory Committee, shall prepare and maintain a Conduit Financing Policy, including post-issuance compliance requirements.

   b. The County may sponsor conduit financing for activities that have a general public purpose and are consistent with the County's overall service and policy objectives as described in the Conduit Financing Policy. The County will require third parties to provide information to the County as the County deems appropriate or necessary, including the provision of annual financial statements. Conduit financings do not in any way pledge the County's faith and credit, pursuant NMSA 4-62-1 to 4-62-10, 1978 and other applicable law (i.e., the Municipal Housing Law).

6. Special Assessment District Bonds (SADs)

   a. The County may issue SAD bonds. A SADs with debt service limited to revenues from assessments against those who directly benefit from the project the funds have been used to finance, pursuant NMSA 4-55A-1 through 4-55A-43, 1978.

VIII. ISSUANCE OF DEBT OBLIGATIONS

1. All County debt shall be issued in accordance with the following policies:

   a. Conditions of Sale

   Unless otherwise justified, the issuance and sale of all County bonds, notes, loans and other evidences of indebtedness shall be subject to the following parameters:

   i Principal and interest on all outstanding debt shall be paid in a full and timely manner,

   ii Debt shall be incurred only for those purposes as provided by State Statute or under its constitutional powers or resolutions,

   iii Capital improvements or resolutions should be developed, approved and financed in accordance with County Ordinances and the capital improvement budgeting process,

   iv The payment of debt shall be secured by the full faith, credit and taxing power of the County, in the case of general obligation bonds, and by the pledge of specified limited revenues accounted for in special funds, in the case of revenue and special assessment district bonds,

   v Prior to the issuance of debt, the County will identify the revenue source and find that the revenue source is sufficient to pay debt service over the expected repayment timeframe when considering current and proposed debt,

   vi Principal and interest retirement schedules shall be structured to: (1) meet available cash flow available to service debt, (2) achieve a low borrowing cost for the County, (3) accommodate the debt service payments of existing debt and (4) respond to perceptions of market demand. Shorter maturities shall always be encouraged to demonstrate to rating agencies that debt is being retired at a sufficiently rapid pace,

   vii Debt incurred shall generally be limited to obligations with serial and term maturities but may be sold in other structures if circumstances warrant and recommended by the Debt Advisory Committee,

   viii The average life of the debt incurred should be no greater than the projected average life of the assets being financed.

   b. Methods of Sale

      i. Debt obligations in the form of bonds, notes, loans or other evidences of indebtedness of the County may be sold by competitive, negotiated sale or private placement methods unless otherwise limited by state law. The selected method of sale shall be the option which is expected to result in the lowest cost and most favorable terms given the financial structure used, market conditions, and prior experience with each method.

   c. Delegated Powers

      i. Pursuant to the Supplemental Public Securities Act, Section 6-14-8 et seq., NMSA 1978, the Board of County Commissioners may delegate to the County Manager and/or the Deputy County Manager for Finance the authority to accept one or more binding bids, if applicable, and select the purchaser, to execute one or more sale certificates and to determine any or all of the final terms of the bonds, notes, loans or other evidences of indebtedness, including (i) the interest and principal payment dates; (ii) the principal amounts, denominations and maturity amortization;
      (iii) the sale prices; (iv) the interest rate or rates; (v) the interest payment periods; (vi) the redemption and tender provisions; (vii) the creation of any capitalized interest fund, including the size and funding of such fund(s); (viii) the amount of underwriting

discount, if any; and (ix) the final terms of agreements, if any, with agents or service providers required for the purchase, sale, issuance and delivery of the bonds, all subject to parameters and conditions contained in the bond ordinance or other authorizing instrument.

ii. In the event of delegation, the County Manager or the Deputy County Manager for Finance shall certify in writing, prior to the delivery of the public securities, that the final terms comply with the parameters and conditions established in the authorizing instrument and shall present the sale certificate to the Board of County Commissioners in a timely manner, before or after delivery of the bonds, at a regularly scheduled public meeting of the Board of County Commissioners.

IX. SELECTION OF DEBT STRUCTURES

1. In order to minimize interest rate risk the preference of the County is to issue fixed rate debt however if an alternative structure is determined to be preferential the County may adopt an alternative bond structure subject to the defined constraints described herein:

   a. Variable Rate Bonds

      i. The proportional amount of debt attributable to specific pledged revenue that shall be issued in the form of unhedged variable rate securities shall be limited to a maximum of 20% of the total outstanding debt for which that revenue is pledged. In the case of tax supported variable rate debt, the level of variable rate shall not exceed 20% of the then outstanding tax supported debt which includes General Obligation, County Gross Receipts Tax debt, enterprise debt, and SAD bonds that have been credit enhanced by the pledge of tax income.

      ii. Periodically, the Debt Advisory Committee with assistance from the municipal advisor shall analyze each outstanding variable rate issue to determine if the issue should be converted to a fixed rate or otherwise hedged.

   b. Liquidity and Credit Enhancement Facilities

      i. The County may seek to use liquidity or credit enhancement when such enhancement proves to be cost effective or to improve or establish a credit rating. When their use is judged prudent and advantageous to the County, the DCMF shall have the authority subject to County Commission approval to enter into agreements with commercial banks or other financial entities for the purposes of acquiring lines or letters of credit, bond insurance or surety policies, etc. Selection of enhancement providers is subject to a competitive bid process developed by the DCMF and municipal advisor and recommended by the Debt Advisory Committee.

      Prerequisite to use:

      1. The present value of the estimated debt service savings from the use of credit enhancement should be at least equal to or greater than the premium paid by the County to obtain such credit support; and
      2. Criteria to be used in the appointment of credit provider include:

         a. An objective evaluation of responses to a request for qualification

b. The short-and long-term credit ratings of the institution and the relative trading level of debt support by such credit provider

c. Institution's experience with providing liquidity facilities to municipal bond issuers

d. Competitiveness of fees submitted, interest charged on liquidity draws, maximum legal and administrative fees

e. Ability to agree to County and state legal requirements; and

f. Number and amount of liquidity facilities currently outstanding in the market

c. Optional Redemptions

i. The County's bonds may be subject to optional redemptions and early calls, consistent with the objective of paying the lowest possible interest cost. Early calls may permit the County to act upon decreases in interest rates by refinancing debt for the purpose of realizing debt service savings. The County and its municipal advisor will evaluate optional redemption provisions for each issue so the County does not service its debts at unacceptably higher interest rates. Debt will be structured with shortest optional redemption date which does not materially increase cost.

d. Reserve Requirements & Bond Insurance

i. In the issuance of bonds the County may find it necessary to fund a reserve fund or acquire bond insurance in order to achieve the lowest possible interest cost. In each instance the County and its municipal advisor will determine the appropriate reserve and or insurance option that allows for the lowest achievable interest cost while maintaining the marketability of the County's bonds.

e. Taxable Bonds

i. In the event the County does not have a reasonable expectation that it will be able to expend the proceeds of a debt issuance within 3 to 5 years, the County may consider issuing those bonds as taxable. Prior to issuance, a determination of the interest cost of issuing a taxable debt issuance will be compared to a tax-exempt debt issuance. Additionally, to the extent possible, the taxable bonds will be structured to mature as quickly as possible while maintaining the appropriate coverage level or debt service property tax rate.

ii. In certain cases where private use may be an issue as further described in the Post-Issuance Tax and Securities section XV taxable bonds would be issued.

X. REFUNDINGS

1. Refunding Bonds: The County shall consider refunding outstanding debt in order to:

a. Generate interest rate savings,

b. Restructure principal, or

c. Eliminate burdensome bond covenants.

d. A present value analysis shall be prepared that identifies the economic effects of any refunding proposed. Prominent among these are:

i. Time to call date,

ii. Time remaining to call date,

iii. Negative arbitrage per maturity, and

iv. Shape of debt service savings.

2. Current Refundings

   a. Requires that the refunding escrow may not exceed 90 days as described in Table 3. A current refunding transaction shall require a present value savings at least of the principal amount of the refunding debt being issued and shall incorporate all costs of issuance expenses. A maturity by maturity analysis shall be conducted to determine if threshold is met.

3. Advanced Refundings

   a. Following the enactment of legislation at the end of 2017, advance refundings (i.e., issuance of tax-exempt bonds to fund an escrow for the repayment of other tax-exempt bonds which are not callable within 90 days) is no longer permitted. Alternatives to tax-exempt advance refundings, such as the issuance of bonds which convert from taxable to tax-exempt bonds (i.e., "Cinderella" bonds) forward bond purchase agreements, and other structures, are available as alternatives under current law. Early consultation with Bond Counsel is recommended as any structure is being discussed.

4. Analysis of Refundings Generally

   a. The County should carefully weigh the benefits and opportunity costs of such an action; and unless otherwise justified an advance refunding transaction shall require a present value savings of at least the principal amount of the refunding debt being issued and shall incorporate all costs of issuance expenses. A maturity by maturity analysis shall be conducted to include a determination of the refunding efficiency incurred in connection with the escrow established for a particular maturity, and to determine if threshold is met as described in Table 3. To be considered, the refunding efficiency for a particular candidate shall never be greater than the net present value savings generated by that candidate.

The chart below illustrates the savings matrix for a fixed rate refunding of existing fixed rate bonds so that each individual bond maturity generates a net present value savings of at least the following:

Table 3.

Minimum NPV Savings Decision Matrix

Years from Call Date to Maturity Date	Years to Call Date: 0 - 2	3 - 7	8 - 10
0 - 5	0.50%	3.00%	3.00%
6 - 10	3.00%	3.00%	4.00%
11 - 15	3.00%	4.00%	5.00%
16 - 20	4.00%	5.00%	5.50%

XI. INVESTMENT OF BOND PROCEEDS

1. Bond Proceeds will be invested pursuant to the County's Investment Policy. If the Investment of Bond Proceeds is not addressed within the County's Investment Policy or in the absence of a policy the proceeds will be invested in US Treasury and or US Government Agency securities.

XII. APPOINTMENT OF PROFESSIONALS

1. To provide systematic technical advice and support to the County and for the efficient competitive, negotiated or private placement sale of County debt the Commission shall approve the selection of qualified professionals including Legal Counsel, Municipal Advisor (s) Arbitrage Rebate Services, and underwriters.
2. Such selection of qualified professionals shall be based on an evaluation of competitive proposals for a combination of advisory and underwriting services, as recommended to the County Commission by the DCMF. In no case may the municipal advisor on any County credit serve as an underwriter in compliance with MSRB rules and regulations.

   a. Term of Appointments

      i. Appointments shall be effective for a term of four (4) years with an option to renew for two (2) additional years from the date of ratification of the award by the County Commission, unless otherwise amended by the County Commission.

   b. Selection Process

      i. The Deputy County Manager for Finance (DCMF) shall periodically publish a Request for Proposals (RFP) that invites concurrent proposals from individual offerors to provide services in support of each of the County's anticipated projects.

   c. Blackout Periods Imposed

      i. Communication about an RFP or the selection process with members of a Municipal advisor, or underwriting proposal review committee, County employees, or elected officials of the County by any employee or representative of an underwriting team under consideration for selection is explicitly prohibited from the date of publication of such RFP until recommendation of award by the Commission.

      ii. Failure to comply with this requirement shall result in the applicant's disqualification.

   d. Selection Criteria

   In order of priority, criteria to be used in the appointment of qualified municipal advisor and underwriters shall include, but are not limited to:

      i. Demonstrated ability of the firm to structure an issue of debt utilizing the contemplated credit structure(s) efficiently and effectively,

      ii. Experience of assigned personnel,

      iii. Approach to proposed scope of work, including quality and applicability of proposed financing ideas,

      iv. Demonstrated capability to sell bonds to institutional and retail investors, especially to investors located in New Mexico (underwriters only),

v. Demonstrated commitment and capacity of the underwriting firm or firms to put its firm's capital at risk, especially as evidenced by having successfully bid on prior competitive sales of County debt or by having underwritten the County's debt in adverse markets (underwriting firms only),

vi. Demonstrated secondary market support for debt which the underwriting firm or firms are retained, especially for the specific credit which is to be pledged (underwriting firms only),

vii. Fees and expenses,

viii. Weights for the above criteria may vary and shall reflect the unique requirements of the proposed engagement and

ix. Other factors. Other Factors are defined as those factors that have not been included as technical selection criteria, but are factors that in some instances must be considered in making the final selection. Their nature will not permit a meaningful numerical predetermination of relative significance of impact on the selection decision, and therefore, they are not numerically scored.

e. Failure to provide complete disclosure for each of the offeror firms to the following questions or misrepresentation shall result in disqualification. The provider must certify that, to the best of its knowledge, the information submitted in response to this section is accurate, complete and not misleading.

f. Conflicts of Interest

i. Each offeror shall list all potential conflicts of interest of which the firms have knowledge of which may arise with respect to the representation of the County on this proposal, including, without limitation, any circumstances which would create the appearance of a conflict of interest.

ii. Each offeror shall disclose any political contribution, gift or fund-raising, either direct or indirect, valued in excess of $250.00 (singularly or in the aggregate) made by the firms or individuals at the firms to any elected official or person seeking office in the state of New Mexico in the last five (5) years; any current, proposed or past financial or business relationship or arrangement between a firm or any individual at the firm and any County Commission member, officer or employee of the County; and any other actual or potential conflict which may give rise to a claim of conflict of interest.

iii. Each offeror shall provide acknowledgement that it has complied with all Municipal Securities Rulemaking Board ("MSRB") rule G-37 filings, and shall document specific breaches of the Rule for which sanctions were imposed. The offers shall only be required to provide any supplementary information requested by the County.

g. Regulatory Action

i. Each offeror shall disclose any judicial or administrative proceedings of public record that have been filed against the firm during the five (5) years preceding the date of the proposal that concerned the offeror participation in a securities transaction.

ii. Each offeror shall list and describe the current disposition or status of any litigation or formal or informal action taken by any state or federal securities commission, the MSRB, or any other regulatory body against the firm (or taken against any individuals now at the firm who will work under this contract) within the last five (5) years.

iii. Each offeror shall disclose employment practices and describe the current disposition or status of any litigation or formal or informal action taken by the Equal Employment

Opportunity Commission or any other regulatory body against the firm within the last five (5) years with respect to its employment practices.

XIII. INVESTOR AND RATING AGENCY COMMUNICATIONS

1. Disclosure

    a. It is the County's policy to provide primary and secondary disclosure to all its bond investors on a periodic basis as required by the Securities and Exchange Commission (SEC) Disclosure Rule 15c2-12 and SEC Antifraud Provision Rule 10b-5 and Municipal Securities Rulemaking Board (MSRB) Rule G-36 as stated below:

    b. SEC Disclosure Rule 15c2-12 requires that issuers of municipal securities undertake in a written agreement or contract for the benefit of holders of such securities to provide certain annual financial information to various information repositories.

    c. SEC Antifraud Provisions Rule 10b-5 requires that disclosure made by issuers of municipal securities be both accurate and complete in all material respects at the time the disclosure is provided.

    d. The County shall consider voluntarily disclosure when a significant event as a pandemic, war or other act of God that may have a material impact on the County's financials or operating revenues. Such disclosure may include the approach the County is using to deal with the significant event.

    e. MSRB Rule G-17 requires, in the conduct of municipal securities or municipal advisory activities, each broker, dealer, municipal securities dealer, and municipal advisor shall deal fairly with all persons and shall not engage in any deceptive, dishonest or unfair practice.

    f. MSRB Rule G-23 establishes ethical standards and disclosure requirements for brokers, dealers, municipal securities dealers who act as municipal advisors to issuers with respect to the issuance of municipal securities. Firms are prohibited from engaging in Underwriting and Remarketing activities with issuers of municipal securities with whom they maintain a financial advisory relationship, as defined by MSRB Rule G-23.

    g. MSRB Rule G-36 requires filing by the broker dealer of the Official Statement within 10 days of the Bond Purchase Agreement execution.

    h. The County acknowledges the responsibilities of the underwriting community and shall assist underwriters in their efforts to comply with SEC Disclosure Rule 15c2-12, SEC Antifraud Rule 10b-5 and MSRB Rule G-36.

2. Official Statement Filing - Primary Disclosure

    a. The County shall file or cause to be filed its official statements with Electronic Municipal Market Access website (EMMA) which is currently the only nationally recognized municipal securities repository.

3. Comprehensive Annual Financial Report (CAFR)

    a. The County shall provide or cause to be provided its Comprehensive Annual Financial Report and shall disseminate other information that it deems pertinent to the market in a timely manner. The County shall file its CAFR with EMMA on a timely basis as required.

XIV. SECURITIES DISCLOSURE POLICIES AND PRACTICES OF ADMINISTRATION OFFICALS

1. In connection with the issuance of certain bonds, notes, and other municipal securities, the County is required to prepare and disseminate certain disclosure information in order to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, including a requirement for continuing disclosure of annual financial information and notices of certain listed events. This policy shall centralize the information dissemination process, establish appropriate controls on disclosure statements made by the County and enable the County and its enterprises to comply with its undertaking under Rule 15c2-12, in order to assure the County's access to the capital markets as a source of funds for necessary and useful public undertakings of the County. This policy is not intended in any way to limit any person's access to public records or information, nor to infringe upon the normal political process, in particular the right of any elected official of the County to review, discuss, release, comment upon or criticize any information.

2. Policy

    a. The DCMF shall be responsible for reviewing and approving, prior to release to the public, all official statements and disclosure statements relating to municipal securities as to which the County is the issuer or an obligated person for purposes of Rule 15c2-12.

    b. No official statement relating to any municipal securities as to which the County is the issuer or an obligated person for purposes of Rule 15c2-12 shall be issued or released to the public until and unless approved in writing by the DCMF.

    c. No disclosure statement concerning municipal securities as to which the County is the issuer or an obligated person for purposes of Rule 15c2-12 shall be made, issued or released to the public by any employee, agent or official of the County until and unless such disclosure statement and the release thereof shall be approved in writing by the DCMF.

    d. The County shall not bind itself pursuant to an undertaking relating to securities, such as certain types of private activity bonds, as to which is not an obligated person for purposes of Rule 15c2-12. No undertaking relating to municipal securities as to which the County is the issuer or an obligated person for purposes of Rule 15c2-12 shall be binding upon the County without the written approval of the DCMF.

    e. No disclosure statement, official statement or undertaking in respect of any municipal securities as to which the County is the issuer or an obligated person for purposes of Rule 15c2-12 that is issued or released to the public by any employee, agent or official of the County without the express written approval of the DCMF as required by this policy shall be deemed to be a statement or undertaking by or on behalf of the County.

3. Action

    a. Unless otherwise required by law, prior to releasing to the public any official statement or disclosure statement intended to be made public, all non-elected employees, agents and officials of the County shall report to and file with the DCMF any such proposed disclosure statement, together with such additional information requested by the DCMF, including certificates as to the accuracy of such disclosure statement, and each such employee, agent and official of the County shall consult with the DCMF concerning such proposed official statement or disclosure statement.

4. Published disclosure statements

    a. All information and documentation requested by the DCMF that may be required to support the preparation of a disclosure statement, official statement or undertaking shall be provided by the appropriate County departments, as identified by the DCMF, on a timely, complete, and accurate basis.

b. All disclosure statements, official statements and undertakings shall be compiled by disclosure counsel and reviewed by the DCMF and other counsel who are parties to the documentation. They shall be afforded, by the originating department, such unobstructed access to documentation and information, as they may deem appropriate.

5. Rating agency, investor and media communications

a. All communications with rating agency personnel, including responses to their periodic questions, shall be managed through and approved by the DCMF.

b. In order to ensure uniform market access to information that may be relevant to the valuation of the County's securities, the release of any information, whether in response to an ad hoc question or self-initiated, that may be potentially relied upon by the market to impute the credit worthiness of the County's debt, whether intended for that purpose or not, shall be reviewed by the DCMF, Disclosure Counsel, and Municipal Advisor to determine whether or not:

i. The information is already in the public domain;

ii. The information is a disclosure event as defined by the SEC, requiring prompt dissemination of such information on EMMA ; and

iii. The information is full, accurate, complete and not misleading.

APPENDIX

Post-Issuance Tax and Securities
Compliance Guidelines for Bonds

Amended June 30, 2019

I. OVERVIEW:

This guide lists the post-issuance tax compliance controls and procedures ("Post-Issuance Compliance Guidelines") maintained by Bernalillo County (the "County") relating to financial obligations of the County (which may include bonds, leases, installment purchase agreements, and other evidences of indebtedness) for governmental purposes, the interest on which is intended to be excluded from gross income for purposes of federal income taxation, or other tax-advantaged debt obligations (collectively referred to in these Post-Issuance Compliance Guidelines as "Bonds"). These Post-Issuance Compliance Guidelines are intended to ensure that the County complies, and is able to demonstrate such compliance with, applicable legal provisions including certain recordkeeping and reporting requirements in order:

a. To maintain the tax status of Bonds for federal income tax purposes under the Internal Revenue Code and the Treasury Regulations,

b. To ensure compliance with any applicable continuing disclosure undertakings entered into by the County under Rule 15c2-12 of the Securities Exchange Commission ("Rule 15c2-12) which may be applicable to Bonds and also may be applicable to certain taxable obligations of the County.

The County may from time to time issue tax-exempt conduit private activity bonds ("PABs") for the benefit of non-governmental entities as borrowers or lessees (each, a "Conduit Borrower"), such as exempt facility industrial revenue bonds for manufacturing facilities and multifamily housing revenue bonds. Because the projects being financed with PABs are owned, operated and controlled by the Borrower (and not the County), it is the expectation of the County that the documents governing such PABs will allocate responsibility for compliance with the matters described in these Post-Issuance Compliance Guidelines to the applicable Borrower, except as may be provided in other regulatory agreements, and that each Borrower will have in place its own policies addressing the matters set forth herein.

II. ISSUANCE OF BONDS

Financing with tax-exempt bonds is determined by the County Commission with consultation from the following:

a. Deputy County Manager of Finance (DCMF)
b. Debt Advisory Committee
c. Municipal Advisor
d. Bond Counsel

III. BOND COUNSEL

The County will retain bond counsel ("Bond Counsel") to deliver a legal opinion upon issuance of Bonds. The County will consult with Bond Counsel, other legal counsel and advisors throughout the bond financing process as well as during the post-issuance term of the bonds.

IV. EXTERNAL COUNSEL ADVISORS

The County maintains a relationship with a firm to serve as municipal advisor ("Municipal Advisor") in connection with the issuance of tax-exempt bond financing to advise the County with respect to outstanding tax-exempt bonds and for future capital projects. The County also maintains a relationship with a firm to act as rebate analyst with respect to Bonds.

V. TAX CERTIFICATE

The federal tax requirements relating to each issue of Bonds will be set forth in a related federal tax certificate (each, a "Tax Certificate"), which will be included in the closing transcript for each issue. The certifications, representations, expectations and covenants set forth in the Tax Certificate relate primarily to the restriction on use of the Bond proceeds, and the use of financed facilities by persons or entities other than the County, changes in use of Bond financed assets, restrictions applicable to the investment of Bond proceeds and other moneys relating to the Bonds, arbitrage rebate requirements, reimbursement of prior Project expenditures with proceeds of Bonds, and economic life of the Bond-financed assets. Bond Counsel will rely in part on the Tax Certificate in rendering its opinion that interest on the Bonds is excluded from gross income for federal income tax purposes.

VI. IRS FORM 8038-G

Bond Counsel, with assistance from the County and other professionals associated with each Bond issuance, shall prepare an IRS Form 8038-G. The DCMF or designee will review and sign at closing, and will confirm that the IRS Form 8038-G with respect to all Bond issues is timely filed by Bond Counsel, including any required schedules and attachments. The Form 8038-G filed with the IRS, together with evidence of filing, will be included as part of the closing transcript for each Bond issue.

VII. BOND FINANCING TRANSCRIPT

The transcript associated with each Bond financing, will include copies of the executed Opinion of Bond Counsel, Tax Certificate, and IRS Form 8038 or 8038-G. The Finance Department will keep a copy of the transcript in accordance with the provisions of Section XIX-"Records Retention", of these Post-Issuance Compliance Guidelines.

VIII. APPLICATION OF PROCEEDS

a. The Debt Advisory Committee will monitor and report to the DCMF the use of Bond Proceeds. Bond proceeds will be used for the purpose set forth in the Authorizing Measure (defined below), the Financing Documents (defined below) and the respective Tax Certificate.

b. Assignment of Responsibility and Establishment of Calendar

i. On the date of issuance of any bond, the DCMF will identify for the bond issue:

a. The funds and/or accounts into which bond proceeds are deposited.
b. The types of expenditures expected to be made with the bond proceeds deposited into those funds and/or accounts and any expenditures prohibited from being made from such funds or accounts.
c. The dates by which all bond proceeds must be spent or become subject to arbitrage yield limitations ("Expenditure Deadlines") and all interim dates by which funds and/or accounts must be checked to ensure compliance with the applicable Expenditure Deadlines.
d. The dates by which Bond proceeds must be spent in order to take advantage of any applicable exceptions to rebate requirements.

IX. TIMELY EXPENDITURE OF BOND PROCEEDS

a. At the time of issuance of any Bond issue, the County must reasonably expect to spend at least 85% of all proceeds expected to be used to finance improvements, which proceeds would exclude proceeds in a reasonably required reserve fund within three (3) years of issuance.

b. In addition, the County must have incurred (or must reasonably expect to incur within six months after issuance) expenditures or a binding obligation of not less than 5% of such amount of proceeds, and must expect to complete the project and allocate the proceeds to costs with due diligence.

c. Satisfaction of these requirements allows project-related Bond proceeds to be invested at an unrestricted yield (but potentially subject to rebate) for up to three (3) years from the date of issuance.

d. The Deputy County Manager of Finance will work with the Department to clarify an anticipated Project construction and funding timeline. The County's finance staff will monitor the appropriate capital project accounts and ensure that Bond proceeds are spent in the time period required under federal tax law.

e. If the DCMF discovers that an Expenditure Deadline has not been met, then the DCMF will consult with Bond Counsel to determine the appropriate course of action with respect to such unspent bond proceeds.

f. Special action may need to be taken with such unspent bond proceeds, including yield restriction, or redemption of Bonds.

X. FINAL ALLOCATION

a. Expenditures will be summarized in a final allocation of bond proceeds ("Final Allocation") in a manner consistent with allocations made to determine compliance with arbitrage yield restriction and rebate requirements. The Final Allocation will memorialize the assets or portion thereof financed with bond proceeds and the assets or portion thereof financed with other funds.

b. The Final Allocation must occur not later than 18 months after the later of the date the expenditure is paid or the date the Project to which the expenditure relates is completed and actually operating at substantially the level for which it was designed. This allocation must be made in any event not later than 60 days after the end of the fifth year after issuance of the Bonds or 60 days after none of the Bonds are outstanding, if earlier.

c. The DCMF will be responsible for ensuring that such Final Allocation is made for the bonds.

XI. MODIFICATION OF BOND TERMS

a. The DCMF is responsible for identifying any events resulting or likely to result in any of the following:

   i. Changes or modifications of any of the contractual terms of bonds (including, without limitation, modifications of the bond interest rates, maturity dates or payment schedule),

   ii. Changes to any credit enhancement of or liquidity facility for bonds,

   iii. Changes in the nature of the security for the bonds,

   iv. Purchase of bonds by the County or any entities related to the County or

   v. Any deferral or forbearance of default of payment of principal and interest due on bonds.

b. Such actions may result in a deemed reissuance of the bonds for federal income tax purposes and could require protective actions to maintain the tax status of the bonds. Bond Counsel should be consulted prior to taking any of these actions (or immediately upon discovery that any of such actions has occurred).

XII. USE OF BOND PROCEEDS

a. Bond Proceeds (including earnings on original sale proceeds), other than proceeds deposited in a reasonably required reserve fund or used to pay costs of issuance, should be spent on Capital Expenditures properly authorized by the Authorizing Measure and within the scope of the Financing Documents and the Tax Certificate.

b. For this purpose, Capital Expenditures generally mean costs to acquire, construct, or improve property (land, buildings and equipment), or to adapt the property to a new or different use. The property must have a useful life longer than one (1) year (or if an improvement, such improvement must extend the useful life of the asset by more than one (1) year).

c. Capital Expenditures include design and planning costs related to the Project, and include architectural, engineering, surveying, soil testing, environmental, and other similar costs incurred in the process of acquiring, constructing, improving or adapting the property.

d. Capital Expenditures do not include operating expenses of the projects or incidental or routine repair or maintenance of the Project, even if the repair or maintenance will have a useful life longer than one (1) year.

e. Requisitions to the Trustee for Bond proceeds to fund the project will include details on Project costs incurred and will indicate review and approval by the DCMF. If an expenditure is intended to reimburse the County for funds previously expended by the County, the timing and purpose of the expenditure must meet the requirements for reimbursement as provided in the Tax Certificate.

f. If a requisition is deemed to include expenditures for anything other than a Capital Expenditure, Bond Counsel should be consulted prior to making the requisition.

XIII. SEGREGATION OF BOND PROCEEDS

Bond Proceeds shall be maintained in separate accounts or subaccounts to ensure accurate calculations and accounting as required by the Internal Revenue Code. The County shall establish separate accounts or subaccounts as provided in the related election question, if any (the "Election Question"), Bond Ordinance and/or Bond Resolution (the "Authorizing Measure") and the related Trust Indenture and/or Financing Agreement, as applicable (the "Financing Documents").

XIV. USE OF BOND FINANCED ASSETS

a. The County reviews, and will continue to review, any third-party uses of its Bond-financed facilities ("Projects") in any manner that could result in Private Use, as described below. In addition, the County will continue to consult regularly with Bond Counsel and Municipal Advisor regarding applicable federal tax limitations imposed on the projects financed with the County's outstanding tax-exempt obligations and whether arrangements with third parties give rise to private business use of the Projects.

b. The Debt Advisory Committee, together with the DCMF, will maintain records identifying the assets or portion of assets that are financed with proceeds of a Bond issue, the uses and the users (including terms of use and type of use). Such records may be kept in any combination of paper or electronic form. In the event the use of Bond proceeds or the Project is different from the covenants and representations in the Tax

Certificate, or if any Private Use is suspected, Bond Counsel will be promptly notified and consulted to ensure that there is no adverse effect on the tax-exempt status of the Bond issue.

XV. OWNERSHIP AND USE OF PROJECT

a. For the life of the Bond issue, the Project must be owned and operated by the County (or, following consultation with Bond Counsel, another state or local governmental entity). At all times while the Bond issue is outstanding, no more than 10% (or $15,000,000, if less) of the Bond proceeds or the Project may be used, directly or indirectly, in a trade or business carried on by a person other than a state or local governmental unit ("Private Use"). Private Use may also be implicated by a contract or arrangement in which payment for the use of the financed Project is secured by property used for private business or derived from payments derived from property used for private business use.

b. Generally, Private Use may result from any contract or other arrangement providing any special rights or special legal entitlement to a Project or a portion thereof, including leases, license agreements, management contracts, operating agreements, guarantee contracts, take or pay contracts, output contracts or research contracts, which provides for use or benefits of the Project by a person who is not a state or local government on a basis different than the general public.

c. Private Use may include:

   i. Owning, leasing, providing services, operating, or managing the Project;

   ii. Acquiring the output (or throughput) of the Project; or

   iii. Acquiring or using technology developed at the Project.

d. The Project may be used by any person or entity, including any person or entity carrying on any trade or business, if such use constitutes "General Public Use". General Public Use is any arrangement providing for use that is available to the general public at either no charge or on the basis of rates that are generally applicable and uniformly applied.

e. County staff will monitor all leases and subleases on property that has been financed with tax-exempt long-term obligations. Prior to entering into any lease or sublease of a bond-financed property, County staff will consult with Bond Counsel to determine the impact, if any, such lease or sublease would have on the tax status of outstanding tax-exempt obligations.

f. The County will use long-term obligations to finance those projects that are intended to be owned and operated by the County for the entire term of the long-term financing. Prior to leasing, selling or otherwise disposing of any tax-exempt debt financed project for which debt remains outstanding, the County will consult with Bond Counsel to determine the impact, if any, such sale or disposition would have on the tax status of outstanding tax-exempt debt and any appropriate remedial measures.

XVI. MANAGEMENT OR OPERATING AGREEMENTS; OTHER PAYMENTS WITH RESPECT TO THE PROJECT

Any management, operation or service contracts whereby a non-exempt entity is using Bond financed assets must relate to portions of the project that fit within the above mentioned 10% allowable Private Use or the contracts must meet the IRS safe harbor for management contracts. Bond Counsel should be consulted before entering into any such agreement. Any replacements of or changes to such contracts should be reviewed by Bond Counsel. The County shall contract Bond Counsel if there may be a lease, sale, disposition or other change in use of Bond financed assets. In general, management or service contracts related to Projects must provide for reasonable compensation for services rendered with no compensation based on a share of net profits from operations.

XVII. USEFUL LIFE LIMITATION

a. The weighted average maturity of the Bond issue cannot exceed 120% of the weighted average economic life of the Bond-financed assets.

b. The term of a long-term obligation should not exceed the useful life of a project financed by those obligations; or in the case of multiple projects, the term of the long-term obligation will not exceed the average useful life.

c. The useful life of an object is confirmed at the time of issuance. Also, each asset of the County has a useful life that is recorded in the County enterprise resource planning system.

XVIII. INVESTMENT RESTRICTIONS, ARBITRAGE LIABILITY

a. Investment restrictions relating to Bond proceeds and other moneys relating to the Bonds are set forth in the Authorizing Measure, the Financing Documents and the Tax Certificate.

b. The County's finance staff will monitor the investment of Bond proceeds to ensure compliance with yield restriction rules. The County Treasurer is responsible for directing the investment of proceeds of Bonds or other funds related to the County's Bonds.

c. Arbitrage Yield Calculations and Rebate

   i. Investment earnings on Bond proceeds will be tracked and monitored to comply with applicable yield restrictions and/or rebate requirements. The County is responsible for calculating (or causing the calculation of) rebate liability for each Bond issue, and for making any required rebate payments (or in the alternative, for establishing any applicable exceptions).

   ii. Any funds of the County set aside or otherwise pledged or earmarked to pay debt service on Bonds should be analyzed to assure compliance with the tax law rules on arbitrage, invested sinking funds and pledged funds (including gifts or donations linked to the Bond-financed assets).

d. Arbitrage Rebate Consultant

i. The County may retain an arbitrage rebate consultant, to perform rebate calculations as required in the Tax Certificate of each Bond financing. The DCMF is responsible for providing the arbitrage rebate consultant with requested documents and information on a prompt basis, reviewing applicable rebate reports and other calculations and generally interacting with the arbitrage rebate consultant to ensure the timely preparation of rebate reports and payment of any rebate liability.

e. Arbitrage Rebate Payments

i. The reports and calculations provided by the arbitrage rebate consultant will confirm compliance with (or exceptions from) rebate requirements, which include the County's obligation to make rebate payments, if any rebate liability exists, no later than the fifth (5th) anniversary date of the date of issuance and each fifth (5th) anniversary date thereafter through the final maturity or redemption date of a Bond issue. A final rebate payment must be made within sixty (60) days of the final maturity or redemption date of a Bond issue.

ii. The DCMF will confer and consult with the arbitrage rebate consultant to determine whether any rebate spending exception may be met. Rebate spending exceptions are available for periods of 6 months, 18 months and 2 years.

iii. The County will review the Tax Certificate and/or consult with the arbitrage rebate consultant or Bond Counsel for more details regarding the rebate spending exceptions. Copies of all arbitrage rebate reports, related return filings with the IRS (i.e., IRS Form 8038-T), copies of cancelled checks with respect to any rebate payments, and information statements must be retained as described below.

iv. The County's finance staff will follow the procedures set forth in the Tax Certificate entered into with respect to any Bond issue that relate to compliance with the rebate requirements.

XIX. SECTION V: RECORD RETENTION

a. The Finance Department will maintain, or cause to be maintained, copies of all relevant documents and records sufficient to support that the tax requirements relating to a Bond issue have been satisfied will be maintained by the County for the later of:

i. The term of a Bond issue plus at least six (6) years, or
ii. The term of any subsequent issue that refunds the original Bond issue, plus at least six (6) years

b. The record for an issue of Bonds shall include the following documents and records:

i. Bond closing transcript, including any elections made in connection with the closing,

ii. All records of investments, arbitrage reports, returns filed with the IRS (and evidence of any payments made to the IRS) and underlying documents,

iii. Construction contracts, purchase orders, invoices and payment records,

iv. Requisitions of proceeds, including detailed contractor and vendor invoices and any required certifications made under the terms of the Financing Documents

v. Documents relating to costs reimbursed with Bond proceeds,

vi. All contracts and arrangements involving Private Use of the Bond-financed property,

vii. All reports relating to the allocation of Bond proceeds and Private Use of financed property and Itemization of property financed with Bond proceeds.

XX. ANNUAL REVIEW OF POST ISSUANCE COMPLIANCE CONTROLS

a. The County will conduct periodic reviews of compliance with these Post-Issuance Compliance Guidelines to determine whether any violations have occurred so that such violations can be remedied through the "remedial action" regulations (Treas. Reg. Section 1.141-12) or the Voluntary Closing Agreement Program (VCAP) described in IRS Notice 2008-31 (or successor guidance).

b. If any changes to the terms or provisions of a Bond issue are contemplated, the County will consult Bond Counsel. The County recognizes and acknowledges that such modifications could result in a "reissuance" for federal tax purposes (i.e., a deemed refunding) of the Bond issue and thereby jeopardize the tax-exempt status of interest on the Bonds after the modifications.

c. At least annually, the Debt Advisory Committee will conduct an evaluation of the effectiveness of the design and operation of the County's Post-Issuance Compliance Guidelines with the assistance of the DCMF, Bond Counsel and other employees of the County as appropriate, to the extent determined by any of them to be necessary or appropriate.

XXI. TAX RETURN FILINGS

a. The County's Finance Staff will assure compliance with IRS tax return filing requirements.

b. The County's Finance Staff will coordinate the engagement of an accounting firm and the delivery of requested information in order to assure the preparation and filing of annual tax returns on a timely basis.

XXII. CONTINUING DISCLOSURE COMPLIANCE REQUIREMENTS

a. In each year that the County has bonds or taxable obligations outstanding subject to a continuing disclosure undertaking (an "Undertaking") pursuant to SEC Rule 15c2-12, the County or its designee must file or cause to be filed its annual report described in the Undertaking (the "Annual Report") with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access system for municipal securities disclosure ("EMMA") by the date specified in each Undertaking.

b. In preparing its Annual Report, the County should review each Undertaking to determine the financial information and operating data which, together with the audited financial statements, will constitute the Annual Report. As and to the extent provided in an Undertaking, certain quarterly reports may also need to be filed with the MSRB through EMMA.

c. The County will also continuously monitor other events relevant to the bonds and provide proper notice to the MSRB through EMMA as may be required by the Undertakings. A list of relevant events is included on Exhibit A hereto, which may be amended from time to time to reflect updates in the law.

d. The County will coordinate any submissions with the MSRB through EMMA with Bond Counsel or other legal counsel.

e. The County shall not bind itself pursuant to an undertaking relating to securities, such as certain types of private activity bonds (see Section XXIV below), as to which it is not an "obligated person" for purposes of Rule 15c2-12.

f. No Undertaking relating to municipal securities as to which the County is the issuer or an obligated person for purposes of Rule 15c2-12 shall be binding on the County without the written approval of DCMF.

XXIII. RECORD KEEPING

a. The County shall maintain the following documents for the term of each issue of Tax-Exempt Bonds (including refunding Tax-Exempt Bonds, if any) plus at least six years:

   i. A copy of the closing transcript(s) relating to the Tax-Exempt Bonds and other relevant documentation delivered to the County at or in connection with closing of the issue of the Tax-Exempt Bonds, including any elections made by the County in connection therewith,

   ii. A copy of all material documents relating to capital expenditures financed or refinanced by proceeds of the Tax-Exempt Bonds, including (without limitation) construction contracts, purchase orders, requisitions and payment records, draw requests for proceeds of the Tax-Exempt Bonds, as well as documents relating to costs paid or reimbursed with proceeds of the Tax-exempt Bonds and records identifying the assets or portion of assets there are financed or refinanced with proceeds of the Tax-Exempt Bonds, including a final allocation of proceeds of the Tax-Exempt Bonds,

iii. A copy of all contracts and arrangements involving the use of assets financed or refinanced with proceeds of the Tax-Exempt Bonds, and

iv. A copy of records of arbitrage reports.

EXHIBIT A
TO POST-ISSUANCE COMPLIANCE GUIDELINES
SEC RULE 15c2-12 DISCLOSURE REQUIREMENTS

For its Undertakings with respect to bonds or other obligations issued before December 1, 2010, the County must monitor the following events and provide notice of such events to the MSRB through EMMA as required by the applicable Undertaking:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the security;
7. Modifications to the rights of security holders;
8. Bond calls;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the securities; and
11. Rating changes.

For its Undertakings with respect to bonds or other obligations issued on or after December 1, 2010, but before February 27, 2019, the County must monitor the following events and provide notice of such events to the MSRB through EMMA as required by the applicable Undertaking, but not later than 10 business days after occurrence:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. 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;
7. Modifications to rights of bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the County;
13. The consummation of a merger, consolidation or acquisition involving the County or the sale of all or substantially all of the assets of the County, 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; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

For its Undertakings with respect to bonds or other obligations issued on or after February 27, 2019, the County must monitor the following events and provide notice of such events to the MSRB through EMMA as required by the applicable Undertaking, but not later than 10 business days after occurrence:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. 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;
7. Modifications to rights of bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the County;
13. The consummation of a merger, consolidation or acquisition involving the County or the sale of all or substantially all of the assets of the County, 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;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the County, any of which affect security holders, if material; and
16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the County, any of which reflect financial difficulties.

With "Financial Obligation" as used in Items 15 and 16 above meaning a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) in this definition; provided however, the term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Bernalillo County Board of Commissioners

Signature Page for Debt Management Policy and Guidelines

Approved by the Bernalillo County Board of County Commissioners on this day of **June 30, 2020**.

BOARD OF COUNTY COMMISSIONERS

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Lonnie C. Talbert, Chair

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Charlene E. Pyskoty, Vice Chair

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Debbie O'Malley, Member

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Steven Michael Quezada, Member

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James M. Collie, Member

BERNALILLO COUNTY
COUNTY CLERK
SEAL
STATE OF NEW MEXICO

ATTEST:

____
Linda Stover, County Clerk

APPROVED AS TO FORM:

DocuSigned by:

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W. Ken Martinez, County Attorney