PALM BEACH COUNTY

DEBT ISSUANCE PROCESS REVIEW

SHARON R. BOCK
Clerk & Comptroller
Palm Beach County

Audit Services Division

April 2009

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April 20, 2009

Honorable Jeff Koons, Chair
Members, Board of County Commissioners

Dear Commissioner Koons:

We have conducted a review of Palm Beach County's debt issuance process. This review was initiated following the January 9, 2009 federal indictment of former Commissioner Mary McCarty for honest services fraud.

The objectives of our review were to evaluate bonds issued during a five-year period; review the processes for selection of financial professionals for the County's bond issues, including underwriters, bond counsel, disclosure counsel, and financial advisor; review bond sales methods; and, finally, review the County's policies, practices and procedures related to debt issuance. This review focused solely on the debt issuance process and is in no way related to the soundness or safety of the bonds issued by Palm Beach County.

We conclude that the County's debt management practices lack the oversight, internal controls and transparency necessary to best serve the interests of the taxpayers of Palm Beach County. Further, had the Board of County Commissioners (BCC) taken corrective action when presented with evidence of significant deficiencies in the debt issuance process the opportunities for manipulation may have been reduced, and the resulting adverse impact on the County as well as the taxpayers may have been mitigated.

Our review focused on issuance and was neither designed nor intended to be a detailed study of every debt management-related system, procedure or transaction. Accordingly, the observations and recommendations included in this report are not all-inclusive. Further, in as much as this was a review, County input was solicited but not required.

Due to the urgent and critical nature of our observations and recommendations, we strongly urge expedited action by the BCC in order to restore public trust and the necessary transparency and accountability in the bond issuance process.

We appreciate the cooperation shown by the County staff and financial advisor during the course of this review.

Respectfully submitted,

Sharon R. Bock

Sharon R. Bock
Clerk & Comptroller
Palm Beach County

301 N. Olive Ave.
West Palm Beach, FL 33401

P.O. Box 229
West Palm Beach, FL 33402

Telephone 561-355-2996

www.mypalmbeachclerk.com

Executive Summary

The Clerk & Comptroller initiated a review of Palm Beach County's debt issuance process immediately following the January 9, 2009, federal indictment of former Commissioner Mary McCarty for honest services fraud. The indictment alleged in part, that McCarty manipulated the bond issuance process by voting on bond issues from which she and her husband benefited financially. Further, McCarty failed to disclose her financial interest in Board of County Commissioners (BCC) matters upon which she voted, in violation of Florida law.

Effective management of the County's debt is important to all Palm Beach County residents. As of September 30, 2008, the County's total outstanding debt was $1.89 billion. During Fiscal Year 2008, the County incurred $445 million of new debt, and made debt payments totaling $200 million or approximately $320 per taxpayer in Palm Beach County. Therefore, the County's debt management activities have a direct impact on every citizen.

The Government Finance Officers Association (GFOA), the leading authority on government finance practices, states the guiding philosophy of debt issuance should be to "achieve the lowest overall cost of financing." This review found the BCC's guiding philosophy has been to evenly spread the County's debt business. In fact, a July 12, 1993, article by *The Palm Beach Post* about BCC bond issuance practices quoted then-commissioner McCarty as saying about the new underwriter appointment process, "The goal, to the extent possible, is to see that all firms make a similar amount of money. And you can make a lot of money."

The overarching theme that emerged during the course of this review is that for almost 20 years, debt issuance in Palm Beach County has substantially benefited all parties related to the process, directly or indirectly, at taxpayers' expense. The consistent disregard of internal controls and the continuous lack of transparency and oversight in the debt issuance process also failed those who should be the primary beneficiaries of government activity—the taxpayers.

This review analyzed 31 bonds issued between 2003 and 2008. The following summarizes the observations.

Flawed selection process

Underwriters involved in the debt issuance process are appointed by the BCC using a "patronage" system with undefined criteria and qualifications (see Observation 3). Merriam-Webster defines *patronage* as "the power to make appointments to government jobs, especially for political advantage."

In July 1993, the BCC instituted a system whereby each commissioner would appoint two underwriters to a pool from which one senior underwriter would be selected for each bond issue on a rotation basis. The intent of this new system was to prevent commissioners from being lobbied by multiple firms every time a new bond was issued. In 2003, the number of appointees was reduced to one per commissioner.

The same appointment method is used for attorneys acting as bond counsel and bond disclosure counsel for each bond issue (see Observation 4).

The County's financial advisor has also been chosen and retained without utilizing a consistently open selection process (see Observation 5).

Lack of transparency and accountability

The County lacks a comprehensive debt management policy designed to govern the complex bond issuance process, where the financial stakes are high. There have been significant and well-known deficiencies in the oversight and documentation of the debt issuance process. In BCC meetings and workshops, as well as County resolutions and Policy & Procedure Memoranda (PPM), debt practices were addressed intermittently and incompletely. At no time was there a comprehensive approach to debt management. Instead, aspects of the process were addressed in isolation, creating a system that is misaligned, disjointed and susceptible to manipulation (see Observation 1).

Also in July 1993, commissioners approved the use of a negotiated sales method (a private sales method) when issuing bonds, rather than a competitive method (open bidding method), as was prescribed by Florida Statute 218.385(1), enacted in 1980. As a result, underwriters negotiated deals rather than competing with other underwriters to achieve the lowest financing and interest costs for the County. Despite significant growth and increasing economic strength, the County has continued to strictly adhere to one method of selling bonds, putting the County at an economic disadvantage (see Observation 2).

In addition, the County's documentation of decisions and activities related to each bond issue is inadequate. Lacking proper records, there is no opportunity to systematically evaluate the effectiveness of debt issuance strategies and practices (see Observation 8).

Unnecessary expenditures

The financial stakes are high. This review revealed that decisions were made that added to the cost of issuing bonds. For example, during the five-year period reviewed, it is estimated that using a competitive rather than negotiated sales method could have saved the taxpayers between $440,000 and $1.3 million dollars in interest expenses annually and up to $880,000 in underwriting costs. In addition, the County likely spent $1.7 million on bond insurance and $1.5 million on surety policies unnecessarily (see Observation 7). Further, the County failed to consolidate multiple bond issues, thereby increasing the cost of borrowing (see Observation 6).

Missed opportunities for corrective action

Prior to the most recent indictment, there was a consistent failure on the part of the BCC and County staff to take corrective action despite compelling evidence that the debt issuance process was seriously flawed. Former Commissioner Tony Masilotti was sentenced in June 2007 to five years in prison, in part for using the bond counsel appointment system as payment for legal fees for a Martin County land deal. Former Commissioner Warren Newell was sentenced in January 2008 to five years in prison for influencing a public bond issue involving the preservation of waterfront access without disclosing his personal and financial interests in the deal.

In addition, on six separate occasions between 2005 and 2008, the Clerk & Comptroller presented evidence of the need for an examination of the County's debt issuance practices and the development of a comprehensive debt policy that would minimize County government's vulnerability to abuse. Because of this, a debt policy was created by county staff and approved by the BCC as CW-F-074 titled "Debt Management Policy" in May 2007. However, it codified current practices instead of addressing limitations in those practices and processes.

This report contains 9 observations and 21 recommendations. The BCC is encouraged to immediately implement all recommendations as a means of establishing a more transparent, accountable and cost-effective debt issuance process, and as a move to restore the public's trust.

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Introduction

Overall Conclusion

The County's debt management practices lack oversight, internal controls and transparency, creating an environment susceptible to manipulation and abuse. In addition, the practices have failed to minimize overall financing costs at the expense of taxpayers.

This review found that for almost two decades, while the County's economy grew increasingly strong, the debt issuance process was neglected, providing opportunities to manipulate the system for personal gain. To restore public trust and avoid even the appearance of impropriety, oversight of the debt issuance process must be taken out of the hands of County officials and delegated to an independent committee.

Although the recommendations in this report may have a minimal cost and time impact, it is acknowledged that there must be a balance between the added benefit of oversight and its cost. However, at this time, a failure to implement adequate controls and processes will further erode the public's trust in County government. The problems are systemic and a complete overhaul of the County's debt issuance practices is needed.

This review focused solely on the debt issuance process and is in no way related to the soundness or safety of the bonds issued by Palm Beach County. The County remains fiscally strong, even with the economic challenges currently facing the nation.

Scope and Methodology

The Clerk & Comptroller conducted an independent review of the Palm Beach County debt issuance process. The objectives of the review were to:

- Determine if bond sale policies and practices provided reasonable assurance that sales were performed in the most cost effective manner;
- Determine if the selection and rotation processes of the County's underwriters, bond counsel and disclosure counsel were reasonable, appropriate and in the best interest of County citizens;
- Determine if the selection process of the County's financial advisor was reasonable and appropriate;
- Review and assess the current debt policy, practices and procedures;
- Review industry best practices and make recommendations.

In order to meet these objectives, we limited our review to 31 of the County's financing transactions during a five-year period between October 1, 2003 and December 31, 2008. Of these 31 transactions, 24 were negotiated bond sales and seven were bank deals for short-term financing. For the purpose of this review, we performed a comprehensive analysis of the 24 negotiated bond sales, which included general obligation bonds, revenue bonds and non-ad valorem revenue bonds.

In addition, we interviewed staff, spoke with the County's financial advisor, and reviewed an estimated 50,000 pages of documentation. Our review of debt issuance policies and practices was limited to those codified in County ordinances and Policy and Procedure Memoranda (PPMs) as well as documentation provided by County staff. A review of related discussions and minutes from Board of County Commissioners (BCC) meetings, workshops and other memoranda was limited to specific periods when key decisions about debt management were made.

Sources used for best practice recommendations included, but were not limited to:

- Government Finance Officers Association (GFOA);
- Municipal Securities Rulemaking Board (MSRB);
- The Bond Market Association;
- The Bond Buyer indices;
- Florida statutes;

- Academic research, studies and articles published by recognized debt management experts;
- Debt management policies (states, counties and municipalities); and,
- Interviews with debt management experts.

Our review did not evaluate:

- Compliance with state or federal statutes, Securities and Exchange Commission (SEC) rules, or other regulatory requirements;
- Pre-issuance policy decisions;
- Post-issuance activities as to the merits of refunding, advanced refunding or refinancing;
- Debt capacity, debt affordability or establishment of appropriate reserves;
- Market conditions at the time of each individual bond sale;
- Rating agency criteria; and
- Conduct of elected officials or County staff, or their relationships with outside professionals.

Background

Bonds are an important financing tool for the County, allowing the cost of public purpose projects, such as buildings, roads and other worthwhile initiatives to be spread over a long period of time. There are three different types of bonds through which the County incurs debt: general obligation (GO), non-ad valorem revenue, and revenue bonds (see Exhibit A for the Glossary of Terms). The County also incurs debt through bank loans, which are obtained for short-term financing.

GO bonds are backed by the full faith, credit, and taxing power of the issuer. In other words, the County "guarantees" debt repayment with real estate taxes collected from taxpayers. For this reason, voter approval is required before the project is approved.

Palm Beach County is one of only 22 counties nationwide and the only county in Florida to have earned the highest possible GO bond rating, Aaa/AAA, from all three of the major rating agencies (Standard & Poor's, Fitch and Moody's). Like credit scores for individuals, these bond ratings grade the overall credit worthiness of the issuer. This Aaa/AAA rating should enable the County to minimize interest and borrowing costs.

Non ad-valorem revenue bonds are issued to finance the construction of revenue-producing projects and can be repaid from any County revenue other than property taxes. Revenue bonds are issued to finance a wide range of revenue-producing projects, such as parking garages, and are repaid from the facility's revenues. These bonds do not require voter approval. The rating agencies have assigned these bonds an Aa1/AA+ rating, one notch below the County's GO bond rating but still extremely strong credit ratings.

The County's outstanding debt as of September 30, 2008, totaled nearly $1.89 billion. The debt issuance process begins when the BCC approves a project and authorizes the County's debt manager, director of the Office of Financial Management and Budget (OFMB), county administrator and the financial advisor to determine the best way to pursue financing. The financial advisor conducts an analysis and recommends debt structuring, which includes bond maturity structuring and bond sizing for the issuer.

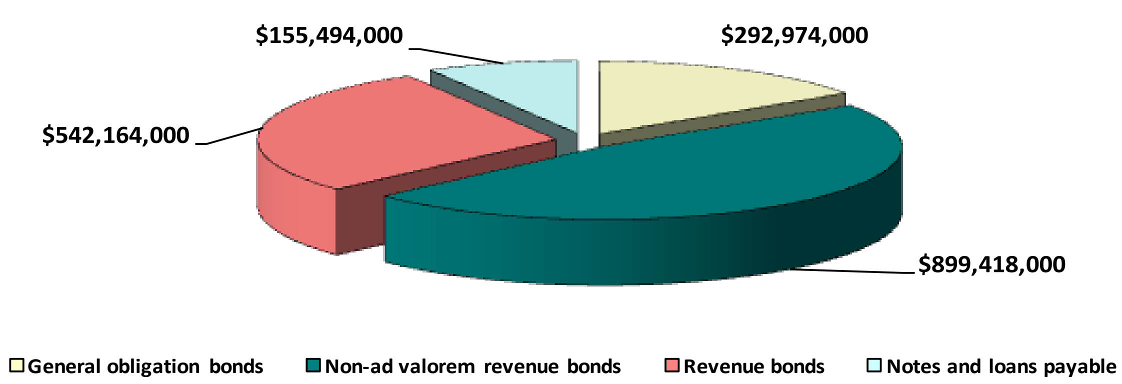
Each of the seven commissioners appoints an underwriter to the underwriter rotation list, and a bond counsel and a disclosure counsel to a counsel list. One underwriter, bond counsel and disclosure counsel is selected from the two lists for each bond on a rotating basis. The debt manager includes the proposed team on the consent agenda for BCC approval at a regular board meeting.

The debt manager, financial advisor, bond counsel and underwriter discuss the details of financing the project. The underwriter establishes the terms of the sale to the public, markets the bonds to investors, buys the bonds from the County and then sells the bonds to investors. The bond counsel prepares a bond resolution, which must be approved by the BCC in order to sell the bonds. The disclosure counsel drafts the Preliminary Official Statement to present to the bond rating agencies and potential bond buyers. The rating agencies assign a rating for each bond issue and add their fees to the cost of the bond. Bond insurers, if used to guarantee repayment of the debt, add their fees to the cost of the bond as well.

After the rating is assigned, the debt manager and financial advisor discuss and agree on pricing with the underwriter. The underwriter prepares a proposal to purchase the bonds. Based on a favorable recommendation from the financial advisor, the debt manager and director of OFMB approve the terms and rates for the bond sale. The underwriter prepares the Bond Purchase Agreement for BCC approval, after which the bonds are sold to the underwriter.

The County's debt issuance process is guided by *Policy and Procedure Memorandum CW-F-074 Debt Management Policy* dated May 24, 2007.

Palm Beach County Debt *As of September 30, 2008*



Observations & Recommendations

The Clerk & Comptroller's review disclosed numerous policies, procedures, and practices that could be improved. The review was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction. Accordingly, the observations and recommendations presented in this report may not be all-inclusive of areas where improvement may be needed.

1. The County lacks a comprehensive, transparent and formalized debt management framework

The following concerns were noted regarding the County's debt management framework:

a. The County does not have a formal debt ordinance

The County lacks a debt ordinance adopted by the Board of County Commissioners (BCC). An ordinance is the first step in establishing a transparent and accountable framework for the administration of government affairs and provides the guidance for the subsequent creation of policies and procedures. Sitting as the local legislative branch, the BCC passes ordinances in a public meeting, providing an open forum for public input.

A debt ordinance would enable the BCC to effectively govern the County's issuance of debt, implement proper financial controls, and enhance the County's long-term fiscal health. An ordinance should incorporate industry best practices and establish a guiding philosophy for debt management that puts the best interests of the taxpayer first. The ordinance should include, but not be limited to, restrictions and limitations for debt capacity, debt affordability, reserves, structure, ratios and measurements, products, reporting, benchmarks, and repayment.

b. The County lacks a comprehensive debt policy

A review of the County's policies and procedures revealed that there is no comprehensive debt policy.

Since the early 1990s, the County has issued several separate policies, procedures and resolutions related to various aspects of debt management. However, there is no unifying and comprehensive document governing debt issuance for Palm Beach County.

> "A comprehensive debt policy…may have helped avoid many of the issues described in this report."

Most recently, the County's Policy and Procedures Memorandum (PPM) CW-F-074, titled Debt Management Policy, dated May 24, 2007 (see Exhibit B), contains elements of a debt policy. However, it does not include, among other things, the following essential components:

- Criteria for determining the sale method (competitive, negotiated, direct placement);
- Use of inter-fund borrowing;
- Selection and use of professional service providers;
- Use of comparative bond pricing services or market indices as a benchmark in bond transactions as well as to evaluate final bond pricing results;
- Use of added security (bond insurance, cash debt service reserve funds, and surety policies); and
- Use of (or agreed non-use of) derivatives.

Further, advantages of such a policy include identifying objectives for staff to implement, documenting the decision-making process, and demonstrating a commitment to long-term financial planning objectives, which is viewed positively by bond rating agencies.

c. No Debt Oversight Committee (DOC) has been established.

A review of industry best practices reveals that independent citizen groups are among the most effective and transparent mechanisms for debt oversight. In fact, Palm Beach County has successfully used citizen oversight and advisory committees and boards for many years. One of the most effective is the investment policy committee. While the county has built in processes to ensure the clerk managed investment portfolio has citizen input, a complimentary process does not exist for the debt portfolio. This effective system ensures taxpayer interests are met. Implementing a DOC would provide these same assurances for County debt.

The following framework will establish the DOC in a manner that will ensure transparency and accountability. Members of the DOC should be selected through a request for qualifications (RFQ). The responses should be submitted to a selection board consisting of one representative from the County, Clerk & Comptroller's office, municipal finance officer, and two County citizens. The selection board will select for appointment by the BCC five to seven citizens for staggered terms of two to three years. Replacements shall be selected through an ongoing RFQ process. No elected officials or their employees may serve on the DOC.

The DOC would:

a. Review, revise and approve a written policy submitted by County staff that governs all debt management practices. The policy should address all types of debt including direct, revenue, conduit, state revolving loan funds and pools, other types of hybrid debt and interfund borrowing. It should incorporate industry best practices and include, but not be limited to, the following components for debt issuance:

- Selection of the County's underwriters, bond counsel and disclosure counsel;
- Selection of the County's financial advisor;
- Criteria for determining the sale method (e.g. competitive, negotiated, placement);
- Use of comparative bond pricing services or market indices;
- Use of added security (bond insurance, cash debt service reserve funds, and surety policies);

- Use of (or agreed non-use of) derivatives;
- Debt structuring practices;
- Debt monitoring reports;
- Criteria for refunding; and
- Strategy for use of credit ratings and agencies.

b. Receive, review and approve debt management reports submitted by County staff that allows coordinated monitoring of all County debt activities and practices.

c. Evaluate the effectiveness of the County's policy, practices and procedures on at least an annual basis, taking into consideration the cost of issuance, relative to the County's financial strength and market conditions.

d. Serve as an advisor for the evaluation of all new debt prior to issuance.

Recommendations:

The BCC should:

1. Create a debt ordinance as described above.

2. Establish a Debt Oversight Committee (DOC) that includes members as detailed above.

3. Direct the DOC to review, revise and approve a written policy, prepared and submitted by County staff, that governs all debt management practices. The DOC should submit the approved policy to the BCC for ratification.

2. The County's practice of relying solely on negotiated bond sales increases costs, restricts competition, and increases the risk of improprieties.

This review determined that the County's use of negotiated sales has cost the County $880,000 in excess underwriting fees and between $440,000 and $1.3 million in unnecessary annual interest expense. No comprehensive policy exists to govern the type of sales method used.

Bond may be issued on a competitive basis, whereby bids are solicited from underwriters, or it can be issued on a negotiated basis, whereby an underwriter is selected and a price is then negotiated. Over the five year period reviewed, the County incurred or refinanced $1.4 billion in debt without a single competitive issuance (see Exhibit C). In a negotiated sale, the safeguards provided by competition are absent. Thus, there is a greater risk of fraud, abuse and unnecessary costs.

> "…there is no evidence of any documentation that verifies the negotiated sales method served the 'best interest of the issuer' and taxpayer."

Local government bond sales are governed by Florida Statute 218.385(1) which states, "all general obligation bonds and revenue bonds sold by a unit of local government…shall be sold at public sale by competitive bids… [unless] the governing body shall by resolution adopted at a public meeting determine that a negotiated sale of such bonds is in the best interest of the issuer…"

While the GFOA does not prescribe the method of sale, it states that "state and local government bond issuers should sell their debt using the method of sale that is most likely to achieve the lowest cost of borrowing while taking into account both short-range and long-range implications for taxpayers and ratepayers" (see Exhibit D) GFOA also recommends that "…issuers select a method of sale based on a thorough analysis of the relevant rating, security, structure and other factors pertaining to the proposed bond issue."

Although each of the County's negotiated bond sales minimally complied with Florida Statute 218.385(1) inasmuch as it was adopted by resolution at a public meeting, there is no evidence of any documentation that verifies the negotiated sales method served the "best interest of the issuer" and taxpayer. Further, a search of existing County ordinances and PPMs failed to show evidence of any formally adopted policies to determine the method of sale for each bond.

Lacking evidence to the contrary, the use of negotiated sales, in combination with an appointed pool of underwriters in a rotation system, appears to support the BCC's strategy of ensuring all underwriting firms get an equal share of the County's debt business as opposed to serving "the best interest of the issuer" and taxpayers.

a. The County's use of negotiated sales rather than competitive sales for all bond issues resulted in over-expenditure of taxpayer dollars.

Palm Beach County's high credit rating would have significantly reduced the County's interest expenses and underwriter compensation costs if bonds were issued by competitive bid.

An analysis of 24 negotiated bonds issued between 2003 and 2008 revealed that 19 were appropriate for competitive sale, and could have saved the County from $440,000 to more than $1.3 million in interest expenses annually. Several studies demonstrate that the use of competitive bond sales can result in interest expense savings ranging from five basis points to as much as 77 basis points. The above calculated dollar amounts are conservative, assuming a cost savings of five to 15 basis points per bond.

Competitive sales could also have saved the County up to $880,000 in underwriting costs for the above 19 bonds. Underwriting costs include management fees paid to their public finance bankers, as well as commissions for selling the bonds. A conservative estimate of the cost savings is calculated at $1.00 per $1,000 of the bond value.

b. The County has no policies or procedures governing sales methods for issuing debt.

A review of the County's policies and procedures revealed that there is no policy that addresses the strategy or specific criteria for determining the method of sale (e.g., competitive, negotiated, private placement) for bonds. The rationale for the County's reliance strictly on a negotiated sales process is not documented.

Since the early 1990s, the County has issued several separate policies, procedures and resolutions related to debt management. Most recently, the County's Policy and Procedures Memorandum (PPM) CW-F-074, titled *Debt Management Policy*, dated May 24, 2007, contains elements of a debt policy but does not include, among other things, guidance on use of the various methods of sale.

In March 2009, the County issued a draft Debt Management Policy which, if approved, will replace the May 24, 2007 policy. This policy establishes competitive sales as the standard bond sales method to be used unless the County would "be better served" by using negotiated sales. The proposed process lacks transparency because the debt manager and financial advisor are solely responsible for recommending which sale method will be used. In addition, it fails to require that the decision be fully justified and documented.

c. The County failed to leverage its increasing economic strength by relying only on negotiated bond sales.

Various factors commonly used in the sales method analysis include market stability and strength of issuer's credit. Per capita personal income, population growth and reserves, three indicators used to evaluate the strength of these factors, were extremely favorable between 1990 and 2008. During that time, the County's:

- Per capita personal income grew by 103% from $29,322 to $59,619;
- Population increased by 51% from 863,518 to 1.3 million;
- Reserves grew by 54%, from $488,907,201 to $751,045,015 between 1999 and 2008; and,
- Outstanding debt grew by 56% from $1.2 billion to $1.89 billion.

Despite this growth, Palm Beach County continued to rely exclusively on a strategy of negotiated sales.

Palm Beach County has maintained at least a AA bond rating since 1994, and earned the coveted AAA rating in 2001. A review of debt issuance practices of 45 other AAA-rated counties nationwide between the years of 2000 and 2008 revealed that Palm Beach County is one of only four counties that did not issue bonds using a competitive sales method. This demonstrates that the use of competitive sales is a common practice among AAA-rated counties.

Recommendation:

The BCC should:

1. Direct the DOC to review, revise and approve a written bond sale policy, prepared and submitted by County staff, that requires the use of competitive bids unless specifically justified and approved by the DOC. Justification for negotiated sale should include, but not be limited to, estimated cost savings, prepared by the financial advisor. This policy should be incorporated into a comprehensive debt management policy.

3. The County's bond underwriter selection process lacks accountability and transparency.

Since at least the early 1990s, the county commissioners have directly appointed underwriters for inclusion in a rotation pool. The process is subject to serious conflicts of interest in which past relationships, political alliances, and other subjective factors may take priority over objective criteria.

An analysis of the bond underwriter selection process revealed the following:

"The process is subject to serious conflicts of interest…"

a. Underwriters are appointed through a patronage system.

In 1992, the BCC created a task force to examine the number of underwriting firms to be involved in the County's debt issuance. It appears from notes taken from a June 22, 1993 workshop that the reason for the creation of the underwriter pool was to avoid being lobbied by numerous underwriters on each individual bond issue. The task force recommended the creation of a pool of nine underwriting firms selected through an RFP process. The BCC rejected the task force recommendation. It opted instead for a larger pool of 14 underwriters with each commissioner appointing two underwriters. At a BCC meeting on October 21, 2003, the number of underwriters on the rotation list was reduced to seven, having each commissioner appoint one underwriter.

It was apparent from this review that the strategy of the BCC's appointment and rotation system was to ensure all underwriting firms get an equal share of the County's debt business, which may not serve to minimize taxpayer costs.

The non-transparent practice by which underwriters have been appointed by individual commissioners calls into question the basis upon which such appointments have been made.

The process fails to evaluate underwriters based on objective criteria that measure the ability of an underwriting firm to contribute effectively to the sale of a bond. Such criteria may include the cost of service, creativity/soundness of structuring proposals, and bond distribution capability.

When a negotiated sale is to be used, the GFOA recommends "the use of an RFP process when selecting underwriters in order to promote fairness, objectivity and transparency. The RFP process allows the issuer to compare respondents and helps the issuer select the most qualified firm(s) based on the evaluation criteria outlined in the RFP."

The GFOA further states the RFP process "can result in selection of one or more underwriters for a single transaction *or* result in identification of a pool of underwriters from which firms will be selected over a period of time for a number of different transactions.'" Because of the size, complexity and frequency of the County's debt issuance, creation of a pool of underwriters based on a criteria-driven selection process would provide a more transparent and manageable process than currently exists.

b. The process of selecting underwriters on a rotation basis places the County in an inferior negotiating position.

The key roles of an underwriter are to establish the terms of the sale to the public, market the bonds to investors, and then buy the bonds from the County. Since the underwriting firm purchases the bonds and then resells the bonds to investors, its interests are focused on making the bonds marketable to its regular investors. The underwriter works with the County's financial advisor and debt manager to structure the transaction. There are a number of ways in which bond issues can be structured that facilitate ease of sale for the underwriter, but which may result in higher borrowing costs to the County.

The financial advisor and the County's debt manager owe a fiduciary duty to negotiate optimal terms in the best economic interest of the County. While the County is seeking to minimize its cost of issuance, the underwriter is seeking to maximize its compensation.

The use of an underwriter rotation list places the underwriters in a superior negotiating position. Knowing that it is guaranteed future bond deals by being on the rotation list, the underwriter has little or no incentive to advance the County's interest.

Since the underwriter is appointed to the rotation list by a commissioner, and expected to get a share of the business, the debt manager and financial advisor may be reluctant to push for economic advantages that would benefit the County. There appears to be no process to handle a situation where staff is not satisfied with the proposals offered by the underwriter through the negotiation process. No evidence was found to indicate that a negotiation with a selected underwriter has ever been terminated.

c. The underwriter rotation process may inhibit underwriters' incentive to present creative and innovative ideas for small bond deals.

The bond underwriter rotation order is updated after each issue as codified in the Proprietary Proposals from the *Palm Beach County Senior Manager Underwriter Rotation List* (see Exhibit E). Note 4 in this document states, "The County will continue to consider new and innovative proposals from any underwriter. If the BCC decides to move forward with a new proposal, the underwriter will be given consideration as the book running manager on the bond issue without regard to the Senior Manager Rotation List. If the underwriter selected to be a book runner manager is on the County's senior rotation list, the underwriter will be moved to the bottom of the list for future issues."

This process may create a strong disincentive for underwriters in the rotation to present creative ideas for smaller bond issues. The County's process rewards those firms who developed ideas for transactions by awarding them the lead underwriting spot on that particular issue. However, the firm would then be dropped to the bottom of the rotation list. For underwriters in the rotation, this could mean that presenting a creative idea on a small issue would knock them out from being able to manage a larger, more profitable transaction. As such, they may be less likely to present such ideas.

d. The County does not consistently adhere to the underwriter rotation order.

A series of bond transactions in 2005 demonstrates deviations from the rotation order. For example, Raymond James was the third firm in line in the rotation but was awarded the senior manager position on the Capital Stadium Facilities refunding. It appears the top two firms on the list chose to pass on this bond issue. Also, Jackson Securities was awarded the senior manager position on the North County Courthouse and Sheriff's Motor Pool Facility refunding, although Jackson was the fourth firm in the bond rotation.

This demonstrates that the rotation policy can be circumvented, either by underwriting firms at the top of the list who "cherry pick" the bond issues they want by passing on the ones that they do not want while still remaining at the top of the list, or through deliberate manipulation by others.

The GFOA recommends that the primary goal of local government issuers should be to achieve the "lowest overall cost of financing." In the rare case when the BCC should choose to use a negotiated sale for a bond issue, the following recommendations incorporate GFOA best practices as well as mechanisms for enhancing transparency and accountability.

Recommendations:

The BCC should:

1. Institute a process in which a Request for Proposal (RFP) is used to select a pool of seven to nine underwriters for negotiated bond sales based on specific criteria. This process can be tailored to meet the County's various goals for inclusion of local and smaller underwriters and/or minority and women-owned firms. The RFP should be reissued every two to three years.

2. Institute an RFP process for each bond issue in which proposals are solicited from the established pool of underwriters.

3. Direct the Debt Oversight Committee (DOC) to review all proposals received and recommend the underwriting team for negotiated bond issues prior to ratification by the BCC.

4. The County's bond counsel and disclosure counsel appointment and selection process lacks accountability and transparency.

Each time bonds are issued, the County creates a bond financing team. Bond counsel is an essential member of this team as it provides assurances to both issuers and investors, in the form of a legal opinion, that all legal and tax requirements are met. This opinion addresses the validity of the bond offering, the security for the offering, tax considerations, and other items related to the sale of the bond. Disclosure counsel, another member of the bond financing team, serves an important role in ensuring that the County is in compliance with reporting and disclosure requirements. Disclosure counsel is also responsible for the official statement and the ongoing disclosure subsequent to the bond sale. In the County, bond and disclosure counsel are each chosen from the same pool of firms for each bond issue.

"No formal, comprehensive policies exist for the appointment and selection of bond counsel and disclosure counsel."

A search for policies and procedures related to the appointment and selection of bond and disclosure counsel revealed the following:

a. Bond counsel and disclosure counsel are appointed through a patronage system.

Since at least the early 1990s, individual County Commissioners have directly appointed bond counsel for inclusion in a rotation pool. Without any specific selection criteria, this practice fails to ensure the appointment of the most qualified firms representing the best overall value to the County, and leaves the entire process open to potential conflicts of interest in which past relationships, political alliances, and other subjective factors may enter the appointment process.

In April 2007, a disclosure counsel position was created. The firm is selected from the bond counsel pool on a rotating basis for each bond issue. However, firms cannot serve simultaneously as bond counsel and disclosure counsel.

b. The County lacks a policy for the appointment and selection of bond and disclosure counsel.

No formal, comprehensive policies exist for the appointment and selection of bond counsel and disclosure counsel.

A search of all existing County ordinances and PPMs revealed the following:

- *Underwriting Policies and Procedures*, dated December 21, 1993 (R-93-1694D) (see Exhibit G), make reference to the County's bond counsel rotation, however, no formalized, separate policy or procedure governing the appointment and selection process was located.

- The County's Debt Management Policy (PPM-CW-F-074) dated May 24, 2007 states that the BCC "will establish procedures for selection of outside professionals (i.e. financial advisors, underwriters, bond counsel and disclosure counsel) for County bond financings." However, no formalized procedures for selection were found.

- In March 2009, the County issued a draft Debt Management Policy (see Exhibit H) which, if approved, will replace the May 24, 2007 policy. Although this policy does indicate that both counsel will be "selected through an RFP or similar process administered by the County Attorney," it is incomplete, failing to address how the criteria for the RFP will be established or who makes the selection following responses to the RFP.

In addition, a search of BCC agenda items and meeting minutes revealed approval of agreements for bond counsel services that have been presented at BCC meetings. At a BCC meeting on April 10, 2007, County staff recommended and obtained approval for a *Procedure for the Selection and Rotation of Disclosure Counsel on County Bond Issues* (see Exhibit I).

GFOA's *Recommended Practice, Selecting Bond Counsel (1998 and 2008) (DEBT)* (see Exhibit J) states that issuers should "select bond counsel on the basis of merit using a competitive process and review those relationships periodically." Issuers should fully understand their bond service needs and should ensure that bond counsel has the qualifications and expertise to issue the required opinions. Because of the size, complexity and frequency of the County's debt issues, creation of a pool of bond counsel firms based on a criteria-driven selection process would provide a more transparent and manageable process than currently exists with commissioner-appointed bond counsel.

Further, having a small number of disclosure counsel firms allows for the necessary level of comprehensive accountability and continuity of focus on relevant disclosure matters. If more than one firm is appointed, they should serve on a rotating basis, and should be prohibited from serving as bond counsel for the duration of their appointment. This method of appointing disclosure counsel firms would provide a more transparent and manageable process than currently exists.

Recommendations:

The BCC should:

1. Institute a competitive, open and transparent RFP process in which a pool of five to seven bond counsel firms are appointed to serve on a rotating basis. This RFP process should be reissued every two to three years. Suggested components of the RFP are recommended by the GFOA in its *Recommended Practice, Selecting Bond Counsel (1998 and 2008) (DEBT)*.

2. Institute a competitive, open and transparent RFP process in which one to two disclosure counsel firms are appointed. This RFP process should be reissued every two to three years.

3. Direct the Debt Oversight Committee (DOC) to review all proposals received and recommend the bond counsel and disclosure counsel for ratification by the BCC.

4. Adopt a process for the appointment and selection of bond counsel and disclosure counsel within a comprehensive debt management policy.

5. The process for selecting the County's financial advisor is flawed.

Spectrum Municipal Services, Inc. (Spectrum) or its predecessor company has served as the County's financial advisor continuously since at least 1991. On October 27, 2008, the County issued an RFP for a financial advisor firm. According to County staff, the last RFP prior to this was issued in 1995.

A review of the 2008 RFP, vendor responses, scoring sheets from the selection committee members, and contracts revealed the following:

> "…transparency and cost minimization should be primary objectives in order to restore the public's trust."

- The RFP was advertised in *The Palm Beach Post*, the County's Web site and Channel 20, rather than being published in financial industry periodicals such as *The Wall Street Journal* or *The Bond Buyer*, locations which are typically reviewed by firms within the financial services industry. Only two firms responded to the RFP.

- The selection criteria weightings appeared to favor small local firms, as three of the eight criteria and their related weightings included: access and availability to the County (15%), small business enterprise (10%) and local preference (5%).

- Under its current contract, the County compensates its financial advisor through a monthly retainer ($1,500) plus a variable transaction fee ranging from $25,000 to $70,000 for each successful bond closing based on the size of the debt issuance.

The GFOA recommends in its *Recommended Practice, Selecting Financial Advisors (2008) (DEBT)* that, "issuers select financial advisors on the basis of merit using a competitive process and that issuers review those relationships periodically. A competitive process using a request for proposals or RFP process allows the issuer to compare the qualifications of proposers and to select the most qualified firm based on the scope of services and evaluation criteria outlined in the RFP."

The GFOA's recommended practice for financial advisor compensation states that, "fees paid to financial advisors should be on an hourly or retainer basis, reflecting the nature of the services to the issuer. Generally, financial advisory fees should not be paid on a contingent basis to remove the potential incentive for the financial advisor to provide advice that might unnecessarily lead to the issuance of bonds." GFOA recognizes that this may be difficult due to budget constraints of many issuers. However, when considering best practices for Palm Beach County, transparency and cost minimization should be primary objectives in order to restore the public's trust.

On December 10, 2008, a selection committee consisting of County staff met to evaluate the two proposals, and recommended the selection of Spectrum. The BCC unanimously approved the three-year contract with Spectrum on February 3, 2009.

Recommendations:

The BCC should:

1. Institute a competitive, open and transparent RFP process in which one or more financial advisors are selected at least every three to five years. Suggested components of the RFP are recommended by the GFOA in its *Recommended Practice, Selecting Financial Advisors (2008) (DEBT)* (see Exhibit F).

2. Advertise the financial advisor RFP (as well as any RFP for other services related to the issuance of bonds) in financial publications of large distribution, such as *The Wall Street Journal* and *The Bond Buyer* to provide widespread dissemination of the request.

3. Direct the Debt Oversight Committee (DOC) to review all proposals received and recommend the financial advisor for ratification by the BCC.

4. Incorporate into the County's Debt Management Policy GFOA's recommended practice of compensating financial advisors on an hourly or retainer basis, reflecting the nature of the services to the issuer. Compensation based on deal size should be avoided.

6. Opportunities exist to combine multiple bond issues as a means of reducing issuance costs.

A review of the bonds issued over the past five years indicated the County has sold multiple bonds in rapid succession. By consolidating multiple bonds into a single larger bond, the County can reduce the cost of issuance.

On five separate occasions between 2003 and 2008, the County issued two bonds with substantially the same security within three to five weeks of each other. For example, in 2004, revenue bond 6 issued on February 25, 2004 in the amount of $81 million and revenue bond 8 issued on January 28, 2004 in the amount of $94 million (see Exhibit C) could have been consolidated into one issue, which may have reduced costs.

"Consolidating multiple bond issues would enable the County to reduce the cost of borrowing, and thereby better serve the interests of the taxpayers."

In any debt financing, there are significant costs which are fixed or do not escalate commensurate with the increase in the size of the bond (such as the costs for bond counsel, underwriter's counsel, financial advisor, rating agency fees, printing, trustee). In addition, larger bond issues generally attract greater investor response and lower interest rates.

These consolidation opportunities should be identified by the financial advisor.

Recommendation:

The BCC should:

1. Maximize its opportunities to reduce costs by forming a strategy to consolidate multiple, similar security bond issues. This strategy should be incorporated into a comprehensive debt management policy.

7. The County sought added security for bond investors which unnecessarily increased taxpayers' cost.

Over the past five years, the County has unnecessarily spent as much as $3.2 million to provide added security for bond investors.

"…the County has unnecessarily spent as much as $3.2 million…"

Of 3,100 counties nationwide, Palm Beach County is one of only 22 to currently hold the highest possible rating, Aaa/AAA, by all three of the major rating agencies for its general obligation (GO) bonds. GOs can be repaid from any available revenue source, including property taxes. The rating agencies, Standard & Poor's, Fitch and Moody's Investors Service, assign bond ratings based on the County's perceived ability to pay its debts over time. The rating helps investors assess what level of risk they are taking when they loan money to the County. Just as high credit scores help potential homebuyers obtain lower interest rate home loans, a county's high bond rating should translate into lower interest rates and costs when the county borrows money.

The County's non-ad valorem revenue bonds, paid for by County revenue other than property taxes, are rated Aa1/AA+. These ratings are one notch below the general obligation bond rating. In addition to the County's overall bond rating, each bond is also individually rated before issuance. Security in the form of bond insurance, cash debt service reserve funds, and surety policies are typically purchased by counties to provide assurance of repayment to investors who are investing in lower-rated counties or purchasing lower-rated bonds.

A review of 17 revenue bonds and non-ad valorem revenue bonds issued over the past five years revealed that the County purchased added security for 15 of these bonds. However, the County was successful in working with the underwriters and debt rating agencies, which rate the individual bonds, on two of those bonds to avoid the use of added security. There is no consistent documentation to support either the use or nonuse of added security for any bonds reviewed. It is possible that a more effective strategy and analysis may have avoided the need for added security in the other bonds.

a. Bond insurance increases taxpayer costs.

Despite its superior rating, the County spent nearly $1.7 million on bond insurance for five of its non-ad valorem revenue financings between 2003 and 2008.

Lower rated issuers typically purchase bond insurance in order to provide greater assurance to investors of the repayment of debt on a timely basis. While insured bonds receive Aaa/AAA ratings, they did not typically price as well as "natural" AAA bonds (bonds that had a rating of AAA based on the underlying credit). In fact, AAA insured credits historically have priced at about the same levels as credits with natural mid-AA ratings. Therefore, it is difficult to know what value, if any, was provided by the County's purchase of bond insurance. The County provided a summary analysis of the merits of bond insurance for one bond issue, the 2004 Convention Center financing. However, this review found no supporting analysis for any other bond insurance purchase.

The premium for bond insurance is a one-time payment added to the cost of the bond. The value of bond insurance generally presumes that a bond will be outstanding for its full stated maturity. If the bonds are not outstanding for their full original term, the premium cost is amortized over a shorter period of time than originally analyzed and the effective cost increases accordingly. The County refinances many bonds prior to their maturity because of more favorable interest rates and/or because the County structured the bonds in such a way as to create a stronger incentive to refinance them. Therefore, the effective cost of the insurance on a per year basis will be significantly higher.

b. Debt Service Reserve Funds increase taxpayer costs.

Surety policies purchased by the County as a substitute for a cash-funded Debt Service Reserve Fund (DSRF) cost the County nearly $1.5 million during the five year period of our review. For the bonds reviewed, there is no record of any analysis performed by the County to determine the cost effectiveness of purchasing these policies.

A DSRF is a fund in which monies are placed in reserve to be used to pay debt service (principal and interest) if pledged revenues are insufficient to satisfy the issuer's obligation. The DSRF may be entirely funded with cash from bond proceeds at the time of issuance or may be funded by a surety bond in lieu of cash.

The majority of the County's non-ad valorem revenue bonds have utilized a debt service reserve fund, which may not have been necessary. DSRFs add to a bond's size and, depending on market conditions, will incur modest to very substantial carrying costs due to negative arbitrage. Negative arbitrage is the difference between the interest rate at which the County borrows funds and the interest rate at which it can reinvest bond proceeds.

DSRFs are typically offered to bond investors as part of the bond's security package to provide liquidity in the event of a shortfall in the pledged sources of revenue. The County has been successful in working with the underwriters and debt rating agencies to avoid using a debt service reserve fund on certain issues. Given the County's high degree of liquidity and strength of its non-ad valorem revenue stream, in future issues, the County could avoid the need for DSRFs.

The County's credit strength is such that there should be relatively few circumstances in which the purchase of added security is warranted. Further, with a more aggressive strategy with rating agencies, the County could avoid the need for a DSRF.

Recommendations:

The BCC should:

1. Direct the DOC to review, revise and approve a written policy, prepared and submitted by County staff, that governs the process and criteria for the evaluation and use of added security. These criteria should include the evaluation of the cost-effectiveness of added security for each bond issue. Added security should only be purchased when it demonstrably adds value to the transaction.

2. Implement a competitive process for the purchase of any added security. Any added security should require approval of the DOC and should be justified in writing by the financial advisor.

3. Direct County staff and financial advisor, in consultation with Clerk treasury staff, to develop a strategy to permanently remove the DSRF requirement on all future bond issues. However, if a DSRF is required, an analysis should be conducted to determine the best way to meet the reserve requirement. This analysis should be documented and retained.

8. The County's bond financing process lacks accountability due to inadequate documentation.

The ultimate cost of a bond issue is impacted by many decisions. Thorough documentation of these decisions is critical to evaluate whether the financing objectives have been met. The County and financial advisor have failed to adequately document key financing decisions for each bond issued. This review has found only one instance in which the financial advisor provided a description of the recommendations made during the underwriting process (see Exhibit K). Overall, there was a failure by the financial advisor to document any analysis of how the financing team's decisions were made. This deficiency prevents the County's financing team from building on its successes and learning from its mistakes.

"The County and financial advisor have failed to adequately document key financing decisions for each bond issued."

In the 2004 Convention Center Refunding bond deal, the debt manager stated the County's objective was to minimize its repayment obligations, or "debt service." To do this, the County decided to utilize an unusual bond structure which relied on an assumption of future low interest rates and other debt support costs for it to be effective. The analysis prepared by the County's underwriter at the time of the refunding assumed that the interest cost of this debt in the period beyond November 1, 2011 would be 3.50%, with debt support costs of 0.30%. Because of this bond's structure, interest costs will rise significantly if the bond is not remarketed at that time, regardless of market conditions. Despite the criticality of this decision, there is no written documentation that supports the choice of this structure relative to other structures that may have been available at the time.

Had the financial advisor been performing comprehensive, documented, written analyses and evaluations, many of the situations identified in this report could potentially have been avoided.

In order to ensure transparency and accountability in bond financing, all key processes and decisions must be fully documented and retained. It is a best practice in the bond industry for the financial advisor to create a comprehensive 10 to 15-page document, commonly known as a "Financial Advisor's Memorandum," for each bond deal outlining, at a minimum, the following:

- Rationale for the financing;
- Selection of the financing team;
- Rating agency discussions;
- Analysis and selection of credit enhancement (if any);
- Bond structuring;
- Bond pricing; and
- Bond allocation.

A sample Financial Advisor's Memorandum is provided (see Exhibit L).

Recommendation:

The BCC should:

1. Require a Financial Advisor's Memorandum for each bond issued.

9. The County lacks the infrastructure to effectively support the oversight and management of its $1.89 billion debt portfolio.

There is a heavy reliance on outside consultants, advisors and investment bankers to develop opportunities for debt optimization. Although these consulting services are necessary for negotiated bond sales, the County lacks an integrated system to analyze their recommendations. Further, in a competitive sales environment, it is vital to have technology that provides analysis for size and structure of bond issues, calculates debt service, and performs refunding analyses.

"The County lacks an integrated system to manage long-term debt, including real time access to municipal market data."

The County lacks an integrated system to manage long-term debt, including real time access to municipal market data. It has no integrated system for debt management to track critical information on outstanding debt, from issuance through maturity at the individual bond or portfolio level. The County relies primarily on outside consultants to provide market data and analysis. An integrated system could supplement some consulting services as well as provide a check and balance on the work currently being performed by outside consultants.

Recommendation:

The BCC should:

1. Direct County staff to research technology solutions for an integrated system to facilitate the oversight and management of the County's debt issuance and debt portfolio.

Exhibit A

Glossary of Terms

Glossary of Terms

As defined by the Municipal Securities Rulemaking Board

BOND INSURANCE – A guarantee by a bond insurer of the payment of the principal of and interest on municipal bonds as they become due should the issuer fail to make required payments. Bond insurance typically is acquired in conjunction with a new issue of municipal securities, although insurance also is available for outstanding bonds trading in the secondary market. In the case of insurance obtained at the time of issuance, the issuer of the policy typically is provided extensive rights under the bond contract to control remedies in the event of a default.

BOND – A security evidencing the issuer's obligation to repay a specified principal amount on a date certain (maturity date), together with interest either at a stated rate or according to a formula for determining that rate. Bonds are distinguishable from notes, which usually mature in a much shorter period of time. Bonds may be classified according to, among other characteristics, maturity structure (serial vs. term), source of payment (general obligation vs. revenue), issuer (state vs. municipality vs. special district), price (discount vs. premium), rating (rated vs. unrated, or among different categories of ratings) or purpose of financing (transportation vs. health care).

BOND COUNSEL – An attorney or law firm, typically retained by the issuer, to give a legal opinion that the issuer is authorized to issue proposed municipal securities, the issuer has met all legal requirements necessary for issuance and interest on the proposed securities (if they are intended to be tax-exempt bonds) will be excluded from gross income of the holders thereof for federal income tax purposes and, where applicable, from state and local taxation. Typically, bond counsel may prepare, or review and advise the issuer regarding, authorizing resolutions, trust indentures, official statements, validation proceedings and litigation.

BOND RESOLUTION – The document or documents in which the issuer authorizes the issuance and sale of municipal securities. Issuance of the securities is usually approved in the authorizing resolution, and sale is usually authorized in a separate document known as the "sale" or "award" resolution. All such resolutions, read together, constitute the bond resolution, which describes the nature of the obligation, the issuer's duties to the bondholders and the issuer's rights with respect to the obligations and the security for the obligations. In certain jurisdictions, the governing body will act by means of an ordinance ("bond ordinance") rather than by resolution.

BOND SIZING - The determination of the amount and timing of debt required to provide funding for a project and the timing over which the principal and interest will be repaid as well as the costs to issue the bonds and size of any required reserves.

CO-MANAGER – An underwriter in a debt offering who is a member of the syndicate, or group that is selling the offering, but is not the lead managers. The primary job of the co-manager is to market/sell bonds to investors

COMPETITIVE BOND SALE – In a competitive sale, bonds are advertised for sale. The advertisement, by way of a notice of sale, includes both the terms of the sale and the terms of the bond issue. Any broker dealer or dealer bank may bid on the bonds at the designated date and time. The bonds are awarded to the bidder offering the lowest interest cost.

CREDIT ENHANCEMENT – The use of the credit of an entity other than the issuer or obligor to provide additional security in a bond or note financing. This term typically is used in the context of bond insurance, bank letters of credit and other facilities, state school guarantees and credit programs of federal or state governments or federal agencies, but also may refer more broadly to the use of any form of guaranty, secondary source of payment or similar additional credit-improving instruments.

DEBT SERVICE – Cash required over a given period for the repayment of interest and principal on a debt or the series of payments of interest and principal required on a debt over a given period of time.

DEBT SERVICE RESERVE FUND OR RESERVE FUND – A fund in which moneys are placed in reserve to be used to pay debt service if pledged revenues are insufficient to satisfy the debt service requirements. The debt service reserve fund may be entirely funded with bond proceeds at the time of issuance, may be funded over time through the accumulation of pledged revenues, or may be funded only upon the occurrence of a specified event (e.g., upon failure to comply with a covenant in the bond contract). In addition, issuers may sometimes authorize the provision of a surety bond or letter of credit to satisfy the debt service reserve fund requirement in lieu of cash. If the debt service reserve fund is used in whole or part to pay debt service, the issuer usually is required to replenish the fund from the first available revenues.

DISCLOSURE COUNSEL – An attorney or law firm retained by the issuer to provide advice on issuer disclosure obligations and to prepare the official statement and continuing disclosure agreement.

ISSUER – A state, political subdivision, municipality, or governmental agency or authority that raises funds through the sale of municipal securities.

NEGOTIATED BOND SALE- In a negotiated sale, an underwriter is selected to purchase the bonds. The underwriter, in turn, sells the bonds to its investor customers. The terms of the bonds are tailored to meet the demands of the underwriter's investor clients, as well as the needs of the issuer. Negotiated sales also involve a process known as a presale in which underwriters seek customer indications of interest in the issue before establishing final bond pricing.

OFFICIAL STATEMENT (O.S.) – A document or documents prepared by or on behalf of the issuer of municipal securities in connection with a primary offering that discloses material information on the offering of such securities. For primary offerings subject to Rule 15c2-12, the "final official statement" must include, at a minimum, information on the terms of the securities, financial information or operating data concerning the issuer and other entities, enterprises, funds, accounts or other persons material to an evaluation of the offering, and a description of the continuing disclosure undertaking made in connection with the offering (including an indication of any failures to comply with such undertaking during the past 5 years). Official statements typically also include information regarding the purposes of the issue, how the securities will be repaid, and the financial and economic characteristics of the issuer or obligor with respect to the offered securities. Investors may use this information to evaluate the credit quality of the securities. Although functionally equivalent to the prospectus used in connection with registered securities, an official statement for municipal securities is exempt from the prospectus requirements of the Securities Act of 1933.

PRELIMINARY OFFICIAL STATEMENT (P.O.S.) – A preliminary version of the official statement, which is used to describe the proposed new issue of municipal securities prior to the determination of the interest rate(s) and offering price(s). The preliminary official statement may be used to gauge interest in an issue and is often relied upon by potential purchasers in making their investment decisions. Normally, offers for the sale of or acceptance of securities are not made on the basis of the preliminary official statement and a statement to that effect appears on the face of the document generally in red print, which gives the document its nickname, "red herring."

RATING AGENCY – A company that provides ratings that indicate the relative credit quality or liquidity characteristics of securities.

SURETY BOND/POLICY – An instrument that provides security against a default in payment. Surety bonds are sometimes used in lieu of a cash deposit in a debt service reserve fund.

UNDERWRITER – A broker-dealer that purchases a new issue of municipal securities from the issuer for resale in a primary offering. The underwriter may acquire the securities either by negotiation with the issuer or by award on the basis of competitive bidding. The underwriter is also referred to as the book-running manager or senior manager.

Exhibit B

Debt Management Policy

TO: ALL COUNTY PERSONNEL

FROM: ROBERT WEISMAN

PREPARED BY: OFFICE OF FINANCIAL MANAGEMENT & BUDGET

SUBJECT: DEBT MANAGEMENT POLICY

PPM#: CW-F-074

ISSUE DATE	**EFFECTIVE DATE**
May 24, 2007	**May 24, 2007**

I. PURPOSE:

To establish parameters and guidance for the issuance, management, monitoring, assessment and evaluation of all Debt Obligations (i.e. bonds, notes, letters and lines of credit) issued by Palm Beach County.

II. AUTHORITY:

1. Florida Statutes, Chapter 129.06
2. Palm Beach County Administrative Code, Sections 101.00, 301.00 303.00, 304.00, 304.03, 304.034, 304.04, 311.00
3. Comprehensive Plan, Capital Improvement Element, as amended annually

III. OVERVIEW:

The Board of County Commissioners periodically considers the issuance of Debt Obligations to finance the construction or acquisition of infrastructure and other assets or to refund outstanding debt.

This Policy and Procedures Memorandum provides guidance for managing the issuance of the County's Debt Obligations and for maintaining the County's ability to incur debt and other long-term obligations at favorable interest rates for capital improvements and equipment. The Debt Management Policy identifies debt management goals and standards which the County Commission must consider in committing to fund capital improvements, while making every effort to maintain the County's bond rating and reputation in the investment community. These Policies will guide the County in its evaluation of the impact of each funding decision on the County's debt capacity and credit quality.

The national credit rating agencies, Moody's Investors Service, Fitch Ratings and Standard & Poor's (the "Rating Agencies") have taken a more active role in monitoring the County's overall credit position. The County's ability to borrow at the lowest costs depends upon its credit standing as assessed by the Rating Agencies. Key aspects of the County's continued AAA credit rating from the three rating agencies include:

1. Adherence to sound fiscal policy relative to expenditures and funding of the Capital Improvement Program (CIP);

2. Appropriate levels of public investment in the facilities and infrastructure required for steady economic growth;

3. Effective production of the revenues necessary to fund CIP projects and to support debt service generated by public borrowing;

4. Facility planning, management practices and controls for cost containment, and effective implementation of the CIP;

5. Planning and programming of capital projects to allow consistent levels of borrowing;

6. Assurances through County law and practice of an absolute commitment to timely repayment of debt related to public facilities and infrastructure.

IV. RESPONSIBILITY:

It is the responsibility of the Office of Financial Management and Budget, under the direction of the County Administrator to implement this policy.

V. DEFINITIONS:

Debt Service – Scheduled payments of interest and principal on debt obligations.

Fixed Rate Debt – Debt obligation issued with a predetermined interest rate.

General Obligation Debt – Debt obligations which are secured by the full faith and credit of the County and are payable by a levy of ad valorem taxes. General Obligation Bonds require approval by election prior to issuance.

MSTU and Special District Bonds – Debt issued to provide funding for capital projects within a portion of the County, and for which only revenues derived within the district are used to pay debt service.

Non-Self Supporting Debt – Debt secured by covenant to budget and appropriate from legally available non-ad valorem revenues. Debt service expenditures for this debt are in direct competition with other General Fund expenditures.

Present Value – The amount that a future sum of money is worth today given a specified rate of return.

Rating – Evaluations of credit quality that are issued by Moody's Investor Service, Fitch Ratings, and Standard & Poor's Corporation. Ratings are intended to measure the probability of the timely repayment of principal and interest on bonds.

Variable Rate Debt – Debt obligations entered into that use a variable, auction reset, adjustable, convertible, or other similar rate, which is not fixed in percentage at the date of issue.

VI. POLICY:

It is the policy of the County that Debt Obligations will be issued and administered in such a manner as to ensure and sustain the long-term financial integrity of the County and to achieve the highest possible credit rating.

In carrying out this policy the County has established parameters and guidelines governing the issuance, management, continuing evaluation and reporting on all Debt Obligations issued by the County. When evaluating the appropriateness of a new bond issue, the County will not approve the issue until after a consideration of the following criteria:

1. The County will not issue Debt Obligations or use debt proceeds to finance current operations.

2. The County will utilize Debt Obligations only for capital improvement projects that cannot be funded from current revenue sources.

3. The County will only issue debt in such cases where it is more equitable to the users of the project to finance the project over its useful life than to fund it out of current year revenues.

4. The County will evaluate the impact of the debt service requirements of outstanding and proposed Debt Obligations over one, five, ten and twenty year fiscal year periods. This evaluation will consider debt service maturities and payments as well as the County's projections for pay-as-you-go capital funding requirements.

5. Bonds are normally issued in a 20-year series, amortized with level debt service payments.

Debt issuance will only be deemed to be appropriate when the following conditions exist:

1. When the project to be funded is non-routine in nature (i.e. not regular, ongoing capitalized maintenance projects).

2. When it can be determined that current and/or future citizens will receive a benefit from the improvement in future years.

   When Palm Beach County utilizes long-term debt financing, it will ensure that the debt is soundly financed by:

3. Conservatively projecting the revenue sources that will be utilized to pay the debt.

4. Financing the improvement over a period not greater than the useful life of the improvement

Additionally, the County has established the following policies in relation to debt financing:

5. When the population benefiting from the Capital Improvement is less than County-wide, the County will use special assessments, District, MSTU or self-supporting bonds instead of non self-supporting County-wide revenue bonds or County-wide general obligation bonds.

6. Annual debt service payments on net debt, exclusive of self-supporting debt will be no more than 10% of general government expenditures.

7. After including projected debt service on the new bonds, total annual debt service shall not exceed $1,200 per capita in any future year.

General Obligation Debt

The County will issue general obligation bonds only upon approval of the electorate after a general election as required by the Florida Constitution. The County will not initiate a general obligation bond referendum if as a result of the proposed bond issue, general obligation bond debt service would exceed $.50 per thousand dollars of taxable value (.5 mills). In addition, total general obligation bond debt outstanding shall not exceed 5% of taxable property value in the County.

Non-Self-Supporting Debt

The County may issue non-self-supporting debt to the extent that pledged non-ad valorem revenues are at least twice the annual amount of debt service on the non-self-supporting debt.

The County shall pledge all legally available non-ad valorem revenues for non self-supporting bond issues.

Self-Supporting Debt

The County may issue self-supporting debt for proprietary fund activities based on an analysis of revenues and expenses to be incurred as a result of the project or projects to be funded by the debt, and current revenues and expenses of the enterprise fund.

Refunding Outstanding Debt

Under certain circumstances, refunding bonds may be issued in order to: 1) achieve interest rate savings, 2) remove or change burdensome bond covenants or 3) restructure the stream of debt service payments. Except as provided below, the County will not consider refunding long-term debt unless the net present value savings on debt service cost on the proposed new bonds is at least 5%. In addition, the maximum term of the new bonds will not exceed the remaining life of the bonds to be refunded.

The following are circumstances where a lower net present value savings (i.e. less than 5%) may be justified:

1. The refunding is being done for reasons other than economic savings (e.g. unnecessarily restrictive bond covenants).

2. Interest rates are at historically low levels and future opportunities to achieve more savings are not likely to occur.

3. A large bond issue in terms of issue size may produce a significant dollar amount of savings at a lower threshold.

Variable Rate Debt

Given the possibility that the need for project financing may not coincide with attractive market interest rates, a variable rate program to provide for the timely initiation of certain projects may be prudent. The County uses variable rate debt for the following purposes: (1) as an interim financing device (during construction periods or during periods of relatively high long-term fixed rates), (2) as an integral portion of overall long-term debt strategy, and (3) to better match shorter lived assets to liabilities. The aggregate principal amount of Non Self Supporting Debt bearing a variable rate will not exceed 25% of the aggregate principal amount of all Non Self-Supporting Debt.

MSTU and Special District Debt

The County has established Fire/Rescue municipal service tax units and a County Library district has been authorized by special act of the legislature. In addition to these existing districts, the County may establish other special districts in the future to implement its CIP and/or to provide services and improvements within a specific area of the County. These MSTU's and special districts may issue debt for the purpose of funding facilities and infrastructure necessary to carry out their functions. Such debt will only be issued when approved in a voter referendum held within the MSTU or special district. The bonds will be MSTU or District General Obligation Bonds and will be payable by a special property tax levy on property within the district.

Selection of Outside Professionals

The Board of County Commissioners will establish procedures for selection of outside professionals (i.e. Financial Advisors, Underwriters, Bond Counsel, and Disclosure Counsel) for County bond financings.

Outside professionals are responsible for the preparation of the bond resolution, official statement, and other official documents for each bond issue. The County's Financial Advisor compares the interest rates proposed by the Underwriters to current published market rates to assure that the County receives the most favorable terms for each issue. The County Debt Manager or Director of OFMB will approve the Underwriters' proposed interest rate schedule and fees and expenses prior to the sale of the bonds.

Relations, with Bond Rating Agencies and Investors

OFMB shall maintain frequent communications with bond rating agencies regarding the County's financial condition and anticipated bond issues. OFMB will also maintain communications (e.g. emails, mail-outs, telephone contacts) with institutional investors through regular required disclosures as well as less formal communications.

OFMB will provide notice of occurrence, if any, of certain events required by the Securities Exchange Commission (SEC) Rule 15c2-12 to the Nationally Recognized Municipal Securities Information Repositories (NRMSIRs). The Clerk and Comptroller of Palm Beach County will provide the County's Comprehensive Annual Financial Report (CAFR) and appropriate supplement disclosures to the NRMSIRs.

ROBERT WEISMAN
COUNTY ADMINISTRATOR

Exhibit C

Bond Issues Reviewed

BOND ISSUES REVIEWED
10/1/03 TO 12/31/08

		Amount	Issue	Underwriters		Bond Counsel		Underwriters Counsel		Financial	Insurance	Surety	Debt Serv
		Issued	Date	Name(s)	Fee	Name(s)	Fee	Name	Fee	Advisor Fee	Premium	Premium	Res Fund
	General Obligation Debt												
1	25M Bonds, Series 2005	25,000,000	6/2/2005	Morgan Stanley Merchant Capital Raymond James	160,326	Greenberg Traurig Weiss & Handler	20,000 10,000	Akerman	20,000	25,000			
2	16.025M Ref. Bonds, Series 2005	16,025,000	5/11/2005	MR Beal Raymond James	114,633	Moyle flanigan	23,236	Lewis Longman	16,000	22,710			
3	22.335M, Series 2006	22,335,000	2/22/2006	BofA Jackson RBC	128,476	Bryant Miller Olive Isaacs Williams	26,802	Steve Bullock	22,335	25,000			
4	50M, Series 2006	50,000,000	3/21/2006	Janney Citi Raymond James	287,319	Boose Casey	71,685	Lewis Longman	30,000	42,500			
5	115.825M Taxable Refunding Bonds Series 2006	115,825,000	7/10/2006	Merrill Lynch Citigroup Jackson Janney	781,545	Greenberg Traurig	91,915		55,650	58,956			
	Non-Ad Valorem Revenue Bonds												
6	Public Imp. Rev. Refunding Bonds Convention Ctr, Series 2004	81,340,000	2/25/2004	Lehman Janney Morgan Stanley UBS Legg	520,992	Holland & Knight	98,000	Orrick Herrington	70,000	50,335	520,728		DSRF cash funded
7	Public Improvement Rev. Ref. Rec. Facilities Bonds Series 2003	6,525,000	11/12/2003	William R Hough	44,890	Ruden McClosky	11,093		11,000	16,525			
8	Public Improvement Rev. & Refunding Bonds Series 2004	94,300,000	1/28/2004	Citi Raymond James Jackson Legg First Southwest Janney	511,917	Holland & Knight	107,580	Adorno & Yoss	53,040	53,671		329,901	
9	Public Improvement Rev. Bond, Series 2004	38,895,000	10/28/2004	Jackson Citi Raymond James Morgan Stanley Janney UBS	234,054	Ruden McClosky	66,500	Lewis Longman	30,000	40,000	181,000	51,000	
10	Public Improvement Rev. Taxable Bonds, Series 2004	24,427,515	10/28/2004	Bank Deal									
11	Public Improvement Rev. Refunding Bonds, Series 2005	9,520,000	5/4/2005	Raymond James	65,889	Edwards & Angell	18,575	Lewis, Longman	10,000	15,000		26,865	
12	Stadium Facilities Revenue Refunding Bonds	20,070,000	6/22/2005	Raymond James Citigroup	119,200	Edwards & Angell	34,119	Lewis, Longman		26,000		58,246	
13	Parks & Rec. Revenue Refunding Bonds, Series 2005	17,455,000	3/31/2005	Legg Citi	124,751	Moyle Flanigan	28,807	Lewis Longman	21,000	26,945			

BOND ISSUES REVIEWED
10/1/03 TO 12/31/08

		Amount Issued	Issue Date	Underwriters Name(s)	Underwriters Fee	Bond Counsel Name(s)	Bond Counsel Fee	Underwriters Counsel Name	Underwriters Counsel Fee	Financial Advisor Fee	Insurance Premium	Surety Premium	Debt Serv Res Fund
14	Revenue Refunding Bonds Series 2005	13,485,000	7/7/2005	Jackson Legg	91,627	Greenberg Weiss Handler	17,425 5,500	Lewis Longman	13,286	23,025		46,438	
15	Public Improvement Rev. Bonds, Series 2005	133,935,000	5/16/2005	Jackson Morgan Stanley Citi UBS Raymond James	790,193	Ruden McClosky	138,750	Adorno & Yoss	70,000	67,500	492,620	194,699	
16	Public Improvement Rev. Bonds, Series 2005	13,028,760	8/24/2005	Bank Deal									
17	Public Improvement Rev. Bonds, Series 2006	14,685,000	12/6/2006	Jackson Citi Loop	94,300	Bryant Miller Olive Isaacs Williams	22,700	Lewis Longman	13,020	18,500	54,000	17,000	
18	Public Improvement Rev. Bonds, Series 2007A	2,582,648	11/14/2007	Bank Deal		Ruden McClosky	4,373			17,792 (includes #19 below)			
19	Public Improvement Rev. Bonds, Series 2007B	5,180,949	11/14/2007	Bank Deal		Ruden McClosky	8,772						
20	Public Improvement Rev. Bonds, Series 2007C	98,080,000	12/19/2007	Janney Citigroup Loop Wachovia Raymond James	533,503	Ruden McClosky	89,040 (plus 13,520 in add legal)	Hogan & Hartson	44,738 12,500	54,542	449,030	153,169	
21	Public Improvement Rev. Bonds, Series 2008	35,075,000	1/22/2008	Citibank (Negotiated Private Placement)		Nabors Giblin	45,075	Troutman Sanders (Bank Counsel)	7,500	25,000			
22	Public Improvement Rev. Note, Series 2008	11,697,676	2/6/2008	Bank Deal		Bryant Miller & Olive	18,736			15,000			
23	Public Improvement Rev. Refunding Bonds, Series 2008	29,476,000	4/23/2008	Bank Deal									
24	Public Improvement Rev. Bonds, Series 2008	176,585,000	8/26/2008	Merrill Lynch Citi Raymond James Wachovia Jackson	934,703	Edwards Angell	101,409 (plus 30K for BAN)	Holland & Knight Moskowitz Mandell	50,675 35,500	74,146 (plus 10K for BAN)			DSRF cash funded
	Self-Supporting Revenue Bonds												
25	Water & Sewer Revenue Refunding Bonds, Series 2004	28,265,000	5/12/2004	Legg Wachovia Raymond James	169,377	Edwards & Angell	49,700		30,000	34,500			DSRF cash & surety funded
26	125.850M Water & Sewer Revenue, Series 2006A	125,850,000	4/24/2006	Citigroup	845,612 (combined with below)		106,600		66,000	74,125		357,000	
27	12.485M Water & Sewer Revenue	12,485,000	4/24/2006	Citigroup	Included		Included		Included	Included			

BOND ISSUES REVIEWED
10/1/03 TO 12/31/08

#	Issue	Amount Issued	Issue Date	Underwriters Name(s)	Underwriters Fee	Bond Counsel Name(s)	Bond Counsel Fee	Underwriters Counsel Name	Underwriters Counsel Fee	Financial Advisor Fee	Insurance Premium	Surety Premium	Debt Serv Res Fund
	refunding bonds, Series 2006B				Above		Above		Above	Above			
28	Water & Sewer Revenue Refunding Bonds, Series 2008	6,473,000	3/31/2008	Bank Deal									
29	Airport System, Revenue Bond Series 2006	69,080,000	5/17/2006	UBS Jackson Janney Loop Merrill Lynch	441,490	Ruden McClosky	73,356	Squires Sanders & Dempsey	54,522 (combined with Series B-#30)	51,278 (combined with Series B-#30)	497,000	109,325	
30	Airport System, Taxable Refunding Bonds, Series 2006B	16,855,000	5/17/2006	UBS Jackson Janney Loop Merrill Lynch	107,720	Ruden McClosky	28,654	Squires Sanders & Dempsey	54,522 (combined with Series A-#29)	51,278 (combined with Series A-#29)	95,000	26,675 128,000 (Unrefunded Bonds)	
31	Public Improvement Rev Bonds Series 2008-2 ADDED - issued 11/13/08 in FY09	94,235,000	11/13/2008	Loop Jackson Janney Merrill Lynch Raymond James	591,407	Holland & Knight	104,041	Ruden McClosky Marchena & Graham	52,021 10,000	53,559			DSRF cash funded
	Totals	**1,408,771,548**			**7,693,926**		**1,422,442**		**798,787**	**911,609**	**2,289,378**	**1,498,319**	

Issues For Competitive Sales, including #1-5,7,9,11-15,17,20-21,25-27,31	877,745,000	5 basis points 15 basis points	438,873 1,316,618

Exhibit D

GFOA Recommended Practice

Selecting and Managing the Method of Sale of State and Local Government Bonds (1994 and 2007) (DEBT)

GFOA Recommended Practice

Selecting and Managing the Method of Sale of State and Local Government Bonds (1994 and 2007) (DEBT)

Background. State and local government bond issuers should sell their debt using the method of sale that is most likely to achieve the lowest cost of borrowing while taking into account both short-range and long-range implications for taxpayers and ratepayers. Differing views exist among issuers and other bond market participants with respect to the relative merits of the competitive and negotiated methods of sale. Moreover, research into the subject has not led to universally accepted findings as to which method of sale is preferable when taking into account differences in bond structure, security, size, and credit ratings for the wide array of bonds issued by state and local governments.

Concerns have been raised about the lack of a competitive Request for Proposals (RFP) process in the selection of underwriters in a negotiated sale and the possibility of higher borrowing costs when underwriters are appointed based on factors other than merit. As a result, issuers have been forced to defend their selection of underwriters for negotiated sales in the absence of a documented, open selection process.

There is also a lack of understanding among many debt issuers about the appropriate roles of underwriters and financial advisors and the fiduciary relationship that each has or does not have with respect to state and local government issuers. The relationship between issuer and financial advisor is one of “trust and confidence” which is in the “nature of a fiduciary relationship”. This is in contrast to the relationship between the issuer and underwriter where the relationship is one of some common purposes but also some competing objectives, especially at the time of bond pricing.

Recommendation. When state and local laws do not prescribe the method of sale of municipal bonds, the Government Finance Officers Association (GFOA) recommends that issuers select a method of sale based on a thorough analysis of the relevant rating, security, structure and other factors pertaining to the proposed bond issue. If the government agency has in-house expertise, defined as dedicated debt management staff whose responsibilities include daily management of a debt portfolio, this analysis and selection could be made by the government’s staff. However, in the more common situation where a government agency does not have sufficient in-house expertise, this analysis and selection should be undertaken in partnership with a financial advisor. Due to the inherent conflict of interest, issuers should not use a broker/dealer or potential underwriter to assist in the method of sale selection unless that firm has agreed not to underwrite that transaction.

The GFOA believes that the presence of the following factors may favor the use of a competitive sale:

- The rating of the bonds, either credit-enhanced or unenhanced, is at least in the single-A category.
- The bonds are general obligation bonds or full faith and credit obligations of the issuer or are secured by a strong, known and long-standing revenue stream.
- The structure of the bonds does not include innovative or new financing features that require extensive explanation to the bond market.

Similarly, GFOA believes that the presence of the following factors may favor the use of a negotiated sale:

- The rating of the bonds, either credit-enhanced or unenhanced, is lower than single-A category.

- Bond insurance or other credit enhancement is unavailable or not cost-effective.

- The structure of the bonds has features such as a pooled bond program, variable rate debt, deferred interest bonds, or other bonds that may be better suited to negotiation.

- The issuer desires to target underwriting participation to include disadvantaged business enterprises (DBEs) or local firms.

- Other factors that the issuer, in consultation with its financial advisor, believes favor the use of a negotiated sale process.

If an issuer, in consultation with its financial advisor, determines that a negotiated sale is more likely to result in the lowest cost of borrowing, the issuer should undertake the following steps and policies to increase the likelihood of a successful and fully documented negotiated sale process:

- Select the underwriter(s) through a formal request for proposals process. The issuer should document and make publicly available the criteria and process for underwriter selection so that the decision can be explained, if necessary.

- Enter into a written contractual relationship with a financial advisor (a firm unrelated to the underwriter(s)), to advise the issuer on all aspects of the sale, including selection of the underwriter, structuring, disclosure preparation and bond pricing.

- Due to inherent conflicts of interest, the firm acting as a financial advisor for an issuer should not to be allowed to resign and serve as underwriter for the transaction being considered.

- Due to potential conflicts of interest, the issuer should also enact a policy regarding whether and under what circumstances it will permit the use of a single firm to serve as an underwriter on one transaction and a financial advisor on another transaction.

- Issuers with sufficient in-house expertise and access to market information may act as their own financial advisor. Such issuers should have at least the following skills and information: (i) access to real-time market information (e.g. Bloomberg) to assess market conditions and proposed bond prices; (ii) experience in the pricing and sale of bonds, including historical pricing data for their own bonds and/or a set of comparable bonds of other issuers in order to assist in determining a fair price for their bonds; and (iii) dedicated full-time staff to manage the bond issuance process, with the training, expertise and access to debt management tools necessary to successfully negotiate the pricing of their bonds.

- Remain actively involved in each step of the negotiation and sale processes in accordance with the GFOA's *Recommended Practice, Pricing Bonds in a Negotiated Sale*.

- Require that financial professionals disclose the name(s) of any person or firm compensated to promote the selection of the underwriter; any existing or planned arrangements between outside professionals to share tasks, responsibilities and fees; the name(s) of any person or firm with whom the sharing is proposed; and the method used to calculate the fees to be earned.

- Review the "Agreement Among Underwriters" and ensure that it governs all transactions during the underwriting period.

- Openly disclose public-policy issues such as the desire for DBEs and regional firm participation in the syndicate and the allocation of bonds to such firms as reason for negotiated sale; measure and record results at the conclusion of the sale.

- Prepare a post-sale summary and analysis that documents the pricing of the bonds relative to other similar transactions priced at or near the time of the issuer's bond sale, and record the true interest cost of the sale and the date and hour of the verbal award.

References

- *Who are the Parties in My Deal? What are Their Roles? How Do I Sell My Bonds?*, Julia H. Cooper and David Persselin, Government Finance Review, April 2006.
- *An Elected Official's Guide to Debt Issuance*, J.B. Kurish and Patricia Tigue, GFOA, 2005.
- *Debt Management Policy*, GFOA Recommended Practice, 2003.
- *Pricing Bonds in a Negotiated Sale*, GFOA Recommended Practice, 2000.
- *Preparing RFPs to Select Financial Advisors and Underwriters*, GFOA Recommended Practice, 1997.
- *Debt Issuance and Management: A Guide for Smaller Governments*, James C. Joseph, GFOA, 1994.
- *Competitive v. Negotiated: How to Choose the Method of Sale for Tax-Exempt Bonds*, GFOA, 1994.
- *Competitive v. Negotiated Sale Debt*, Issue Brief No. 1, California Debt Advisory Commission, September 1992.

Approved by the GFOA's Executive Board, October 19, 2007.

Exhibit E

Palm Beach County
Senior Manager Underwriter Rotation List

PALM BEACH COUNTY
SENIOR MANAGER UNDERWRITER ROTATION LIST
September 9, 2008

District 4	Wachovia Securities	Senior Manager on next issue
District 2	Raymond James	Not eligible to serve as co-manager
District 7	Jackson Securities	Eligible to serve as co-manager
District 5	Janney Montgomery **(Note 2)**	Eligible to serve as co-manager
District 3	Merrill Lynch	Eligible to serve as co-manager
District 1	Citigroup	Eligible to serve as co-manager
District 6	Loop Capital Markets	Not eligible to serve as co-manager

Note 1 - One selection per Commissioner with the senior manager selected for an issue always going to the bottom of the rotation list for future issues. If a Commissioner changes underwriters after the initial appointment in October, 2003, the new appointee will be placed at the bottom of the list.

Note 2 - Depending on the size of the bond issue, additional co-managers will be selected from the above list as follows: The firm at the top of the list to be appointed as senior manager, the next firm in line to be senior manager and the last firm selected as senior are not eligible to serve as co-manager on the next bond issue. Eligible firm(s) will be selected to be co-managers in order from the senior rotation list. **On August 19, 2008, Loop Capital Markets was appointed as Senior Manager and Raymond James and Jackson Securities were appointed as Co-Managers for the estimated $45 Million Public Improvement Revenue Bonds, Series 2008 (Max Planck Biomedical Research Project). Janney Montgomery is the next firm to be selected as co-manager with others to be selected following in order.** Selection as co-manager does not effect a firm's standing on the senior manager rotation list.

Note 3 - Staff and the County's Financial Advisor recommend the following guidelines for structuring teams for each bond issue: (1) Up to $10 Million - 1 Senior, (2) $10 to $25 Million - 1 Senior, 1 Co-Manager; (3) $25 to $50 Million - 1 Senior, 2 Co-Managers; (4) $50 to $75 Million - 1 Senior, 3 Co-Managers; (5) Excess of $75 Million 1 Senior, 4 or more Co-Managers, depending on the size of the issue.

Note 4 - Proprietary Proposals - The County will continue to consider new and innovative proposals from any underwriter. If the Board decides to move forward with a proposal, the underwriter will be given consideration as the book running manager on the bond issue without regard to the senior manager rotation list. If the underwriter selected to be bookrunning manager is on the County's senior rotation list, the underwriter will be moved to the bottom of the list for future issues. Refunding of outstanding bond issues and other proposals that are currently being done by other issuers are not considered proprietary proposals. Submission of these proposals will not necessarily be a factor in the selection of underwriting teams.

Exhibit F

GFOA Recommended Practice

Selecting Financial Advisors (2008) (DEBT)

RECOMMENDED PRACTICE

Selecting Financial Advisors (2008) (DEBT)*

Note: This Recommended Practice (RP) is one of a group of four relating to the sale of bonds. These four RPs should be read and considered in conjunction with each other because of the interaction of the processes to which they apply. The four RPs are:

Selecting and Managing the Method of Sale of State and Local Government Bonds
Selecting Financial Advisors
Selecting Underwriters for Negotiated Bond Sales
Pricing Bonds in a Negotiated Sale

Background. State and local governments employ financial advisors to assist in the structuring and issuance of bonds whether through a competitive or a negotiated sale process. Unless the issuer has sufficient in-house expertise and access to market information, it should hire an outside financial advisor prior to undertaking a debt financing. A financial advisor represents the issuer, and only the issuer, in the sale of bonds. Issuers should assure themselves that the selected financial advisor has the necessary expertise to assist the issuer in selecting other finance professionals, planning the bond sale, and successfully selling and closing the bonds. In considering the roles of the financial advisor and underwriter, it is the intent of this Recommended Practice to set a higher standard than is required under MSRB Rule G-23, because disclosure and consent are not sufficient to cure the inherent conflict of interest.

Recommendation. The Government Finance Officers Association (GFOA) recommends that issuers select financial advisors on the basis of merit using a competitive process and that issuers review those relationships periodically. A competitive process using a request for proposals or request for qualifications (RFP) process allows the issuer to compare the qualifications of proposers and to select the most qualified firm based on the scope of services and evaluation criteria outlined in the RFP.

Before starting the RFP process, issuers should decide whether the financial advisor will assist the issuer for a single bond sale, for a multi-year engagement or whether the issuer seeks to establish a qualified pool of financial advisors to choose from for future bond sales. The RFP then can be carefully written in order to result in the form of relationship desired by the issuer. Additionally, issuers should write the RFP to comply with applicable procurement requirements.

If an issuer is contemplating the possibility of selling bonds through a negotiated sale, the financial advisor should be retained prior to selecting the underwriter(s). This allows the issuer to have professional services available to advise on the appropriate method of sale, and if a negotiated sale is selected, to prepare the underwriter RFP and assist in the evaluation of the underwriter responses.

No firm should be given an unfair advantage in the RFP process. Procedures should be established for communicating with potential proposers, determining how and over what time period questions will be addressed, and determining when contacts with proposers will be restricted.

Due to potential conflicts of interest, the issuer also should enact a policy regarding whether, and under what circumstances, it would permit a firm to serve as an underwriter on one transaction and a financial advisor on another transaction. Additionally, it is recommended that when an issuer has a financial advisor contract with a firm that also is a broker-dealer, there should be a lockout period from the time that the financial advisor contract ends to the time when the broker-dealer can serve as a negotiated underwriter for the issuer.

Request for Proposal Content. The RFP should include at least the following components:

1. A statement from the issuer stating that due to inherent conflicts of interest, the firm selected as financial advisor will not be allowed to resign in order to serve as underwriter for the proposed transaction (See GFOA Recommended Practice, *Selecting and Managing the Method of Sale of State and Local Government Bonds*).

2. A clear and concise description of the scope of work, specifying the length of the contract and indicating whether joint proposals with other firms are acceptable.

3. Clarity on whether the issuer reserves the right to select more than one financial advisor or to form financial advisory teams.

4. A description of the objective evaluation and selection criteria and explanation of how proposals will be evaluated.

5. A requirement that all fee structures be presented in a standard format. Issuers also should ask all proposers to identify which fees are to be proposed on a “not-to-exceed” basis, describe any condition attached to their fee proposal, and explicitly state which costs are included in the fee proposal and which costs are to be reimbursed.

6. A requirement that the proposer provide at least three references from other public-sector clients, preferably from ones that the firm provided similar services to those proposed to be undertaken as the result of the RFP.

Requested Proposer Responses. RFPs should request relevant information related to the areas listed below in order to distinguish each firm’s qualifications and experience, including:

1. Relevant experience of the individuals to be assigned to the issuer, identification of the individual in charge of day-to-day management, and the percentage of time committed for each individual on the account.

2. Relevant experience of the firm with financings of the issuer or comparable issuers and financings of similar size, types and structures, including financings in same state.

3. Discussion of the firm’s financial advisory experience necessary to assist issuers with either competitive or negotiated sales.

4. Demonstration of the firm's understanding of the issuer's financial situation, including ideas on how the issuer should approach financing issues such as bond structures, credit rating strategies and investor marketing strategies.

5. Demonstration of the firm's knowledge of local political, economic, legal or other issues that may affect the proposed financing.

6. Discussion of the firm's familiarity with GFOA's Recommended Practices relating to the selling of bonds and the selection of finance professionals.

7. Disclosure of the firm's affiliation or relationship with any broker-dealer.

8. Analytic capability of the firm and assigned individuals and the availability of ongoing training and educational services that could be provided to the issuer.

9. Description of the firm's access to sources of current market information to assist in pricing of negotiated sales and information to assist in the issuer in planning and executing competitive sales.

10. Amounts and types of insurance carried, including the deductible amount, to cover errors and omissions, improper judgments, or negligence.

11. Disclosure of any finder's fees, fee splitting, payments to consultants, or other contractual arrangements of the firm that could present a real or perceived conflict of interest.

12. Disclosure of any pending investigation of the firm or enforcement or disciplinary actions taken within the past three years by the SEC or other regulatory bodies.

Additional Considerations. Issuers should also consider the following in conducting the financial advisor selection process**:**

1. Take steps to maximize the number of respondents by using mailing lists, media advertising, resources of the GFOA and applicable professional directories.

2. Allow adequate time for firms to develop their responses to the RFP. Two weeks should be appropriate for all but the most complicated RFPs.

3. Establish evaluation procedures and a systematic rating process, conduct interviews with proposers, and undertake reference checks. Where practical, one individual should check all references using a standard set of questions to promote consistency. To remove any appearance of a conflict of interest resulting from political contributions or other activities, elected officials should not be part of the selection team.

4. Document and retain the description of how the selection of the financial advisor was made and the rankings of each firm.

5. Consider whether to require disclosure of gifts, political contributions, or other financial arrangements in compliance with state and local government laws or other applicable policies.

Basis of Compensation. Fees paid to financial advisors should be on an hourly or retainer basis, reflecting the nature of the services to the issuer. Generally, financial advisory fees should not be paid on a contingent basis to remove the potential incentive for the financial advisor to provide advice that might unnecessarily lead to the issuance of bonds. GFOA recognizes, however, that this may be difficult given the financial constraints of many issuers. In the case of contingent compensation arrangements, issuers should undertake ongoing due diligence to ensure that the financing plan remains appropriate for the issuer's needs. Issuers should include a provision in the RFP prohibiting any firm from engaging in activities on behalf of the issuer that produce a direct or indirect financial gain for the financial advisor, other than the agreed-upon compensation, without the issuer's informed consent.

Form of Contract. As part of the RFP package, the issuer may also include a "Form of Contract" which incorporates elements and provisions conforming to prevailing law and procurement processes and requires RFP respondents to comment on the acceptability of the Form of Contract. The comments on the acceptability of the Form of Contract should be part of the evaluation process. The contract development process should allow for reasonable negotiation over the final terms of the contract. A final negotiated contract should make clear those services that will be included within the basic financial advisor fee and any services or reimbursable expenses that might be billed separately.

References.

- GFOA Recommended Practice: *Selecting Bond Counsel*, 2008.
- GFOA Recommended Practice: *Selecting Underwriters for Negotiated Bond Sales*, 2008.
- GFOA Recommended Practice: *Selecting and Managing the Method of Sale of State and Local Government Bonds*, 2007.
- *Preparing Requests for Proposals*, Issue Brief No. 3, California Debt Advisory Commission, October 1994.
- *Debt Issuance and Management: A Guide for Smaller Governments*, James C. Joseph, GFOA, 1994.
- *A Guide for Selecting Financial Advisors and Underwriters: Writing RFPs and Evaluating Proposals*, Patricia Tigue, GFOA, 1997.
- Municipal Securities Rulemaking Board Rule G-23, *Activities of Financial Advisors*; http://www.msrb.org/msrb1/rules/ruleg23.htm.

* This Recommended Practice, along with the Recommended Practice on Selecting Financial Advisors, replaces the 1997 RP, Preparing RFPs to Select Financial Advisors and Underwriters.

Approved by the GFOA's Executive Board, October 17, 2008.

Exhibit G

Palm Beach County Underwriter Policies & Procedures

December 21, 1993

UNDERWRITING POLICIES AND PROCEDURES

PALM BEACH COUNTY, FLORIDA

December 21, 1993

R-93-1694 D

UNDERWRITING POLICIES AND PROCEDURES
PALM BEACH COUNTY, FLORIDA

The following definitions shall apply:

"Designated Order" shall mean an order for bonds submitted by a Manager on which the takedown is to be credited to members of the group as per the designation policy provided in Exhibit "A".

"Group Order" shall mean an order for bonds which is allocated at the public offering price without deducting the concession or takedown. A Group Order benefits all members of the syndicate according to their percentage participation in the account.

"Member Order" shall mean an order for bonds placed with the syndicate by a member of the syndicate, where the bonds would be confirmed to that member at syndicate terms.

"Retention" shall mean an amount of bonds which will be taken for sale by each Manager.

"Syndicate" shall mean the Senior Manager and Co-Managers who have been named to underwrite the bonds.

"Management Fee" shall be paid to the senior (book-running) manager who does most of the work or split among the underwriters. based on work performed in the marketing of the bond issue.

"Takedown" shall be the amount of money (expressed in dollars per $1,000) paid to the underwriter for selling the bonds. It is a function of maturity (the shorter the maturity of the bond the lower the takedown) and how easy or difficult it is to sell the bonds.

"Concession" shall mean that portion of the takedown that the Syndicate would allow to an underwriter outside of the Syndicate. Example: If the takedown on a bond is $10 per $1,000, the Syndicate may allow a concession of $2.50 per $1,000 to an underwriter who is not a member of the Syndicate, which means that underwriter could buy the bonds at the reoffering price less $2.50 per $1,000. In recent months, takedowns have been so low that most underwriters have not been allowing concessions.

"MSRB" shall mean the Municipal Securities Rulemaking Board, which is a self-policing group established by the municipal bond industry.

"Industrial Development Bonds" shall mean securities issued by a state, a local government or development agency to finance the construction or purchase of industrial, commercial or manufacturing facilities to be purchased by or leased to a private user. IDBs are limited obligations of the County and are payable solely from the operations of the project facilities being constructed or purchased. Neither the faith and credit of the County nor its taxing power is pledged as security on these types of bonds.

A. MSRB Rules

The Managers agree to follow the Municipal Securities Rulemaking Board (the "MSRB") rules during the underwriting period.

Specifically:

1. In placing an order with the senior manager, all other Managers shall state whether it is a Net Designated Order, Group Order, Member Order or any other appropriate designation. Any change in the designation after the placing of the order must be communicated to the senior manager during the order period.

2. Any bonds which the Managers sell must be at the then applicable respective public offering prices. Managers may re-allow the concessions agreed upon by the Managers at a Managers' meeting or any part thereof on sales to (a) dealers who are members of the National Association of Securities Dealers, Inc. ("NASD"), (b) dealer banks or division or departments of banks, or (c) foreign banks or brokers which (i) are registered as a broker-dealer under the Securities Exchange Act of 1934 and agree in making sales of the bonds in the United States of America that they will comply with the Rules of Fair Practice of the NASD, or (ii) if not so registered, agree that they will not sell any bonds in the United States of America, its territories or its possessions or to persons who are citizens thereof or residents therein and in making other sales agree to comply with the Rules of Fair Practice of the NASD. Section A(2) shall remain in effect until the end of the underwriting period.

B. Specific Procedures

In the offering and sale of the bonds by the Managers and in the dealing among the Managers with respect thereto, the following fee allocation procedures as shown on Exhibit A attached shall be followed. In addition:

1. Any changes to Exhibit "A" must be approved by the County and must be communicated by wire to the Managers with a copy faxed to the County.

2. The Senior Manager will pay out all designations.

3. The Senior Manager reserves the right to request identification of a priority order.

4. No designations will be allowed for soft dollar payments.

5. The compliance addendum MSRB Rule G-11 will apply.

C. <u>Pricing Procedures</u>

1. Before releasing the preliminary pricing wire, the senior manager must initiate a conference call or meeting with the County and its Financial Advisor to discuss pricing ideas, including interest rates, yields, takedowns, order period and other pricing parameters.

2. Before releasing the preliminary pricing wire, the Senior Manager must receive approval from the County.

3. Any change of the initial prices on any maturity during the marketing period must be approved by the County.

4. Any changes in the prices negotiated between the Senior Manager and the County prior to receiving the verbal award on the bonds must be communicated to the Managers via wire, with a copy faxed to the County.

5. At any time, the senior manager must provide information on total orders by maturity at the request of the County or its Financial Advisor.

6. After the Managers have agreed to underwrite the bonds, the Senior Manager shall provide in writing a list of orders to the County and its Financial Advisor by maturity for each of the Managers and the proposed allocation of bonds. Accordingly, each Manager must indicate at the time orders are placed which orders are going away and which are stock.

7. The County retains the right to review and/or approve the allocation of bonds in a timely manner before such allocations are released by the Senior Manager to the Managers.

8. The Managers will supply bond sale data promptly to bond/special tax counsel so that the issue price certificate can be completed.

The Managers recognize if any of them do not adhere to the above procedures, then the County may in its sole discretion disqualify the particular firm from participating in future issues.

D. Industrial Development Bond

Generally, IDBs are not rated by a rating agency and do not have a public market for the bonds. They should be viewed as long-term investments and are subject to unanticipated events that could adversely effect the operations of the borrower and the project facilities. Because of the high degree of risks, the Board places the following limitations on the issuance of non-rated IDBs:

1. The Bonds must be sold to institutional investors only.
2. The Bonds shall be sold in denominations of $100,000 or any integral multiple of $5,000 in excess thereof.
3. The Registrar will receive an accredited investor certificate from the purchaser prior to the sale or transfer of the bond.

EXHIBIT A

FEE ALLOCATION PROCEDURES
PALM BEACH COUNTY, FLORIDA

Management Fee:

* County Staff and its Financial Advisor will negotiate the management fee and its division between the Senior Manager and other Managers

* The negotiation will be completed at least two weeks prior to the pricing of the bonds.

Fees and Expenses:

* The Senior Manager must provide the County and its Financial Advisor a detailed breakdown of its fees and expenses two weeks prior to the pricing of the bonds.

* The County will not reimburse the Senior Manager for clearance fees on bond issues that are issued in book entry form.

* Underwriter's counsel fee will be established upon selection of Underwriter's Counsel.

* Under normal circumstances, such fees should not exceed 50% of the fees paid to Bond Counsel.

* The County has determined that only one firm shall serve as Underwriter's Counsel on each bond issue.

* No firm in the County's Bond Counsel rotation shall be permitted to act as Underwriter's Counsel on any issue.

Participation:

* The County and its Financial Advisor will determine the participation levels based on bond issue size and the number of managers.

* The Senior Manager's participation level will range from 40% to 50% of the issue.

* Other Manager(s)' participation level will range from 10% to 20% of the issue.

Designation Policy:

* Each designated order shall be filled with a minimum of three underwriters designated by the buyer.

* At least one of the firms will be designated must be a Minority/Women Business Enterprise "M/WBE").

* No single underwriter will receive more than 50% of the designation.

Priority Orders:

* Except to the extent otherwise specified by wire notice, the priority to be accorded to orders for the purchase of bonds, other than by retention, is as follows:

  (1) Group Net Orders
  (2) Net Designated Orders
  (3) Member Orders

Member Orders:

* The Senior Manager will propose an allocation for member orders, subject to approval by the County and its Financial Advisor.

Retention:

* Retention will be approximately 10% of the bond issue. Actual retention amounts by maturity will be determined prior to the sale with approval of the County and with Managers notified by wire.

* Should any of the Managers be unable to sell any of the bonds awarded it by retention, those bonds shall returned to the Senior Manager for distribution on a first come first serve basis to all members of the underwriting team.

Exhibit H

Palm Beach County

Draft Debt Management Policy

TO: ALL COUNTY PERSONNEL

FROM: ROBERT WEISMAN

PREPARED BY: OFFICE OF FINANCIAL MANAGEMENT & BUDGET

SUBJECT: DEBT MANAGEMENT POLICY

PPM#: CW-F-074

ISSUE DATE	**EFFECTIVE DATE**
April xx, 2009	**April xx, 2009**

I. PURPOSE:

To establish parameters and guidance for the issuance, management, monitoring, assessment and evaluation of all Debt Obligations (as defined herein) issued by Palm Beach County.

II. AUTHORITY:

1. Florida Statutes, Chapter 129.06
2. Palm Beach County Administrative Code, Sections 101.00, 301.00 303.00, 304.00, 312.00
3. Comprehensive Plan, Capital Improvement Element, as amended annually

III. OVERVIEW:

The Board of County Commissioners periodically considers the issuance of Debt Obligations to finance the construction or acquisition of infrastructure and other assets or to refund outstanding debt.

This Policy and Procedures Memorandum provides guidance for managing the issuance of the County's Debt Obligations and for maintaining the County's ability to incur debt and other long-term obligations at favorable interest rates for capital improvements and equipment. The Debt Management Policy identifies debt management goals and standards which the County Commission must consider in committing to fund capital improvements, while making every effort to maintain the County's bond rating and reputation in the investment community. These Policies will guide the County in its evaluation of the impact of each funding decision on the County's debt capacity and credit quality.

The national credit rating agencies, Moody's Investors Service, Fitch Ratings and Standard & Poor's (the "Rating Agencies") have taken a more active role in monitoring the County's overall credit position. The County's ability to borrow at the lowest costs depends upon its credit standing as assessed by the Rating Agencies. Key aspects of the County's continued AAA, AAA/Aaa credit rating from the three rating agencies include:

1. Adherence to sound fiscal policy relative to budgeting revenues, expenditures and funding of the Capital Improvement Program (CIP) and adequate levels of fund balance;

2. Appropriate levels of public investment in the facilities and infrastructure required for steady economic growth;

3. Effective production of the revenues necessary to fund CIP projects and to support debt service generated by public borrowing;

4. Facility planning, management practices and controls for cost containment, and effective implementation of the CIP;

5. Planning and programming of capital projects to allow consistent levels of borrowing;

6. Assurances through County law and practice of an absolute commitment to timely repayment of debt related to public facilities and infrastructure.

IV. RESPONSIBILITY:

It is the responsibility of the Office of Financial Management and Budget (OFMB), under the direction of the County Administrator to implement this policy.

V. DEFINITIONS:

Ad Valorem Tax – A direct tax based according to value of property.

Competitive Sale – A method of submitting proposals to purchase bonds by which the bonds are awarded to the underwriter presenting the best bid according to stipulated criteria set forth in the notice of sale.

Debt Service – Scheduled payments of interest and principal on debt obligations.

Fixed Rate Debt – Debt obligation issued with a predetermined interest rate.

General Obligation Debt – Debt obligations which are secured by the full faith and credit of the County and are payable by a levy of ad valorem taxes. General Obligation Bonds require approval by election prior to issuance.

MSTU and Special District Debt – Debt issued to provide funding for capital projects within a portion of the County, and for which only revenues derived within the district are used to pay debt service.

Negotiated Sale – the sale of bonds by an issuer directly to an underwriter or underwriting syndicate selected by the issuer.

Non-Self Supporting Debt – Debt secured by covenant to budget and appropriate from legally available non-ad valorem revenues. Debt service expenditures for this debt are in direct competition with other General Fund expenditures.

Present Value – The amount that a future sum of money is worth today given a specified rate of return.

Rating – Evaluations of credit quality that are issued by Moody's Investor Service, Fitch Ratings, and Standard & Poor's Corporation. Ratings are intended to measure the probability of the timely repayment of principal and interest on bonds.

Variable Rate Debt – Debt obligations entered into that use a variable, auction reset, adjustable, convertible, or other similar rate, which is not fixed in percentage at the date of issue.

VI. POLICY:

It is the policy of the County that Debt Obligations will be issued and administered in such a manner as to ensure and sustain the long-term financial integrity of the County and to achieve the highest possible credit rating.

In carrying out this policy the County has established parameters and guidelines governing the issuance, management, continuing evaluation and reporting on all Debt Obligations issued by the County. When evaluating the appropriateness of a new bond issue, the County will not approve the issue until after a consideration of the following criteria:

1. The County will not issue Debt Obligations or use debt proceeds to finance current operations.

2. The County will utilize Debt Obligations only for capital improvement projects that cannot be funded from current revenue sources.

3. The County will only issue debt in such cases where it is more equitable to the users of the project to finance the project over its useful life than to fund it out of current year revenues.

4. The County will evaluate the impact of the debt service requirements of outstanding and proposed Debt Obligations over one, five, ten and twenty year fiscal year periods. This evaluation will consider debt service maturities and payments as well as the County's projections for pay-as-you-go capital funding requirements.

5. Bonds are normally issued in a 20-year series, amortized with level debt service payments.

Debt issuance will only be deemed to be appropriate when the following conditions exist:

1. When the project to be funded is non-routine in nature (i.e. not regular, ongoing capitalized maintenance projects).

2. When it can be determined that current and/or future citizens will receive a benefit from the improvement in future years.

When Palm Beach County utilizes long-term debt financing, it will ensure that the debt is soundly financed by:

3. Conservatively projecting the revenue sources that will be utilized to pay the debt.

4. Financing the improvement over a period not greater than the useful life of the improvement

Additionally, the County has established the following policies in relation to debt financing:

5. When the population benefiting from the Capital Improvement is less than County-wide, the County will use special assessments, District, MSTU or self-supporting bonds instead of non self-supporting County-wide revenue bonds or County-wide general obligation bonds.

6. Annual debt service payments on net debt, exclusive of self-supporting debt will be no more than 10% of general government expenditures.

7. After including projected debt service on the new bonds, total annual debt service shall not exceed $1,200 per capita in any future year.

General Obligation Debt

The County will issue general obligation bonds only upon approval of the electorate after a general election as required by the Florida Constitution. The County will not initiate a general obligation bond referendum if as a result of the proposed bond issue, general obligation bond debt service would exceed $.50 per thousand dollars of taxable value (.5 mills). In addition, total general obligation bond debt outstanding shall not exceed 5% of taxable property value in the County.

Non-Self-Supporting Debt

The County may issue non-self-supporting debt to the extent that pledged non-ad valorem revenues are at least twice the annual amount of debt service on the non-self-supporting debt.

The County shall pledge all legally available non-ad valorem revenues for non self-supporting bond issues.

Self-Supporting Debt

The County may issue self-supporting debt for proprietary fund activities based on an analysis of revenues and expenses to be incurred as a result of the project or projects to be funded by the debt, and current revenues and expenses of the enterprise fund.

Refunding Outstanding Debt

Under certain circumstances, refunding bonds may be issued in order to: 1) achieve interest rate savings, 2) remove or change burdensome bond covenants or 3) restructure the stream of debt service payments. Except as provided below, the County will not consider refunding long-term debt unless the net present value savings on debt service cost on the proposed new bonds is at least 5%. In addition, the maximum term of the new bonds will not exceed the remaining life of the bonds to be refunded.

The following are circumstances where a lower net present value savings (i.e. less than 5%) may be justified:

1. The refunding is being done for reasons other than economic savings (e.g. unnecessarily restrictive bond covenants).

2. Interest rates are at historically low levels and future opportunities to achieve more savings are not likely to occur.

3. A large bond issue in terms of issue size may produce a significant dollar amount of savings at a lower threshold.

Variable Rate Debt

Given the possibility that the need for project financing may not coincide with attractive market interest rates, a variable rate program to provide for the timely initiation of certain projects may be prudent. The County uses variable rate debt for the following purposes: (1) as an interim financing device (during construction periods or during periods of relatively high long-term fixed rates), (2) as an integral portion of overall long-term debt strategy, and (3) to better match shorter lived assets to liabilities. The aggregate principal amount of Non Self Supporting Debt bearing a variable rate will not exceed 25% of the aggregate principal amount of all Non Self-Supporting Debt.

MSTU and Special District Debt

The County has established Fire/Rescue municipal service tax units and a County Library district has been authorized by special act of the legislature. In addition to these existing districts, the County may establish other special districts in the future to implement its CIP and/or to provide services and improvements within a specific area of the County. These MSTU's and special districts may issue debt for the purpose of funding facilities and infrastructure necessary to carry out their functions. Such debt will only be issued when approved in a voter referendum held within the MSTU or special district. The bonds will be MSTU or District General Obligation Bonds and will be payable by a special property tax levy on property within the district.

Selection of Outside Professionals

Outside professionals are responsible for the preparation of the bond resolution, official statement, and other official documents for each bond issue.

For all competitive sales, underwriters will be asked to submit competitive bids for the bonds. For negotiated sales, underwriters will be selected through an RFP or similar process.

The County retains external Bond Counsel for all debt issues. All debt issued by the County includes a written opinion by Bond Counsel affirming that the County is authorized to issue the debt and determining the debt's federal income tax status. Bond Counsel is selected through an RFP or similar process administered by the County Attorney.

The County retains external Disclosure Counsel for all public offerings. Disclosure Counsel renders an opinion to the County to the effect that, with certain conditions, nothing came to their attention to indicate the offering document contains any untrue statement or omits a material fact required to be included. Disclosure Counsel also provides advice to the County to assist in meeting its secondary market disclosure obligations. Disclosure Counsel is engaged in the same manner as Bond Counsel.

The County's Financial Advisor along with the County Debt Manager, manages the debt issuance process and compares the interest rates proposed by the underwriters to current published market rates to assure that the County receives the most favorable terms for each issue. In addition to transactional tasks, the Financial Advisor advises the County on strategic financial planning matters and assists management in the analysis and evaluation of capital project financing alternatives. The Financial Advisor is selected through an RFP process in accordance with County purchasing procedures.

Method of Sale

All new money and refunding Debt Obligations of the County will be sold by competitive bid unless the County Debt Manager and the Financial Advisor shall make a recommendation that the County will be better served by selling such Debt Obligations through a negotiated sale. Negotiated sale of debt will be considered when the complexity of the issue requires specialized expertise, when the negotiated sale would result in substantial savings of time or money, when market conditions are unusually volatile or when a negotiated sale is otherwise in the best interest of the County. For selection of underwriters for a negotiated sale refer to PPM CW-F-076.

Post Issuance Review

The County Debt Manager will conduct a post-sale analysis that will at a minimum document the pricing of the bonds relative to other similar transactions, record the true interest cost and other necessary information

Relations, with Bond Rating Agencies and Investors

OFMB shall maintain frequent communications with bond rating agencies regarding the County's financial condition and anticipated bond issues. OFMB will also maintain communications (e.g. emails, mail-outs, telephone contacts) with institutional investors through regular required disclosures as well as less formal communications.

OFMB will provide notice of occurrence, if any, of certain events required by the Securities Exchange Commission (SEC) Rule 15c2-12 to the Nationally Recognized Municipal Securities Information Repositories (NRMSIRs) or to the Electronic Municipal Market Access (EMMA). The County, through the Clerk and Comptroller of Palm Beach County shall provide the County's Comprehensive Annual Financial Report (CAFR) to the NRMSIRs or EMMA as the continuing disclosure required under Rule 15c2-12 of the SEC.

ROBERT WEISMAN
COUNTY ADMINISTRATOR

Supersession History:

1. PPM # CW-F-074, issued 5/24/07

Exhibit I

Palm Beach County

Procedures for Selection & Rotation of Disclosure Counsel on County Bond Issues

Agenda Item #:

PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS

AGENDA ITEM SUMMARY

Meeting Date: April 10, 2007 [ ] **Consent** [X] **Regular**
[ ] **Ordinance** [ ] **Public Hearing**

Department: Office of Financial Management & Budget

I. EXECUTIVE BRIEF

Motion and Title: Staff recommends the motion to approve the Procedures for the Selection and Rotation of Disclosure Counsel on future County bond issues.

Summary: Because of an increased emphasis on disclosure in official statements for the sale of County Bonds and requirements for continuing disclosure required by the Securities and Exchange Commission, County staff and the County's financial advisor are recommending the appointment of disclosure counsel for County bond issues. Disclosure Counsel will be responsible for the preparation of the County's official statement and other disclosure matters for initial bond issues and ongoing disclosure in the County's Comprehensive Annual Financial Report. We are recommending that the firms on the County's Bond Counsel Rotation List provide disclosure counsel services because of their familiarity with County bond issues and our ongoing disclosure requirements. The County's Underwriting Policies and Procedures will be amended to reflect that under normal circumstances the fee for Disclosure Counsel will not exceed 50% of the Bond Counsel fee for each bond issue. **Countywide (PFK)**

Background and Justification: Staff and the County's Financial Advisory surveyed many counties and municipalities concerning the use and selection of disclosure counsel, responsibilities and fees paid for services. The use of disclosure counsel is common and methods of selection included both direct appointment and requests for proposals. The fees paid to disclosure counsel range from 65% to 80% of the bond counsel fee for each bond issue. The County currently pays underwriters counsel 50% of the bond counsel fee to prepare the official statement for its bond issues. Underwriters counsel will now be paid a nominal fee for the preparation of the bond purchase agreement. The attached procedures detail the work and responsibilities for disclosure counsel. The rotation was established so that bond counsel and disclosure would not be duplicated on a bond issue.

Attachments:

1. Procedures for Selection and Rotation of Disclosure Counsel

Recommended by: Richard Roberts 3/23/07
Department Director Date

Approved By: ______________________________
County Administrator Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2007	2008	2009	2010	2011
Capital Expenditures					
Operating Costs					
External Revenues					
Program Income (County)					
In-Kind Match (County)					
NET FISCAL IMPACT					
No. ADDITIONAL FTE POSITIONS (Cumulative)					

Is Item Included In Current Budget? Yes _____ No ______
Budget Account No.: Fund _______ Department_______ Unit
Object _______ Reporting Category ______

B. Recommended Sources of Funds/Summary of Fiscal Impact:

C. Departmental Fiscal Review:

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Dev. and Control Comments:

John A. Long 3/23/07
OFMB

N/A
Contract Dev. and Control

B. Legal Sufficiency:

Paul [illegible] 3/23/07
Assistant County Attorney

C. Other Department Review:

____
Department Director

REVISED 9/03
ADM FORM 01
(THIS SUMMARY IS NOT TO BE USED AS A BASIS FOR PAYMENT.)

PALM BEACH COUNTY
PROCEDURES FOR SELECTION AND ROTATION OF DISCLOSURE COUNSEL ON COUNTY BOND ISSUES

Bond Counsel Rotation	Corresponding Disclosure Counsel
Edwards & Angell	Holland & Knight
Nabors Giblin	Bryant Miller & Olive
Holland & Knight	Ruden McClosky
Greenberg Traurig	Nabors Giblin
Ruden McClosky	Hogan & Hartson
Hogan & Hartson	Edwards & Angell
Bryant Miller & Olive	Greenberg Traurig

Selection and Rotation - Disclosure Counsels are paired with specific bond counsel and shall rotate with their corresponding Bond Counsel, in accordance with the Bond Counsel Rotation Policy. Bond Counsel and disclosure counsel will go to the bottom of the list after being assigned to a bond issue.

Description of Work - The service of disclosure counsel shall include, but not be limited to, the following: 1) Review all bond documents, 2) prepare the preliminary official statement and official statement for the sale of the County's bonds, advise and assist the County to assure the information contained in the official statement is accurate and complete in all material respects, and render to the County and the underwriters a 10b-5 opinion that there are no material omissions or misstatements, 3) prepare the County's continuing disclosure agreement required by Section 15c2-12 of the Securities Exchange Act of 1934, 4) advise on matters of material event disclosures and related matters regarding secondary market disclosure, 5) advise the County on changes in Federal and State legislation and regulatory matters involving disclosure matters applicable to the County, and 6) attend Commission and staff meetings when requested.

Disclosure Counsel Fee - Disclosure Counsel will receive 50% of bond counsel fee unless unusual circumstances warrant a higher or lower fee. Underwriter's counsel will be paid a nominal fee to prepare the bond purchase agreement and represent the underwriters.

Exhibit J

GFOA Recommended Practice

Selecting Bond Counsel (1998 and 2008) (DEBT)

Recommended Practice

Selecting Bond Counsel (1998 and 2008) (DEBT)

Background. An essential member of a governmental issuer's bond financing team is bond counsel. Bond counsel renders an opinion on the validity of the bond offering, the security for the offering, and whether and to what extent interest on the bonds is exempt from income and other taxation. The opinion of bond counsel provides assurance both to issuers and to investors who purchase the bonds that all legal and tax requirements relevant to the matters covered by the opinion are met. An issuer should assure itself that its bond counsel has the necessary expertise to provide an opinion that can be relied on and will be able to assist the issuer in completing the transaction in a timely manner.

Recommendation. The Government Finance Officers Association (GFOA) recommends that issuers select bond counsel on the basis of merit using a competitive process and review those relationships periodically. A competitive process using a request for proposals (RFP) or request for qualifications (RFQ) permits issuers to compare qualifications of firms and select a firm or firms that best meets the needs of their community and the type of financing being undertaken. The RFP or RFQ should clearly describe the scope of services desired, the length of the engagement, evaluation criteria, and the selection process. Issuers should have a clear understanding of their service needs (single transaction, multiple transaction, or establishment of a qualified pool of firms) and develop the RFP/RFQ to meet these needs. Additionally, issuers should carefully develop an RFP that complies with state and local procurement requirements.

A RFP or RFQ should require firms proposing to serve as bond counsel to submit information that permits the issuer to evaluate the following factors, at a minimum:

1. Experience of the firm with financings of the issuer or comparable issuers, and financings of similar size, types and structures, including financings in the same state.
2. In preparing the RFP the issuer should determine whether specialized tax advice beyond normal bond counsel services is required. In those instances, the firm's experience in tax matters and the attorneys who practice full time in the area of public finance tax law should be identified in detail. If the firm has no attorneys who specialize in public finance tax law, the response should indicate how the firm intends to provide competent tax advice.
3. Experience of the firm with and its approach to applicable federal securities laws and regulations. In preparing the RFP the issuer should determine whether specialized securities law services beyond normal bond counsel services is required. In those instances, the firm's experience in municipal securities law matters and the attorneys who practice full time in the area of municipal securities law should be identified in detail. If the firm has no attorneys who specialize in municipal securities tax law, the response should indicate how the firm intends to provide competent municipal securities law advice.
4. Knowledge and experience of the attorneys that would be assigned to the transaction, particularly the individual with day-to-day responsibility for the issuer's account.
5. Ability of the firm and assigned personnel to evaluate legal issues, prepare documents, and complete other tasks of a bond transaction in a timely manner.
6. Relationships or activities that might present a conflict of interest for the issuer.

7. Level of malpractice insurance carried, including the deductible amount, to cover errors and omissions, improper judgments, or negligence.

Individuals in the organization with experience in public finance and/or responsible for debt management activities should be involved in the RFP or RFQ development and response review. This may include representatives from the finance department and internal counsel. To remove any appearance of a conflict of interest resulting from political contributions or other activities, elected officials should not be part of the evaluation and/or selection team. In reviewing and evaluating the RFP or RFQ responses, evaluation procedures and a systematic rating process should be established which consider the following:

1. The use of oral interviews of proposers, in which the attorney who would have day-to-day responsibility for the issuer's account should be asked to assume the lead role in presenting the qualifications of the firm.
2. The selection should not be driven solely by proposed fees. The experience of the firm with the type of transactions and the ability to deliver the required legal services in a timely manner are the most important factors in the selection of bond counsel.
3. For issuers that have ongoing needs of a similar nature, continuity should be considered an important factor in the evaluation process.
4. Different fee arrangements are possible depending on the type and nature of the engagement. Fee arrangements include both fixed fee and hourly which may or may not include a cap on the total compensation. Additionally, fees may also be paid contingent on the sale of bonds. Generally bond counsel fees should not be paid on a contingent basis to remove the potential incentive for bond counsel to render legal or tax options that would result in the inappropriate issuance of bonds. However, this may be difficult given the financial constraints of many issuers; in the case of contingent fee arrangements (as well as other fee arrangements), issuers should undertake ongoing due diligence to ensure the bond issue and structure remains appropriate for their organization. Fees and method of compensation (fixed fee, hourly, or retainer) should appropriately reflect the complexity and scope of the services to be provided.
5. Before making a final selection, the issuer should check the references furnished by the prospective bond counsel and determine the outcome of examinations by the IRS or other regulatory agencies of transactions in which the prospective bond counsel was involved. Where practical, one individual should check all references using a standard set of questions to promote consistency.

The issuer may also choose to include a "Form of Contract" in the RFP or RFQ package, which incorporates elements and provisions conforming to prevailing law and procurement processes. The RFP or RFQ should require respondents to comment on the acceptability of the Form of Contract. The comments on the acceptability of the Form of Contract should be part of the evaluation process. The contract development process should allow for reasonable negotiation over the final terms of the contract and/or engagement letter. A final negotiated contract or the engagement letter should make clear those services that will be included within the basic bond counsel fee and any services or reimbursable expenses that might be considered separately billable.

If co-bond counsels are being engaged, the issuer should:

1. delineate in the RFP or RFQ or engagement letter the roles and responsibilities of each firm;
2. assign discrete tasks to each firm in order to minimize cost duplication; and
3. exercise appropriate oversight to ensure coordination of tasks undertaken by the firms.

If co-bond counsels are engaged or if bond counsel firms are rotated, the issuer should:

1. evaluate whether higher costs for legal services will result because of the need for two or more firms to familiarize themselves with the issuer; and

2. consider the possible need to resolve differing viewpoints of each bond counsel.

Throughout the term of the engagement, the performance of bond counsel should be evaluated in relation to the stated scope of services and any areas where service needs to be improved should be communicated to the lead attorney. Ongoing contracts should be reviewed regularly and resubjected to competitive selection periodically.

References

- GFOA Recommended Practice; *Preparing RFPs to Select Financial Advisors and Underwriters*, 1997.
- Patricia Tigue, *A Guide to Selecting Financial Advisors and Underwriters: Writing RFPs and Evaluating Proposals;* GFOA, 1997.
- "Model Engagement Letters," National Association of Bond Lawyers, 1998.
- “The Selection and Evaluation of Bond Counsel,” National Association of Bond Lawyers, 1998.

Approved by the GFOA’s Executive Board, February 22, 2008.

Exhibit K

Financial Advisor Recommendations for One Issuance

SPECTRUM
MUNICIPAL SERVICES INC

630 U.S. Highway One, Suite 103
North Palm Beach, FL 33408
(561) 844-4960 • Fax (561) 844-6295
E-mail: cdb@spectmunicipal.com

Clark D. Bennett
Managing Director

August 22, 2008

Mr. John A. Long
Palm Beach County, Florida
301 North Olive Avenue, 7th Floor
Office of Management and Budget
West Palm Beach, FL 33401

Dear Mr. Long:

This letter will serve to confirm certain recommendations made by Spectrum Municipal Services, Inc. ("Spectrum" or the "Financial Advisor") to Palm Beach County (the "County") in regard to its issuance of $176,585,000 Public Improvement Revenue Bonds Series 2008 (the "Bonds").

1. The Bonds were sold on a negotiated basis at the direction of the Board of County Commissioners.
2. The Bonds were sold un-insured after discussions with the Senior Manage who indicated that insurance would not enhance the AA1, AA+, AA+ credit rating assigned to the Bonds by Moody's Investor Services, Standard & Poor", and FitchRatings respectively.
3. A cash funded debt service reserve was recommended.
4. Spectrum, with participation of the County negotiated the terms of sale to include; underwriters discount, priority of orders, and designations, all in compliance with Rule G-11 of the Municipal Securities Rule Board.
5. Final pricing of the Bonds took place by teleconference on Monday August 18, 2008 and included participation by the County, the Senior Managing Underwriter, and the Financial Advisor. The process included presentation of consensus interest rate views by the Co-Managers, comparable pricing and a review of the interest rate scale of Delphis Hanover, an independent firm providing such services and subscribed to by the Financial Advisor. Pricing agreement was reached and the Bonds were placed in the market at 10:00 A.M. that day.
6. Final pricing was agreed to at approximately 2:55 P.M. August 18, 2008 and final amortization schedules were presented to the County at 3:21 P.M.
7. All-in True Interest Cost-4.777833%, average annual debt service-$11,265,754, Underwriters Discount-$5.29322 per$1000, cost of issuance-$370,058.

Spectrum is of the opinion that at the time of sale of the Bonds the terms of sale fairly reflected conditions then current in the municipal bond market place. It has been a pleasure to have served the County in this transaction.

Yours truly,

Clark D. Bennett, Managing Director
CDB/jmr

Exhibit L

Sample Financial Advisor Memorandum

FINANCIAL ADVISOR REPORT
ISSUANCE OF $51,640,000

LEASE REVENUE REFUNDING BONDS, SERIES OF 2007C

FAIRMOUNT CAPITAL ADVISORS, INC.
1435 WALNUT STREET, SUITE 300
PHILADELPHIA, PA 19102
PHONE: 215-587-9300

INTRODUCTION

This report summarizes the financing terms and evaluates the market conditions and pricing results related to the issuance of $51,640,000 in Lease Revenue Refunding Bonds, Series of 2007C (the "Bonds"), by the Authority (the "Authority") on behalf of the City (the "City"). and Fairmount Capital Advisors, Inc. (the "Financial Advisors") served as and the City's independent co-financial advisors in connection with the issuance of the above-mentioned Bonds and have prepared this Financial Advisor's Memorandum summarizing the transaction.

THE PLAN OF FINANCE

The Bonds have been issued to currently refund the Authority's outstanding Lease Revenue Bonds, (the "Refunded Bonds") and to fund costs of issuance associated with the Bonds. The following table summarizes the refunding savings.

Savings Summary

Gross Debt Service Savings	**$1,837,023.13**
Present Value Savings @ 4.642% (Arb. yield)	**$1,681,187.68**
Percentage savings of refunded bonds	**3.393%**

DESCRIPTION OF THE BONDS

The Bonds have been issued in the principal amount of $51,640,000 and will be issued in book-entry form in denominations of $5,000 and multiples thereof. The Bonds are fixed rate bonds and are dated . Interest is payable semi-annually on February 15 and August 15 of each year beginning February 15, 2008 and principal is payable annually on each February 15, commencing February 15, 2008. The Bonds are structured with serial maturities from 2008 to and including 2027.

The Bonds maturing on or before February 15, 2018 may not be called for redemption prior to maturity. Bonds maturing on or after February 15, 2019 are subject to optional redemption on and after February 15, 2018 by the Authority, as a whole or in part, at the redemption price of par.

SECURITY FOR THE BONDS

The 2007 Bonds are special limited obligations of the Authority and will be payable solely from revenues derived by the Authority under a Lease dated as of November 1, 1996 (the "Lease"), between the Authority, as Lessor, and the City, as Lessee, of the Leased Premises. Under the Indenture, the Authority has assigned to the Trustee the payments to be made by the City under the Lease (except such amounts as shall provide for certain indemnification of the Authority by the City). The City agreed in the Lease to pay to the Authority amounts which, together with other monies in the Bond Fund established under the Indenture, are sufficient to make the Authority's required payments of principal, premium, if any, and interest on the 2007 Bonds then becoming due, whether by maturity (other than by reason of acceleration), redemption or otherwise.

The rentals shall be payable only out of the current revenues of the City, or funds otherwise available for payment of the rentals, and the City agreed in the Lease to provide for the payment of rentals and include the same in its annual Operating Budget for each year.

The Authority has obtained credit enhancement from bond insurer Financial Security Assurance Inc. (FSA) for the Bonds. Initially, was selected to provide bond insurance, but due to credit concerns and a spread differential that made insured bonds more expensive to issuers, it was decided to use FSA at 65 basis points.

SOURCES AND USES OF FUNDS

The Sources and Uses of the Bonds are as follows:

Sources of Funds:	
Par Amount of Bonds	$51,640,000.00
Net Original Issue Premium	536,317.30
TOTAL SOURCES	**$52,176,317.30**
Uses of Funds:	
Deposit to Escrow Fund	$50,998,056.29
Underwriters' Discount	335,660.00
Cost of Issuance	325,000.00
Insurance Premium	512,868.62
Additional Proceeds	4,732.39
TOTAL USES	**$52,176,317.30**

COSTS OF ISSUANCE

The Costs of Issuance of the Bonds are as follows:

Co-Bond Counsel	
	$ 75,000
	5,000
	40,000
Co-Underwriters Counsel (1)	
	55,000
	35,000
Co-Financial Advisors	
	50,000
Fairmount Capital Advisors, Inc.	45,000
Authority Fee (2)	
	50,000
Ratings Agencies	
	17,500
	13,000
	7,000
Printer	
	4,858
Verification Agent	
	3,500
Dissemination Agent	
	2,500
Trustee	
	1,500
Miscellaneous (3)	10,142
TOTAL COSTS OF ISSUANCE (1)	**$ 415,000**
Including Underwriters' Counsel	
TOTAL COSTS OF ISSUANCE (1)	**$ 325,000**
Not including Underwriters' Counsel	

(1) Fees to be paid to Co-Underwriters' Counsel will be paid out of the Underwriters' Discount
(2) Includes Authority Counsel Fee of $10,000
(3) Comprised of additional nominal expenses related to the transaction

DEBT SERVICE SCHEDULE

The following table presents the semi-annual debt service for the Series of 2007C Bonds:

Date	Principal	Coupon	Interest	Total P+I
02/15/2008	1,955,000.00	3.750%	462,827.55	2,417,827.55
08/15/2008	-	-	1,136,709.38	1,136,709.38
02/15/2009	1,470,000.00	3.500%	1,136,709.38	2,606,709.38
08/15/2009	-	-	1,110,984.38	1,110,984.38
02/15/2010	1,520,000.00	3.750%	1,110,984.38	2,630,984.38
08/15/2010	-	-	1,082,484.38	1,082,484.38
02/15/2011	1,580,000.00	4.000%	1,082,484.38	2,662,484.38
08/15/2011	-	-	1,050,884.38	1,050,884.38
02/15/2012	1,645,000.00	4.000%	1,050,884.38	2,695,884.38
08/15/2012	-	-	1,017,984.38	1,017,984.38
02/15/2013	2,065,000.00	4.000%	1,017,984.38	3,082,984.38
08/15/2013	-	-	976,684.38	976,684.38
02/15/2014	2,145,000.00	4.878%	976,684.38	3,121,684.38
08/15/2014	-	-	924,371.88	924,371.88
02/15/2015	2,250,000.00	4.956%	924,371.88	3,174,371.88
08/15/2015	-	-	868,621.88	868,621.88
02/15/2016	2,365,000.00	4.894%	868,621.88	3,233,621.88
08/15/2016	-	-	810,746.88	810,746.88
02/15/2017	2,480,000.00	4.000%	810,746.88	3,290,746.88
08/15/2017	-	-	761,146.88	761,146.88
02/15/2018	2,580,000.00	5.250%	761,146.88	3,341,146.88
08/15/2018	-	-	693,421.88	693,421.88
02/15/2019	2,710,000.00	5.250%	693,421.88	3,403,421.88
08/15/2019	-	-	622,284.38	622,284.38
02/15/2020	2,855,000.00	4.125%	622,284.38	3,477,284.38
08/15/2020	-	-	563,400.00	563,400.00
02/15/2021	2,975,000.00	5.250%	563,400.00	3,538,400.00
08/15/2021	-	-	485,306.25	485,306.25
02/15/2022	3,130,000.00	4.500%	485,306.25	3,615,306.25
08/15/2022	-	-	414,881.25	414,881.25
02/15/2023	3,275,000.00	4.500%	414,881.25	3,689,881.25
08/15/2023	-	-	341,193.75	341,193.75
02/15/2024	3,420,000.00	4.500%	341,193.75	3,761,193.75
08/15/2024	-	-	264,243.75	264,243.75
02/15/2025	3,570,000.00	4.625%	264,243.75	3,834,243.75
08/15/2025	-	-	181,687.50	181,687.50
02/15/2026	3,735,000.00	4.750%	181,687.50	3,916,687.50
08/15/2026	-	-	92,981.25	92,981.25
02/15/2027	3,915,000.00	4.750%	92,981.25	4,007,981.25
Total	**$51,640,000.00**	**-**	**$27,262,865.17**	**$78,902,865.17**

DEBT SERVICE SAVINGS

The following table presents the annual debt service and gross debt service savings for the Series of 2007C Bonds by Fiscal Year:

Fiscal Year	Principal	Interest	Total P+I	Prior D/S	Gross Savings
2008	1,955,000.00	462,827.55	2,417,827.55	2,777,171.88	359,344.33
2009	1,470,000.00	2,273,418.76	3,743,418.76	4,101,118.76	357,700.00
2010	1,520,000.00	2,221,968.76	3,741,968.76	4,102,838.76	360,870.00
2011	1,580,000.00	2,164,968.76	3,744,968.76	4,103,838.76	358,870.00
2012	1,645,000.00	2,101,768.76	3,746,768.76	4,104,533.76	357,765.00
2013	2,065,000.00	2,035,968.76	4,100,968.76	4,104,571.26	3,602.50
2014	2,145,000.00	1,953,368.76	4,098,368.76	4,103,591.26	5,222.50
2015	2,250,000.00	1,848,743.76	4,098,743.76	4,102,211.26	3,467.50
2016	2,365,000.00	1,737,243.76	4,102,243.76	4,105,161.26	2,917.50
2017	2,480,000.00	1,621,493.76	4,101,493.76	4,101,901.26	407.50
2018	2,580,000.00	1,522,293.76	4,102,293.76	4,102,431.26	137.50
2019	2,710,000.00	1,386,843.76	4,096,843.76	4,101,818.76	4,975.00
2020	2,855,000.00	1,244,568.76	4,099,568.76	4,104,218.76	4,650.00
2021	2,975,000.00	1,126,800.00	4,101,800.00	4,104,093.76	2,293.76
2022	3,130,000.00	970,612.50	4,100,612.50	4,101,175.00	562.50
2023	3,275,000.00	829,762.50	4,104,762.50	4,105,193.76	431.26
2024	3,420,000.00	682,387.50	4,102,387.50	4,105,343.76	2,956.26
2025	3,570,000.00	528,487.50	4,098,487.50	4,101,356.26	2,868.76
2026	3,735,000.00	363,375.00	4,098,375.00	4,102,962.50	4,587.50
2027	3,915,000.00	185,962.50	4,100,962.50	4,104,356.26	3,393.76
Total	**$51,640,000.00**	**$27,262,865.17**	**$78,902,865.17**	**$80,739,888.30**	**$1,837,023.13**

PRICING OF THE BONDS

The Series of 2007C Bonds were sold on on a negotiated basis as fixed rate serial bonds with (the "Underwriter") as lead underwriter. The Co-Senior Managers were and . The Bonds will mature annually commencing on February 15, 2008 through February 15, 2027. Interest will be payable semi-annually commencing on February 15, 2008 and on each February 15 and August 15 thereafter.

At approximately 3:30 PM on Tuesday, , the day before the sale, proposed the preliminary pricing structure shown below:

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price		Dollar Price
02/15/2008	Serial Coupon	3.750%	3.400%	1,950,000.00	100.061%		1,951,189.50
02/15/2009	Serial Coupon	3.500%	3.431%	1,480,000.00	100.077%		1,481,139.60
02/15/2010	Serial Coupon	3.750%	3.480%	1,535,000.00	100.562%		1,543,626.70
02/15/2011	Serial Coupon	3.500%	3.570%	1,590,000.00	99.786%		1,586,597.40
02/15/2012	Serial Coupon	4.000%	3.690%	1,650,000.00	101.190%		1,669,635.00
02/15/2013	Serial Coupon	3.750%	3.780%	2,080,000.00	99.855%		2,076,984.00
02/15/2014	Serial Coupon	4.250%	3.880%	2,155,000.00	102.015%		2,198,423.25
02/15/2015	Serial Coupon	4.000%	3.960%	2,245,000.00	100.243%		2,250,455.35
02/15/2016	Serial Coupon	4.000%	4.050%	2,340,000.00	99.649%		2,331,786.60
02/15/2017	Serial Coupon	4.000%	4.130%	2,430,000.00	99.008%		2,405,894.40
02/15/2018	Serial Coupon	5.250%	4.190%	2,525,000.00	108.716%		2,745,079.00
02/15/2019	Serial Coupon	5.250%	4.280%	2,660,000.00	107.941%	c	2,871,230.60
02/15/2020	Serial Coupon	4.500%	4.510%	2,800,000.00	99.900%		2,797,200.00
02/15/2021	Serial Coupon	5.250%	4.400%	2,925,000.00	106.917%	c	3,127,322.25
02/15/2022	Serial Coupon	5.250%	4.450%	3,075,000.00	106.493%	c	3,274,659.75
02/15/2023	Serial Coupon	4.625%	4.700%	3,240,000.00	99.185%		3,213,594.00
02/15/2024	Serial Coupon	5.250%	4.540%	3,390,000.00	105.737%	c	3,584,484.30
02/15/2025	Serial Coupon	4.750%	4.810%	3,565,000.00	99.296%		3,539,902.40
02/15/2026	Serial Coupon	4.750%	4.850%	3,735,000.00	98.793%		3,689,918.55
02/15/2027	Serial Coupon	4.750%	4.890%	3,915,000.00	98.262%		3,846,957.30
Total	-	-	-	**$51,285,000.00**	-	-	**$52,186,079.95**

The Financial Advisors compared the preliminary pricing to other insured negotiated issues and determined that the pricing was consistent with then current market conditions and marketing activities.

On the day of sale, tax-exempt yields changed little from the previous day. Economic data releases included retail sales and the producer price index, both of which were slightly weaker than expected. Supply in the market that day included roughly $949 million of tax-exempt New York City general obligations bonds, $157 million of "triple-A" rated Columbus, Ohio various purpose unlimited-tax bonds, and $136 million of water revenue bonds for Cleveland.

At the time of pricing, the Underwriter experienced oversubscription for short-term (2008 and 2009) and longer-term (2027) maturities, but reduced demand for some intermediate-term bonds. Since there were particularly light subscriptions for serials maturing from 2010 through 2017, offered bifurcated coupons for years 2014, 2015, and 2016 to aid in marketing. The final proposed structure also included discounted bonds in each year after the call date except 2019 and 2021. A summary of bond orders is shown in Appendix A.

Despite a market that resulted in light subscriptions to some maturities, the final pricing was competitive relative to comparable issues. The Financial Advisors compared the pricing of the 2007C Bonds by evaluating comparable new issues based on issuer, insurer, underlying credit quality, size, and structure. Through our analysis we found the pricing structure to be consistent with "triple-A" insured deals sold on a negotiated basis. A comprehensive summary of those issues can be in Appendix B of this report. Although market conditions may vary day-to-day, the calculated spread to the benchmark, Municipal Market Data ("MMD") scale, a conventional benchmark for high-credit-quality tax-exempt bonds, provides for a relative comparison. The final structure is shown below:

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price		Dollar Price
02/15/2008	Serial Coupon	3.750%	3.400%	1,955,000.00	100.061%		1,956,192.55
02/15/2009	Serial Coupon	3.500%	3.431%	1,470,000.00	100.077%		1,471,131.90
02/15/2010	Serial Coupon	3.750%	3.560%	1,520,000.00	100.394%		1,525,988.80
02/15/2011	Serial Coupon	4.000%	3.650%	1,580,000.00	101.042%		1,596,463.60
02/15/2012	Serial Coupon	4.000%	3.750%	1,645,000.00	100.958%		1,660,759.10
02/15/2013	Serial Coupon	4.000%	3.830%	2,065,000.00	100.789%		2,081,292.85
02/15/2014	Serial Coupon	5.000%	3.930%	1,795,000.00	105.829%		1,899,630.55
02/15/2014	Serial Coupon	4.250%	3.930%	350,000.00	101.740%		356,090.00
02/15/2015	Serial Coupon	5.000%	4.000%	2,150,000.00	106.194%		2,283,171.00
02/15/2015	Serial Coupon	4.000%	3.999%	100,000.00	100.000%		100,000.00
02/15/2016	Serial Coupon	5.000%	4.080%	2,115,000.00	106.349%		2,249,281.35
02/15/2016	Serial Coupon	4.000%	4.080%	250,000.00	99.442%		248,605.00
02/15/2017	Serial Coupon	4.000%	4.150%	2,480,000.00	98.857%		2,451,653.60
02/15/2018	Serial Coupon	5.250%	4.210%	2,580,000.00	108.543%		2,800,409.40
02/15/2019	Serial Coupon	5.250%	4.300%	2,710,000.00	107.769%	c	2,920,539.90
02/15/2020	Serial Coupon	4.125%	4.480%	2,855,000.00	96.686%		2,760,385.30
02/15/2021	Serial Coupon	5.250%	4.430%	2,975,000.00	106.662%	c	3,173,194.50
02/15/2022	Serial Coupon	4.500%	4.650%	3,130,000.00	98.447%		3,081,391.10
02/15/2023	Serial Coupon	4.500%	4.700%	3,275,000.00	97.838%		3,204,194.50
02/15/2024	Serial Coupon	4.500%	4.770%	3,420,000.00	96.971%		3,316,408.20
02/15/2025	Serial Coupon	4.625%	4.810%	3,570,000.00	97.845%		3,493,066.50
02/15/2026	Serial Coupon	4.750%	4.850%	3,735,000.00	98.793%		3,689,918.55
02/15/2027	Serial Coupon	4.750%	4.870%	3,915,000.00	98.507%		3,856,549.05
Total	-	-	-	**$51,640,000.00**	-	-	**$52,176,317.30**

UNDERWRITERS' DISCOUNT

The following table presents the breakdown of the Underwriters' Discount on the Bonds:

	$/Bond	Amount ($)
Average Takedown (1)	4.570	235,978.75
Management	0.000	0.00
SIFMA (formerly BMA) Fees	0.030	1,549.20
Munifacts	0.015	774.60
Dalcomp Bookrunning	0.060	3,098.40
Day Loan	0.030	1,549.20
CUSIP	0.009	454.00
Operations	0.000	0.00
DTC	0.006	285.00
Underwriters' Counsel (2)	1.743	90,000.00
Rounding	0.038	1,970.85
TOTAL	6.500	335,660.00

(1) The takedown is $3.75 per bond on the bonds maturing from 2008 through 2016 and $5.00 per bond on the bonds maturing from 2017 through 2027.
(2) Underwriters' counsel fees are as follows: $55,000 to and $35,000 to the .

SUMMARY

Fairmount and are pleased to have had the opportunity to provide financial advisory services for the City and the Authority in connection to the issuance of the 2007C Bonds. We are of the opinion that the Bonds were fairly priced, and that the City, the Authority, and the financing team were successful in maximizing debt service savings through cost containment as well as effective and transparent underwriting practices. Realizing it was operating in a market that strongly favors quality credit, the City minimized debt service costs by obtaining "triple-A" insurance through Financial Security Assurance Inc. In addition, s aggressive marketing and underwriting practices enabled the City to appropriately time the market and meet its savings threshold. The pricing structure of the 2007C Bonds is reflective of then current market conditions, and consistent with comparable new issues.

APPENDIX A - SUMMARY OF ORDERS

A summary of the Bond orders is shown below:

APPENDIX A - SUMMARY OF ORDERS

(Summary of bond orders continued)

APPENDIX B – SALE OF COMPARABLE ISSUERS

ISSUER SALE $MM Comp/Neg Moody's/S&P INSURED BY CALL	51.640 Negotiated N/R FSA 2/15/18 at par				20.350 Negotiated BBB+ FSA 2018 at par				38.550 Negotiated A1 AMBAC 2018 at par			
Due	Coupon	Yield	AAA MMD	Spread to MMD	Coupon	Yield	AAA MMD	Spread to MMD	Coupon	Yield	AAA MMD	Spread to MMD
2008	3.750	3.400	3.300	0.100								
2009	3.500	3.430	3.300	0.130					4.000	3.350	3.300	0.050
2010	3.750	3.560	3.310	0.250					4.000	3.390	3.300	0.090
2011	4.000	3.650	3.370	0.280	3.250	3.400	3.350	0.050	4.000	3.460	3.350	0.110
2012	4.000	3.750	3.440	0.310	3.500	3.500	3.400	0.100	4.000	3.510	3.400	0.110
2013	4.000	3.830	3.510	0.320	3.500	3.590	3.460	0.130	4.000	3.590	3.460	0.130
2014	5.000	3.930	3.510	0.420	3.500	3.660	3.520	0.140	4.000	3.680	3.520	0.160
2014	4.250	3.930	3.580	0.350								
2015	5.000	4.000	3.580	0.420	4.000	3.780	3.600	0.180	4.000	3.770	3.600	0.170
2015	4.000	4.000	3.660	0.340								
2016	5.000	4.080	3.660	0.420	4.000	3.900	3.680	0.220	4.000	3.890	3.680	0.210
2016	4.000	4.080	3.750	0.330								
2017	4.000	4.150	3.830	0.320	4.000	4.000	3.760	0.240	4.000	4.000	3.760	0.240
2018	5.250	4.210	3.920	0.290	5.000	4.150	3.850	0.300	4.000	4.150	3.850	0.300
2019	5.250	4.300	4.010	0.290	4.000	4.350	3.930	0.420	4.125	4.250	3.930	0.320
2020	4.125	4.480	4.070	0.410	4.200	4.440	3.980	0.460	4.125	4.300	3.980	0.320
2021	5.250	4.430	4.130	0.300	5.000	4.410	4.030	0.380	4.250	4.410	4.030	0.380
2022	4.500	4.650	4.180	0.470	5.000	4.500	4.080	0.420	4.250	4.460	4.080	0.380
2023	4.500	4.700	4.230	0.470	5.000	4.580	4.120	0.460				
2024	4.500	4.770	4.270	0.500								
2025	4.625	4.810	4.310	0.500								
2026	4.750	4.850	4.350	0.500								
2027	4.750	4.870	4.390	0.480	4.625	4.800	4.620	0.180	4.500	4.770	4.260	0.510
2037									5.000	4.770	4.410	0.280
2038									4.750	4.880	4.420	0.390

APPENDIX B – SALE OF COMPARABLE ISSUERS

ISSUER SALE $MM Comp/Neg Moody's/S&P INSURED BY CALL	51.640 Negotiated N/R FSA 2/15/18 at par				100.000 Negotiated A2/A AMBAC 11/1/17 at par				57.855 Negotiated A- (Fitch) MBIA 9/1/17 at par			
Due	Coupon	Yield	AAA MMD	Spread to MMD	Coupon	Yield	AAA MMD	Spread to MMD	Coupon	Yield	AAA MMD	Spread to MMD
2008	3.750	3.400	3.300	0.100	4.000	3.430	3.320	0.110				
2008					4.500	3.430	3.320	0.110				
2009	3.500	3.430	3.300	0.130	4.000	3.470	3.320	0.150	3.500	3.480	3.300	0.180
2009					4.500	3.470	3.320	0.150				
2010	3.750	3.560	3.310	0.250	4.250	3.500	3.330	0.170	3.500	3.610	3.310	0.300
2010					4.500	3.500	3.330	0.170				
2011	4.000	3.650	3.370	0.280	4.000	3.580	3.380	0.200	3.500	3.670	3.370	0.300
2011					4.500	3.580	3.380	0.200				
2012	4.000	3.750	3.440	0.310	4.000	3.650	3.430	0.220	3.750	3.780	3.440	0.340
2012					5.000	3.650	3.430	0.220				
2013	4.000	3.830	3.510	0.320	4.500	3.710	3.490	0.220	3.750	3.860	3.510	0.350
2013					5.000	3.710	3.490	0.220				
2014	5.000	3.930	3.510	0.420	4.000	3.760	3.540	0.220	3.750	3.960	3.580	0.380
2014	4.250	3.930	3.580	0.350								
2015	5.000	4.000	3.580	0.420	5.000	3.830	3.610	0.220	4.000	4.070	3.660	0.410
2015	4.000	4.000	3.660	0.340								
2016	5.000	4.080	3.660	0.420	4.000	3.900	3.690	0.210	4.000	4.190	3.750	0.440
2016	4.000	4.080	3.750	0.330								
2017	4.000	4.150	3.830	0.320	4.000	4.000	3.770	0.230	4.125	4.310	3.830	0.480
2017					5.000	4.000	3.770	0.230				
2018	5.250	4.210	3.920	0.290	5.000	4.070	3.850	0.220	4.250	4.430	3.920	0.510
2019	5.250	4.300	4.010	0.290	4.000	4.140	3.920	0.220	4.375	4.550	4.010	0.540
2019					5.000	4.140	3.920	0.220				
2020	4.125	4.480	4.070	0.410					4.500	4.660	4.070	0.590
2021	5.250	4.430	4.130	0.300					4.500	4.740	4.130	0.610
2022	4.500	4.650	4.180	0.470					4.500	4.790	4.180	0.610
2023	4.500	4.700	4.230	0.470					4.500	4.830	4.230	0.600
2024	4.500	4.770	4.270	0.500					4.500	4.870	4.270	0.600
2025	4.625	4.810	4.310	0.500					4.750	4.910	4.310	0.600
2026	4.750	4.850	4.350	0.500					4.750	4.950	4.350	0.600
2027	4.750	4.870	4.390	0.480								
2028									4.750	5.000	4.420	0.580

APPENDIX B – SALE OF COMPARABLE ISSUERS

ISSUER SALE												
$MM	51.640				31.370				28.300			
Comp/Neg	Negotiated				Negotiated				Competitive			
Moody's/S&P	N/R								A3			
INSURED BY	FSA				FGIC				FSA			
CALL	2/15/18 at par				Non-callable				11/1/17 at par			
Due	Coupon	Yield	AAA MMD	Spread to MMD	Coupon	Yield	AAA MMD	Spread to MMD	Coupon	Yield	AAA MMD	Spread to MMD
2008	3.750	3.400	3.300	0.100	4.000	3.400	3.320	0.080	4.000	3.300	3.320	-0.020
2009	3.500	3.430	3.300	0.130					4.000	3.320	3.320	0.000
2010	3.750	3.560	3.310	0.250					3.500	3.340	3.330	0.010
2011	4.000	3.650	3.370	0.280					3.500	3.350	3.380	-0.030
2012	4.000	3.750	3.440	0.310					3.500	3.400	3.430	-0.030
2013	4.000	3.830	3.510	0.320					3.500	3.450	3.490	-0.040
2014	5.000	3.930	3.510	0.420	3.500	3.690	3.580	0.110	3.500	3.500	3.540	-0.040
2014	4.250	3.930	3.580	0.350								
2015	5.000	4.000	3.580	0.420	3.500	NRO			5.000	3.600	3.610	-0.010
2015	4.000	4.000	3.660	0.340								
2016	5.000	4.080	3.660	0.420	4.000	3.850	3.730	0.120	4.000	3.650	3.690	-0.040
2016	4.000	4.080	3.750	0.330								
2017	4.000	4.150	3.830	0.320	4.000	NRO			4.000	3.750	3.770	-0.020
2017					5.000	NRO						
2018	5.250	4.210	3.920	0.290	4.250	4.050	3.890	0.160	4.000	3.850	3.850	0.000
2019	5.250	4.300	4.010	0.290	5.250	4.130	3.960	0.170	4.000	3.900	3.920	-0.020
2019					4.000	NRO						
2020	4.125	4.480	4.070	0.410					4.000	3.950	3.970	-0.020
2021	5.250	4.430	4.130	0.300					4.000	NRO		
2022	4.500	4.650	4.180	0.470					4.000	NRO		
2023	4.500	4.700	4.230	0.470					4.000	NRO		
2024	4.500	4.770	4.270	0.500								
2025	4.625	4.810	4.310	0.500								
2026	4.750	4.850	4.350	0.500								
2027	4.750	4.870	4.390	0.480								

APPENDIX B – SALE OF COMPARABLE ISSUERS

ISSUER SALE $MM Comp/Neg Moody's/S&P INSURED BY CALL	51.640 Negotiated N/R FSA 2/15/18 at par				53.000 Competitive A2/A- AAA Insured 8/1/17 at par				12.445 Negotiated A1/A+ AMBAC 12/1/2016 at par			
Due	Coupon	Yield	AAA MMD	Spread to MMD	Coupon	Yield	AAA MMD	Spread to MMD	Coupon	Yield	AAA MMD	Spread to MMD
2008	3.750	3.400	3.300	0.100					5.000	3.420	3.300	0.120
2009	3.500	3.430	3.300	0.130	4.500	3.340	3.300	0.040	5.000	3.450	3.300	0.150
2010	3.750	3.560	3.310	0.250	4.500	3.350	3.310	0.040	5.000	3.500	3.310	0.190
2011	4.000	3.650	3.370	0.280	4.000	3.420	3.370	0.050	5.000	3.580	3.370	0.210
2012	4.000	3.750	3.440	0.310	4.000	3.480	3.430	0.050	5.000	3.670	3.420	0.250
2013	4.000	3.830	3.510	0.320	4.000	NRO			5.000	3.760	3.480	0.280
2014	5.000	3.930	3.510	0.420	4.000	NRO			5.000	3.830	3.530	0.300
2014	4.250	3.930	3.580	0.350	4.000	NRO						
2015	5.000	4.000	3.580	0.420	4.000	NRO			5.000	3.900	3.600	0.300
2015	4.000	4.000	3.660	0.340	4.000	NRO						
2016	5.000	4.080	3.660	0.420	4.000	NRO			5.000	3.980	3.680	0.300
2016	4.000	4.080	3.750	0.330	4.000	NRO						
2017	4.000	4.150	3.830	0.320	4.000	NRO			5.000	4.060	3.760	0.300
2018	5.250	4.210	3.920	0.290	4.000	NRO			5.000	4.140	3.840	0.300
2019	5.250	4.300	4.010	0.290	4.000	NRO			5.000	4.230	3.910	0.320
2020	4.125	4.480	4.070	0.410	4.125	4.260	4.040	0.220	4.125	4.430	3.960	0.470
2021	5.250	4.430	4.130	0.300	4.250	4.360	4.090	0.270	4.250	4.480	4.010	0.470
2022	4.500	4.650	4.180	0.470	5.000	NRO			4.250	4.530	4.060	0.470
2023	4.500	4.700	4.230	0.470	5.000	4.420	4.180	0.240				
2024	4.500	4.770	4.270	0.500	5.000	4.460	4.220	0.240				
2025	4.625	4.810	4.310	0.500	5.000	NRO						
2026	4.750	4.850	4.350	0.500	5.000	NRO						
2027	4.750	4.870	4.390	0.480	5.000	NRO			4.500	4.700	4.240	0.460
2032									5.000	4.620	4.340	0.280
2034					5.000	4.750	4.460	0.290				
2038					5.000	4.780	4.490	0.290				