

## **“ATTACHMENT 1”**

RESOLUTION AUTHORIZING THE PREPAYMENT OF THE PRINCIPAL OF AND INTEREST ON LEASE PAYMENTS, AND RELATED BOND PRINCIPAL AND INTEREST, AND OPTIONAL REDEMPTION OF AND WITH RESPECT TO THE TULARE COUNTY PUBLIC FINANCING AUTHORITY REFUNDING BONDS, SERIES 2006 (MILLENNIUM FUND PROGRAM) (FEDERALLY TAXABLE), APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF A LEASE PREPAYMENT, BOND REDEMPTION, AND TERMINATION OF LEASEHOLD INTERESTS AND RELEASE AGREEMENT WITH RESPECT TO SAID BONDS, AND AUTHORIZING OFFICIAL ACTIONS AND EXECUTION OF DOCUMENTS RELATED THERETO

BEFORE THE  
BOARD OF SUPERVISORS  
OF THE  
COUNTY OF TULARE  
STATE OF CALIFORNIA

RESOLUTION NO. \_\_\_\_\_

RESOLUTION AUTHORIZING THE PREPAYMENT OF THE PRINCIPAL OF AND INTEREST ON LEASE PAYMENTS, AND RELATED BOND PRINCIPAL AND INTEREST, AND OPTIONAL REDEMPTION OF AND WITH RESPECT TO THE TULARE COUNTY PUBLIC FINANCING AUTHORITY REFUNDING BONDS, SERIES 2006 (MILLENNIUM FUND PROGRAM) (FEDERALLY TAXABLE), APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF A LEASE PREPAYMENT, BOND REDEMPTION, AND TERMINATION OF LEASEHOLD INTERESTS AND RELEASE AGREEMENT WITH RESPECT TO SAID BONDS, AND AUTHORIZING OFFICIAL ACTIONS AND EXECUTION OF DOCUMENTS RELATED THERETO

**WHEREAS**, on December 5, 2006, the Board of Directors of the Tulare County Public Financing Authority (the "Authority") adopted its Resolution No. PFA-2006-02 approving the Authority's issuance and sale of taxable revenue bonds known as the Authority's "Refunding Bonds, Series 2006 (Millennium Fund Program) (Federally Taxable)" in an aggregate principal amount not to exceed \$43 million and with a maturity date of no later than October 1, 2034 (the "2006 Refunding Bonds") in order to defease and redeem in whole the then-outstanding principal amount of the Authority's Variable Rate Demand Bonds, Series 1999 (Millennium Fund Program), all in accordance with the provisions of the Indenture of Trust and Bond Purchase Agreement described below; and

**WHEREAS**, on December 5, 2006, the Board of Supervisors (the "Board") of the County of Tulare (the "County") adopted its Resolution No. 2006-0886 approving the Authority's issuance and sale of the 2006 Refunding Bonds, all in accordance with the provisions of the Indenture of Trust and Bond Purchase Agreement described below; and

**WHEREAS**, in connection with the issuance and sale of the 2006 Refunding Bonds, the County and the Authority entered into a site lease dated as of December 1, 2006, and recorded in the Official Records of Tulare County, California ("Official Records") on December 14, 2006, as Instrument No. 2006-0128976 (the "Site Lease"), pursuant to which the County leased certain real property and improvements described therein (the "Leased Assets") to the Authority for purposes of financing the construction of certain public facilities; and

**WHEREAS**, in connection with the issuance and sale of the 2006 Refunding Bonds, the County and the Authority entered into a lease agreement dated as of December 1, 2006, and recorded in the Official Records on December 14, 2006, as Instrument No. 2006-0128977 (the "Lease Agreement"), pursuant to which the County leased the Leased Assets back from the Authority for purposes of financing the construction of certain public facilities, with the Leased Assets serving as and pledged as security for the payment of the principal of, and the interest on, the 2006 Refunding Bonds; and

**WHEREAS**, pursuant to an unrecorded Indenture of Trust dated as of December 1, 2006 (the "Indenture of Trust"), by and between the Authority and The Bank of New York Mellon

Trust Company, N.A., formerly known as The Bank of New York Trust Company, N.A. (the “Trustee”), the Authority assigned to the Trustee, among other things, its rights to receive lease payments from the County under the Lease Agreement in order to pay the principal of, and the interest on, the 2006 Refunding Bonds, and the right to exercise rights and remedies conferred on the Authority under the Lease Agreement to enforce payment of those lease payments; and

**WHEREAS**, the Indenture of Trust also established the County’s Millennium Fund Program, whereby the County securitized its Tobacco Settlement Revenues (as defined in the Lease Agreement) and directed the investment of said securitized funds, including the proceeds from the 2006 Refunding Bonds, for the purpose of generating investment income that the County annually has used to help defray the costs of capital improvements to various County buildings and related facilities; and

**WHEREAS**, pursuant to a Bond Purchase Agreement dated as of December 1, 2006, by and among the Authority, the County, and DEPFA Bank plc, New York Branch (the “Bond Purchase Agreement”), the Authority and the County sold and DEPFA Bank plc, New York Branch, as the initial purchaser of the 2006 Refunding Bonds, purchased the 2006 Refunding Bonds; and

**WHEREAS**, FMS Wertmanagement, an instrumentality of the Federal Republic of Germany (“Bond Owner”), is the assignee of the rights and responsibilities of DEPFA Bank plc, New York Branch, the initial purchaser of the 2006 Refunding Bonds, and is the current owner of all of the outstanding 2006 Refunding Bonds; and

**WHEREAS**, the Site Lease, the Lease Agreement, the Indenture of Trust, and the Bond Purchase Agreement are collectively referred to herein as the “Financing Documents;” and

**WHEREAS**, the Bond Owner has requested, and the County has agreed that on August 13, 2024 (the “Redemption Date”), the County will prepay to the Trustee, by wire transfer for the benefit of the Bond Owner, a sum not to exceed \$21,290,000 (the “Redemption Payment”), which amount after the County’s principal payment on the 2006 Refunding Bonds of \$1,700,000 on August 1, 2024, will be the sum of the then-outstanding principal of \$23,690,000, plus the accrued interest thereon as of said Redemption Date, less a discount of \$2,600,000, and which amount the Bond Owner and Trustee have agreed to accept as the discounted payment in full of the principal of and accrued interest on all of the outstanding 2006 Refunding Bonds as of said date; and

**WHEREAS**, the County and the Authority, as the parties to the Lease Agreement, and the Trustee, as the assignee of the Authority’s rights to receive lease payments under the Lease Agreement, have agreed that upon payment of the Redemption Payment on the Redemption Date, no additional amounts will be payable under the Lease Agreement; and

**WHEREAS**, the County, the Authority, Bond Owner, and the Trustee are prepared to enter into a “Lease Prepayment, Bond Redemption, and Termination of Leasehold Interests and Release Agreement,” a form of which has been presented to this Board in order to accomplish the prepayment of the lease payments and redemption of the outstanding 2006 Refunding Bonds at a discounted price, and termination of the Financing Documents, including termination and release of the leasehold and security interests in the Leased Assets created by the Financing Documents; and

**WHEREAS**, notwithstanding the termination of the Indenture of Trust, the Board intends to continue to operate the Millennium Fund Program, henceforth to be known as the “Millennium Capital Project Fund Program,” substantially in its present form as provided for in a separate resolution of this Board.

**NOW, THEREFORE**, the Board of Supervisors of the County of Tulare hereby resolves, orders and directs as follows:

**1. Findings and Determinations.** The Board finds and determines that the foregoing recitals are true and correct.

**2. Approval of Lease Prepayment, Bond Redemption, and Termination of Leasehold Interests and Release Agreement.** The form of the Lease Prepayment, Bond Redemption, and Termination of Leasehold Interests and Release Agreement (the “Agreement”) presented herewith, providing for the prepayment of the lease payments and redemption of the outstanding 2006 Refunding Bonds at a discounted price, and termination of the Financing Documents, including termination and release of the leasehold and security interests in the Leased Assets created by the Financing Documents, is hereby approved. The Board’s Chair and Vice-Chair, the County Administrative Officer, the Clerk of the Board, and the County Auditor-Controller/Treasurer-Tax Collector or their respective designees (each an “Authorized Officer” and collectively the “Authorized Officers”) are, and each them is, hereby authorized and directed, for and in the name of the County, to execute the Agreement in substantially said form, with such changes therein as the Authorized Officer executing the same may require or approve, with such approval to be conclusively evidenced by the execution and delivery thereof.

**3. Prepayment of Lease Payments.** The Authorized Officers of the County are authorized and directed to take all actions as may be necessary or convenient to cause the prepayment of all of the outstanding principal of and interest, if any, on the lease payments due from the County to the Trustee under the Lease Agreement, in the amounts agreed upon in the Agreement, with said sums to be paid on August 13, 2024.

**4. Optional Redemption of 2006 Refunding Bonds.** The Authorized Officers of the County are authorized and directed to take all actions as may be necessary or convenient to cause the optional redemption of the 2006 Refunding Bonds by arranging for the prepayment of all of the outstanding principal of and interest, if any, on said 2006 Refunding Bonds, in the amounts agreed upon in the Agreement, with said sums to be paid on August 13, 2024.

**5. Ratification of Actions.** All actions heretofore taken by any officers, employees or agents of the County with respect to the subject of this Resolution, or in connection with or related to any of the agreements, documents, or instruments referred to herein, are hereby approved, confirmed and ratified.

**6. General Authorization.** Each Authorized Officer, and each of them acting alone or together, is hereby authorized and directed, for and in the name of and on behalf of the County, to take such actions, and to execute such agreements, documents, instruments, and certificates as may be necessary to effectuate the purposes of this Resolution, including, but not limited to, submitting the fully-executed Agreement to the County Recorder for recording in the official records of the County.

**7. Professional Services.** In connection with the transactions described herein, KNN Public Finance, LLC is hereby appointed to serve as Municipal Advisor to the County and Hawkins Delafield & Wood LLP is hereby appointed to serve as Bond Counsel to the County. Said firms shall be compensated for their services hereunder from funds made available for that purpose and in such reasonable amounts as the County Administrative Officer or designee shall approve. The County Administrative Officer or designee is also authorized and directed to pay such other incidental costs of the transactions described herein as may be necessary, including the reasonable costs of the Trustee and its counsel.

**8. Effective Date of Resolution.** This Resolution shall take effect immediately upon its adoption.

\* \* \* \* \*

The foregoing Resolution was passed and adopted by the members of the Board of Supervisors of the County of Tulare on the \_\_\_\_ day of \_\_\_\_\_, 2024, at a regular meeting of said Board and regularly convened on said day by the following vote:

Ayes: \_\_\_\_\_  
Noes: \_\_\_\_\_  
Absent: \_\_\_\_\_  
Abstain: \_\_\_\_\_

County of Tulare

By: \_\_\_\_\_  
Chair, Board of Supervisors

ATTEST: JASON T. BRITT, County  
Administrative Officer/Clerk of the Board of  
Supervisors

By: \_\_\_\_\_  
Deputy Clerk

APPROVED AS TO FORM:  
COUNTY COUNSEL

By: \_\_\_\_\_  
Chief Deputy  
Matter No. 2024534

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## **“ATTACHMENT 2”**

LEASE PREPAYMENT, BOND REDEMPTION, AND  
TERMINATION OF LEASEHOLD INTERESTS AND RELEASE  
AGREEMENT

**RECORDING REQUESTED BY AND WHEN  
RECORDED RETURN TO:**

County of Tulare  
General Services Agency  
2637 W. Burrel Ave., Suite 200  
Visalia, CA 93291  
Attn: Jacalynn A. Wells, Property Manager

Exempt from Recording Fees per GC § 6103 and  
from Documentary Transfer Tax per R&T § 11922

[Space above for Recorder's use.]

Affects APNs 047-040-038; 094-333-005;  
191-090-026

**LEASE PREPAYMENT, BOND REDEMPTION, AND TERMINATION OF LEASEHOLD  
INTERESTS AND RELEASE AGREEMENT**

by and among

**THE COUNTY OF TULARE,**

**THE TULARE COUNTY PUBLIC FINANCING AUTHORITY,**

**FMS WERTMANAGEMENT, as assignee Bond Owner from assignor**

**DEPFA Bank plc, New York Branch, and**

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., formerly known as**

**The Bank of New York Trust Company, N.A., as Trustee**

Dated as of July 30, 2024.

Relating to

\$42,360,000

Tulare County Public Financing Authority

Refunding Bonds, Series 2006

(Millennium Fund Program)

(Federally Taxable)

**LEASE PREPAYMENT, BOND REDEMPTION, AND TERMINATION OF LEASEHOLD  
INTERESTS AND RELEASE AGREEMENT**

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This LEASE PREPAYMENT, BOND REDEMPTION, AND TERMINATION OF LEASEHOLD INTERESTS AND RELEASE AGREEMENT (this "Agreement") is dated as of July 30, 2024, and is entered into by and among the COUNTY OF TULARE, a political subdivision of the State of California duly organized and existing under and by virtue of the Constitution and the laws of the State of California (the "County"), the TULARE COUNTY PUBLIC FINANCING AUTHORITY, a joint powers public agency organized and existing under and by virtue of the laws of the State of California (the "Authority"), FMS WERTMANAGEMENT, assignee of DEPFA Bank plc, New York Branch, as sole owner of all of the bonds described below (the "Bond Owner"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., formerly known as The Bank of New York Trust Company, N.A., as trustee (the "Trustee"). The County, the Authority, the Trustee, and the Bond Owner are each a "Party" and together are the "Parties" to this Agreement.

**W I T N E S S E T H:**

**WHEREAS**, on December 5, 2006, the Board of Directors of the Authority adopted its Resolution No. PFA-2006-02 approving the Authority's issuance and sale of federally-taxable revenue bonds known as the Authority's "Refunding Bonds, Series 2006 (Millennium Fund Program)" in an aggregate principal amount not to exceed \$43 million (the "2006 Refunding Bonds") in order to defease and redeem in whole the then-outstanding principal amount of the Authority's Variable Rate Demand Bonds, Series 1999 (Millennium Fund Program), all in accordance with the provisions of the Indenture of Trust and Bond Purchase Agreement described below; and

**WHEREAS**, on December 5, 2006, the Board of Supervisors of the County adopted its Resolution No. 2006-0886 approving the Authority's issuance and sale of the 2006 Refunding Bonds, all in accordance with the provisions of the Indenture of Trust and Bond Purchase Agreement described below; and

**WHEREAS**, in connection with the issuance and sale of the 2006 Refunding Bonds, the County and the Authority entered into a site lease dated as of December 1, 2006, and recorded in the Official Records of Tulare County, California ("Official Records") on December 14, 2006, as Instrument No. 2006-0128976 (the "Site Lease"), pursuant to which the County leased certain real property and improvements described therein (the "Leased Assets") to the Authority for purposes of financing the construction of certain public facilities; and

**WHEREAS**, in connection with the issuance and sale of the 2006 Refunding Bonds, the County and the Authority entered into a lease agreement dated as of December 1, 2006, and recorded in the Official Records on December 14, 2006, as Instrument No. 2006-0128977 (the "Lease Agreement"), pursuant to which the County leased the Leased Assets back from the Authority for purposes of financing the construction of certain public facilities, with the Leased Assets serving as and pledged as security for the payment of the principal of, and the interest on, the 2006 Refunding Bonds; and

**WHEREAS**, pursuant to an unrecorded Indenture of Trust dated as of December 1, 2006 (the "Indenture of Trust"), by and between the Authority and the Trustee, the Authority assigned to the Trustee, among other things, its rights to receive lease payments from the County under the Lease Agreement in order to pay the principal of, and the interest on, the 2006 Refunding Bonds, and the right to exercise rights and remedies conferred on the Authority under the Lease Agreement to enforce payment of those lease payments; and



**WHEREAS**, pursuant to a Bond Purchase Agreement dated as of December 1, 2006, by and among the Authority, the County, and the Bond Owner's assignor DEPFA Bank plc, New York Branch (the "Bond Purchase Agreement"), the Authority and the County sold and DEPFA Bank plc, New York Branch, as initial purchaser, purchased the 2006 Refunding Bonds; and

**WHEREAS**, the Site Lease, the Lease Agreement, the Indenture of Trust, and the Bond Purchase Agreement are collectively referred to herein as the "Financing Documents;" and

**WHEREAS**, the Bond Owner is the assignee of the rights and responsibilities of the initial purchaser of the 2006 Refunding Bonds and the relevant Financing Documents; and

**WHEREAS**, the County and the Bond Owner have determined it is in their best interests to cause the outstanding balance of the Lease Payments due under the Lease Agreement to be prepaid in full in order to pay for the optional redemption of the principal of and accrued interest on all of the outstanding 2006 Refunding Bonds at a discounted price; and

**WHEREAS**, by reason of the prepayment of the remaining Lease Payments and redemption in full of the 2006 Refunding Bonds, each of the Financing Documents will expire and terminate by their terms; and

**WHEREAS**, the Parties desire to document said agreements, understandings, expirations and terminations, and release all liens of the 2006 Refunding Bonds on the Leased Assets by execution and recording of this Agreement.

**NOW, THEREFORE**, for good and valuable consideration, the receipt of which is hereby acknowledged, the Parties agree as follows:

**1. Lease Prepayment.** The Bond Owner has requested, and the County has agreed that on August 12, 2024, the County will prepay to the Trustee, by wire transfer for the benefit of the Bond Owner, a sum not to exceed \$21,290,000 (the "Redemption Payment"), which amount after the County's principal payment on the 2006 Refunding Bonds of \$1,700,000 together with accrued interest thereon on August 1, 2024, will be the sum of the then-outstanding principal of \$23,690,000, plus the accrued interest thereon as of the herein defined Redemption Date, less a discount of \$2,600,000, and which amount the Bond Owner and Trustee hereby agree to accept as the discounted payment in full of the principal of and accrued interest on all of the outstanding 2006 Refunding Bonds as of said date. The County and the Authority, as the parties to the Lease Agreement, and the Trustee, as the assignee of the Authority's rights to receive lease payments under the Lease Agreement, agree that upon payment of the Redemption Payment on the Redemption Date, no additional amounts will be payable under the Lease Agreement.

**2. Bond Redemption.** On or prior to the Redemption Date, the Bond Owner shall deliver or cause to be delivered to the Trustee for holding in escrow all of the physical certificated 2006 Refunding Bonds. Upon its receipt of the sum referenced in section 1 above, from such funds and other funds held by the Trustee pursuant to the Indenture of Trust, the Trustee immediately shall redeem all of the outstanding 2006 Refunding Bonds, with the redemption date being August 13, 2024 (the "Redemption Date"). On the Redemption Date the Trustee shall deliver such sum to the Bond Owner by wire transfer to the account specified by the Bond Owner. Upon receipt of confirmation from the Bond Owner that it has received the Redemption Payment in full, all of the physical certificated 2006 Refunding Bonds previously deposited in escrow with the Trustee are deemed released and surrendered by the Bond Owner and shall be cancelled by the Trustee in accordance with the Indenture of Trust. The Trustee shall promptly provide written notice to the Parties upon completion of the redemption and cancellation of the outstanding 2006 Refunding Bonds.

**3. Waiver of Terms and Conditions.** In order to accomplish the prepayment of the Lease Payments and optional redemption of the 2006 Refunding Bonds as contemplated herein, the Parties hereby waive any inconsistent terms and conditions to said prepayment and redemption contained in any of the Financing Documents, including, without limitation, provisions with respect to redemption price, redemption date, redemption notice, and source of funds for said redemption.

**4. Termination of Financing Documents.** Effective as of the recordation of this Agreement, which the County is authorized and directed to accomplish upon receipt of the written notice from the Trustee under section 2 above, the County, the Authority, the Trustee, and the Bond Owner (but for the Trustee and the Bond Owner, solely with respect to the Financing Documents to which each is a party) hereby acknowledge and agree that the Financing Documents have expired, have been and hereby are to be terminated and discharged, and shall be of no further force or effect with respect to and shall no longer encumber the Leased Assets.

**5. Release.** By execution and recordation of this Agreement, the Authority, the Trustee, and the Bond Owner hereby release, discharge, transfer, and reconvey to the County, without recourse, representation, or warranty, all rights, title, and interests each may have in the Leased Assets under the Financing Documents, the general and legal descriptions of which are shown on the attached **EXHIBIT A**.

**6. Refunds.** Following the redemption of the 2006 Refunding Bonds, the Trustee promptly shall provide the County with all monies remaining in the Bond Fund, the Extraordinary Expense Fund, the TSR Fund, and the Costs of Issuance Fund heretofore established and maintained under the Indenture of Trust, accompanied by updated accountings for such monies. The Authority hereby releases and transfers to the County all of the rights, title, and interests it may have in said accounts and monies, and the County hereby accepts the transfer of all of such rights, title, and interests.

**7. Transfer of Millennium Fund.** Following the redemption of the 2006 Refunding Bonds, the Trustee promptly shall transfer all monies in the Millennium Fund, heretofore established and maintained under the Indenture of Trust, to such accounts and depositories as directed by the County through the County Administrative Officer or the County Auditor-Controller/Treasurer-Tax Collector, or one or more of their designees, accompanied by updated accountings for such monies.

**8. Cooperation.** Each of the Parties is authorized and directed to cooperate with each other and take such additional actions and execute such additional documents, instructions, and the like as may be necessary or convenient in order to accomplish the purposes of this Agreement, including the payment of any reasonable fees incurred by the Trustee with respect to this transaction.

**9. Definitions of Terms.** Unless otherwise provided, capitalized terms used herein have the same meanings specified in the Lease Agreement or the Indenture of Trust referenced above.

**10. Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which, when taken together, shall constitute one agreement. The signature and acknowledgment pages from each counterpart may be removed and attached to a single document in order to create one original instrument.

**11. Governing Law.** This Agreement is governed by the laws of the State of California.

**IN WITNESS WHEREOF**, the Parties hereto have executed and entered into this Agreement by their officers thereunto duly authorized as of the date first above written.

**COUNTY OF TULARE**

By: \_\_\_\_\_  
Chair, Board of Supervisors

ATTEST: JASON T. BRITT, County Administrative Officer/  
Clerk of the Board of Supervisors

By: \_\_\_\_\_  
Deputy Clerk of the Board of Supervisors

APPROVED AS TO LEGAL FORM:  
COUNTY COUNSEL

By: Jeffrey L. Kuhn  
Deputy  
Matter No. 2024534

**TULARE COUNTY PUBLIC FINANCING AUTHORITY**

By: \_\_\_\_\_  
Chair, Board of Directors

ATTEST: JASON T. BRITT, Authority Executive Director/  
Secretary of the Authority

By: \_\_\_\_\_  
Deputy Authority Secretary

**FMS WERTMANAGEMENT, as assignee Bond Owner of DEPFA Bank plc, New York Branch, as initial Bond Owner**

**By: FMS Wertmanagement Service GmbH, as servicer and attorney-in-fact**

By: \_\_\_\_\_  
Authorized Officer

By: \_\_\_\_\_  
Authorized Officer

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., , as Trustee**

By: \_\_\_\_\_  
Authorized Officer

[attach Notary Acknowledgements for recording purposes]

**EXHIBIT A**  
**GENERAL AND LEGAL DESCRIPTIONS OF THE LEASED ASSETS**

1. **JUVENILE DETENTION FACILITY** (APN 047-040-038)  
This project is located 10 miles north of Visalia. It is a 220-bed facility. It is composed of three housing units and intake, infirmary, administration, courts, kitchen, warehouse and laundry facilities with a total of approximately 164,000 square feet. The project was completed in August 1999 and was opened for operation in September 1999.
2. **LIBRARY BUILDING (VISALIA)** (APN 094-333-005)  
This project is located in Visalia, California. Built in 1977, it is a 35,000 square foot facility consisting of masonry construction with a wood roof.
3. **AGRICULTURAL BUILDING (TULARE)** (APN 191-090-026)  
The Agriculture Commissioner Building is located in Tulare, California. Built in 2001, it is a 28,200 square foot all steel building.

**LEGAL DESCRIPTIONS**

1. **JUVENILE DETENTION FACILITY:**

PARCEL NO. 1: THAT CERTAIN PROJECT KNOWN AND IDENTIFIED AS THE "JUVENILE DETENTION FACILITY" LOCATED WITHIN THE FOLLOWING DESCRIBED PROPERTY:

THE SOUTH HALF OF THE SOUTH HALF OF SECTION 12, TOWNSHIP 17, SOUTH, RANGE 24 EAST, MOUNT DIABLO BASE AND MERIDIAN, IN THE COUNTY OF TULARE, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF.

EXCEPTING THEREFROM THE WEST 30 FEET AND THE SOUTH 35 FEET AS CONVEYED TO THE COUNTY OF TULARE BY THOSE CERTAIN DEEDS RECORDED APRIL 15, 1977 AND DECEMBER 29, 1977 IN BOOKS 3407 AND 3488, PAGES 932 AND 603 RESPECTIVELY OF OFFICIAL RECORDS.

ALSO EXCEPT ONE-HALF OF ALL OIL, GAS AND MINERAL RIGHTS IN AND UNDER SAID LAND, AS RESERVED BY BURTON O. HAVERFIELD, ETUX, IN DEED RECORDED OCTOBER 16, 1972 IN BOOK 3063, PAGE 379 OF OFFICIAL RECORDS.

2. **AGRICULTURE COMMISSIONER BUILDING:**

THAT PORTION OF PARCEL 2 OF PARCEL MAP NO. 4199 PER MAP FILED IN BOOK 43 OF PARCEL MAPS, AT PAGE 3 IN THE OFFICE OF THE TULARE COUNTY ASSESSOR/CLERK-RECORDER SITUATED IN THE NORTHWEST QUARTER OF SECTION 25, TOWNSHIP 20 SOUTH, RANGE 24 EAST, MOUNT DIABLO BASE AND MERIDIAN, IN THE CITY OF TULARE, COUNTY OF TULARE, STATE OF CALIFORNIA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE MOST NORTHERLY CORNER OF PARCEL 2; THENCE SOUTH 80°31'53" EAST ALONG THE NORTHERLY LINE OF PARCEL 2, A DISTANCE OF 811.71 FEET TO THE MOST EASTERLY CORNER 01:4' PARCEL 2; THENCE SOUTH 18°25'36" WEST ALONG THE EASTERLY LINE OF PARCEL 2, A DISTANCE OF 574.9 FEET;

THENCE LEAVING THE EASTERLY LINE OF PARCEL 2. NORTH 80°31'53" WEST, PARALLEL WITH THE NORTHERLY LINE OF PARCEL 2. A DISTANCE OF 722.15 FEET TO THE WESTERLY LINE OF PARCEL 2; THENCE NORTH 09°28'17" EAST ALONG THE WESTERLY LINE OF PARCEL 2 A DISTANCE OF 567.98 FEET TO THE POINT OF BEGINNING.

CONTAINING 10 ACRES.

**3. LIBRARY BUILDING:**

LOTS 5, 6, 7 AND 8 OF BLOCK 7, THE ABANDONED RIGHT OF WAY OF SCHOOL STREET BETWEEN BLOCKS 7 AND 18, AND A PORTION OF BLOCK 18 OF THE ORIGINAL TOWNSITE OF VISALIA AS PER MAP RECORDED IN VOLUME 3, PAGE 48 OF MAPS, TULARE COUNTY RECORDS, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

PARCEL NO. 1:

BEGINNING AT THE SOUTHWEST CORNER OF SAID BLOCK 18; THENCE NORTH 0°11' 50" WEST, 47.40' ALONG THE WEST LINE OF SAID BLOCK 18; THENCE DEPARTING FROM THE WEST LINE OF SAID BLOCK 18 NORTH 89° 48' 10" EAST, 86.10' TO THE TRUE POINT OF BEGINNING; THENCE NORTH 0° 11' 50" WEST, 76.05'; THENCE SOUTH 89° 48' 10" WEST, 11.37'; THENCE NORTH 0° 11' 50" WEST, 38.58'; THENCE NORTH 89° 48' 10" EAST, 5.96'; THENCE NORTH 00 11 'SO" WEST, 33.67'; THENCE NORTH 89° 48' 10" EAST 28.20'; THENCE NORTH 0° 11' 50" WEST, 21.49'; THENCE NORTH 89° 48' 10" EAST, 29.13'; THENCE SOUTH 0° 11' 50" EAST, 31.90'; THENCE NORTH 89° 48'10" EAST, 9.05'; THENCE SOUTH 0° 11' 50" EAST ,32.50', THENCE NORTH 89° 48' 10" EAST, 38.10'; THENCE SOUTH 0° 11'

50" EAST, 29.75'; THENCE SOUTH 89° 48' 10" WEST, 33.90'; THENCE SOUTH 0° 11' 50" EAST, 2.00'; THENCE SOUTH 44° 48' 10" WEST, 15.50'; THENCE SOUTH 89° 48' 10" WEST, 2.00'; THENCE SOUTH 0° 11' 50" EAST, 32.00'; THENCE SOUTH 89° 48' 10" WEST, 6.19'; THENCE SOUTH 0° 11 '50" EAST, 30.68' ; THENCE SOUTH 89° 48' 10" WEST, 46.02' TO THE TRUE POINT OF BEGINNING. BEING THE OUTSIDE DIMENSIONS OF THE "OLD CITY LIBRARY BUILDING."

PARCEL NO. 2

BEGINNING AT THE SOUTHWEST CORNER OF SAID BLOCK 18; THENCE NORTH 0°11' 50" WEST, 251.00' ALONG THE WEST LINE OF SAID BLOCK 18 TO THE TRUE POINT OF BEGINNING; THENCE DEPARTING FROM THE WEST LINE OF SAID BLOCK 18 NORTH 89° 48' 10" EAST, 8.50'; THENCE SOUTH 38° 34' 30" EAST, 61.33'; THENCE NORTH 51 ° 25'30" EAST, 100.67'; THENCE SOUTH 38° 34' 30" EAST, 60.00'; THENCE NORTH 51° 25' 30" EAST, 71.69' TO A POINT ON THE NORTH LINE OF SAID BLOCK 18 ALSO BEING THE SOUTH LINE OF THE ABANDONED WEST SCHOOL STREET; THENCE SOUTH 89° 59' 09" EAST, 44. 78' ALONG SAID NORTH LINE OF SAID BLOCK 18 TO THE NORTHEAST CORNER OF SAID BLOCK 18; THENCE NORTH 0° 10' 36" WEST 66.00' TO THE SOUTHEAST CORNER OF LOT 8 OF SAID BLOCK 7; THENCE NORTH 0° 08' 11" WEST 123.52' ALONG THE EAST LINE OF SAID LOT 8 OF SAID BLOCK 7 TO THE NORTHEAST CORNER OF SAID LOT 8; THENCE NORTH 89° 59' 28" WEST 263.81' ALONG THE NORTH LINES OF LOTS 8, 7, 6, AND 5 OF SAID BLOCK 7

TO THE NORTHWEST CORNER OF SAID LOTS OF SAID BLOCK 7; THENCE SOUTH 0° 10'09" EAST 123.50' ALONG THE WEST LINE OF SAID LOT 5 OF SAID BLOCK 7 TO THE SOUTHWEST CORNER OF SAID LOT 5 OF SAID BLOCK 7; THENCE SOUTH 0° 11' 00" EAST 66.00' TO THE NORTHWEST CORNER OF SAID BLOCK 18; THENCE SOUTH 0° 11' 50" EAST 12.70' ALONG THE WEST LINE OF SAID BLOCK 18 TO THE TRUE POINT OF BEGINNING.

jlk/07-23-2024/2024534/2209314

## **“ATTACHMENT 3”**

AUD 308 – BUDGET ADJUSTMENT FORM



## 10:19 AM

**\*\* Action Codes: A=Add, C=Change, D=Deactivate**

- \* Whenever a 93XX account budget is adjusted, a corresponding 94XX account budget must be adjusted in the billing agency, **except for ISFs**
- \* Whenever a 95XX account budget is adjusted, a corresponding 96XX account budget must be adjusted in the billing agency, and vice versa
- \* Whenever a 97XX account budget is adjusted, a corresponding 98XX account budget must be adjusted in the billing agency, and vice versa

## **“ATTACHMENT 4”**

RESOLUTION APPROVING AN AMENDED AND RESTATED MILLENNIUM CAPITAL PROJECT FUND PROGRAM, APPROVING AN INVESTMENT POLICY FOR SAID PROGRAM, APPROVING AND AUTHORIZING THE BOARD CHAIR TO SIGN AN AGREEMENT WITH PFM ASSET MANAGEMENT LLC TO SERVE AS ADMINISTRATOR OF SAID PROGRAM, AND AUTHORIZING OFFICIAL ACTIONS AND EXECUTION OF DOCUMENTS RELATED THERETO

BEFORE THE  
BOARD OF SUPERVISORS  
OF THE  
COUNTY OF TULARE  
STATE OF CALIFORNIA

RESOLUTION NO. \_\_\_\_\_

RESOLUTION APPROVING AN AMENDED AND RESTATED MILLENNIUM CAPITAL PROJECT FUND PROGRAM, APPROVING AN INVESTMENT POLICY FOR SAID PROGRAM, APPROVING AND AUTHORIZING THE BOARD CHAIR TO SIGN AN AGREEMENT WITH PFM ASSET MANAGEMENT LLC TO SERVE AS ADMINISTRATOR OF SAID PROGRAM, AND AUTHORIZING OFFICIAL ACTIONS AND EXECUTION OF DOCUMENTS RELATED THERETO

**WHEREAS**, on December 5, 2006, the Board of Directors of the Tulare County Public Financing Authority (the “Authority”) adopted its Resolution No. PFA-2006-02 approving the Authority’s issuance and sale of taxable revenue bonds known as the Authority’s “Refunding Bonds, Series 2006 (Millennium Fund Program) (Federally Taxable)” in an aggregate principal amount not to exceed \$43 million and with a maturity date of no later than October 1, 2034 (the “2006 Refunding Bonds”) in order to defease and redeem in whole the then-outstanding principal amount of the Authority’s Variable Rate Demand Bonds, Series 1999 (Millennium Fund Program), all in accordance with the provisions of the Indenture of Trust and Bond Purchase Agreement described below; and

**WHEREAS**, on December 5, 2006, the Board of Supervisors (the “Board”) of the County of Tulare (the “County”) adopted its Resolution No. 2006-0886 approving the Authority’s issuance and sale of the 2006 Refunding Bonds, all in accordance with the provisions of the Indenture of Trust and Bond Purchase Agreement described below; and

**WHEREAS**, in connection with the issuance and sale of the 2006 Refunding Bonds, the County and the Authority entered into a site lease dated as of December 1, 2006, and recorded in the Official Records of Tulare County, California (“Official Records”) on December 14, 2006, as Instrument No. 2006-0128976 (the “Site Lease”), pursuant to which the County leased certain real property and improvements described therein (the “Leased Assets”) to the Authority for purposes of financing the construction of certain public facilities; and

**WHEREAS**, in connection with the issuance and sale of the 2006 Refunding Bonds, the County and the Authority entered into a lease agreement dated as of December 1, 2006, and recorded in the Official Records on December 14, 2006, as Instrument No. 2006-0128977 (the “Lease Agreement”), pursuant to which the County leased the Leased Assets back from the Authority for purposes of financing the construction of certain public facilities, with the Leased Assets serving as and pledged as security for the payment of the principal of, and the interest on, the 2006 Refunding Bonds; and

**WHEREAS**, pursuant to an unrecorded Indenture of Trust dated as of December 1, 2006 (the “Indenture of Trust”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., formerly known as The Bank of New York Trust Company, N.A. (the “Trustee”), the Authority assigned to the Trustee, among other things, its rights to receive

lease payments from the County under the Lease Agreement in order to pay the principal of, and the interest on, the 2006 Refunding Bonds, and the right to exercise rights and remedies conferred on the Authority under the Lease Agreement to enforce payment of those lease payments; and

**WHEREAS**, the Indenture of Trust also established the County's Millennium Fund Program, whereby the County securitized its Tobacco Settlement Revenues (as defined in the Lease Agreement) and directed the investment of said securitized funds, including the proceeds from the 2006 Refunding Bonds, for the purpose of generating investment income that the County annually has used to help defray the costs of capital improvements to various County buildings and related facilities; and

**WHEREAS**, pursuant to a Bond Purchase Agreement dated as of December 1, 2006, by and among the Authority, the County, and DEPFA Bank plc, New York Branch (the "Bond Purchase Agreement"), the Authority and the County sold and DEPFA Bank plc, New York Branch, as the initial purchaser of the 2006 Refunding Bonds, purchased the 2006 Refunding Bonds; and

**WHEREAS**, FMS Wertmanagement, an instrumentality of the Federal Republic of Germany ("Bond Owner"), is the assignee of the rights and responsibilities of DEPFA Bank plc, New York Branch, the initial purchaser of the 2006 Refunding Bonds, and is the current owner of all of the outstanding 2006 Refunding Bonds; and

**WHEREAS**, the Site Lease, the Lease Agreement, the Indenture of Trust, and the Bond Purchase Agreement are collectively referred to herein as the "Financing Documents;" and

**WHEREAS**, the Bond Owner has requested, and the County has agreed that on or before September 2, 2024 (the "Redemption Date"), the County will prepay to the Trustee, by wire transfer for the benefit of the Bond Owner, a sum not to exceed \$21,290,000 (the "Redemption Payment"), which amount the Bond Owner and Trustee have agreed to accept as the discounted payment in full of the principal of and accrued interest on all of the outstanding 2006 Refunding Bonds as of said date; and

**WHEREAS**, the County and the Authority, as the parties to the Lease Agreement, and the Trustee, as the assignee of the Authority's rights to receive lease payments under the Lease Agreement, have agreed that upon payment of the Redemption Payment on the Redemption Date, no additional amounts will be payable under the Lease Agreement; and

**WHEREAS**, the County, the Authority, Bond Owner, and the Trustee have approved a "Lease Prepayment, Bond Redemption, and Termination of Leasehold Interests and Release Agreement," a form of which has been presented to this Board in order to accomplish the prepayment of the lease payments and redemption of the outstanding 2006 Refunding Bonds at a discounted price, and termination of the Financing Documents, including termination and release of the leasehold and security interests in the Leased Assets created by the Financing Documents; and

**WHEREAS**, notwithstanding the termination of the Indenture of Trust, the Board intends to continue to operate the Millennium Fund Program, henceforth to be known as the “Millennium Capital Project Fund Program,” as amended and restated herein.

**NOW, THEREFORE**, the Board of Supervisors of the County of Tulare hereby resolves, orders and directs as follows:

**1. Findings and Determinations.** The Board finds and determines that the foregoing recitals are true and correct.

**2. Approval of Amended and Restated Millennium Capital Project Fund Program, and Investment Policy for Program.** The Millennium Capital Project Fund Program, heretofore established and operated on behalf of the County under the terms of the Indenture of Trust, is hereby amended and restated and shall be operated according to the terms shown in the attached ***Exhibits A (“Amended and Restated Millennium Capital Project Fund Program”) and B (“Investment Policy of the Millennium Capital Project Fund Program”)***. Under the authority of Government Code section 53649, the County Treasurer shall select an appropriate and eligible financial institution to serve as the depository for the monies in the Millennium Capital Project Fund and related accounts and enter into a depository agreement with such institution for those purposes.

**3. Delegation of Authority to County Treasurer.** The County Treasurer, in consultation with the County Administrative Officer, or their designees, is authorized and directed to manage the Millennium Capital Project Fund Program in accordance with the terms and conditions of the attached ***Exhibits A and B***. As the program manager, the County Treasurer, or designee, is authorized to issue and enforce supplemental instructions and directives to implement the Millennium Capital Project Fund Program as may be necessary or convenient.

**4. Approval of Program Administration Agreement with PFM Asset Management LLC.** The Program Administration Agreement dated as of July 30, 2024, between the County and PFM Asset Management LLC, attached hereto as ***Exhibit C***, is hereby approved, and the Board’s Chair is authorized and directed to execute said agreement on behalf of the County.

**5. Ratification of Actions.** All actions heretofore taken by any officers, employees or agents of the County with respect to the subject of this Resolution, or in connection with or related to any of the agreements, documents, or instruments referred to herein, are hereby approved, confirmed and ratified.

**6. General Authorization.** Each Authorized Officer, and each of them acting alone or together, is hereby authorized and directed, for and in the name of and on behalf of the County, to take such actions, and to execute such agreements, documents, instruments, and certificates as may be necessary to effectuate the purposes of this Resolution.

**7. Effective Date of Resolution.** This Resolution shall take effect immediately upon its adoption.

\*\*\*\*\*

The foregoing Resolution was passed and adopted by the members of the Board of Supervisors of the County of Tulare on the \_\_\_\_ day of \_\_\_\_\_, 2024, at a regular meeting of said Board and regularly convened on said day by the following vote:

Ayes: \_\_\_\_\_  
Noes: \_\_\_\_\_  
Absent: \_\_\_\_\_  
Abstain: \_\_\_\_\_

County of Tulare

By: \_\_\_\_\_  
Chair, Board of Supervisors

ATTEST: JASON T. BRITT, County  
Administrative Officer/Clerk of the Board of  
Supervisors

By: \_\_\_\_\_  
Deputy Clerk

APPROVED AS TO FORM:  
COUNTY COUNSEL

By: \_\_\_\_\_  
Chief Deputy

Matter No. 2024534

Jlk/7-22-2024/2024534/2209593

***"Attachment 4 - Exhibit A"***

**Amended and Restated Millennium Capital Project Fund  
Program (Attached)**

---

## *Exhibit A*

### **Amended and Restated Millennium Capital Project Fund Program**

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The Millennium Fund Program, heretofore established and operated on behalf of the County under the terms of the Indenture of Trust and the Lease Agreement (defined below), is hereby amended and restated, shall henceforth be known as the “Millennium Capital Project Fund,” and shall continue as amended and restated according to the terms shown in this ***Exhibit A*** and the attached ***Exhibit B***.

**1. Definitions.** The following words and phrases shall have the following meanings unless the context otherwise requires:

“Administrative Fee” means the amount payable to the Administrator as its annual administrative fee in connection with the performance of its duties hereunder and under the Program Administration Agreement.

“Administrator” means PFM Asset Management LLC, appointed in the Program Administration Agreement with the County dated as of July 30, 2024, and any successor Administrator acting thereunder appointed by the County.

“Authority” means the Tulare County Public Financing Authority.

“Cost” or “Costs” in connection with a Project or Projects includes the cost of the acquisition of all lands, structures, equipment, rights-of-way, franchises, easements and other property rights and interests acquired by the County for a Project; the cost of demolishing, removing or relocating any buildings or structures on lands so acquired, including the cost of acquiring any lands to which such buildings or structures may be moved or relocated; the cost of all labor, materials, machinery and equipment, financing charges, interest prior to and during construction and for such a limited period after completion of such construction as may be approved by the County (not to exceed one year after completion of the Project); the cost of engineering, financial and legal services, plans, specifications, studies, surveys, estimates of costs and revenues, other expenses necessary or incident to determining the feasibility or practicability of constructing a Project; administrative expenses; and such other expenses as may be necessary or incident to the study, design, acquisition, bidding, and construction of a Project, the financing of such acquisition and construction and the placing of such Project in operation; and the costs of the maintenance and repair of any public capital improvement.

“County” means the County of Tulare.

“Eligible Investment” means any of the investments which are at the time of investment legal investments under Article 1 (commencing with section 53600) of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code, as it may be amended from time-to-time, but subject to the applicable limitations of Article 2 (commencing with



section 53630) of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code, as it may be amended from time-to-time and of the County's Millennium Capital Project Fund investment policy.

“Extraordinary Expenses” means all reasonable fees and expenses of the County or the Administrator relating to the Millennium Capital Project Fund Program, described herein including, but not limited to, the reasonable fees and disbursements of counsel and municipal advisors utilized by the County (including the reasonably allocated costs and expenses, if any, of in-house counsel and legal staff), and counsel for the Administrator, if any, in connection with said program.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., formerly known as The Bank of New York Mellon Trust Company, N.A., as trustee under the Indenture of Trust.

“Indenture of Trust” means that certain unrecorded Indenture of Trust dated as of December 1, 2006, by and between the Authority and the Trustee.

“Investment Agreement” means any written investment agreement or repurchase agreement to be entered into by the Administrator at the written direction of the County Treasurer for the purpose of investing monies deposited in certain of the funds referenced below, which investment agreement or repurchase agreement, and any amendments thereto or replacements thereof, is subject to the written approval of the County.

“Lease Agreement” means that certain lease agreement between the County and the Authority dated as of December 1, 2006, and recorded in the Official Records of Tulare County on December 14, 2006, as Instrument No. 2006-0128977.

“Millennium Fund” means the fund by that name originally created pursuant to Section 5.02 of the Indenture of Trust and continued hereunder, as amended and restated, as the “Millennium Capital Project Fund.”

“Millennium Capital Project Fund Program” means the revenue and investment policies and practices described in this ***Exhibit***.

“Millennium Capital Project Fund Program Investment Policy” means the current investment policy, adopted by the County Board of Supervisors, that together with this ***Exhibit*** and the Program Administration Agreement, governs the operation of the Millennium Capital Project Fund Program.

“Ongoing Expenses” means (i) the annual Administrator's Fee as provided in the Program Administration Agreement and (ii) the fee and expenses of a custodial bank or other depository, if any, whose services are contracted for by the County Treasurer in connection with the operation of the Millennium Capital Project Fund Program.

“Program Administration Agreement” means the agreement dated as of July 30, 2024, between the County and the Administrator setting forth the Administrator's duties and compensation, as such agreement may be amended from time-to-time.

“Project” or “Projects” means any public capital improvement project or projects of the County, and the maintenance and/or repairs with respect to such project or projects. A Project may include, but is not necessarily limited to, acquisition of all lands, structures, equipment, rights-of-way, franchises, easements and other property rights and interests required by the County for a Project; the demolishing, removing or relocating any buildings or structures on lands so acquired, including acquiring any lands to which such buildings or structures may be moved or relocated; all labor, materials, machinery and equipment, financing charges, interest prior to and during construction and for such a limited period after completion of such construction as may be approved by the County (not to exceed one year after completion of the Project); engineering, financial and legal services, development of plans, specifications, studies, surveys, estimates of costs and revenues, other services necessary or incident to determining the feasibility or practicability of constructing a Project; administrative; and such other services as may be necessary or incident to the study, design, acquisition and construction of a Project, and the placing of such Project into operation, and all construction of a Project.

“Revenues” means all income, revenues, issues, profits, investment earnings and other sums of money and funds referred to herein, including, without limitation, all Tobacco Settlement Revenues received by the County and deposited into the Millennium Capital Project Fund.

“Tobacco Settlement Revenues” means amounts received by the County under and pursuant to that certain Master Settlement Agreement dated as of November 23, 1998, between certain public agencies and participating tobacco companies, and the Memorandum of Understanding between the Attorney General of the State of California and various local jurisdictions, dated as of August 5, 1998, and any release and/or escrow instructions implementing said agreements.

“Tobacco Settlement Revenue Fund” or “TSR Fund” means the fund, originally established by the County pursuant to Section 407 of the Lease Agreement and section 5.04 of the Indenture of Trust, which is discontinued hereunder.

## **2. Revenues and Funds.**

### **(a.) Continuation and Closure of Certain Funds and Accounts.**

(i.) The Millennium Capital Project Fund and its subaccounts, if any, created by the County and held by the Trustee under the Indenture of Trust are hereby continued and upon receipt by the County shall be held and used by the County in accordance with the terms and conditions of this *Exhibit*. The Millennium Capital Project Fund shall be a capital fund of the County, to be held separate and apart from the County's General Fund. The Millennium Capital Project Fund shall be held and invested separately and apart from the

County's Pooled Investment Fund and shall be subject to its own investment policy, a copy of which is attached as ***Exhibit B***.

(ii.) The County is hereby authorized to create accounts and subaccounts in the Millennium Capital Project Fund in order to segregate monies or to accomplish any other administrative purpose.

(iii.) The following funds and accounts previously created by the County and held by the Trustee under the Indenture of Trust are hereby closed: (1.) the Bond Fund; (2.) the TSR Fund; (3.) the Extraordinary Expense Fund; and (4.) the Cost of Issuance Fund. Upon receipt of any monies remaining in said funds and accounts to be closed, the County shall transfer those monies into the Millennium Capital Project Fund.

**(b.) Payments into and Use of Monies in the Millennium Capital Project Fund.**

(i.) The County shall deposit into the Millennium Capital Project Fund all Tobacco Settlement Revenues which are received by the County.

(ii.) Monies in the Millennium Capital Project Fund shall be deposited into a custodial bank or other depository selected by the County Treasurer and then invested in Eligible Investments in accordance with the current approved Millennium Capital Project Fund investment policy and the Program Administration Agreement. Earnings on monies in the Millennium Capital Project Fund shall be credited to the Millennium Capital Project Fund, as received.

(iii.) On or about July 1 of each year, the County Treasurer will cause to be disbursed from the Millennium Capital Project Fund to the County an amount equal to the amount approved by the Board of Supervisors for the upcoming fiscal year, not to exceed \$4,500,000 in any Fiscal Year, except that by a 4/5 vote the Board of Supervisors may authorize disbursement of a greater amount for the fiscal year in question. These monies shall be used by the County to pay part or all of the Cost of a Project or Projects, as the case may be, and to pay Ongoing Expenses and Extraordinary Expenses, if any.

**(c.) Reports from the Administrator; Examination of Books.** The Administrator shall furnish the County Treasurer with monthly statements of the activity and assets held in the Funds and accounts created or continued hereunder, and provide the reports required by the Millennium Capital Project Fund Program Investment Policy and the Program Administration Agreement. The Administrator shall, at the prior written request of the County Treasurer, permit representatives of the County Treasurer during the Administrator's normal business hours with reasonable prior notice to examine the books and records of the Administrator relating to the Funds and accounts.

**3. Administrator and the Program Administration Agreement.** PFM Asset Management LLC is appointed as the Administrator. The Administrator shall be responsible

for providing the County with the services and products required under the Program Administration Agreement and referred to in this ***Exhibit***.

#### **4. Investment of Monies.**

(a.) **Investment of Monies in Funds.** All monies deposited in the Millennium Capital Project Fund shall be invested in Eligible Investments in accordance with the County's current approved Millennium Capital Project Fund investment policy and the Program Administration Agreement. Monies held as part of any Fund shall be immediately invested and reinvested by the Administrator in Eligible Investments. All such Eligible Investments purchased shall mature or be redeemable or be subject to repurchase by another entity on a date or dates prior to the time when the monies so invested will be required for expenditure.

Eligible Investments acquired as an investment of monies in any Fund created or continued hereunder shall be credited to such Fund. To determine the market value of the assets held in the Millennium Capital Project Fund at any time in accordance with this ***Exhibit***, except as otherwise provided herein, all Eligible Investments credited to such Fund shall be valued at fair market value. The value of Eligible Investments in each Fund shall be determined as of each April 1 and upon any transfer of monies from the Millennium Capital Project Fund to the County or upon the request of the County. The value of Eligible Investments so determined as of any such date shall constitute the "market value of assets" for purposes of this ***Exhibit*** and the Program Administration Agreement until the next date of valuation. The value of any Investment Agreement or Repurchase Agreement shall be par unless an event of default has occurred thereunder.

Subject to the provisions hereof, investments in any Funds created or continued by this ***Exhibit*** may be commingled for the purposes of making, holding, and disposing of investments. Notwithstanding provisions herein for transfer to or holding in particular Funds amounts received or such commingling, the Administrator shall at all times account for such investments in the Funds to which they are credited and otherwise as provided in this ***Exhibit***. The Administrator may act as principal or agent in the acquisition or disposition of any Eligible Investment. The Administrator may sell, or present for redemption, any Eligible Investment to the credit of any Fund created or continued by this ***Exhibit*** whenever it shall be necessary in order to provide monies to meet any required payment, transfer, withdrawal or disbursement from such Fund, and the Administrator shall not be liable for any loss resulting from such investment.

Notwithstanding any provision to the contrary contained herein, all monies subject to investment under this ***Exhibit*** shall be invested in Eligible Investments.

The County acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the County the right to receive brokerage confirmations of security transactions as they occur, the County specifically waives receipt of such confirmations to the extent allowed by law. The Administrator will furnish

the County periodic cash transaction statements which include detail for all investment transactions made by the Administrator hereunder.

**5. Management of the Millennium Capital Project Fund Program.** The County Treasurer, in consultation with the County Administrative Officer or their designees, is authorized and directed to manage the Millennium Capital Project Fund Program in accordance with the terms and conditions of this ***Exhibit***. As the program manager, the County Treasurer or designee is authorized to issue and enforce supplemental instructions and directives to implement the Millennium Capital Project Fund Program as may be necessary or convenient.

Jlk/7-22-2024/2024534/2209602.pdf

***"Attachment 4 - Exhibit B"***

**Millennium Capital Project Fund Program Investment Policy**

**(Attached)**

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**Millennium Capital Project  
Fund Program of  
TULARE COUNTY**

**Investment Policy of the  
Millennium Capital Project  
Fund Program**

**Treasurer-Tax Collector**

<https://tularecounty.ca.gov/treasurertaxcollector/treasurer/documents/investment-policy/>

## PREFACE

The County is a political subdivision of the State of California created in 1852. The County covers an area of approximately 4,839 square miles located in the heart of the Central Valley. In Fiscal Year 2024, Tulare County had 5,510 positions in 20 Departments and a total budget of \$1.81 billion. The County is known for its strong ending-fund balance, overall financial strength, and an investment-quality credit rating of “Aa2” from Moody’s Investor Service and an “AA-” from Standard and Poor’s.

In 1999, the Tulare County Public Financing Authority issued \$45 million of taxable variable rate demand bonds in order to provide funds to assist the County in financing or refinancing of public capital improvements and related repair and maintenance costs. The bond proceeds and the program established from the proceeds, was designated as the “Millennium Fund Program.” Repayment of principal and interest on the bonds was supported by pledged revenues from, among other sources, tobacco settlement revenues received under a 1998 Master Settlement Agreement between the attorneys general of 46 states (including California) and the four largest U.S. tobacco manufacturers. In 2006, the bonds were refinanced as a private placement, which allowed the County to reduce costs and served to isolate the Program from the credit crisis and liquidity crunch that gripped the markets in 2007 and 2008. In 2024, the outstanding bonds, which had a final maturity of 2034, were paid off. Per the terms of the 2006 trust indenture Section 5.03(f), following payment of all obligations due, any amounts remaining in the Millennium Fund shall be transferred to the County and deposited in a capital fund to be held separate and apart from the County’s General Fund.

Since the initial issuance, the bond proceeds have been invested prudently to allow for the assets to grow, to provide funds to pay principal and interest on the bonds, and for the County to withdraw funds annually to use for defined capital project purposes. While the bonds were paid off in 2024 and the governing trust documents are no longer applicable, the amended and restated “Millennium Capital Project Fund Program” (“MCPFP” or “Program”) continues to serve as a long-term program for the County. This investment policy shall guide the Program’s objectives, use policies, and investment parameters.



## 1.0 POLICY PURPOSE AND INTRODUCTION

The purpose of the MCPFP Investment Policy (the “Program Policy”) is to support and govern the Program’s goals and objectives with regard to the investment and expenditure of the Program funds.

## 2.0 SCOPE

This policy shall apply to all financial assets held within the MCPFP and made on behalf of the County. The policy governs the deposit, custody, and investment of all funds of the MCPFP and all related transactions and investment activities.

## 3.0 DELEGATION OF AUTHORITY

The County Treasurer’s authority and responsibility to manage the MCPFP is delegated for a one-year period by the County Board of Supervisors until the delegation is revoked or expires.

### 3.1 INVESTMENT RESPONSIBILITIES

The Treasurer shall have the responsibility to execute transactions on a day-to-day basis including the authority to open accounts with financial institutions and broker/dealers, to arrange for the custody of securities, and to execute such documents as may be necessary to carry out these responsibilities in compliance with this policy.

### 3.2 STAFF AUTHORIZED TO MAKE INVESTMENTS

Only the Auditor-Controller/Treasurer-Tax Collector, Assistant Treasurer-Tax Collector, Chief Investment Officer, Principal Investment Officer, and authorized contracted advisor(s) may make investments and order the receipt and delivery of investment securities to the custodial bank(s). The authority granted to contracted advisor/managers(s) shall be defined in their contract(s).

### 3.3 INVESTMENT ADVISORS

The County may enter into an agreement with an investment advisor for investment management/advisory services, and the investment advisor will operate under the direction of the County Treasurer. The investment advisor shall be registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940 and shall comply with that Act and its implementing Federal regulations.

## 4.0 STANDARD OF PRUDENCE

California Government Codes §27000.3 and §53600.3 declares each Treasurer or governing body authorized to make investment decisions on behalf of local agencies, to be a fiduciary trustee subject to the prudent investor standard. This standard requires that:

“When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, the county treasurer or the board of supervisors, as applicable, shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the

general economic conditions and the anticipated needs of the county and other depositors, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the county and other depositors. Within the limitations of this section and considering individual investments as part of an overall investment strategy, investments may be acquired as authorized by law.”

Prudence shall be applied in the context of managing the overall portfolio. Investment officers and their advisors acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for individual security’s credit risk or market price changes, provided that deviations from expectation are reported to the Treasurer in a timely fashion and appropriate action is taken to control adverse developments.

## 5.0 LEGAL COMPLIANCE

All investments shall be made in accordance with the MCPFP Policy, California Government Code §53600 et. seq., and any forthcoming amendments or additions to the California Government Code in relation to the investment of local agency idle funds.

## 6.0 PRIMARY PORTFOLIO OBJECTIVES

It is the policy of the Treasurer to invest the Program funds in a manner that will earn a market rate of interest, while first ensuring safety and liquidity. The Program will be guided by the following principles, in order of importance:

1. **Safety** – Safety of principal is the foremost objective of the MCPFP. Investments of the Program shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall investment portfolio. This objective shall be achieved through investment in high-quality securities and diversification of security types, issuers, and maturities to minimize credit risk and loss of principal.
2. **Liquidity**– The MCPFP portfolio shall remain sufficiently liquid to provide annual appropriations, as described in Section 9 of this Policy. This objective shall be achieved by matching investment maturities with forecasted cash flows and by investing in high quality securities.
3. **Yield** – The investment portfolio shall be designed to earn a market rate of investment income in relation to prevailing budgetary and economic cycles while taking into account the Program’s investment risk constraints and cash flow characteristics of the portfolio.

## 7.0 INTERNAL CONTROLS

The County Treasurer has established a system of internal controls to provide reasonable assurance that the investment objectives are met and to ensure that assets are protected from fraud, theft, employee error, and misrepresentation by third parties. The internal controls shall apply to the MCPFP. The concept of reasonable assurance recognizes that the cost of control shall not exceed the benefits likely to be derived and that the valuation of costs and benefits require estimates and judgments by management. These procedures shall consider

separation of duties, safekeeping, collateralization, reconciliation, wire transfers and other banking related activities.

## 8.0 CONFLICT OF INTEREST

Officers and staff members involved in the investment process shall not engage in any profession, trade, business or occupation which is incompatible or involves a conflict of interest with their duties; or which may compromise the security and integrity of the County's investment program or impairs their ability to make impartial and prudent investment decisions. The Auditor-Controller-Treasurer-Tax Collector, Assistant Treasurer-Tax Collector, Chief Investment Officer, and Treasury Accountant are required to file annually the *Statement of Economic Interest* as mandated by the Fair Political Practices Commission (FPPC) and/or by County ordinance.

## 9.0 SOURCE AND USE OF MCPFP FUNDS

It is the intent of the County to continue the MCPFP to provide funding for public capital improvements and related repair and maintenance and the acquisition and/or improvement of property, buildings and/or land costs to benefit the County, separate and distinct from County General Funds.

The County receives an annual payment as part of the terms of the Tobacco Master Settlement Agreement. Upon receipt, the funds will be deposited and invested in the MCPFP portfolio according to the objectives of the Program.

At the discretion of the County Board of Supervisors, a maximum of \$4,500,000 may be withdrawn annually from the MCPFP funds and utilized for approved projects. By a 4/5 vote, the Board of Supervisors may authorize withdrawal of a greater amount.

## 10.0 AUTHORIZED INVESTMENT INSTRUMENTS

Investments shall be restricted to those authorized in the California Government Code and as further restricted by this policy. The following defines in detail the parameters of each approved investment type. Any instrument not expressly permitted is prohibited. Specific limitations are provided on the maximum allowable percentage per investment category and further limitations by issuer within each investment category. Where there is a percentage limitation or minimum rating requirement for a particular investment category, that percentage or requirement is only applicable at the time of purchase.

- A. Bonds issued by the County of Tulare, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the County of Tulare or by a department, board, agency, or authority of the County of Tulare.
- B. United States Treasury bills, notes, bonds or certificates of indebtedness or those for which faith and credit of the United States are pledged for principal and interest.
- C. Registered treasury notes or bonds of any of the 49 United States in addition to the State of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a

department, board, agency, or authority of any of the other 49 United States, in addition to the State of California. Purchases are limited to securities rated in a rating category of "A" (long-term) or "A-1" (short-term) or their equivalents or better by a nationally recognized statistical rating organization (NRSRO). A maximum of 30% of the MCPFP portfolio may be invested in this category (C) and category (D).

- D. Bonds, notes, or warrants of the State of California and any local agency within California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency, or authority of the local agency. Purchases are limited to securities rated in a rating category of "A" (long-term) or "A-1" (short-term) or their equivalents or better by an NRSRO. A maximum of 30% of the MCPFP portfolio may be invested in this category (D) and category (C).
- E. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
- F. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as Bankers Acceptances, the short-term paper of which is rated in the highest category by a nationally recognized rating service. Purchases of Bankers Acceptances may not exceed 180 days maturity or 40 percent of the total MCPFP portfolio which may be invested pursuant to this section.
- G. Commercial Paper. Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization. The entity that issues the commercial paper shall meet all the following conditions in either paragraph (1) or paragraph (2):
  - (1) The entity meets the following criteria: (A) Is organized and operating in the United States as a general corporation. (B) Has total assets in excess of five hundred million dollars (\$500,000,000). (C) Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by a nationally recognized statistical-rating organization.
  - (2) The entity meets the following criteria: (A) Is organized within the United States as a special purpose corporation, trust, or limited liability company. (B) Has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond. (C) Has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical-rating organization.

Purchases of eligible commercial paper shall not exceed 270 days maturity. Purchases of commercial paper may not exceed 40 percent of the total MCPFP portfolio.

- H. Negotiable Certificates of Deposit issued by a nationally or state-chartered bank or a savings association or federal association or a state or federal credit union or a federally-licensed or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 30 percent of the total MCPFP portfolio which

may be invested pursuant to this section. Purchases are limited to securities rated in a rating category of "A" (long-term) or "A-1" (short-term) or their equivalents or better by an NRSRO. For the purpose of this section, negotiable certificates of deposit do not come within Article 2 of Chapter 4 of Part 1 of Division 2 of Title 5 of the Government Code, except that the amount invested shall be subject to the limitations of §53638.

- I. Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated in a rating category of "A" or its equivalent or better by an NRSRO. Purchases of medium-term notes shall not include other instruments authorized by this section and shall not exceed 30 percent of the MCPFP portfolio.
- J. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940. To be eligible for investment these companies shall either:
  - (1) Attain the highest ranking or highest letter and numerical rating provided by not less than two NRSROs.
  - (2) Have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with no less than five years of experience managing money market funds with assets under management in excess of five hundred million dollars (\$500,000,000). The purchase price of shares of beneficial interest purchased shall not include any commission these companies may charge and shall not exceed 15 percent of the total MCPFP portfolio which may be invested pursuant to §53635 of the California Government Code.
- K. FDIC insured or collateralized savings accounts, market rate accounts, certificates of deposits and other bank deposits in a state or national bank, savings association or federal association, or a state or a federal credit union located in California. Any financial institution accepting County funds for deposit must comply with the requirements of Government Code §53630 et seq., including collateralization of deposits. The County may waive the collateralization requirements for any portion of the deposit covered by Federal Deposit Insurance. As provided by Government Code §53649, the County shall have a signed contract with each financial institution that has County funds on deposit.
- L. Deposits at a commercial bank, savings bank, savings and loan association, or credit union placed through a deposit placement service that comply with the requirements under Government Code §53601.8 and §53635.8. The full amount of the principal and the interest that may be accrued during the maximum term of each certificate of deposit shall at all times be insured by Federal Deposit Insurance.
- M. Local Agency Investment Fund (LAIF). The maximum balance that can be held in the fund is the maximum amount permitted by State Treasury policy.
- N. Managed Investment Pools pursuant to California Government Code §53601(p) for

which shares of beneficial interest issued by a joint powers authority organized pursuant to California Government Code §6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (r), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

- (1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.
  - (2) The adviser has no less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive.
  - (3) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).
- O. A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond. Securities eligible for investment under this subdivision not issued or guaranteed by an agency or issuer identified in subdivision (B) or (E), the following limitations apply:
- (1) Have a maximum remaining maturity of five years or less.
  - (2) Be rated in a rating category of "AA" or its equivalent or better by an NRSRO.
  - (3) Purchase of securities authorized by this subdivision may not exceed an accumulative 20 percent of the total MCPFP portfolio.
- P. United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and shall not exceed 30 percent of the total MCPFP portfolio that may be invested pursuant to this section.

## 11.0 INELIGIBLE SECURITIES

1. Securities Lending
2. Inverse floaters, range notes, or interest-only strips derived from a pool of mortgages.
3. A local agency shall not invest any funds in any security that could result in zero interest if held to maturity.
4. Financial futures and options.
5. Mutual bond funds that do not maintain a constant Net Asset Value (NAV).

## 12.0 INVESTMENT TRANSACTION PARAMETERS

### 12.1 COMPETITIVE PRICING

Investment transactions are to be made at current market prices. When possible, competitive prices should be obtained through multiple bids or offers and documented in the trade documentation. When possible, bids and offers for any investment security should be taken from at least three broker/dealers on the approved list. When identical securities are not available from multiple sources, or investments are purchased directly from the issuer (i.e. commercial paper and certificates of deposit), market prices may be documented by reference to offerings of similar securities that are of comparable rating and maturity by other issuers.

### 12.2 DIVERSIFICATION PARAMETERS

County Treasury staff shall diversify its investments by security type, issuer, and maturity as specified in the previous sections. The purpose of this diversification is to reduce portfolio risk by avoiding overconcentration in any particular maturity sector, asset class, or specific issuer. With the exception of insured and/or collateralized bank deposits, U.S. Government securities, including its agencies and instrumentalities, and authorized pools, no more than 5% of the MCPFP investment portfolio may be invested in securities of a single issuer, regardless of sector.

### 12.3 MATURITY PARAMETERS

Effective November 1, 2024, the County Treasurer is authorized, per California Government Code Section 53601, to purchase securities maturing more than five years from the date of purchase in the MCPFP portfolio for the following investment types: U.S. Treasury obligations, U.S. agency obligations, including agency mortgage-backed securities, U.S. government sponsored enterprises, and obligations issued by a state or local agency within California or any of the other 49 United States. Maturity limitations on each investment type are described in this Policy in the MCPFP Investment Parameters table.

Except for agency mortgage-backed securities, the term “maturity” in this Policy is defined as an instrument’s stated legal final or mandatory redemption date, and the term to maturity shall be measured from the settlement date to final maturity. For agency mortgage-backed securities permitted under California Government Code 53601(f), maturity will be measured as the estimated average life of the security at time of purchase.

The maturities in the MCPFP portfolio shall also comply with the following, unless prior approval has been received by the Treasurer:

- a) Maturities must be structured to provide liquidity for the maximum allowable annual disbursement of funds from the MCPFP, while taking into consideration expected annual tobacco settlement receipts;
- b) No investment shall be made with a maturity (as defined above) beyond 10.5 years;

- c) No more than 50% of the portfolio can be invested beyond 5 years;
- d) The weighted average duration of the portfolio may not exceed 5 years.

#### **12.4 ISSUER DOWNGRADES**

In the event an issuer is downgraded below the ratings set forth in this Investment Policy, an analysis will be performed detailing the exposure to the MCPFP portfolio and a conclusion will be made regarding holding applicable securities to maturity, reducing exposure to the issuer, or selling all holding associated with the issuer.

#### **12.5 CALCULATION PARAMETERS**

Calculation of percentage allocations and the portfolio's weighted average duration shall be done at the time of purchase and formulated on book value.

### **13.0 BROKER/DEALER AND DEPOSITORY INSTITUTIONS**

#### **13.1 APPROVED LIST OF BROKER/DEALER INSTITUTIONS**

The County Treasurer shall approve and maintain a list of broker/dealers and direct issuers authorized to provide investment services to the County pursuant to California Government Code §53601.5. All investments must be made with institutions that have been approved by the County Treasurer prior to investing. The County's external investment advisors may use their own list of approved broker/dealers and financial institutions for investment purposes. The advisor shall submit the list of approved broker/dealers to the County upon request. The criteria for approval is described in a separate *Investment Guidelines and Procedures Manual* maintained by the Treasurer's Office.

In compliance with Section 27133(c) & (d) of the California Government Code, no dealer and/or securities firm shall be eligible if they have made a political contribution in excess of limitation contained in Rule G-37 of the Municipal Securities Rulemaking Board or exceed the limit on honoraria, gifts, and gratuities set by State Law, by the Fair Political Practices Commission, or by County ordinance.

#### **13.2 APPROVED LIST OF DEPOSITORY INSTITUTIONS**

The County Treasurer shall approve and maintain a list of depository institutions from which the County is authorized to place deposits described in section (L) of the AUTHORIZED INVESTMENT INSTRUMENTS section of this policy. This list will be reviewed on an annual basis by the County Treasurer. An institution must meet the following criteria to be considered by the County Treasurer for deposits described in section (L) of the AUTHORIZED INVESTMENT INSTRUMENTS section of this policy:

- 1) The institution must be located in California.
- 2) The institution must have current financial information, a signed contract and waiver on file with the agency.
- 3) The institution must maintain a net worth to asset ratio of at least 3% and have a positive earnings record.



- 4) The institution must be at least three years old.
- 5) For collateralized investments, the institution must have at least \$100 million in assets and collateralize their deposits in accordance with §53651 and §53652 of the California Government Code.
- 6) The institution shall have received an overall rating of not less than “satisfactory” in its most recent Community Reinvestment Act evaluation.

## 14.0 CUSTODY & DELIVERY

As required by California Government Code §53601, §53608, and §53635, all investment instruments in a negotiable, bearer, registered, or non-registered format shall be delivered to the MCPFP portfolio’s custodial bank by using book entry or physical delivery. All security transactions are to be conducted on a “delivery vs. payment” basis. Securities will be held by a third-party custodian designated by the Treasurer and evidenced by safekeeping receipts. Securities are not to be held in accounts of a financial advisor or the broker/dealer.

## 15.0 REVIEW AND ANALYSIS OF PROSPECTIVE INVESTMENTS

The securities held in the MCPFP portfolio must be in compliance with Section 10 Authorized Investment Instruments at the time of purchase. Because some securities may not comply with Section 10 subsequent to the date of purchase, the Treasurer shall at least quarterly review the portfolio to identify those securities that do not comply. The Treasurer shall report major and critical incidences of noncompliance identified through the review of the portfolio to the Board of Supervisors.

## 16.0 PERFORMANCE MEASUREMENT

The MCPFP portfolio will be managed in accordance with the parameters specified within this policy and designed with the objective of obtaining a rate of return throughout budgetary and economic cycles commensurate with the investment risk constraints and cash flow needs.

The investment performance objective of the portfolio shall be to earn a total rate of return that is approximately equal to or greater than the return on a portfolio/index of securities with commensurate risk. The investment performance measurement benchmark shall be reported to the Board of Supervisors on an annual basis.

## 17.0 REPORTING

PFM Asset Management LLC, as the contracted MCPFP Administrator, shall prepare an annual Millennium Capital Project Fund Program Investment Report to the Board of Supervisors, the Auditor/Treasurer, County Administrative Officer, and the Treasury Oversight Committee. This report contains, but is not limited to, the following investment information:

- A. Summary of portfolio’s sector allocation, maturity distribution, and credit quality;
- B. The total portfolio market value as of the date of the report;

- C. Overall portfolio yield;
- D. The total return of the portfolio compared to its benchmark;
- E. Statement that the portfolio is in compliance with the Investment Policy or the manner in which the portfolio is not in compliance;

A quarterly summary Investment Report shall also be provided to the Board of Supervisors and the Treasury Oversight Committee.

All security holdings shall be reconciled no less than monthly by the County Treasurer.

## 18.0 INVESTMENT POLICY ADOPTION

The MCPFP Policy shall be reviewed annually, and any changes shall be brought to the County Board of Supervisors for approval. The investment policy will become effective immediately following adoption by the Board of Supervisors and shall remain in effect as long as the delegation of authority to the Treasurer is in effect and until a subsequent revision is adopted.

## MCPFP INVESTMENT PARAMETERS

Allowable Instruments	MCPFP Maximum % of Portfolio	Code Maximum % of Portfolio	MCPFP Maximum Maturity	Code Maximum Maturity	MCPFP Fund % per Issuer <sup>1</sup>
U.S. Treasury Obligations (\$53601(b))	100	100	10.5 years	None, with approval	100
U.S. Agency Obligations or U.S. Government Sponsored Enterprises, including mortgage related securities (\$53601(f))	100	100	10.5 years	None, with approval	100
Obligations issued by a State or local agencies within California or by any of the other 49 United States (\$53601(d)(e))	30	100	10.5 years <sup>3</sup>	None, with approval	5
Tulare County (\$53601(a))	15	100	10.5 years	None, with approval	15
Supranational Obligations (\$53601(q))	30	30	5 Years	5 Years	5
Medium Term Notes (Corporate) (\$53601(k))	30	30	5 Years	5 Years	5
Mortgage and Asset Backed Securities ((\$53601(o))	20	20	5 Years	5 Years	5
Bankers' Acceptances (\$53601(g))	40	40	180 Days	180 Days	5
Negotiable Certificates of Deposit (\$53601(i))	30	30	5 Years	None	5
Repurchase Agreement (\$53601(j))	50	None	30 Days	1 Year	N/A
Reverse Repurchase Agreements (\$53601(j))	20	20	92 Days	92 Days	10
Bank Time Deposits (\$53630 et seq.)	30	None	3 Years	None	25
Bank Deposits –through deposit placement service (\$53601.8)	30	50 <sup>2</sup>	3 Years	None	25
Money Market Accounts (\$53630 et seq.)	50	None	N/A	None	25
Commercial Paper (\$53601(h) and (\$53635(a))	40	40	270 Days	270 days	5
Money Market Funds (\$53601(l))	15	20	N/A	N/A	10
Managed Investment Pool pursuant to GC \$53601(p)	50	100	N/A	N/A	25
L.A.I.F. (\$16429.1)	Maximum Allowed	Per State Treasury Policy	N/A	N/A	N/A

<sup>1</sup> With the exception of insured and/or collateralized bank deposits, overnight repurchase agreements, U.S. Government securities, including its agencies and instrumentalities, and authorized pools, no more than 5% of the

County's aggregate investment portfolio may be invested in securities of a single issuer.

<sup>2</sup> "Bank Deposits – through deposit placement services" code limit of 50% is in effect until January 1, 2026, at which time it will revert back to the previous limit of 30% in accordance with Assembly Bill 945.

<sup>3</sup> For agency mortgage-backed securities permitted under 53601(f), maturity will be measured as the estimated average life of the security at time of purchase.

## GLOSSARY OF INVESTMENT TERMS

**AGENCIES.** Shorthand market terminology for any obligation issued by a *government-sponsored entity (GSE)*, or a *federally related institution*. Most obligations of GSEs are not guaranteed by the full faith and credit of the US government. Examples are:

**FARMER MAC.** The Federal Agricultural Mortgage Corporation is a federally chartered GSE that is an institution of the Farm Credit System. Farmer Mac services as secondary market in agricultural loans such as mortgages for agricultural real estate and rural housing.

**FFCB.** The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.

**FHLB.** The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.

**FHLMC.** Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called “FreddieMac” issues discount notes, bonds and mortgage pass-through securities.

**FNMA.** Like FHLB and FreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as “FannieMae,” issues discount notes, bonds and mortgage pass-through securities.

**GNMA.** The Government National Mortgage Association, known as “GinnieMae,” issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.

**TVA.** The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds.

**ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACRF).** The official annual report of the Tulare County Investment Pool. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed statistical sections.

**ASKED.** The price at which a seller offers to sell a security.

**ASSET BACKED SECURITIES.** Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

**AVERAGE LIFE.** In mortgage-related investments, including CMOs, the average time to expected receipt of principal payments, weighted by the amount of principal expected.

**BANKER’S ACCEPTANCE.** A money market instrument created to facilitate international trade transactions. It is highly liquid and safe because the risk of the trade transaction is transferred to the bank which “accepts” the obligation to pay the investor.

**BENCHMARK.** A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

**BID.** The price at which a buyer offers to buy a security.

**BROKER.** A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

**CALLABLE.** A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline since an issuer issues securities, it will likely call its current securities and reissue them at a lower rate of interest. Callable securities have reinvestment risk as the investor may receive its principal back when interest rates are lower than when the investment was initially made.

**CERTIFICATE OF DEPOSIT (CD).** A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

**CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SYSTEM (CDARS).** A private placement service that allows local agencies to purchase more than \$250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than \$250,000 each, so that FDIC coverage is maintained.

**COLLATERAL.** Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

**COLLATERALIZED MORTGAGE OBLIGATIONS (CMO).** Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

**COMMERCIAL PAPER.** The short-term unsecured debt of corporations.

**COMPREHENSIVE ANNUAL FINANCIAL REPORT (Annual Report).** The official annual report of the Tulare County Investment Pool. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed statistical sections.

**COST YIELD.** The annual income from an investment divided by the purchase cost. Because it does not give effect to premiums and discounts which may have been included in the purchase cost, it is an incomplete measure of return.

**COUPON.** The rate of return at which interest is paid on a bond.

**CREDIT RISK.** The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

**CURRENT YIELD.** The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

**DEALER.** A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.

**DEBENTURE.** A bond secured only by the general credit of the issuer.

**DELIVERY VS. PAYMENT (DVP).** A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

**DERIVATIVE.** Any security that has principal and/or interest payments which are subject to uncertainty (but not for reasons of default or credit risk) as to timing and/or amount, or any security which represents a component of another security which has been separated from other components ("Stripped" coupons and principal). A derivative is also defined as a financial instrument the value of which is totally or partially derived from the value of another instrument, interest rate, or index.

**DISCOUNT.** The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

**DIVERSIFICATION.** Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

**DURATION.** The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates.

**FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC).** A federal agency that insures bank deposits, currently up to \$250,000 per entity.

**FEDERAL FUNDS RATE.** The rate of interest charged by banks for short-term loans to other banks. The Federal Reserve Bank through open-market operations establishes it.

**FEDERAL HOME LOAN BANKS (FHLB).** Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

**FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA).** FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

**FEDERAL OPEN MARKET COMMITTEE (FOMC).** Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

**FEDERAL RESERVE SYSTEM.** The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA OR GINNIEMAE).** Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. GinnieMae securities are backed by the FHA, VA or FHA mortgages. The term “pass-throughs” is often used to describe GinnieMaes.

**GOVERNMENT-SPONSORED ENTERPRISE (GSE).** Quasi-governmental entity established to enhance the flow of credit to specific sectors of the American economy. Created by acts of Congress, these agencies, although privately held, provide public financial services. GSEs help to facilitate borrowing for a variety of individuals, including students, farmers, and homeowners. Fannie Mae, Freddie Mac, the Federal Home Loan Bank System, and the Federal Farm Credit System are all considered GSEs.

**LIQUIDITY.** The speed and ease with which an asset can be converted to cash.

**LOCAL AGENCY INVESTMENT FUND (LAIF).** A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

**LOCAL GOVERNMENT INVESTMENT POOL.** Investment pools that range from the State Treasurer's Office Local Agency Investment Fund (LAIF) to county pools, to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

**MARKET RISK.** The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

**MARKET VALUE.** The price at which a security can be traded.

**MARKING TO MARKET.** The process of posting current market values for securities in a portfolio.

**MASTER REPURCHASE AGREEMENT.** A written contract covering all future transactions between the parties to repurchase—reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

**MATURITY.** The final date upon which the principal of a security becomes due and payable.

**MEDIUM TERM NOTES.** All corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating in the United States or by depository institutions licensed by the United States or any state and operating with the United States.

**MONEY MARKET.** The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

**MORTGAGE PASS-THROUGH SECURITIES.** A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

**MUNICIPAL SECURITIES.** Securities issued by state and local agencies to finance capital and operating expenses.

**MUTUAL FUND.** An entity which pools the funds of investors and invests those funds in a set of securities which is specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds, and money market instruments, as set forth in the individual fund's prospectus. For most large, institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.



**NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO).**

A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating agencies to provide them with ratings. The three most prominent NRSROs are Fitch, S&P, and Moody's.

**NEGOTIABLE CD.** A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor).

**OFFER.** The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

**OPEN MARKET OPERATIONS.** Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

**PORTFOLIO.** Collection of securities held by an investor.

**PREMIUM.** The difference between the par value of a bond and the cost of the bond, when the cost is above par.

**PRIMARY DEALER.** A financial institution (1) that is a trading counterparty with the Federal Reserve in its execution of market operations to carry out U.S. monetary policy, and (2) that participates for statistical reporting purposes in compiling data on activity in the U.S. Government securities market.

**PRUDENT PERSON (PRUDENT INVESTOR) RULE.** A standard of responsibility which applies to fiduciaries. In California, the rule is stated as "Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes."

**QUALIFIED PUBLIC DEPOSITORIES.** A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold publicdeposits.

**RATE OF RETURN.** The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

**REALIZED YIELD.** The change in value of the portfolio due to interest received and interest earned and realized gains and losses. It does not give effect to changes in market value on securities, which have not been sold from the portfolio.

**REPURCHASE AGREEMENT (REPO).** Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a reverse repurchase agreement.

**REVERSE REPURCHASE AGREEMENT (REVERSE REPO).** A reverse-repurchase agreement (reverse repo) involves an investor borrowing cash from a financial institution in exchange for securities. The investor agrees to repurchase the securities at a specified date for the same cash value plus an agreed-upon interest rate. Although the transaction is similar to a repo, the purpose of entering into a reverse repo is quite different. While a repo is a straightforward investment of public funds, the reverse repo is a borrowing.

**SAFEKEEPING.** A service to bank customers whereby securities are held by the bank in the customer's name.

**SECONDARY MARKET.** A market made for the purchase and sale of outstanding issues following the initial distribution.

**SECURITIES & EXCHANGE COMMISSION (SEC).** Agency created by Congress to protect investors in securities transactions by administering securities legislation.

**SEC RULE 15(C)3-1:** See Uniform Net Capital Rule.

**STRUCTURED NOTE.** A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include

inverse floating rate notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising, and "dual index floaters," which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

**SUPRANATIONAL.** A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries. Examples of a supranational organization include International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

**TOTAL RATE OF RETURN.** A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains, and losses in the portfolio.

**U.S. TREASURY OBLIGATIONS.** Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

**TREASURY BILLS.** All securities issued with initial maturities of one year or less are issued as discounted instruments, and are called Treasury bills. The Treasury currently issues three- and six-month T-bills at regular weekly auctions. It also issues "cash management" bills as needed to smooth out cash flows.

**TREASURY NOTES.** All securities issued with initial maturities of two to ten years are called Treasury notes, and pay interest semi-annually.

**TREASURY BONDS.** All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

**UNIFORM NET CAPITAL RULE.** Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

**VOLATILITY.** The rate at which security prices change with changes in general economic conditions or the general level of interest rates.

**YIELD.** The rate of annual income return on an investment, expressed as a percentage.

(a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD** or **YIELD TO MATURITY** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

***"Attachment 4 - Exhibit C"***

**Agreement with PFM Asset Management LLC**

**(Attached)**

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**COUNTY OF TULARE  
SERVICES AGREEMENT  
MILLENNIUM CAPITAL PROJECT FUND PROGRAM ADMINISTRATION AGREEMENT**

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**THIS MILLENNIUM CAPITAL PROJECT FUND PROGRAM ADMINISTRATION AGREEMENT** (this “Agreement”) is entered into as of July 30, 2024, between the **COUNTY OF TULARE**, a political subdivision of the State of California (the “County”), and **PFM ASSET MANAGEMENT LLC**, a Delaware Limited Liability Company (the “Administrator” or “CONTRACTOR”). County and Administrator are each a “Party” and together are the “Parties” to this Agreement, which is made with reference to the following:

**A.** On December 8, 1999, the Board of Directors of the Tulare County Public Financing Authority (the “Authority”) adopted its Resolution No. PFA-99-01, and the Board of Supervisors (the “Board”) of the County adopted its Resolution No. 99-0948, approving the Authority’s issuance and sale of taxable revenue bonds known as the Authority’s “Variable Rate Demand Bonds, Series 1999 (Millennium Fund Program)” in an aggregate principal amount of \$45 million and with a maturity date of no later than August 1, 2034 (the “1999 Bonds”) for the benefit of, and in order to provide the County with funds for the acquisition and construction of public capital improvements and the repair and maintenance costs relating thereto.

**B.** In connection with the issuance and sale of the 1999 Bonds, the County and the Authority entered into a site lease dated as of December 1, 1999 (the “1999 Site Lease”), pursuant to which the County leased certain real property and improvements described therein (the “1999 Leased Assets”) to the Authority for purposes of financing the construction of certain public facilities.

**C.** In connection with the issuance and sale of the 1999 Bonds, the County and the Authority entered into a lease agreement dated as of December 1, 1999 (the “1999 Lease Agreement”), pursuant to which the County leased the 1999 Leased Assets back from the Authority for purposes of financing the construction of certain public facilities, with the 1999 Leased Assets serving as and pledged as security for the payment of the principal of, and the interest on, the 1999 Bonds.

**D.** Pursuant to an unrecorded Indenture of Trust dated as of December 1, 1999 (the “1999 Indenture of Trust”), by and between the Authority and U.S. Trust Company, National Association (the “1999 Trustee”), the Authority assigned to the 1999 Trustee, among other things, its rights to receive lease payments from the County under the 1999 Lease Agreement in order to pay the principal of, and the interest on, the 1999 Refunding Bonds, and the right to exercise rights and remedies conferred on the Authority under the 1999 Lease Agreement to enforce payment of those lease payments.

**E.** The 1999 Indenture of Trust also established the County’s “Millennium Fund Program,” whereby the County securitized its Tobacco Settlement Revenues (as defined in the 1999 Lease Agreement) and directed the investment of said securitized funds, including the proceeds from the 1999 Bonds, for the purpose of generating investment income that the County annually has used to help defray the costs of capital improvements to various County buildings and related facilities.

**F.** On December 8, 1999, the Board of Directors of the Authority also approved a “Program Administration Agreement” between the Authority and Pacific Financial Management, Inc. (“PFM”) for PFM to serve as Administrator of the Millennium Fund Program (the “1999 Program Administrator Agreement”).

**COUNTY OF TULARE  
SERVICES AGREEMENT  
MILLENNIUM CAPITAL PROJECT FUND PROGRAM ADMINISTRATION**

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- G.** On May 23, 2000, the Board of Directors of the Authority adopted its Resolution No. PFA-2000-01 consenting to PFM's assignment of the 1999 Program Administration Agreement to its affiliate PFM Asset Management LLC.
- H.** On December 5, 2006, the Board of Directors of the Authority adopted its Resolution No. PFA-2006-02, and the Board adopted its Resolution No. 2006-0886 approving the Authority's issuance and sale of taxable revenue bonds known as the Authority's "Refunding Bonds, Series 2006 (Millennium Fund Program) (Federally Taxable)" in an aggregate principal amount not to exceed \$43 million and with a maturity date of no later than October 1, 2034 (the "2006 Refunding Bonds") in order to defease and redeem in whole the outstanding principal amount of the 1999 Bonds.
- I.** The defeasance and redemption of the 1999 Bonds had the effect of terminating the 1999 Site Lease, the 1999 Lease Agreement, and the 1999 Indenture of Trust, and releasing the security and leasehold interests in the 1999 Leased Assets.
- J.** In connection with the issuance and sale of the 2006 Refunding Bonds, the County and the Authority entered into a new site lease dated as of December 1, 2006, and recorded in the Official Records of Tulare County, California ("Official Records") on December 14, 2006, as Instrument No. 2006-0128976 (the "2006 Site Lease"), pursuant to which the County leased certain real property and improvements described therein (the "2006 Leased Assets") to the Authority for purposes of financing the construction of certain public facilities.
- K.** In connection with the issuance and sale of the 2006 Refunding Bonds, the County and the Authority entered into a new lease agreement dated as of December 1, 2006, and recorded in the Official Records on December 14, 2006, as Instrument No. 2006-0128977 (the "2006 Lease Agreement"), pursuant to which the County leased the 2006 Leased Assets back from the Authority for purposes of financing the construction of certain public facilities, with the 2006 Leased Assets serving as and pledged as security for the payment of the principal of, and the interest on, the 2006 Refunding Bonds.
- L.** Pursuant to an unrecorded Indenture of Trust dated as of December 1, 2006 (the "2006 Indenture of Trust"), by and between the Authority and The Bank of New York Trust Company, N.A. (the "2006 Trustee"), the Authority assigned to the 2006 Trustee, among other things, its rights to receive lease payments from the County under the 2006 Lease Agreement in order to pay the principal of, and the interest on, the 2006 Refunding Bonds, and the right to exercise rights and remedies conferred on the Authority under the 2006 Lease Agreement to enforce payment of those lease payments.
- M.** The 2006 Indenture of Trust also restated and continued the County's Millennium Fund Program and Administrator has continued to act as the Program Administrator pursuant to the 1999 Program Administration Agreement.
- N.** The County and the Authority have authorized prepayment of all remaining lease payments under the 2006 Lease Agreement and redemption and defeasance of the outstanding principal of and interest on the 2006 Bonds, which in turn will have the effect of terminating the 2006 Site Lease, the 2006 Lease Agreement, and the 2006 Indenture of Trust, releasing the security and leasehold interests in the 2006 Leased Assets, and assignment of the Authority's rights to and interests in the monies connected with the 2006 Indenture of Trust to the County.

**COUNTY OF TULARE  
SERVICES AGREEMENT  
MILLENNIUM CAPITAL PROJECT FUND PROGRAM ADMINISTRATION**

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**O.** Notwithstanding the termination of the 2006 Indenture of Trust, the County intends to continue the operation of the Millennium Fund Program, henceforth to be known as the “Millennium Capital Project Fund Program” as amended and restated under the terms and conditions set forth on the attached **Exhibit A** and wishes to continue to have Administrator act as the Program Administrator for said program.

**P.** Administrator is willing to continue to act as the Program Administrator for said program, under the terms of this Agreement.

**THE PARTIES AGREE AS FOLLOWS:**

**1. TERM:** This Agreement becomes effective as of July 30, 2024, and expires at 11:59 PM on July 29, 2029, unless earlier terminated as provided below, or unless the Parties extend the term by a written amendment to this Agreement.

**2. SERVICES:** Administrator shall provide County with the services and products shown on the attached **Exhibits A and A-1**. At all times, the Administrator and its staff assigned to provide services and products hereunder shall comply with the (a) the County’s then-current Investment Policy of the Millennium Capital Project Fund Program, and (b) applicable requirements of the U.S. Investment Advisers Act of 1940, that Act’s implementing Federal regulations, and any California statutes and regulations applicable to such services and products.

**3. PAYMENT FOR SERVICES:** As consideration for the services and products provided by Administrator hereunder, County shall pay Administrator in accordance with the attached **Exhibit B**.

**4. INSURANCE:** Before approval of this Agreement by County, Administrator must file with the Clerk of the Board of Supervisors evidence of the required insurance as set forth in the attached **Exhibit C**.

**5. GENERAL AGREEMENT TERMS AND CONDITIONS:** County’s “General Agreement Terms and Conditions (Form revision approved as of 01/01/2021)” are attached as **Exhibit D** and incorporated by reference and made a part of this Agreement. If there are any inconsistencies between this Agreement and Exhibit D, this Agreement shall prevail.

**6. NOTICES:** (a). Except as may be otherwise required by law, any notice to be given must be written and must be either personally delivered, sent by facsimile transmission or sent by first class mail, postage prepaid and addressed as follows:

**County:**

County Administrative Officer  
County of Tulare  
2800 W. Burrell Ave.  
Visalia, CA 93291  
Phone No.: 559-636-5005  
Fax No.: 559-733-6318

**With a Copy to:**

Auditor-Controller/Treasurer-Tax Collector  
County of Tulare  
221 South Mooney Blvd., Room 101 E  
Visalia, CA 93291  
Phone No.: 559-636-5200  
Fax No.: 559-733-6988

**COUNTY OF TULARE  
SERVICES AGREEMENT  
MILLENNIUM CAPITAL PROJECT FUND PROGRAM ADMINISTRATION**

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**Administrator:**

PFM Asset Management LLC  
Attn: Lauren Brant, Managing Director  
1 California St., Suite 1000  
San Francisco, CA 94111  
Phone No.: 415-393-7270

**With a Copy to:**

PFM Asset Management LLC  
Attn: Kenneth Schiebel, CFA, Chief Investment Officer  
213 Market St.  
Harrisburg, PA 17101  
Phone No.: 717-231-6215

(b). Notice personally delivered is effective when delivered. Notice sent by facsimile transmission is deemed to be received upon successful transmission. Notice sent by first class mail will be deemed received on the fifth calendar day after the date of mailing. Either Party may change the above address by giving written notice under this section.

**7. AUTHORITY:** Each Party represents and warrants to the other that the individual(s) signing this Agreement on its behalf are duly authorized and have legal capacity to sign this Agreement and bind that Party to its terms. Each Party acknowledges that the other Party has relied upon this representation and warranty in entering into this Agreement.

**8. COUNTERPARTS:** The Parties may sign this Agreement in counterparts, each of which shall be deemed an original and all of which taken together form one and the same agreement. A signed copy or signed counterpart of this Agreement delivered by facsimile, email, or other means of electronic transmission shall be deemed to have the same legal effect as delivery of a signed original or signed copy of this Agreement.

**9. MANUAL OR ELECTRONIC SIGNATURES:** The Parties may sign this Agreement by means of manual or electronic signatures. The Parties agree that the electronic signature of a Party, whether digital or encrypted, is intended to authenticate this Agreement and to have the same force and effect as a manual signature. For purposes of this Agreement, the term "electronic signature" means any electronic sound, symbol, or process attached to or logically associated with this Agreement and executed and adopted by a Party with the intent to sign this Agreement, including facsimile, portable document format, or email electronic signatures, pursuant to the California Uniform Electronic Transactions Act (Cal. Civ. Code §§ 1633.1 to 1633.17), as it may be amended from time to time.

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**COUNTY OF TULARE  
SERVICES AGREEMENT  
MILLENNIUM CAPITAL PROJECT FUND PROGRAM ADMINISTRATION**

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**THE PARTIES**, having read and considered the above provisions, indicate their agreement by their authorized signatures below.

**PFM ASSET MANAGEMENT LLC**

Date: July 18, 2024

By 

Print Name Lauren Brant

Title Managing Director

Date: July 18, 2024

By 

Print Name Kenneth Schiebel, CFA

Title Chief Investment Officer

[Pursuant to California Corporations Code section 17703.01, County policy requires that contracts with a **Limited Liability Company** be signed by at least two managers, unless the contract is accompanied by a certified copy of the articles of organization stating that the LLC is managed by only one manager.]

**COUNTY OF TULARE**

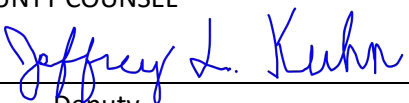
Date: \_\_\_\_\_

By \_\_\_\_\_  
Chair, Board of Supervisors

ATTEST: JASON T. BRITT  
County Administrative Officer/Clerk of the Board  
of Supervisors of the County of Tulare

By \_\_\_\_\_  
Deputy Clerk

Approved as to Form  
COUNTY COUNSEL

By   
Deputy

Matter # 2024534

## **EXHIBIT A**

Amended and Restated Millennium Capital Project Fund Program  
(Attached)

## *Exhibit A*

### **Amended and Restated Millennium Capital Project Fund Program**

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The Millennium Fund Program, heretofore established and operated on behalf of the County under the terms of the Indenture of Trust and the Lease Agreement (defined below), is hereby amended and restated, shall henceforth be known as the “Millennium Capital Project Fund,” and shall continue as amended and restated according to the terms shown in this *Exhibit A* and the attached *Exhibit B*.

**1. Definitions.** The following words and phrases shall have the following meanings unless the context otherwise requires:

“Administrative Fee” means the amount payable to the Administrator as its annual administrative fee in connection with the performance of its duties hereunder and under the Program Administration Agreement.

“Administrator” means PFM Asset Management LLC, appointed in the Program Administration Agreement with the County dated as of July 30, 2024, and any successor Administrator acting thereunder appointed by the County.

“Authority” means the Tulare County Public Financing Authority.

“Cost” or “Costs” in connection with a Project or Projects includes the cost of the acquisition of all lands, structures, equipment, rights-of-way, franchises, easements and other property rights and interests acquired by the County for a Project; the cost of demolishing, removing or relocating any buildings or structures on lands so acquired, including the cost of acquiring any lands to which such buildings or structures may be moved or relocated; the cost of all labor, materials, machinery and equipment, financing charges, interest prior to and during construction and for such a limited period after completion of such construction as may be approved by the County (not to exceed one year after completion of the Project); the cost of engineering, financial and legal services, plans, specifications, studies, surveys, estimates of costs and revenues, other expenses necessary or incident to determining the feasibility or practicability of constructing a Project; administrative expenses; and such other expenses as may be necessary or incident to the study, design, acquisition, bidding, and construction of a Project, the financing of such acquisition and construction and the placing of such Project in operation; and the costs of the maintenance and repair of any public capital improvement.

“County” means the County of Tulare.

“Eligible Investment” means any of the investments which are at the time of investment legal investments under Article 1 (commencing with section 53600) of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code, as it may be amended from time-to-time, but subject to the applicable limitations of Article 2 (commencing with

section 53630) of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code, as it may be amended from time-to-time and of the County's Millennium Capital Project Fund investment policy.

“Extraordinary Expenses” means all reasonable fees and expenses of the County or the Administrator relating to the Millennium Capital Project Fund Program, described herein including, but not limited to, the reasonable fees and disbursements of counsel and municipal advisors utilized by the County (including the reasonably allocated costs and expenses, if any, of in-house counsel and legal staff), and counsel for the Administrator, if any, in connection with said program.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., formerly known as The Bank of New York Mellon Trust Company, N.A., as trustee under the Indenture of Trust.

“Indenture of Trust” means that certain unrecorded Indenture of Trust dated as of December 1, 2006, by and between the Authority and the Trustee.

“Investment Agreement” means any written investment agreement or repurchase agreement to be entered into by the Administrator at the written direction of the County Treasurer for the purpose of investing monies deposited in certain of the funds referenced below, which investment agreement or repurchase agreement, and any amendments thereto or replacements thereof, is subject to the written approval of the County.

“Lease Agreement” means that certain lease agreement between the County and the Authority dated as of December 1, 2006, and recorded in the Official Records of Tulare County on December 14, 2006, as Instrument No. 2006-0128977.

“Millennium Fund” means the fund by that name originally created pursuant to Section 5.02 of the Indenture of Trust and continued hereunder, as amended and restated, as the “Millennium Capital Project Fund.”

“Millennium Capital Project Fund Program” means the revenue and investment policies and practices described in this ***Exhibit***.

“Millennium Capital Project Fund Program Investment Policy” means the current investment policy, adopted by the County Board of Supervisors, that together with this ***Exhibit*** and the Program Administration Agreement, governs the operation of the Millennium Capital Project Fund Program.

“Ongoing Expenses” means (i) the annual Administrator's Fee as provided in the Program Administration Agreement and (ii) the fee and expenses of a custodial bank or other depository, if any, whose services are contracted for by the County Treasurer in connection with the operation of the Millennium Capital Project Fund Program.

“Program Administration Agreement” means the agreement dated as of July 30, 2024, between the County and the Administrator setting forth the Administrator's duties and compensation, as such agreement may be amended from time-to-time.

“Project” or “Projects” means any public capital improvement project or projects of the County, and the maintenance and/or repairs with respect to such project or projects. A Project may include, but is not necessarily limited to, acquisition of all lands, structures, equipment, rights-of-way, franchises, easements and other property rights and interests required by the County for a Project; the demolishing, removing or relocating any buildings or structures on lands so acquired, including acquiring any lands to which such buildings or structures may be moved or relocated; all labor, materials, machinery and equipment, financing charges, interest prior to and during construction and for such a limited period after completion of such construction as may be approved by the County (not to exceed one year after completion of the Project); engineering, financial and legal services, development of plans, specifications, studies, surveys, estimates of costs and revenues, other services necessary or incident to determining the feasibility or practicability of constructing a Project; administrative; and such other services as may be necessary or incident to the study, design, acquisition and construction of a Project, and the placing of such Project into operation, and all construction of a Project.

“Revenues” means all income, revenues, issues, profits, investment earnings and other sums of money and funds referred to herein, including, without limitation, all Tobacco Settlement Revenues received by the County and deposited into the Millennium Capital Project Fund.

“Tobacco Settlement Revenues” means amounts received by the County under and pursuant to that certain Master Settlement Agreement dated as of November 23, 1998, between certain public agencies and participating tobacco companies, and the Memorandum of Understanding between the Attorney General of the State of California and various local jurisdictions, dated as of August 5, 1998, and any release and/or escrow instructions implementing said agreements.

“Tobacco Settlement Revenue Fund” or “TSR Fund” means the fund, originally established by the County pursuant to Section 407 of the Lease Agreement and section 5.04 of the Indenture of Trust, which is discontinued hereunder.

## **2. Revenues and Funds.**

### **(a.) Continuation and Closure of Certain Funds and Accounts.**

(i.) The Millennium Capital Project Fund and its subaccounts, if any, created by the County and held by the Trustee under the Indenture of Trust are hereby continued and upon receipt by the County shall be held and used by the County in accordance with the terms and conditions of this *Exhibit*. The Millennium Capital Project Fund shall be a capital fund of the County, to be held separate and apart from the County's General Fund. The Millennium Capital Project Fund shall be held and invested separately and apart from the

County's Pooled Investment Fund and shall be subject to its own investment policy, a copy of which is attached as ***Exhibit B***.

(ii.) The County is hereby authorized to create accounts and subaccounts in the Millennium Capital Project Fund in order to segregate monies or to accomplish any other administrative purpose.

(iii.) The following funds and accounts previously created by the County and held by the Trustee under the Indenture of Trust are hereby closed: (1.) the Bond Fund; (2.) the TSR Fund; (3.) the Extraordinary Expense Fund; and (4.) the Cost of Issuance Fund. Upon receipt of any monies remaining in said funds and accounts to be closed, the County shall transfer those monies into the Millennium Capital Project Fund.

**(b.) Payments into and Use of Monies in the Millennium Capital Project Fund.**

(i.) The County shall deposit into the Millennium Capital Project Fund all Tobacco Settlement Revenues which are received by the County.

(ii.) Monies in the Millennium Capital Project Fund shall be deposited into a custodial bank or other depository selected by the County Treasurer and then invested in Eligible Investments in accordance with the current approved Millennium Capital Project Fund investment policy and the Program Administration Agreement. Earnings on monies in the Millennium Capital Project Fund shall be credited to the Millennium Capital Project Fund, as received.

(iii.) On or about July 1 of each year, the County Treasurer will cause to be disbursed from the Millennium Capital Project Fund to the County an amount equal to the amount approved by the Board of Supervisors for the upcoming fiscal year, not to exceed \$4,500,000 in any Fiscal Year, except that by a 4/5 vote the Board of Supervisors may authorize disbursement of a greater amount for the fiscal year in question. These monies shall be used by the County to pay part or all of the Cost of a Project or Projects, as the case may be, and to pay Ongoing Expenses and Extraordinary Expenses, if any.

**(c.) Reports from the Administrator; Examination of Books.** The Administrator shall furnish the County Treasurer with monthly statements of the activity and assets held in the Funds and accounts created or continued hereunder, and provide the reports required by the Millennium Capital Project Fund Program Investment Policy and the Program Administration Agreement. The Administrator shall, at the prior written request of the County Treasurer, permit representatives of the County Treasurer during the Administrator's normal business hours with reasonable prior notice to examine the books and records of the Administrator relating to the Funds and accounts.

**3. Administrator and the Program Administration Agreement.** PFM Asset Management LLC is appointed as the Administrator. The Administrator shall be responsible

for providing the County with the services and products required under the Program Administration Agreement and referred to in this ***Exhibit***.

#### **4. Investment of Monies.**

(a.) **Investment of Monies in Funds.** All monies deposited in the Millennium Capital Project Fund shall be invested in Eligible Investments in accordance with the County's current approved Millennium Capital Project Fund investment policy and the Program Administration Agreement. Monies held as part of any Fund shall be immediately invested and reinvested by the Administrator in Eligible Investments. All such Eligible Investments purchased shall mature or be redeemable or be subject to repurchase by another entity on a date or dates prior to the time when the monies so invested will be required for expenditure.

Eligible Investments acquired as an investment of monies in any Fund created or continued hereunder shall be credited to such Fund. To determine the market value of the assets held in the Millennium Capital Project Fund at any time in accordance with this ***Exhibit***, except as otherwise provided herein, all Eligible Investments credited to such Fund shall be valued at fair market value. The value of Eligible Investments in each Fund shall be determined as of each April 1 and upon any transfer of monies from the Millennium Capital Project Fund to the County or upon the request of the County. The value of Eligible Investments so determined as of any such date shall constitute the "market value of assets" for purposes of this ***Exhibit*** and the Program Administration Agreement until the next date of valuation. The value of any Investment Agreement or Repurchase Agreement shall be par unless an event of default has occurred thereunder.

Subject to the provisions hereof, investments in any Funds created or continued by this ***Exhibit*** may be commingled for the purposes of making, holding, and disposing of investments. Notwithstanding provisions herein for transfer to or holding in particular Funds amounts received or such commingling, the Administrator shall at all times account for such investments in the Funds to which they are credited and otherwise as provided in this ***Exhibit***. The Administrator may act as principal or agent in the acquisition or disposition of any Eligible Investment. The Administrator may sell, or present for redemption, any Eligible Investment to the credit of any Fund created or continued by this ***Exhibit*** whenever it shall be necessary in order to provide monies to meet any required payment, transfer, withdrawal or disbursement from such Fund, and the Administrator shall not be liable for any loss resulting from such investment.

Notwithstanding any provision to the contrary contained herein, all monies subject to investment under this ***Exhibit*** shall be invested in Eligible Investments.

The County acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the County the right to receive brokerage confirmations of security transactions as they occur, the County specifically waives receipt of such confirmations to the extent allowed by law. The Administrator will furnish

the County periodic cash transaction statements which include detail for all investment transactions made by the Administrator hereunder.

**5. Management of the Millennium Capital Project Fund Program.** The County Treasurer, in consultation with the County Administrative Officer or their designees, is authorized and directed to manage the Millennium Capital Project Fund Program in accordance with the terms and conditions of this ***Exhibit***. As the program manager, the County Treasurer or designee is authorized to issue and enforce supplemental instructions and directives to implement the Millennium Capital Project Fund Program as may be necessary or convenient.



**EXHIBIT A-1**  
Scope of Services  
(Attached)

## **EXHIBIT A-1**

### **SCOPE OF SERVICES**

Specific responsibilities of the selected investment adviser will include, but are not limited to, the following:

- A. Advise the County on all matters pertaining to the investment management of the MCPFP in accordance with the Investment Policy.
- B. Provide the following discretionary investment management services:
  - 1. Execute investment trades on behalf of the Program in accordance with the Investment Policy and all applicable statutes.
  - 2. Solicit competitive quotes from financial institutions and broker/dealers for investments and maintain written documentation of such quotes for review by the County, upon request.
  - 3. Provide copies of the trade ticket for each trade PFMAM executes.
  - 4. Interface with the Program's custodian and staff to assure the coordination of investments, delivery of securities and availability of funds as needed.
  - 5. Monitor the portfolio in relation to the investment market to determine if investments should be repositioned.
  - 6. Monitor the credit worthiness of financial institutions and investments in the portfolio.
- C. Provide input regarding the appropriate measurement of portfolio performance and benchmark(s) to assess performance.
- D. Reporting requirements to be delivered to the County:
  - 1. Monthly statements detailing investment activity, earnings, and the market value of the portfolio holdings,
  - 2. Quarterly reports showing the portfolio's rate of return and sufficient detail for accounting (recording and management reporting) and financial statement (auditing) purposes,
  - 3. Annual Program report to be prepared for the Board of Supervisors, the Auditor/Treasurer, County Administrative Officer, and the Treasury Oversight Committee, per Policy.
- E. Perform an annual review and evaluation of the MCPFP Investment Policy and provide written comments and recommend changes as needed.
- F. Communicate regularly with County staff on investment decisions and strategy. Provide information regarding current and forecasted market and economic conditions, as needed.
- G. Other investment management services, as may be mutually agreed to in writing, if the firm has expertise and experience in these areas.

**EXHIBIT B**  
Payment For Services  
(Attached)

## **EXHIBIT B**

### **PAYMENT FOR SERVICES**

For services provided by PFMAM pursuant to this agreement, the County shall pay PFMAM an annual fee, in monthly installments, based on the daily net assets under management according to the fee schedule below:

Average Assets Under Management	Fees
First \$100 million of AUM	9 basis points (0.09%)
Over \$100 million of AUM	6 basis points (0.06%)

\*Minimum annual fee of \$40,000 applies to all accounts.

"Daily net assets" is defined to include the amortized value of securities, accrued interest, and cash or any money market fund balances.

PFMAM will bill the County monthly for services performed under this agreement, said bill to include a statement indicating the basis upon which the fee was calculated. The County shall pay to PFMAM the amount payable pursuant to this agreement no later than on the 15th day of the month following the month during which PFMAM's statement was rendered.

**EXHIBIT C**  
**PROFESSIONAL SERVICES CONTRACTS**  
**INSURANCE REQUIREMENTS**

Administrator shall maintain insurance for the duration of this Agreement against claims for injuries to persons and damage to property which may arise from, or in connection with, performance under the Agreement by the Administrator, his agents, representatives, employees and subcontractors, if applicable.

**A. Minimum Scope & Limits of Insurance**

1. Coverage at least as broad as Commercial General Liability, insurance Services Office Commercial General Liability coverage occurrence form GC 00 01, with limits no less than \$1,000,000 per occurrence including products and completed operations, property damage, bodily injury and personal & advertising injury. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location (ISO CG 25 03 or 25 04) or the general aggregate limit shall be twice the required occurrence limit.
2. Insurance Services Office Form Number CA 00 01 covering Automobile Liability of \$1,000,000 per occurrence including any auto or, if the Administrator has no owned autos, hired and non-owned auto coverage. If an annual aggregate applies it must be no less than \$2,000,000.
3. Workers' Compensation insurance as required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limit of no less than \$1,000,000 per accident for bodily injury or disease.
4. Professional Liability (Errors and Omissions) insurance appropriate to the Administrator's profession, with limit no less than \$1,000,000 per occurrence or claim, \$2,000,000 aggregate.

**B. Specific Provisions of the Certificate**

1. If the required insurance is written on a claims made form, the retroactive date must be before the date of the contract or the beginning of the contract work and must be maintained and evidence of insurance must be provided for at least three (3) years after completion of the contract work.
2. Administrator must submit endorsements to the General Liability reflecting the following provisions:
  - a. *The County, its officers, agents, officials, employees and volunteers are to be covered as additional insureds as respects; liability arising out of work or operations performed by or on behalf of the Administrator including material, parts, or equipment furnished in connection with such work or operations.*
  - b. *For any claims related to this project, the Administrator's insurance coverage shall be primary insurance as respects the County, its officers, agents, officials, employees and volunteers. Any insurance or self-insurance maintained by the County, its officers, agents, officials, employees or volunteers shall be excess of the Administrator's insurance and shall not contribute with it.*

- c. Administrator hereby grants to County a waiver of any right to subrogation which any insurer of Administrator may acquire against the county by virtue of the payment of any loss under such insurance. Administrator agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not the County has received a waiver of subrogation endorsement from the insurer.*
  - d. Each insurance policy required by this agreement shall be endorsed to state that coverage shall not be canceled by either party, except after written notice has been provided to the County.*
3. The Workers' Compensation policy shall be endorsed with a waiver of subrogation in favor of the County for all work performed by the Administrator, its employees, agents and subcontractors. Administrator waives all rights against the County and its officers, agents, officials, employees and volunteers for recovery of damages to the extent these damages are covered by the workers compensation and employers liability.

C. Deductibles and Self-Insured Retentions

Self-insured retentions and Deductions are the sole responsibility of the Administrator.

D. Acceptability of Insurance

Insurance must be placed with insurers with a current rating given by A.M. Best and Company of no less than A-:VII and a Standard & Poor's Rating (if rated) of at least BBB and from a company approved by the Department of Insurance to conduct business in California. Any waiver of these standards is subject to approval by the County Risk Manager.

E. Verification of Coverage

Prior to approval of this Agreement by the County, the Administrator shall file with the submitting department, certificates of insurance with original endorsements effecting coverage in a form acceptable to the County. Endorsements must be signed by persons authorized to bind coverage on behalf of the insurer.

Rev. 3/3/17

**EXHIBIT D**  
County's  
General Agreement Terms and Conditions  
(Attached)

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**1. PAYMENT DOES NOT IMPLY ACCEPTANCE OF WORK:** CONTRACTOR is not entitled to any payments from COUNTY until the County Department for which services are provided under the Agreement approves services, including any furnished deliverables, as satisfying all of the requirements of this Agreement. Payments to CONTRACTOR by COUNTY shall not excuse CONTRACTOR from its obligation to replace unsatisfactory deliverables, including equipment, components, materials, or services even if the unsatisfactory character of such deliverables, equipment, components, materials, or services may not have been apparent or detected at the time such payment was made. Deliverables, equipment, components, materials and services that do not conform to the requirements of this Agreement may be rejected by COUNTY and in such case must be replaced by CONTRACTOR without delay and at no cost to the COUNTY.

**2. DISALLOWANCE:** If CONTRACTOR requests or receives payment from COUNTY for services hereunder, reimbursement for which is later disallowed by the State of California or United States Government, CONTRACTOR shall promptly refund the disallowed amount to COUNTY upon COUNTY'S request. At its option, COUNTY may offset the amount disallowed from any payment due or to become due to CONTRACTOR under this Agreement or any other Agreement between CONTRACTOR and COUNTY. CONTRACTOR'S obligations under this section 2 will survive the expiration or termination of this Agreement.

**3. LIABILITY OF COUNTY:** COUNTY'S payment obligations under this Agreement shall be limited to the payment of the compensation provided for in section 3, "PAYMENT FOR SERVICES," of this Agreement. Notwithstanding any other provision of this Agreement, in no event shall COUNTY be liable, regardless of whether any claim is based on contract or tort, for any special, consequential, indirect or incidental damages, including, but not limited to, lost profits, arising out of or in connection with this Agreement or the services performed in connection with this Agreement.

**4. QUALIFIED PERSONNEL:** CONTRACTOR shall utilize only competent personnel under the supervision of, and in the employment of, CONTRACTOR (or CONTRACTOR'S authorized subcontractors) to perform the services. CONTRACTOR will comply with COUNTY'S reasonable requests regarding assignment and/or removal of

personnel, but all personnel, including those assigned at COUNTY'S request, must be supervised by CONTRACTOR. CONTRACTOR shall commit adequate resources to allow timely completion within the project schedule specified in this Agreement.

**5. INDEPENDENT CONTRACTOR STATUS:** The Parties enter into this Agreement with the express understanding that CONTRACTOR will perform all services required under this Agreement as an independent contractor. The Parties agree that the CONTRACTOR and any of its agents, employees, or officers cannot be considered agents, employees, or officers of COUNTY, except that CONTRACTOR shall be an Agent of COUNTY when making trades in securities on behalf of the COUNTY.

CONTRACTOR agrees to advise everyone it assigns or hires to perform any duty under this Agreement that they are not employees of COUNTY. Subject to any performance criteria contained in this Agreement, CONTRACTOR will be solely responsible for determining the means and methods of performing the specified services and COUNTY will have no right to control or exercise any supervision over CONTRACTOR as to how the CONTRACTOR will perform the services. As CONTRACTOR is not COUNTY'S employee, CONTRACTOR is responsible for paying all required state and federal taxes. In particular, COUNTY will not:

- (1) Withhold FICA (Social Security) from CONTRACTOR'S payments.
- (2) Make state or federal unemployment insurance contributions on CONTRACTOR'S behalf.
- (3) Withhold state or federal income tax from payments to CONTRACTOR.
- (4) Make disability insurance contributions on behalf of CONTRACTOR.
- (5) Obtain unemployment compensation insurance on behalf of CONTRACTOR.

Notwithstanding this independent contractor relationship, COUNTY will have the right to monitor and evaluate the performance of CONTRACTOR to assure compliance with this Agreement.

**6. COMPLIANCE WITH LAW:** CONTRACTOR must provide services in accordance with applicable Federal, State, and local laws, regulations and directives. With respect to CONTRACTOR'S employees, CONTRACTOR must comply with all laws and regulations pertaining to



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wages and hours, state and federal income tax, unemployment insurance, Social Security, disability insurance, workers' compensation insurance, and discrimination in employment.

**7. LICENSES AND PERMITS:** CONTRACTOR represents and warrants that it possesses and will maintain during the term of this Agreement all licenses and permits required for its performance of the services required under this Agreement.

**8. GOVERNING LAW:** The laws of the State of California, without reference to California conflict of laws principles, govern this Agreement and its interpretation. The Parties agree that this Agreement is made in Tulare County, California.

**9. RECORDS AND AUDIT:** CONTRACTOR must maintain complete and accurate records with respect to the services rendered and the costs incurred under this Agreement. In addition, CONTRACTOR must maintain complete and accurate records with respect to any payments to employees or subcontractors. All of the records must be prepared in accordance with generally accepted accounting procedures, must be clearly identified, and must be kept readily accessible. Upon its reasonable prior request, CONTRACTOR must make the records available within Tulare County to the Auditor of Tulare County and to his or her agents and representatives, for the purpose of auditing and/or copying the records to review CONTRACTOR'S compliance with the terms of CONTRACTOR'S agreement with the COUNTY, during CONTRACTOR'S regular business hours and no more frequently than annually for a period of five (5) years from the date of final payment under this Agreement.

**10. CONFLICT OF INTEREST:**

(a) At all times during the performance of this Agreement, CONTRACTOR must comply with the law of the State of California regarding conflicts of interests and appearance of conflicts of interests, including, but not limited to, Government Code Section 1090 et seq., and the Political Reform Act, Government Code Section 81000 et seq. and regulations promulgated by the California Fair Political Practices Commission. The statutes, regulations and laws previously referenced include, but are not limited to, prohibitions against any public officer or employee, including CONTRACTOR for this purpose, from making any decision on behalf of COUNTY in which the officer,

employee or consultant/contractor has a direct or indirect financial interest. A violation can occur if the public officer, employee or consultant/contractor participates in or influences any COUNTY decision that has the potential to confer any pecuniary benefit on CONTRACTOR or any business firm in which CONTRACTOR has an interest, with certain narrow exceptions.

(b) CONTRACTOR agrees that if any facts come to its attention that raise any questions as to the applicability of conflicts of interests laws, then it will immediately inform COUNTY and provide all information needed for resolution of this question.

**11. INSURANCE:** The attached **Exhibit C** outlines the minimum scope, specifications, and limits of insurance required under this Agreement. Additional insured endorsements required as outlined in **Exhibit C** cannot be used to reduce limits available to COUNTY as an additional insured from CONTRACTOR'S full policy limits. Insurance policies cannot be used to limit liability or to limit the indemnification provisions and requirements of this Agreement or act in any way to reduce the policy coverage and limits available from the insurer(s). If CONTRACTOR fails to maintain or renew coverage, or to provide evidence of renewal, then COUNTY may consider that failure a material breach of this Agreement. COUNTY may also withhold any payment otherwise due to CONTRACTOR for failure to provide evidence of renewal until CONTRACTOR provides such evidence.

**12. INDEMNIFICATION AND DEFENSE:**

(a) To the fullest extent permitted by law, CONTRACTOR must indemnify, defend (at CONTRACTOR'S sole cost and expense and with legal counsel approved by COUNTY, which approval may not be unreasonably withheld), protect and hold harmless COUNTY, all subsidiaries, divisions and affiliated agencies of COUNTY, and all of their representatives, partners, designees, officers, directors, employees, consultants, agents, successors and assigns, (each, an "Indemnified Party" and collectively, the "Indemnified Parties"), from and against all claims (including, without limitation, claims for bodily injury, death or damage to property), demands, obligations, damages, actions, causes of action, suits, losses, judgments, fines, penalties, liabilities, costs and expenses (including, without limitation, attorneys' fees, disbursements and court costs, and all other professional expert or consultants' fees and costs and COUNTY general and administrative expenses) of every kind and nature

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whatsoever (individually, a "Claim"; collectively, "Claims") which may arise out of, pertain to, or relate (directly or indirectly) to the negligence, recklessness, or misconduct of CONTRACTOR with respect to any work performed or services provided under this Agreement (including, without limitation, the wrongful acts, errors and/or omissions of CONTRACTOR, its principals, officers, agents, employees, vendors, suppliers, consultants, sub-consultants, contractors, anyone employed directly or indirectly by any of them or for whose acts they may be liable or any or all of them). CONTRACTOR'S obligation to indemnify applies unless it is finally adjudicated that the liability was caused by the sole active negligence or sole willful misconduct of an Indemnified Party. If it is finally adjudicated that liability is caused by the comparative active negligence or willful misconduct of an Indemnified Party, then CONTRACTOR'S indemnification obligation shall be reduced in proportion to the established comparative liability.

(b) The duty to defend is a separate and distinct obligation from CONTRACTOR'S duty to indemnify. CONTRACTOR shall be obligated to defend, in all legal, equitable, administrative, or special proceedings, the Indemnified Parties immediately upon tender to CONTRACTOR of the Claim in any form or at any stage of an action or proceeding, whether or not liability is established. Payment to CONTRACTOR by any Indemnified Party or the payment or advance of defense costs by any Indemnified Party cannot be a condition precedent to enforcing the Indemnified Party's rights to indemnification under this Agreement. An allegation or determination that persons other than CONTRACTOR are responsible for the Claim does not relieve CONTRACTOR from its separate and distinct obligation to defend under this section. The obligation to defend extends through final judgment, including exhaustion of any appeals. The defense obligation includes an obligation to provide independent defense counsel if CONTRACTOR asserts that liability is caused in whole or in part by the negligence or willful misconduct of an Indemnified Party. If it is finally adjudicated that liability was caused by the comparative active negligence or willful misconduct of an Indemnified Party, then CONTRACTOR may submit a claim to the COUNTY for reimbursement of reasonable attorneys' fees and defense costs in proportion to the established comparative liability of the Indemnified Party. CONTRACTOR'S indemnification obligations under this Agreement will survive the expiration or earlier termination of this Agreement until action against the

Indemnified Parties for the matter indemnified is fully and finally barred by the applicable statute of limitations or statute of repose. CONTRACTOR'S liability for indemnification under this Agreement is in addition to any liability CONTRACTOR may have to COUNTY for a breach by CONTRACTOR of any of the provisions of this Agreement. Under no circumstances may the insurance requirements and limits set forth in this Agreement be construed to limit CONTRACTOR'S indemnification obligation or other liability under this Agreement. The terms of this Agreement are contractual and the result of negotiation between the Parties.

(c) CONTRACTOR must indemnify and hold COUNTY harmless from all loss and liability, including attorneys' fees, court costs and all other litigation expenses, for any infringement of the patent rights, copyright, trade secret or any other proprietary right or trademark, and all other intellectual property claims of any person or persons in consequence of the use by COUNTY, or any of its officers or agents, of articles or services to be supplied in the performance of this Agreement.

(d) To the fullest extent permitted by law, COUNTY must indemnify, defend (at COUNTY'S sole cost and expense and with legal counsel approved by CONTRACTOR, which approval may not be unreasonably withheld), protect and hold harmless CONTRACTOR, all subsidiaries and divisions of CONTRACTOR, and all of their representatives, partners, designees, officers, directors, employees, consultants, agents, successors and assigns, (each, a "Contractor Indemnified Party" and collectively, the "Contractor Indemnified Parties"), from and against all Claims which may arise out of, pertain to, or relate (directly or indirectly) to the negligence, recklessness, or misconduct of COUNTY in connection with this Agreement (including, without limitation, the wrongful acts, errors and/or omissions of COUNTY, its principals, officers, agents, employees, vendors, suppliers, consultants, sub-consultants, contractors, anyone employed directly or indirectly by any of them or for whose acts they may be liable or any or all of them). COUNTY'S obligation to indemnify applies unless it is finally adjudicated that the liability was caused by the sole active negligence or sole willful misconduct of a Contractor Indemnified Party. If it is finally adjudicated that liability is caused by the comparative active negligence or willful misconduct of a Contractor Indemnified Party, then COUNTY'S indemnification obligation shall be reduced in proportion to the

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established comparative liability.

(e) The duty to defend is a separate and distinct obligation from COUNTY'S duty to indemnify. COUNTY shall be obligated to defend, in all legal, equitable, administrative, or special proceedings, the Indemnified Parties immediately upon tender to COUNTY of the Claim in any form or at any stage of an action or proceeding, whether or not liability is established. Payment to COUNTY by any Contractor Indemnified Party or the payment or advance of defense costs by any Contractor Indemnified Party cannot be a condition precedent to enforcing the Contractor Indemnified Party's rights to indemnification under this Agreement. An allegation or determination that persons other than COUNTY are responsible for the Claim does not relieve COUNTY from its separate and distinct obligation to defend under this section. The obligation to defend extends through final judgment, including exhaustion of any appeals. The defense obligation includes an obligation to provide independent defense counsel if COUNTY asserts that liability is caused in whole or in part by the negligence or willful misconduct of a Contractor Indemnified Party. If it is finally adjudicated that liability was caused by the comparative active negligence or willful misconduct of a Contractor Indemnified Party, then COUNTY may submit a claim to the CONTRACTOR for reimbursement of reasonable attorneys' fees and defense costs in proportion to the established comparative liability of the Contractor Indemnified Party. COUNTY'S indemnification obligations under this Agreement will survive the expiration or earlier termination of this Agreement until action against the Contractor Indemnified Parties for the matter indemnified is fully and finally barred by the applicable statute of limitations or statute of repose. COUNTY'S liability for indemnification under this Agreement is in addition to any liability COUNTY may have to CONTRACTOR for a breach by COUNTY of any of the provisions of this Agreement. Under no circumstances may the insurance requirements and limits set forth in this Agreement be construed to limit COUNTY'S indemnification obligation or other liability under this Agreement. The terms of this Agreement are contractual and the result of negotiation between the Parties.

**13. TERMINATION:**

(a) **Without Cause:** COUNTY may terminate this Agreement without cause by giving thirty (30) days' prior written notice to CONTRACTOR of its intention to terminate under this provision, specifying the date of

termination. COUNTY will pay to CONTRACTOR the compensation earned for work satisfactorily performed and not previously paid for to the date of termination. COUNTY will not pay lost anticipated profits or other economic loss. The payment of any compensation is subject to the restrictions on payment of compensation otherwise provided in this Agreement, and is conditioned upon receipt from CONTRACTOR of all plans, specifications and estimates, and other documents prepared by CONTRACTOR in accordance with this Agreement. COUNTY will not impose sanctions on CONTRACTOR under these circumstances.

**(b) With Cause:** Either Party may terminate this Agreement immediately, by written notice to the other Party, should the other Party:

- (1) Be adjudged a bankrupt, or
- (2) Become insolvent or have a receiver appointed, or
- (3) Make a general assignment for the benefit of creditors, or
- (4) Suffer any judgment that remains unsatisfied for 30 days, and that would substantively impair the ability of the judgment debtor to perform under this Agreement, or
- (5) Materially breach this Agreement.

In addition, COUNTY may terminate this Agreement based on:

- (6) Material misrepresentation, either by CONTRACTOR or anyone acting on CONTRACTOR'S behalf, as to any matter related in any way to COUNTY'S retention of CONTRACTOR, or
- (7) Other misconduct or circumstances that, in the sole discretion of COUNTY, either impairs the ability of CONTRACTOR to competently provide the services under this Agreement, or exposes COUNTY to an unreasonable risk of liability.

For any of the occurrences except item (5) above, termination may be effected upon written notice by the terminating Party specifying the date of the termination. If CONTRACTOR fails to perform according to the terms and conditions of this Agreement, then COUNTY may, in addition to any other remedy it may have, issue a declaration of default after 10 days written notice to CONTRACTOR.

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Upon a material breach, the Agreement may be terminated after the failure of the defaulting Party to remedy the breach to the satisfaction of the non-defaulting Party within 5 days of written notice specifying the breach. If the breach is not remedied within that 5-day period, then the non-defaulting Party may terminate this Agreement on further written notice specifying the date of termination. If the nature of the breach is such that it cannot be cured within a 5-day period, then the defaulting Party may submit a written proposal within that period which sets forth a specific means to resolve the default. If the nondefaulting Party consents to that proposal in writing, which consent may not be unreasonably withheld, then the defaulting Party must immediately embark on its plan to cure the default or breach. If the default or breach is not cured within the time agreed, then the non-defaulting Party may terminate this Agreement upon written notice specifying the date of termination.

COUNTY will pay to CONTRACTOR the compensation earned for work satisfactorily performed and not previously paid for to the date of termination. The payment of such compensation is subject to the restrictions on payment of compensation otherwise provided in this Agreement, and is conditioned upon receipt from CONTRACTOR of all plans, specifications and estimates, and other documents prepared by CONTRACTOR by the date of termination in accordance with this Agreement. COUNTY will not pay lost anticipated profits or other economic loss, nor will COUNTY pay compensation or make reimbursement to cure a breach arising out of or resulting from such termination. If COUNTY terminates this Agreement for cause and the expense of finishing CONTRACTOR'S scope of work exceeds the unpaid balance of the Agreement, then CONTRACTOR must pay the difference to COUNTY. COUNTY may impose sanctions under these circumstances, which may include possible rejection of future proposals based on specific causes of CONTRACTOR'S non-performance.

(c) **Effects of Termination:** Expiration or termination of this Agreement will not terminate any obligations to indemnify, to maintain and make available any records pertaining to the Agreement, to cooperate with any audit, to be subject to offset, or to make any reports of pre-termination contract activities. Where COUNTY terminates CONTRACTOR'S services, that termination will not affect any rights of COUNTY to recover damages

against CONTRACTOR.

(d) **Suspension of Performance:** Independent of any right to terminate this Agreement, the authorized representative of the COUNTY department or agency for which CONTRACTOR'S services are to be performed, may immediately suspend performance by CONTRACTOR, in whole or in part, in response to health, safety or financial emergency, or a failure or refusal by CONTRACTOR to comply with the provisions of this Agreement, until such time as the cause for suspension is resolved, or a notice of termination becomes effective.

**14. LOSS OF FUNDING:** It is understood and agreed that if COUNTY'S funding is either discontinued or reduced for the services to be provided hereunder, then COUNTY will have the right to terminate this Agreement under section 13 (a) ("Termination Without Cause") as of the end of the term for which funds are appropriated. Such termination shall be without penalty, liability, or expense to COUNTY of any kind, provided that COUNTY shall pay CONTRACTOR in accordance with section 13 (a) for services satisfactorily performed prior to the date of such termination and to the extent funds have been appropriated for such payment. The COUNTY agrees to provide the CONTRACTOR with prompt notice of any event of non-appropriation.

**15. SUBMITTING FALSE CLAIMS; MONETARY PENALTIES:** Under applicable federal and state law, if CONTRACTOR submits a false claim to COUNTY under this Agreement, then CONTRACTOR will be liable to COUNTY for the statutory penalties set forth in those statutes, including but not limited to statutory fines, treble damages, costs, and attorneys' fees. CONTRACTOR will be deemed to have submitted a false claim to COUNTY if CONTRACTOR:

(a) Knowingly presents or causes to be presented to COUNTY a false claim or request for payment or approval;

(b) Knowingly makes, uses, or causes to be made or used a false record or statement to get a false claim paid or approved by COUNTY;

(c) Conspires to defraud COUNTY by getting a false claim allowed or paid by COUNTY;

(d) Knowingly makes, uses, or causes to be made or used a false record or statement to conceal, avoid, or decrease

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an obligation to pay or transmit money or property to COUNTY; or

(e) Is a beneficiary of an inadvertent submission of a false claim to COUNTY, later discovers the falsity of the claim, and fails to disclose the false claim to COUNTY within a reasonable time after discovery of the false claim.

**16. FORM DE-542:** If CONTRACTOR is an individual, CONTRACTOR acknowledges that this Agreement is subject to filing obligations under Unemployment Insurance Code Section 1088.8. Accordingly, COUNTY has an obligation to file a report with the Employment Development Department, which report will include CONTRACTOR'S full name, social security number, address, the date this Agreement was executed, the total amount of the Agreement, its expiration date or whether it is ongoing. CONTRACTOR agrees to cooperate with COUNTY to make that information available and to complete Form DE-542. Failure to provide the required information may, at COUNTY'S option, prevent approval of this Agreement, or be grounds for termination by COUNTY.

**17. WORKS FOR HIRE:** CONTRACTOR acknowledges that all original work(s) created for the COUNTY under this Agreement are "work(s) for hire" within the meaning of the United States Copyright Act (Title 17 United States Code) (provided the works are afforded protection under the code) and hereby assigns to COUNTY all rights and interests CONTRACTOR may have in the work(s) it prepares under this Agreement, including any right to derivative use of the work(s). All software and related materials developed by CONTRACTOR solely for the COUNTY in performance of this Agreement for COUNTY will be the sole property of COUNTY, and CONTRACTOR hereby assigns and transfers all its right, title, and interest therein to COUNTY. CONTRACTOR will execute all necessary documents to enable COUNTY to protect COUNTY'S intellectual property rights under this section. To perform the services and support the operations of the Contractor, the Contractor will have a perpetual, no-cost license to use the property that falls under the County's ownership.

**18. WORK PRODUCT:** All work product, equipment, or materials created for COUNTY or purchased by COUNTY under this Agreement belong to COUNTY and CONTRACTOR must immediately deliver them to COUNTY at COUNTY'S request upon termination or completion of

this Agreement.

**19. TIME OF ESSENCE:** The Parties agree that time is of the essence under this Agreement, unless they agree otherwise in writing.

**20. CONFIDENTIALITY:** CONTRACTOR may not use or disclose any information it receives from COUNTY under this Agreement that COUNTY has previously identified as confidential or exempt from mandatory public disclosure except as necessary to carry out the purposes of this Agreement or as authorized in advance by COUNTY; if required by law or judicial process or in connection with a regulator's examination of CONTRACTOR. Unless required to do so by law, including, but not limited to, the Ralph M. Brown Act or the California Public Records Act, COUNTY may not disclose to third parties any information it receives from CONTRACTOR that CONTRACTOR has previously identified as confidential. If the County believes they are obligated to disclose, they must notify the Contractor in writing. The Contractor will have thirty (30) days to determine if they will allow the County to disclose. If the Contractor decides to move to protect the confidential information, the County will not disclose until: (1) the Contractor has exhausted its options to protect the confidential information or (2) the County obtains a judicial order to disclose.

The duty of COUNTY and CONTRACTOR to maintain confidentiality of information under this section continues beyond the term of this Agreement.

**21. ASSIGNMENT/SUBCONTRACTING:** Unless otherwise provided in this Agreement, COUNTY is relying on the personal skill, expertise, training and experience of CONTRACTOR and CONTRACTOR'S employees and no part of this Agreement may be assigned or subcontracted by CONTRACTOR without the prior written consent of COUNTY, which consent COUNTY may grant, delay, deny, or condition in its absolute discretion.

**22. DISPUTES AND DISPUTE RESOLUTION:** (a) CONTRACTOR shall continue with its responsibilities under this Agreement during any dispute.

(b) **Informal Negotiations.** If a dispute arises out of or relating to this Agreement, or the breach of the Agreement, then the Parties shall make their best efforts to informally resolve such disputes. To foster a spirit of cooperation and efficiency in the administration of this

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Agreement, disputes between the Parties shall first be subjected to a good faith negotiations process as follows:

The aggrieved Party shall give the other Party, as soon as possible after the event giving rise to the concern, written notice setting forth, with specificity, the issues to be resolved. Notice shall be provided consistent with the terms of the Agreement. Said notice shall suggest a date, time and place for the negotiations session. The Parties may jointly decide to meet at another time and place; provided, however, the Parties agree that such negotiations session shall commence within fifteen (15) calendar days after the date that the original notice was given to the applicable Party, unless the Parties agree that there is good cause to extend this time limit.

(1) The Parties agree that the negotiations session(s), including proceedings or discussions concerning the proposed negotiations session(s), are to be considered confidential settlement negotiations for the purpose of all state and federal rules protecting disclosures made during such conferences from later discovery or use in evidence. All conduct, statements, promises, offers, views and opinions, oral or written, made during a negotiations session by any Party or a Party's agent, employee, or attorney shall be deemed to be confidential and shall not be subject to discovery or admissible for any purpose, including impeachment, in any litigation or other proceeding, including mediation and non-binding arbitration, involving the Parties; provided, however, that evidence otherwise subject to discovery or otherwise admissible is not excluded from discovery or admission into evidence simply as a result of it having been used in connection with the negotiations session(s).

(2) Absent mutual consent of the Parties, if a noticed negotiations session fails to commence within the fifteen (15) calendar day period, or if a reasonable attempt to schedule or reschedule the negotiations session has not been made within those fifteen (15) calendar days, then the negotiations obligation imposed under this Section shall be deemed to have been satisfied and the Parties shall be free to pursue their rights and remedies under this Section 22, unless the reason for such failure to convene a negotiations session is the refusal of the Party asserting a claim to participate in the negotiations session, in which event said claim will be deemed to have been waived.

(3) If the dispute is not resolved to the satisfaction of the Parties within thirty (30) calendar days after the first negotiations session, then upon the written request of either Party, the dispute may be submitted to non-binding mediation in accordance with this Section 22 ("Mediation Request").

(c) **Mediation.** If a dispute arising out of or relating to this Agreement is not resolved through the above-described negotiations process, then within thirty (30) days after notice is provided through a Mediation Request, the Parties shall participate in nonbinding mediation administered by a mediator to help mediate and settle the dispute as soon as practicable. The mediation shall proceed as follows:

(1) The mediation shall be held at a mutually agreeable location within Tulare County, California.

(2) The Parties shall mutually select the mediator, who shall be an attorney currently licensed to practice law in the State of California, or be a retired federal or state judge or magistrate. If the Parties disagree on selection of the mediator, then the Parties will select the mediator by lot from among two nominations provided by each Party.

(3) The mediator shall meet with and hear presentations by the Parties as soon as practicable after appointment.

(4) Mediation will be conducted consistent with California Evidence Code Sections 1115-1128. The mediator shall owe a professional duty to both Parties, and shall be barred from testifying in any litigation concerning any information obtained or disclosed in the course of the mediation.

(5) Each side shall bear its own costs and attorneys' fees, and one-half of all fees and expenses of the mediator.

(6) Unless otherwise agreed upon by the Parties in writing, the mediation shall be completed within thirty (30) days of the selection of the mediator.

(7) The Parties agree that the mediation, including proceedings or discussions concerning the mediation, is to be considered a confidential settlement negotiation for the purpose of all state and federal rules protecting disclosures made during such conferences from later discovery or use in evidence. All conduct, statements, promises, offers, views and opinions, oral or written,

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made during the mediation by any Party or a Party's agent, employee, or attorney shall be deemed to be confidential and shall not be subject to discovery or admissible for any purpose, including impeachment, in any litigation or other proceeding, including and non-binding arbitration, involving the Parties; provided, however, that evidence otherwise subject to discovery or admissible is not excluded from discovery or admission into evidence simply as a result of it having been used in connection with the mediation.

(8) The mediator's decision shall not be binding on or admissible against either Party. If mediation fails to resolve the dispute, then either Party may pursue litigation to resolve the dispute.

**23. PROPERTY TAXES:** Under the terms of California Revenue and Taxation Code section 107.6 (possessory interest tax), CONTRACTOR'S possession or use of any COUNTY-owned real property under this Agreement may create a "possessory interest" in the real property. If a possessory interest is created, then it may be subject to property taxation and CONTRACTOR may be subject to the payment of property taxes on that possessory interest.

**24. FURTHER ASSURANCES:** Each Party will execute any additional documents and perform any further acts that may be reasonably required to effect the purposes of this Agreement.

**25. CONSTRUCTION:** This Agreement reflects the contributions of all Parties and so the provisions of Civil Code section 1654 will not apply to address and interpret any alleged uncertainty or ambiguity.

**26. HEADINGS:** Section headings are provided for organizational purposes only and do not in any manner affect the scope, meaning, or intent of the provisions under the headings.

**27. NO THIRD-PARTY BENEFICIARIES INTENDED:** Unless specifically set forth, the Parties to this Agreement do not intend to provide any other party with any benefit or enforceable legal or equitable right or remedy.

**28. WAIVERS:** The failure of either Party to insist on strict compliance with any provision of this Agreement will not be considered a waiver of any right to do so, whether for that breach or any later breach. The acceptance by either

Party of either performance or payment will not be considered a waiver of any preceding breach of the Agreement by the other Party.

**29. ORDER OF PRECEDENCE:** In the event of any conflict or inconsistency between or among the body of the Agreement (which includes these "General Agreement Terms and Conditions") and any Exhibit, Schedule, or Attachment, then the terms and conditions of the body of the Agreement shall prevail.

**30. CONFLICT WITH LAWS OR REGULATIONS/ SEVERABILITY:** This Agreement is subject to all applicable laws and regulations. If any provision of this Agreement is found by any court or other legal authority, or is agreed by the Parties to be, in conflict with any code or regulation governing its subject matter, only the conflicting provision will be considered null and void. If the effect of nullifying any conflicting provision is such that a material benefit of the Agreement to either Party is lost, then the Agreement may be terminated at the option of the affected Party. In all other cases, the remainder of the Agreement will continue in full force and effect.

**31. ENTIRE AGREEMENT:** This Agreement represents the entire agreement between CONTRACTOR and COUNTY as to its subject matter and no prior oral or written understanding will be of any force or effect. No part of this Agreement may be modified without the written consent of both Parties.

**32. ASSURANCES OF NON-DISCRIMINATION:** CONTRACTOR must not discriminate in employment or in the provision of services based any characteristic or condition upon which discrimination is prohibited by state or federal law or regulation. The Parties recognize that both CONTRACTOR and COUNTY have the responsibility to protect COUNTY employees and clients from unlawful activities, including discrimination and sexual harassment in the workplace. Accordingly, CONTRACTOR agrees to provide appropriate training to its employees regarding discrimination and sexual harassment issues, and to promptly and appropriately investigate any allegations that any of its employees may have engaged in improper discrimination or harassment activities. COUNTY, in its sole discretion, has the right to require CONTRACTOR to replace any employee who provides services of any kind to COUNTY under this Agreement with other employees where COUNTY is concerned that its employees or clients may have been or may be the subjects of discrimination or

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harassment by such employees. COUNTY'S right to require replacement of employees under this section does not preclude COUNTY from terminating this Agreement with or without cause as provided for under this Agreement.

**33. DRUG-FREE WORKPLACE POLICY:** CONTRACTOR acknowledges that under the Federal Drug-Free Workplace Act of 1989 and the California Drug-Free Workplace Act of 1990, the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on COUNTY premises.

CONTRACTOR agrees that any violation of this prohibition by CONTRACTOR, its employees, agents, or assigns will be deemed a material breach of this Agreement.

**34. RECYCLED PAPER CONTENT:** To the extent CONTRACTOR'S services under this Agreement include printing services, pursuant to Public Contract Code section 22153 CONTRACTOR shall use paper that meets the recycled content requirements of Public Contract Code section 12209.



## **“ATTACHMENT 5”**

COUNTY OF TULARE FINANCIAL POLICY  
(includes redline version)



# FINANCIAL POLICIES

COUNTY OF TULARE

COUNTY ADMINISTRATIVE OFFICE  
Revised July 2024

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## **1. PURPOSE**

Promoting financial integrity is an important priority in the County of Tulare (the County). The following Financial Policies and guidelines establish the framework for the County's overall fiscal planning and management.

These policies set forth guidelines against which current budgetary performance can be measured and proposals for future programs can be evaluated. The policies help to ensure that the County continues to follow its Strategic Business Plan and meet Strategic Initiative No. 4: Organizational Performance - to continuously improve organizational effectiveness and fiscal stability.

These policies may be amended from time to time by a majority vote of the Board of Supervisors (the Board), except those sections that require a 4/5th vote to permanently change specific requirements. The Board may, however, by 4/5th vote, suspend or alter any of these specific requirements sections on a one-time-only basis for one year, without permanently amending these policies.

## **2. REVIEW AND REVISION POLICY**

These Financial Policies will be reviewed annually and maintained by the County Administrative Office and the Auditor-Controller/Treasurer-Tax Collector's (ACTTC) Office for appropriateness and comparability with other jurisdictions, or more frequently if a need for review is identified. See Appendix A: Maintenance of Policies.

## **3. BALANCED BUDGET POLICY**

The provisions of the California Government Code (County Budget Act, § 29000 et al.) shall control the preparation, consideration, adoption, and execution of the budget of the County. The California State Controller's Office requires the County's budget to be balanced (*Accounting Standards and Procedures for Counties* manual, Chapter 2.37). The County shall annually prepare, adopt, and execute a budget for such funds as may be required by law or by sound financial practices and by generally accepted accounting principles. The budget shall control the collection of revenue and the expenditure of money for all County purposes during the ensuing fiscal year. The County budget shall be balanced within all available operating revenues, including fund balance, and adopted by the Board.

The County Administrative Officer (CAO) is responsible for submitting an annual recommended budget to the Board for consideration and adoption, administering the

adopted budget, and exercising continuous expenditure control. The CAO works closely with the ACTTC in the preparation and execution of the budget.

#### **4. BUDGETARY CONTROLS POLICY**

The County Budget Act (Chapter 1, Division 3, Title 3 of the Government Code, Chapter

1. Budget and Tax Levy) controls the budgeting of governmental funds. Except as otherwise specifically provided in this policy, the County has elected to apply the same budgetary controls to proprietary funds.

Government Code (GC) Sections 29125 and 29130 define actions which may be taken by the Board of Supervisors for transfers or revisions to the adopted appropriations and allows the Board to delegate certain authority to the CAO. Administrative Regulation No. 4 (AR 4) outlines the authorities of the Board per Government Code and serves to delegate certain authority to the CAO and Department/Agency Heads. AR 4 is available on the County Administrative website.

Through County policy, certain limitations on revisions and transfers of appropriations are deemed necessary to maintain fiscal and budgetary controls, aside from those specified in the Government Code.

Per GC Section 29009, "In the recommended, adopted, and final budgets, the funding sources shall equal the financing uses." This means that even though authorities exist to transfer appropriations or to otherwise make appropriations available, each governmental fund budget must remain in balance.

Per GC Sections 25260 through 25261, the Board of Supervisors has authority to create proprietary funds and to make funding available to maintain their solvency. Per GC Sections 29141, the adopted budget shall include a schedule showing the managerial budget for each proprietary fund, but adjustments to the adopted budget are not covered in the County Budget Act and GC Section 29009 does not apply.

#### **5. REVENUE POLICIES**

The County is committed to fiscal sustainability through revenue diversification and stability to shelter the County from adverse fluctuations and economic downturns.

##### **Revenue Diversification for Fiscal Sustainability**

Generally, current revenues will fund current expenditures. The County will maintain a revenue system that is as diversified and stable as possible to protect programs and

services from short-term fluctuations in any single revenue source and ensure that the County can continue those programs and services to its citizens.

The County shall strive to diversify its economic base by encouraging commercial and, in particular, industrial development and associated revenues. Such business and industry must be in accord with the plans and ordinances of the County, and their future economic impacts on governmental services must be accounted for with such funding mechanisms as impact fees and/or development agreements to provide fiscal sustainability.

### **Revenue Collection**

The County's single largest source of discretionary revenues is property taxes. The County's goal is to maintain a secured property tax collection rate of at least 95% in the year levied.

The County will aggressively pursue collection on all accounts receivable including:

- Code violation fines
- Returned checks
- Services supplied to customers outside the County, such as cities or courts
- Delinquent note payments
- Payroll and/or benefit overpayments

The extent and costs of collection efforts should not outweigh the amount due. There are circumstances in which collection is not possible. Government Code Sections 25257 through 25259 establish a procedure for applying for and granting discharges of accountability by the Board. The Board (by Resolution No. 79-1795) delegated this authority to the County Auditor and requires a quarterly report on all actions taken pursuant to the Resolution.

### **Fees and Charges**

All fees established by the County for licenses, permits, fines, services, applications, and other miscellaneous charges shall, whenever possible and within the law, be set to recover all or the maximum reasonable portion of the County's expense in providing the associated service. These fees shall be reviewed annually by the County departments sponsoring the fees and any changes or proposed new fees will be brought before the Board for approval at a public hearing by late April annually and be effective the first day of July. Excepted from this requirement are only those fees for which there is a statute that mandates the imposition and amount of the fee. If the fee is property-related, California Constitution Articles XIIC and XIID limit the manner in which the

County is permitted to impose fees and assessments and sets forth specific procedures to be used with regard to imposing such fees.

Each proposed fee must have statutory or other authority for the County to charge the fee. Each department will identify the authority and develop the formula or methodology used to determine the cost of the service for which the fee is being charged. Additionally, each department is responsible for determining the statutory notice requirements and adoption procedures (including timely publishing of any required hearing notice and an affidavit of publication) and submitting an agenda item proposing the establishment or changes of the fees that will be discussed during the scheduled public hearing.

A fee or charge must reflect the direct and indirect costs of providing the product, service, or enforcement of regulations. Indirect costs shall be limited to those items that are included in the United States Office of Management and Budget Title 2, Code of Federal Regulations (CFR), Subtitle A, Chapter II, part 225, referred to as 2 CFR 225 standards.

The County Administrative Office, ACTTC, and County Counsel shall review all new and changed fee requests before they are submitted to the Board to ensure statutory compliance and uniformity among departments which charge fees for similar County services and products.

In the documents submitted to the County Administrative Office, ACTTC, and County Counsel for review, departments must clearly describe the authority and the formula or methodology used to determine the fees and the procedures for their collection, including late charges and penalties. If any fee reflects less than the total cost of the service, the department shall provide compelling justification for recommending only partial cost recovery.

In reviewing proposed fees, the ACTTC will first look at the authority for the fee to make sure it does not set limits on the fee. The fee is then examined to determine the reasonableness of the methodology used to develop it.

County Counsel will review fees to determine if they are consistent with applicable laws, regulations, and ordinances, such as Proposition 218. If there is no code or other authority, then County Counsel will use the 2 CFR 225 standards to evaluate fee compliance.

The County Administrative Office must review and approve the final proposed fees or fee changes prior to the scheduling of a hearing date.

New fees or fee changes approved by the Board will be posted on the County's Master Fee Schedule by the County Administrative Office and located on the CAO web site at the beginning of each fiscal year.

### **Federal, State and Other Grants**

The County shall aggressively pursue all grant opportunities. However, before accepting grants, the County will consider current and future implications of both accepting and rejecting the funding. All potential grants shall be carefully examined by the submitting department for matching requirements (both dollars and maintenance-of-effort and in-kind matches), and funding sources identified for the out years once grant funds are reduced or eliminated.

Future funding obligations required by grants must be identified prior to grant acceptance by the Board. The County shall seek grants and other funding opportunities which provide maximum leverage of County monies while minimizing commitments requiring recurring County fiscal expenditures.

Sunset provisions will be required on all grant program initiatives and incorporated into other service plans, as appropriate. In the event of reduced grant funding, County resources may be substituted only after all program priorities and alternatives have been considered, and only if recommended by the CAO.

### **Use of One-time Revenue/One-time Expenditure Savings**

One-time revenue and/or one-time expenditure savings, in excess of the unrestricted fund balance target, may be used for non-recurring expenditures, if not needed for funding current critical operations or sustaining targeted reserve levels. Such savings shall not be used for on-going operations unless explicitly approved by the Board.

### **Restricted Revenues**

Restricted revenues (such as Medicaid funds or Asset Forfeiture funds) shall only be used for the purpose intended. The County will comply with all limitations and restrictions imposed by the funding source.

### **Sale of County Land**

The proceeds net of expenses of the sale of County land shall be deposited into the County Future Construction Fund and, unless otherwise directed by the Board of Supervisors, should be used for future capital projects.



## 6. FUND BALANCE AND RESERVES

The purpose of this Fund Balance Policy is to build and maintain an adequate level of unrestricted fund balance, along with Strategic and General Fund Pension Trust reserves, to support the day-to-day County operations in the event of unforeseen shortfalls or an emergency. The Strategic and General Fund Pension Trust reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. This Fund Balance Policy will be implemented in conjunction with the other financial policies of the County and is intended to support the goals and strategies contained in those related policies and in strategic and operational plans.

### **Fund Balance Defined**

The Governmental Accounting Standards Board (GASB) issued Statement No.54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of this Statement is to improve the usefulness, including the understandability, of governmental fund balance information. The Statement provides more clearly defined categories to make the nature and extent of the constraints placed on a government's fund balance more transparent.

The fund balance is reported in five categories:

- **Non-spendable:** Amounts that cannot be spent because they are
  - a) not in spendable form (i.e., assets that will never convert to cash), or
  - b) legally or contractually required to be maintained intact.
- **Restricted:** Amounts are restricted by external parties (i.e., creditors, grantors, contributors, laws/regulations of other governments, or restricted by law through constitutional provisions or enabling legislation).
- **Committed:** Amounts that can only be used for specific purpose pursuant to constraints imposed by formal action of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by Board resolution. The Board action to commit funds during any given year must occur prior to fiscal year end.
- **Assigned:** Amounts are earmarked for an intended use. The Board, by Board Resolution, has delegated the authority to assign fund balances to the County Administrative Officer (CAO). The assignment of fund balances should be expressed in writing by CAO.

- **Unassigned:** A residual classification for the General Fund that encompasses all fund balances not contained in other classifications. The General Fund is the only fund that can report a positive unassigned fund balance. In the event that the County has a positive unassigned fund balance, the excess may be used for any lawful purpose, but it is recommended that first priority shall be to ensure that sufficient resources are committed to reach the targeted funding level of the Strategic Reserve<sup>1</sup>.

Fund balances occur only in governmental funds; therefore, the term fund balance does not apply to proprietary (including enterprise and internal service funds) or fiduciary funds.

### **General Fund Unrestricted Fund Balance**

The County must be prepared for unforeseen events or economic uncertainties that could result in additional expenditure requirements or loss of revenue by establishing and maintaining a prudent level of unrestricted fund balance. Unrestricted fund balance consists of committed, assigned, and unassigned fund balance categories. Unrestricted fund balances are either unconstrained or the constraints are self-imposed, so they could be lifted in order to make fund balances available for other purposes. The County strives to maintain the General Fund unrestricted fund balance at a target level equivalent to no less than 16% (approximately two months working capital) of the most recent audited General Fund operating revenues<sup>2</sup>.

### **Replenishment**

Should the County have a need to use monies from the unrestricted fund balance, and the funding level of the unrestricted fund balance falls below the 16% target level, then the CAO shall present a plan to be approved by the Board to replenish the unrestricted fund balance to the appropriate target level within twenty-four (24) months thereafter. The Board may choose to extend the timeframe to replenish the unrestricted fund balance if the Board finds that it is in the County's best interest to do so.

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<sup>1</sup> For further information regarding the Strategic Reserve target see the General Fund Reserves section on page 10.

<sup>2</sup> The Government Finance Officers Association (GFOA) recommends setting the target as a percentage of either operating revenues or expenditures, whichever is more predictable. This reduces the impact of unusual spikes or drops that would distort long-term trends. For the County, the more predictable is operating revenues and so the County's unrestricted fund balance target will be a percentage of County General Fund operating revenues.

### **General Fund Reserves**

In addition to maintaining a responsible unrestricted fund balance level, the County shall also strive to maintain General Fund reserves at a level that will adequately protect the fiscal health and stability of the County. The County's General Fund will maintain the following reserves:

### **Strategic Reserve**

The County's Strategic Reserve is comprised of Committed fund balance and considered a stabilization arrangement. The Board strives to commit an amount equivalent to no less than 8% (approximately 30 days working capital) of the most recent audited General Fund operating revenues. The purpose of this reserve is to:

- a. Provide resources to make up for temporarily decreased revenues that result from State or Federal budget actions;
- b. Provide temporary resources in the event of an economic downturn;
- c. Provide resources in the event of a disaster or emergency declared by the Board of Supervisors, the state, or the federal government, for disaster costs or costs associated with emergencies;
- d. Absorb liability settlements in excess of available resources.

The amount determined will be classified as "committed" from the total amount of available Fund Balance to the Strategic Reserve prior to appropriations for all other funds. This amount shall be committed annually by the Board as part of the recommended budget approval process.

Annual commitment of funds to the Strategic Reserve shall be approved by the Board during the Annual Budget Hearings. In the event funds are to be appropriated to cover essential core functions of the County, the access of funds shall be determined by the Board by a four-fifths vote during the annual Budget Hearings or during action on the Mid-Year Budget Report. If there is a declared local, state, or federal government disaster or emergency, then the Board, by four-fifths vote, may access the strategic reserve at a regularly scheduled Board meeting.

The monies committed to the Strategic Reserve are only to be used for the purposes stated above. If the funding level of the Strategic Reserve falls below the 8% target level, the CAO shall present a plan to be approved by the Board to replenish the Strategic Reserve within twenty-four (24) months thereafter. The Board may choose to extend the timeframe to replenish the Strategic Reserve if the Board finds that it is in the County's best interest to do so.

### **General Fund Pension Trust**

The County maintains an Internal Revenue Code Section 115 irrevocable trust for the purpose of funding pension expenses. Funds held within this trust are considered restricted assets and can only be used for the purpose of funding pension costs of the County. There shall be no targeted funding level for this trust.

## **7. OPERATING BUDGET POLICIES**

The budget process is intended to weigh all competing requests for County resources within projected fiscal constraints. All departments will participate in the budget process with responsibility for meeting County policy goals and ensuring long-term financial health. Future departmental service plans and program initiatives will be developed to reflect current County policy directives, projected resources, and future service requirements.

### **Fund Balance Level - General Fund**

The ratio of unrestricted fund balance and Appropriations for Contingencies budget as a percentage of General Fund expenditures indicates the ability of the County to cope with unexpected financial problems or emergencies and to avoid potential service disruptions caused by revenue shortfalls. The larger the General Fund's unrestricted fund balance and contingencies, the greater the County's ability to cope with financial emergencies and fluctuations in revenue cycles.

As mentioned before, the County strives to achieve and maintain the unrestricted fund balance and Appropriations for Contingencies budget at a level equivalent to a minimum of two months of actual regular General Fund operating expenditures or operating revenues as recommended by the Government Finance Officers Association (GFOA). This level should be funded for each upcoming fiscal year from prior year unrestricted fund balance before any one-time needs are addressed.

### **Appropriation Levels**

Spending authority levels are not guaranteed from one fiscal year to another. At the start of the annual budget process, the CAO, in consultation with the Board, shall determine the maximum allocations (expenditure targets) for each General Fund department, based on detailed reviews of spending needs, priorities, expected results, and long-range revenue and expenditure forecasts, thereby limiting the rate of budgetary growth to address issues of sustainability.

The appropriation levels for funds outside the General Fund shall be determined in a similar manner by the appropriate department heads, in conjunction and with approval from the CAO.

### **Current Revenues Should Be Sufficient to Support Current Expenditures**

Ongoing operating costs should be supported by ongoing, stable revenues whenever possible. Unassigned fund balances, if not needed for current critical operations or contingencies/reserves, should only be used for one-time expenditures such as unanticipated emergencies, projects and equipment.

### **Revenue and Expenditure Projections**

In order to improve financial planning and decisions, the CAO's Office will, at a minimum, prepare an annual budget and three to five-year projections of revenues and expenditures for all General Fund County departments. Such projections may be made for other funds whenever possible. All revenue projections shall be conservative in nature.

In addition, the CAO's Office will submit an annual Mid-Year Budget Report to the Board that compares revenues recognized and expenditures obligated to Current Modified Budgeted amounts and identify any challenges that need to be addressed by the end of the fiscal year.

### **Alternative Means of Service Delivery**

Alternative means of service delivery will be evaluated to ensure that quality services are provided to citizens at the most competitive and economical cost. Departments, in cooperation with the CAO, will identify activities that could be provided by another source and review options/alternatives to current service delivery. The review of service delivery alternatives and the continuing need for the service will be performed at least annually as part of the budget process or on a more frequent "opportunity" basis by the CAO's Office and departments, using the County's Strategic Management System and Government Code where applicable.

### **Funded Positions**

All allocated positions should be fully funded on an annualized basis by an identifiable revenue source. Any filled or vacant position that becomes unfunded or under-funded will be either fully funded by an alternative revenue source, frozen, or deleted, unless specifically exempted by the CAO. If such actions result in a reduction of force, the process will be conducted in accordance with procedures administered by the Human Resources and Development Department. Any payroll liability costs will be funded from within the affected County department whenever possible or from another source as approved by the CAO.

Additional personnel will only be requested to meet program initiatives and policy directives, after service needs have been thoroughly examined. It must be substantiated that additional staffing will result in increased revenue or enhanced operating efficiencies. To the extent feasible, personnel cost reductions will be achieved

through attrition. Additional positions will not be approved unless their fully annualized cost can be supported within the County department's current appropriation, or if the CAO approves other funding.

Reclassifications, with appropriate justifications, will be approved only when the fully annualized additional cost can be supported within the County department's current appropriation, or if the CAO approves an alternate funding source.

Long-term costs of changes in salary/benefit packages shall be estimated, as part of the annual salary/benefit forecast, and fully disclosed to the Board before implementation and annual wage adjustments are affirmed.

### **Agreements**

Departments shall not recommend for approval by the Board any agreements that commit the County to expenditures for which funding is not identified in the current fiscal year or future years (i.e., multi-year agreements), unless specifically recommended by the CAO.

### **Maintenance of Capital Assets**

The budget should provide sufficient appropriations for regular repair and maintenance of capital assets to protect the County's capital investment and to minimize future maintenance and replacement costs. The CAO's Office is responsible for determining the level of appropriations needed.

### **Capital Asset Replacement Programs**

The County will strive to establish and maintain replacement programs, including reserves, for technology and vehicles in order to stabilize requests and maintain efficient and up-to-date technology-related equipment and vehicles.

### **Transfers from the General Fund**

General Fund transfers to other funds are resources intended to support specific programs or services. At the time of eliminating and closing a fund that has received a General Fund transfer, all assets funded by the General Fund revert back to the General Fund unless prohibited by applicable Federal, State, or local law.

### **Advances from the General Fund**

General Fund advances to other funds are loans intended to address cash flow issues and are expected to be repaid to the General Fund in the future, with interest, at the County's Treasury Pool rate. Should the receiving fund accumulate an unassigned fund balance, the responsible department shall notify the CAO's Office. The CAO's Office and the ACTTC's Office will coordinate to adjust the unassigned amount to first repay the General Fund advance before any of it is used for other purposes. As stated before, at the time of eliminating and closing a fund, all assets funded by the General Fund

revert back to the General Fund unless prohibited by applicable Federal, State, or local law.

### **Assumption of Program Costs**

The County's general policy is to eliminate programs when Federal, State, or other grant funding is terminated. Limited exceptions may be approved by the Board only.

### **Departmental Carry Forwards**

As an incentive, the CAO may grant General Fund departments the option of requesting a carry forward of unanticipated revenues and/or unspent appropriations from one fiscal year to the next, not to exceed 50% of any savings of budgeted Net County Cost, unless economic conditions are such that the CAO determines that a lesser amount shall be retained by departments or all of the balances shall fall to the General Fund unassigned fund balance or contingencies. The carry forward funding should only be used for one-time expenditures as recommended by the CAO during the budget process.

### **Use of Contingencies**

Any governmental fund can budget for contingencies. Departments can request funding for unanticipated expenditures or unfunded projects. If such a situation arises in a fund outside the General Fund, and that fund does not have a budget for contingencies, then General Fund appropriations for contingencies can be used to transfer funds to any department outside the General Fund. Any request for use of Appropriation for Contingencies must be submitted via Board agenda item, and submitted by the responsible department and approved by the CAO before being put on the agenda. The Board must approve all requests for contingency funds by a 4/5th vote. Any contingency funds used within the General Fund during the fiscal year shall be replenished the following fiscal year or at the discretion of the CAO.

### **Use of Reserves**

Per the County Budget Act (Government Code §29130), at any regular or special meeting, the Board by a 4/5th vote may make available for appropriation any of the following fund balances for which the Board has authority:

- Restricted, committed, assigned, and unassigned fund balances, excluding general reserves and non-spendable fund balance.
- Amounts that are either in excess of anticipated amounts or not specifically set forth in the budget derived from any actual or anticipated increases in financing sources.

Any portion of fund balance designated as general reserves during the budget process is inaccessible until the next annual budget. The exception is that after adopting a

resolution by 4/5 vote declaring an emergency at any regular or special meeting, the Board may appropriate and make expenditures necessary to meet that emergency (Government Code §29127).

### **Budget Performance Monitoring**

The CAO maintains ongoing contact with department fiscal officers in the process of implementation and execution of the budget. The CAO exercises appropriate fiscal management as necessary to operate within the limits of the adopted budget.

## **8. CAPITAL IMPROVEMENT PROJECTS POLICIES**

Capital Improvement Projects are defined as infrastructure acquisition or maintenance or construction projects costing \$100,000 or more or major equipment acquisition or maintenance costing \$100,000 or more, with an estimated useful (depreciable) life of five years or more. Improvements or maintenance projects below stated parameters are considered to be ordinary in nature and can be included in the Capital Project Department Operating Budget.

### **Capital Improvement Projects Plan Preparation**

In order to meet the County's debt ratio targets, to schedule debt issuance, and to systematically improve the County's capital infrastructure, each year the General Services Agency will prepare and submit to the Board for adoption, a three, five, or ten-year Capital Improvement Plan (CIP). The first year of each three-year plan will be the next year's capital plan. Whenever possible, the CIP will include, in addition to current major operating maintenance expenditures, adequate funding to support repair and replacement of deteriorating infrastructure in an effort to ensure that it will last its expected lifetime.

### **Coordination with Operating Budget**

Capital improvement lifecycle costs will be coordinated with the development of the Operating Budget. Future operating, maintenance, and replacement costs associated with new capital improvements will be forecast, matched to available revenue sources, and included in the Operating Budget. Capital project contract awards will include a fiscal impact statement disclosing the expected operating impact of the project and when such cost is expected to occur.

### **Pay-As-You-Go Capital Improvement Funding**

The County is committed to funding a significant portion of capital improvements with funds that are dedicated to that purpose. Additional one-time General Fund contributions may be made to help finance specific projects, from Unassigned Fund Balance not needed for current critical operations or planning for emergencies.



Should such dedicated funding be unavailable, Capital Projects reserves not needed for critical operations or emergencies may be used to support existing projects that had been scheduled to receive the funds.

Whenever possible, funding from other governmental entities should be solicited and used to finance capital improvements that are consistent with the CIP and whose operation and maintenance costs have been included in operating budget projections.

### **High Priority Projects**

A high priority shall be placed on capital improvements or replacements when assets have deteriorated to the point of becoming hazardous, incurring high maintenance costs, negatively affecting property values, becoming dysfunctional for their intended purposes, and/or adversely affecting service delivery to the public.

### **Deferred or Incomplete Projects**

Unexpended one-time funds from deferred or incomplete capital projects can be carried forward to the next fiscal year.

### **Capital Projects Reserves**

Any balance in the Capital Projects Fund remains until a need is identified. Some portion of the fund balance must remain available in order to address unforeseen circumstances. The County's policy of funding a large portion of capital expenditures by pay-as-you-go further enhances debt management.

## **9. DEBT POLICIES**

The County's debt policies ensure sound and uniform practices for issuing and managing debt. As the demand for public sector investment and infrastructure continues to grow, the issuance of debt has become an increasingly important component of local government capital obligations. Accordingly, these policies confirm the commitment of the Board of Supervisors, staff, advisors, and other decision-makers to adhere to sound financing management practices with the following objectives:

- Establish a systematic and prudent approach to debt issuance and debt management.
- Ensure access to debt and capital markets and direct purchase investors (private placement providers) through prudent and flexible policies.
- Define specific limits or acceptable ranges for General Fund-supported debt.

### **Delegation of Authority**

Government Code section 53635.7 requires that all borrowing be placed on the Board Agenda as a separate item of business. Policy implementation and the day-to-day responsibility for and authority over the County's debt program will lie with the CAO and the ACTTC, with participation by County Counsel and other departments, as necessary. The CAO and ACTTC will be supported on an as-needed basis by other members of the financing team and a Financial Advisor. The services of other outside consultants may be obtained, as necessary.

### **Debt Management**

While the issuance of debt is frequently an appropriate method of financing capital obligations, and sometimes appropriate for certain other obligations, it also entails careful monitoring of such issuances to ensure that the agency does not commit beyond its resources. Debt commits the County's revenues several years into the future and limits its flexibility to respond to changing service priorities, revenue inflows, or cost structures.

### **Applicable Law**

County debt issuances shall comply with all applicable Federal, State, local, and securities and tax laws, and these policies.

### **Debt Limit**

State law sets limits on the amount of voter-approved General Obligation debt the County can use at 1.25% of assessed valuation. There are no legal limits on the amount of General Fund-supported Lease Revenue Bonds or Certificates of Participation.

For General Fund lease obligations, including COPs/Lease Revenue Bonds, the County has set the maximum limit on annual debt service payments (principal and interest) at 10% of total General Fund expenditures<sup>3</sup>, unless the Board determines that a higher limit is necessary to address compelling needs in any given year.

When calculating the above ratios, self-supporting debt such as General Obligation (GO) Bonds, tax allocation or special tax-supported bonds, and enterprise revenue bonds, as well as short-term debt including Tax and Revenue Anticipation Notes (TRANs) and other notes, should not be included. Likewise, the ratios should not include any Pension Obligation Bond debt service or the County's Other Post-Employment Benefits (OPEB) unfunded actuarial accrued liabilities.

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<sup>3</sup> In calculating this ratio, General Fund Expenditures will include any Net Transfers Out (Transfers In minus Transfers Out) of the General Fund

## **Use of Debt**

The use of debt by the County will be based on the long-term needs of the County and the amounts needed for capital asset acquisitions and other uses as determined by the Board through the budget process. In determining whether or not to issue debt, the Board will consider, among other things, the compelling necessity for financing capital outlay or other obligations of the County, the impact of additional debt on the County's credit ratings, and the recommendations of the CAO and the ACTTC.

The County shall assess the impact of new debt issuance on the long-term affordability of all outstanding and planned debt issuance in the context of each new financing. Such analysis recognizes that the County has limited capacity for debt service in its budget and that each newly issued financing will obligate the County to a series of payments until the debts are paid. The County will maintain, or have their Financial Advisor maintain, a Debt Affordability Model (DAM), that calculates the historical and current ratios cited above. The DAM will also include projections for future ratios based upon existing debt levels and various financial and economic assumptions. The DAM will be utilized as a planning tool and updated in advance of each financing.

As part of the analysis, the CAO and the ACTTC offices, shall cooperatively examine various specific statistical measures, using readily available data, to evaluate debt capacity and relative debt position and may compare these ratios to other counties, rating agency standards and the County's historical ratios to evaluate debt affordability. These measures may include:

- Net direct bonded long-term debt as a percentage of assessed valuation (Debt per AV).
- Debt service as a percentage of noncapital Governmental Funds expenditures (Carrying Charge).
- Net direct bonded long-term debt as a percentage of the County's population (Debt Per Capita).

## **Short-Term Debt**

Short-term debt may be issued for many of the same purposes as long-term borrowing as well as for temporary cash flow shortages. Different forms of short-term debt may be utilized, including, but not limited to, Tax and Revenue Anticipation Notes (TRAN), Commercial Paper, lines of credit, or other forms of short-term financing. TRANs are typically issued to help bridge temporary cash flow shortages. Commercial Paper, lines

of credit, or other short-term financing instruments like Bond Anticipation Notes, may be utilized to fund capital projects on an interim basis in anticipation of long-term financing.

### **Long-Term Debt**

The County will consider utilizing debt financing for capital acquisition and improvement projects and capital asset equipment purchases under the following circumstances:

- When the project is included in the County's Capital Improvement Plan.
- When the project is not included in the County's Capital Improvement Plan, but has been identified as an emerging critical need whose timing was not anticipated in the Capital Improvement Plan, or is a project mandated immediately by State or Federal requirements.
- When the project's useful life, or the projected service life of the equipment, will be equal to or exceed the term of the financing.
- When there are designated revenues sufficient to service the debt, whether from project revenues, other specified and reserved resources, or infrastructure cost-sharing revenues, or where the General Fund has the capacity to service the debt.

The County may also consider issuing Pension Obligation Bonds (POBs), which are financing instruments that would be used to pay some or all of the County's unfunded pension liability, which itself is a form of "debt" owed to the retirement plan. POBs must be issued on a taxable basis, and the proceeds would be transferred to the Tulare County Employees' Retirement Association (TCERA) as a prepayment of all or part of the County's unfunded actuarial accrued pension liabilities (UAAL). The proceeds would then be invested by TCERA.

POBs would be used to refund at least a portion of the County's UAAL at a lower interest rate to achieve cost savings and would be issued only after careful consideration by the Board of potential benefits and risks. Considerations would include:

- The interest rate spread between the expected borrowing rate for the POBs and the assumed rate of return on retirement plan investments.
- Investment risk associated with the investment of POB proceeds.
- Issuing a sufficient amount of POBs to generate market interest.
- The County's overall pension burden, including both POB debt and UAAL.

Generally, the following criteria may be used by the CAO and the ACTTC to evaluate funding options for capital improvements and other multi-year obligations and make recommendations to the Board:

➤ Factors that favor pay-as-you-go:

- Current revenues and adequate unassigned fund balances are available.
- Payoff can be accomplished over time.
- Debt levels would exceed County affordability targets.

➤ Factors that favor long-term financing:

- Revenues available for debt service are considered sufficient and reliable so that long-term financing can be marketed with the highest possible credit rating.
- Market conditions present favorable interest rates and demand for governmental financings.
- A project/payoff is mandated by State or Federal requirements, and current revenues and fund balances are insufficient to meet costs.
- A project is immediately required to meet or relieve capacity needs, and no resources are currently available.

There are many different types of long-term debt instruments available. Depending on the specific circumstances, the County will consider using the most appropriate type of financing instruments, including, but not limited to:

- General Obligation Bonds (voter-approved)
- Revenue Bonds
- Certificates of Participation/Lease Revenue Bonds
- Pension Obligation Bonds
- OPEB Bonds
- Mello-Roos Community Facilities District Bonds
- Other Bonds
- Other Loans

Long-term debt will not be issued for current operational costs or for recurring uses. Revenue surpluses may be used to pay the debt off early to save interest charges.

### **Refunding of Indebtedness**

The County may issue advance or current refunding bonds (as defined for federal tax purposes) when advantageous, legally permissible, and prudent. The County also may choose to refund outstanding indebtedness when existing bond covenants or financial structure impinge on prudent and sound financial management. In general, current refundings should only be done if value savings are not less than 3.0% of refunded par amount (accounting for debt service reserve fund earnings), and advance refundings should only be done if present value savings of 5% or more of refunded par amount can be achieved.

Adjustments to savings thresholds for both advance refunding and current refundings may be justified based on:

- The length of time from the call to maturity. The longer the time to maturity, the higher should be the savings threshold. Conversely, a shorter time to maturity may justify a lower savings threshold.
- Interest rates at the time of the refunding relative to historical markets. In low-interest rate markets, a lower threshold may be justified, while a higher threshold would be justified in high-interest rate markets. Generally, refunding transactions should not extend the final maturity of the existing financing, net of any reserve fund offset. The County may consider shortening the term of the originally issued financing to realize greater interest savings.

### **Credit Enhancements**

The County shall seek to use credit enhancements (letters of credit, bond insurance, surety bonds, etc.) when such enhancements prove cost-effective. The use of credit enhancements must meet the County's debt financing goals and objectives.

### **Credit Worthiness**

The County places a high priority on maintaining the highest possible credit ratings for all categories of short and long-term debt in order to achieve the lowest possible borrowing interest rates.

### **Conduit Financing**

The County may sponsor conduit financing (financing for private projects with identified public benefits issued by a governmental agency) for other governmental entities that are consistent with the County's overall service and policy objectives. All conduit financing must insulate the County to the maximum extent possible under the

circumstances from any credit risk or exposure and from all other liability exposure and must be approved by the County Board of Supervisors.

### **Debt Repayment**

The County commits to full and timely repayment of debt. Debt will be structured to accommodate fair allocation of costs to both current and future beneficiaries of the financed capital project. The duration of repayment shall not exceed the economic or useful life of the capital project to be financed.

Revenue surpluses may be used to pay debt off early to save interest charges.

### **Relationships within the Financial Community**

The County places a high priority on maintaining good working relationships with credit rating agencies, investors, and others in the financial community who are involved with the County's long-term debt. The County will provide full and open financial disclosures with these partners.

### **Professional Assistance**

The County will use the services of independent Financial Advisors and Bond Counsel for all debt financing. Other professional services may include disclosure counsel, underwriting, trustee, verification agent, escrow agent, arbitrage consulting, and special tax consulting. The goal in selecting service providers is to achieve a good balance between cost and service.

### **Due Diligence**

The County will conduct "due diligence" meetings with all relevant County staff and consultants prior to the issuance of new bonds and notes. A Preliminary Official Statement will be released to the market only after the completion of the "due diligence" meetings.

### **Method of Sale**

The County's goal is to protect the public's interest by obtaining the lowest possible interest cost. To obtain that goal, the County may use a competitive, negotiated, limited-competitive, or private placement (direct purchase) method of sale. The appropriate method shall be determined on a case-by-case basis.

Before selecting a method of sale for public offerings, the financing team shall take into consideration the current market, the issuer's characteristics, and the proposed bond structure. Market considerations will focus on the supply and demand of the competing issuances. Issuer characteristic considerations will include market familiarity, credit strength, and policy goals. Bond structure considerations will include the type of debt instrument, issue size, structure, and timing.

The County prefers the use of a competitive method of sale for public offerings, where feasible.

### **Investment of Bond Proceeds**

Investments of proceeds shall be consistent with Federal tax requirements, the County's Investment Policy as modified from time to time, and requirements of the governing bond documents.

### **Derivatives**

A derivative product is a financial instrument that derives its own value from the value of another instrument, usually an underlying asset, such as a stock, bond, or an underlying reference such as an interest rate. Derivatives are commonly used as hedging devices in managing interest rate risk to mitigate risk and borrowing costs. These products bear certain risks not associated with standard debt instruments. Derivative products should only be employed after careful evaluation of potential benefits and risks with prior Board approval and with the adoption of a separate Derivatives Policy, intended to protect the County.

The County prefers not to use derivative products.

### **Post Issuance Compliance**

The County will comply with certain post-debt issuance compliance requirements, including, but not limited to, Continuing Disclosure requirements, as stated in specific financing documents, and arbitrage regulations. Generally, tax-exempt financing issues are subject to IRS arbitrage rebate requirements. These requirements specify that any profit or arbitrage be rebated to the Federal Government. Rebate computations are typically required every five (5) years and upon final redemption, maturity, or refunding of the bonds. Any excess earnings are required to be rebated to the Federal Government. The County will also comply with any post-debt issuance reporting requirements of State law, including, but not limited to, the annual report to the California Debt and Investment Advisory Commission required by Government Code section 8855(k)(1).

### **New Financing Methods and Techniques**

This policy is not intended to hinder the County's use of any new financing techniques that may arise. Proposals for new financing methods or structures not included in this Policy should be addressed to the CAO and ACTTC for consideration and, if necessary, referred to the County's Financial Advisor for evaluation. This policy should then be amended to reflect any new financing techniques recommended and approved by the Board.



### **Use of Debt Proceeds**

The CAO, the ACTTC, and other appropriate County personnel shall implement Internal Control procedures outlined below to ensure that the proceeds of the proposed debt issuance will be directed to the intended use:

- Monitor the use of Debt proceeds, the use of Debt-financed assets (e.g., facilities, furnishings, or equipment), and the use of output or throughput of Debt-financed assets throughout the term of the Debt to ensure compliance with covenants and restrictions set forth in applicable County resolutions and Tax Certificates. Monitoring will include providing an annual report to the Board of Supervisors;
- Maintain records or contracts identifying the assets or portions of assets that are financed or refinanced with proceeds of each issue of Debt and to document compliance with all covenants and restrictions set forth in applicable County resolutions and Tax Certificates. An applicable Record Retention Policy will be maintained by the ACTTC; and
- Consult with Bond Counsel or other professional expert advisors in the review of any contracts or arrangements involving use of Debt-financed facilities to ensure compliance with all covenants and restrictions set forth in applicable County resolutions and Tax Certificates.

## **10. INVESTMENT POLICIES**

### **Treasury Pool Investment Guidelines**

The ACTTC Investment Policy Statement for the Pooled Investment Fund is presented annually to the Treasury Oversight Committee for review and to the County Board of Supervisors for approval as recommended by California Government Code §53646 and §27133 and shall remain in effect until the succeeding policy is adopted. This policy has been researched, prepared, and written under the direction of the ACTTC and the Assistant Treasurer-Tax Collector of the County of Tulare. Each issue addressed in this policy is considered to be of timely and significant importance to the administration of the investment portfolio. The purpose of the investment policy is to facilitate the accomplishment of the goals and objectives of the Treasurer with regard to the investment of idle funds, to provide a framework within which to carry out the business of administering and investing the idle funds of the Treasury, and to improve communications at all levels between those involved and those interested in the process of investing and administering the idle funds of the Treasury.

The Treasury Pool Investment Guidelines are available by request from the Treasury Division, or online at:

<https://tularecounty.ca.gov/treasurertaxcollector/treasurer/documents/investment-policy/>

### **Millennium Capital Project Fund Program Investment Policy**

In 1999, the Tulare County Public Financing Authority issued \$45 million of taxable variable rate demand bonds in order to provide funds to assist the County in financing or refinancing of public capital improvements and related repair and maintenance costs. The bond proceeds and the program established from the proceeds, were designated as the “Millennium Fund Program.” Repayment of principal and interest on the bonds was supported by pledged revenues from, among other sources, tobacco settlement revenues received under a 1998 Master Settlement Agreement between the attorneys general of 46 states (including California) and the four largest U.S. tobacco manufacturers. In 2006, the bonds were refinanced as a private placement.

In 2024, the Tulare County Board of Supervisors approved the prepayment and release of said Bonds, and approval of the Amended and Restated Millennium Capital Project Fund Program, along with a separate Investment Policy to govern the use of the funds. The Board of Supervisor’s goal was to maintain the same governmental requirements as other County investments, while allowing for longer term maturities to increase the potential for greater returns. In addition, the separation of the Millennium Capital Project Fund Program recognizes the County’s long-standing intention to commit the Tobacco Settlement Proceeds and investment returns for future capital project needs.

The Millennium Capital Project Fund Program Investment Policy is available by request from the Treasury Division, or online at:

<https://tularecounty.ca.gov/treasurertaxcollector/treasurer/documents/investment-policy/>

## **11. FINANCIAL REPORTING POLICIES**

The County's accounting and financial reporting systems will be maintained in conformance with all State and Federal laws, generally accepted accounting principles (GAAP), GASB standards and recommendations, and recommended practices of the GFOA.

### **Level of Accountability**

The County strives to maintain the highest level of accountability expected by any major stakeholder group. The degree of accountability is measured by the extent to which:

- Resources are acquired and used effectively and efficiently.
- Laws and regulations are complied with.
- Results are appropriately reported to demonstrate good stewardship.

Accountability should extend to all levels of the County organizational structure.

### **Financial Reporting**

Financial transactions will be recorded and summarized into financial reports in accordance with GAAP. The ACTTC will prepare a Comprehensive Annual Financial Report (CAFR) of the County's financial position and changes in financial position in conformity with GAAP.

### **Internal Controls**

County management is responsible for maintaining adequate internal controls to obtain reasonable assurance that long-term County goals are achieved efficiently and in compliance with law.

County accountant-auditors (as available) or outside auditors may be called upon to validate financial data reported by departments and may be asked to make recommendations to improve controls when appropriate. The CAO will determine the source of funding for requested financial audits.

The risk of non-accountability should be periodically assessed countywide and mitigated through audits.

### **Independent Audits**

An annual independent audit of the CAFR will be conducted in accordance with GAAP. All material audit findings and recommendations, whether arising from internal or external audits, shall be reported to the Audit Committee and resolved in a timely manner.

### **Audit Committee**

The Board of Supervisors established the committee to assist the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the County of Tulare's process for monitoring compliance with laws and regulations and the code of conduct.

The Audit Committee shall consist of:

- Two members of the Board of Supervisors
- The County Administrative Officer or his/her Alternate

- County Counsel or his/her Alternate
- One Department Head

The Audit Committee has the authority to conduct or authorize investigations into any matters within its scope of responsibility. The Audit Committee's Bylaws, which outline its authority, scope of responsibilities, and duties are available online at the County Administrative Office website.

### **County of Tulare Fraud Hotline**

The ACTTC implemented the County's Fraud Hotline as another measure to safeguard the County's financial and capital assets. The hotline has been established to report improper or inappropriate activities not identified by existing controls.

## **APPENDIX A: MAINTENANCE OF POLICIES**

These Financial Policies are maintained by the County Administrative Office and the County Auditor-Controller's Office. Each department works collaboratively together to ensure the integrity of the policies. The core focus of each department with respect to the Financial Policies is as follows:

County Administrative Office:

- Balanced Budget
- Revenue
- Operating Budget
- Capital Improvement Projects Debt (with ACTTC's Office)
- Financial Reporting (with ACTTC's Office)

Auditor-Controller/Treasurer-Tax Collector Office:

- Investment
- Debt (with CAO)
- Financial Reporting (with CAO)



# FINANCIAL POLICIES

COUNTY OF TULARE

COUNTY ADMINISTRATIVE OFFICE  
Revised ~~December 2019~~ July 2024

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# County of Tulare | Financial Policies

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## **1. PURPOSE**

Promoting financial integrity is an important priority in the County of Tulare (the County). The following Financial Policies and guidelines establish the framework for the County's overall fiscal planning and management.

These policies set forth guidelines against which current budgetary performance can be measured and proposals for future programs can be evaluated. The policies help to ensure that the County continues to follow its Strategic Business Plan and meet Strategic Initiative No. 4: Organizational Performance - to continuously improve organizational effectiveness and fiscal stability.

These policies may be amended from time to time by a majority vote of the Board of Supervisors (the Board), except those sections that require a 4/5th vote to permanently change specific requirements. The Board may, however, by 4/5th vote, suspend or alter any of these specific requirements sections on a one-time-only basis for one year, without permanently amending these policies.

## **2. REVIEW AND REVISION POLICY**

These Financial Policies will be reviewed annually and maintained by the County Administrative Office and the Auditor-Controller/Treasurer-Tax Collector's (ACTTC) Office for appropriateness and comparability with other jurisdictions, or more frequently if a need for review is identified. See Appendix A: Maintenance of Policies.

## **3. BALANCED BUDGET POLICY**

The provisions of the California Government Code (County Budget Act, § 29000 et al.) shall control the preparation, consideration, adoption, and execution of the budget of the County. The California State Controller's Office requires the County's budget to be balanced (*Accounting Standards and Procedures for Counties* manual, Chapter 2.37). The County shall annually prepare, adopt, and execute a budget for such funds as may be required by law or by sound financial practices and by generally accepted accounting principles. The budget shall control the collection of revenue and the expenditure of money for all County purposes during the ensuing fiscal year. The County budget shall be balanced within all available operating revenues, including fund balance, and adopted by the Board.

The County Administrative Officer (CAO) is responsible for submitting an annual recommended budget to the Board for consideration and adoption, administering the



adopted budget, and exercising continuous expenditure control. The CAO works closely with the ACTTC in the preparation and execution of the budget.

#### **4. BUDGETARY CONTROLS POLICY**

The County Budget Act (Chapter 1, Division 3, Title 3 of the Government Code, Chapter

1. Budget and Tax Levy) controls the budgeting of governmental funds. Except as otherwise specifically provided in this policy, the County has elected to apply the same budgetary controls to proprietary funds.

Government Code (GC) Sections 29125 and 29130 define actions which may be taken by the Board of Supervisors for transfers or revisions to the adopted appropriations and allows the Board to delegate certain authority to the CAO. Administrative Regulation No. 4 (AR 4) outlines the authorities of the Board per Government Code and serves to delegate certain authority to the CAO and Department/Agency Heads. AR 4 is available on the County Administrative website.

Through County policy, certain limitations on revisions and transfers of appropriations are deemed necessary to maintain fiscal and budgetary controls, aside from those specified in the Government Code.

Per GC Section 29009, "In the recommended, adopted, and final budgets, the funding sources shall equal the financing uses." This means that even though authorities exist to transfer appropriations or to otherwise make appropriations available, each governmental fund budget must remain in balance.

Per GC Sections 25260 through 25261, the Board of Supervisors has authority to create proprietary funds and to make funding available to maintain their solvency. Per GC Sections 29141, the adopted budget shall include a schedule showing the managerial budget for each proprietary fund, but adjustments to the adopted budget are not covered in the County Budget Act and GC Section 29009 does not apply.

#### **5. REVENUE POLICIES**

The County is committed to fiscal sustainability through revenue diversification and stability to shelter the County from adverse fluctuations and economic downturns.

##### **Revenue Diversification for Fiscal Sustainability**

Generally, current revenues will fund current expenditures. The County will maintain a revenue system that is as diversified and stable as possible to protect programs and

services from short-term fluctuations in any single revenue source and ensure that the County can continue those programs and services to its citizens.

The County shall strive to diversify its economic base by encouraging commercial and, in particular, industrial development and associated revenues. Such business and industry must be in accord with the plans and ordinances of the County, and their future economic impacts on governmental services must be accounted for with such funding mechanisms as impact fees and/or development agreements to provide fiscal sustainability.

### **Revenue Collection**

The County's single largest source of discretionary revenues is property taxes. The County's goal is to maintain a secured property tax collection rate of at least 95% in the year levied.

The County will aggressively pursue collection on all accounts receivable including:

- Code violation fines
- Returned checks
- Services supplied to customers outside the County, such as cities or courts
- Delinquent note payments
- Payroll and/or benefit overpayments

The extent and costs of collection efforts should not outweigh the amount due. There are circumstances in which collection is not possible. Government Code Sections 25257 through 25259 establish a procedure for applying for and granting discharges of accountability by the Board. The Board (by Resolution No. 79-1795) delegated this authority to the County Auditor and requires a quarterly report on all actions taken pursuant to the Resolution.

### **Fees and Charges**

All fees established by the County for licenses, permits, fines, services, applications, and other miscellaneous charges shall, whenever possible and within the law, be set to recover all or the maximum reasonable portion of the County's expense in providing the associated service. These fees shall be reviewed annually by the County departments sponsoring the fees and any changes or proposed new fees will be brought before the Board for approval at a public hearing by late April annually and be effective the first day of July. Excepted from this requirement are only those fees for which there is a statute that mandates the imposition and amount of the fee. If the fee is property-related, California Constitution Articles XIII C and XIII D limit the manner in which the

County is permitted to impose fees and assessments and sets forth specific procedures to be used with regard to imposing such fees.

Each proposed fee must have statutory or other authority for the County to charge the fee. Each department will identify the authority and develop the formula or methodology used to determine the cost of the service for which the fee is being charged. Additionally, each department is responsible for determining the statutory notice requirements and adoption procedures (including timely publishing of any required hearing notice and an affidavit of publication) and submitting an agenda item proposing the establishment or changes of the fees that will be discussed during the scheduled public hearing.

A fee or charge must reflect the direct and indirect costs of providing the product, service, or enforcement of regulations. Indirect costs shall be limited to those items that are included in the United States Office of Management and Budget Title 2, Code of Federal Regulations (CFR), Subtitle A, Chapter II, part 225, referred to as 2 CFR 225 standards.

The County Administrative Office, ACTTC, and County Counsel shall review all new and changed fee requests before they are submitted to the Board to ensure statutory compliance and uniformity among departments which charge fees for similar County services and products.

In the documents submitted to the County Administrative Office, ACTTC, and County Counsel for review, departments must clearly describe the authority and the formula or methodology used to determine the fees and the procedures for their collection, including late charges and penalties. If any fee reflects less than the total cost of the service, the department shall provide compelling justification for recommending only partial cost recovery.

In reviewing proposed fees, the ACTTC will first look at the authority for the fee to make sure it does not set limits on the fee. The fee is then examined to determine the reasonableness of the methodology used to develop it.

County Counsel will review fees to determine if they are consistent with applicable laws, regulations, and ordinances, such as Proposition 218. If there is no code or other authority, then County Counsel will use the 2 CFR 225 standards to evaluate fee compliance.

The County Administrative Office must review and approve the final proposed fees or fee changes prior to the scheduling of a hearing date.

New fees or fee changes approved by the Board will be posted on the County's Master Fee Schedule by the County Administrative Office and located on the CAO web site at the beginning of each fiscal year.

#### **Federal, State and Other Grants**

The County shall aggressively pursue all grant opportunities. However, before accepting grants, the County will consider current and future implications of both accepting and rejecting the funding. All potential grants shall be carefully examined by the submitting department for matching requirements (both dollars and maintenance-of-effort and in-kind matches), and funding sources identified for the out years once grant funds are reduced or eliminated.

Future funding obligations required by grants must be identified prior to grant acceptance by the Board. The County shall seek grants and other funding opportunities which provide maximum leverage of County monies while minimizing commitments requiring recurring County fiscal expenditures.

Sunset provisions will be required on all grant program initiatives and incorporated into other service plans, as appropriate. In the event of reduced grant funding, County resources may be substituted only after all program priorities and alternatives have been considered, and only if recommended by the CAO.

#### **Use of One-time Revenue/One-time Expenditure Savings**

One-time revenue and/or one-time expenditure savings, in excess of the unrestricted fund balance target, may be used for non-recurring expenditures, if not needed for funding current critical operations or sustaining targeted reserve levels. Such savings shall not be used for on-going operations unless explicitly approved by the Board.

#### **Restricted Revenues**

Restricted revenues (such as Medicaid funds or Asset Forfeiture funds) shall only be used for the purpose intended. The County will comply with all limitations and restrictions imposed by the funding source.

#### **Sale of County Land**

The proceeds net of expenses of the sale of County land shall be deposited into the County Future Construction Fund and, unless otherwise directed by the Board of Supervisors, should be used for future capital projects.

## 6. FUND BALANCE AND RESERVES

The purpose of this Fund Balance Policy is to build and maintain an adequate level of unrestricted fund balance, along with Strategic and General Fund Pension Trust reserves, to support the day-to-day County operations in the event of unforeseen shortfalls or an emergency. The Strategic and General Fund Pension Trust reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. This Fund Balance Policy will be implemented in conjunction with the other financial policies of the County and is intended to support the goals and strategies contained in those related policies and in strategic and operational plans.

### **Fund Balance Defined**

The Governmental Accounting Standards Board (GASB) issued Statement No.54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of this Statement is to improve the usefulness, including the understandability, of governmental fund balance information. The Statement provides more clearly defined categories to make the nature and extent of the constraints placed on a government's fund balance more transparent.

The fund balance is reported in five categories:

- **Non-spendable:** Amounts that cannot be spent because they are
  - a) not in spendable form (i.e., assets that will never convert to cash), or
  - b) legally or contractually required to be maintained intact.
- **Restricted:** Amounts are restricted by external parties (i.e., creditors, grantors, contributors, laws/regulations of other governments, or restricted by law through constitutional provisions or enabling legislation).
- **Committed:** Amounts that can only be used for specific purpose pursuant to constraints imposed by formal action of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by Board resolution. The Board action to commit funds during any given year must occur prior to fiscal year end.
- **Assigned:** Amounts are earmarked for an intended use. The Board, by Board Resolution, has delegated the authority to assign fund balances to the County Administrative Officer (CAO). The assignment of fund balances should be expressed in writing by CAO.

- **Unassigned:** A residual classification for the General Fund that encompasses all fund balances not contained in other classifications. The General Fund is the only fund that can report a positive unassigned fund balance. In the event that the County has a positive unassigned fund balance, the excess may be used for any lawful purpose, but it is recommended that first priority shall be to ensure that sufficient resources are committed to reach the targeted funding level of the Strategic Reserve<sup>1</sup>.

Fund balances occur only in governmental funds; therefore, the term fund balance does not apply to proprietary (including enterprise and internal service funds) or fiduciary funds.

#### **General Fund Unrestricted Fund Balance**

The County must be prepared for unforeseen events or economic uncertainties that could result in additional expenditure requirements or loss of revenue by establishing and maintaining a prudent level of unrestricted fund balance. Unrestricted fund balance consists of committed, assigned, and unassigned fund balance categories. Unrestricted fund balances are either unconstrained or the constraints are self-imposed, so they could be lifted in order to make fund balances available for other purposes. The County strives to maintain the General Fund unrestricted fund balance at a target level equivalent to no less than 16% (approximately two months working capital) of the most recent audited General Fund operating revenues<sup>2</sup>.

#### **Replenishment**

Should the County have a need to use monies from the unrestricted fund balance, and the funding level of the unrestricted fund balance falls below the 16% target level, then the CAO shall present a plan to be approved by the Board to replenish the unrestricted fund balance to the appropriate target level within twenty-four (24) months thereafter. The Board may choose to extend the timeframe to replenish the unrestricted fund balance if the Board finds that it is in the County's best interest to do so.

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<sup>1</sup> For further information regarding the Strategic Reserve target see the General Fund Reserves section on page 10.

<sup>2</sup> The Government Finance Officers Association (GFOA) recommends setting the target as a percentage of either operating revenues or expenditures, whichever is more predictable. This reduces the impact of unusual spikes or drops that would distort long-term trends. For the County, the more predictable is operating revenues and so the County's unrestricted fund balance target will be a percentage of County General Fund operating revenues.

### **General Fund Reserves**

In addition to maintaining a responsible unrestricted fund balance level, the County shall also strive to maintain General Fund reserves at a level that will adequately protect the fiscal health and stability of the County. The County's General Fund will maintain the following reserves:

### **Strategic Reserve**

The County's Strategic Reserve is comprised of Committed fund balance and considered a stabilization arrangement. The Board strives to commit an amount equivalent to no less than 8% (approximately 30 days working capital) of the most recent audited General Fund operating revenues. The purpose of this reserve is to:

- a. Provide resources to make up for temporarily decreased revenues that result from State or Federal budget actions;
- b. Provide temporary resources in the event of an economic downturn;
- c. Provide resources in the event of a disaster or emergency declared by the Board of Supervisors, the state, or the federal government, for disaster costs or costs associated with emergencies;
- d. Absorb liability settlements in excess of available resources.

The amount determined will be classified as "committed" from the total amount of available Fund Balance to the Strategic Reserve prior to appropriations for all other funds. This amount shall be committed annually by the Board as part of the recommended budget approval process.

Annual commitment of funds to the Strategic Reserve shall be approved by the Board during the Annual Budget Hearings. In the event funds are to be appropriated to cover essential core functions of the County, the access of funds shall be determined by the Board by a four-fifths vote during the annual Budget Hearings or during action on the Mid-Year Budget Report. If there is a declared local, state, or federal government disaster or emergency, then the Board, by four-fifths vote, may access the strategic reserve at a regularly scheduled Board meeting.

The monies committed to the Strategic Reserve are only to be used for the purposes stated above. If the funding level of the Strategic Reserve falls below the 8% target level, the CAO shall present a plan to be approved by the Board to replenish the Strategic Reserve within twenty-four (24) months thereafter. The Board may choose to extend the timeframe to replenish the Strategic Reserve if the Board finds that it is in the County's best interest to do so.

### **General Fund Pension Trust**

The County maintains an Internal Revenue Code Section 115 irrevocable trust for the purpose of funding pension expenses. Funds held within this trust are considered restricted assets and can only be used for the purpose of funding pension costs of the County. There shall be no targeted funding level for this trust.

## **7. OPERATING BUDGET POLICIES**

The budget process is intended to weigh all competing requests for County resources within projected fiscal constraints. All departments will participate in the budget process with responsibility for meeting County policy goals and ensuring long-term financial health. Future departmental service plans and program initiatives will be developed to reflect current County policy directives, projected resources, and future service requirements.

### **Fund Balance Level - General Fund**

The ratio of unrestricted fund balance and Appropriations for Contingencies budget as a percentage of General Fund expenditures indicates the ability of the County to cope with unexpected financial problems or emergencies and to avoid potential service disruptions caused by revenue shortfalls. The larger the General Fund's unrestricted fund balance and contingencies, the greater the County's ability to cope with financial emergencies and fluctuations in revenue cycles.

As mentioned before, the County strives to achieve and maintain the unrestricted fund balance and Appropriations for Contingencies budget at a level equivalent to a minimum of two months of actual regular General Fund operating expenditures or operating revenues as recommended by the Government Finance Officers Association (GFOA). This level should be funded for each upcoming fiscal year from prior year unrestricted fund balance before any one-time needs are addressed.

### **Appropriation Levels**

Spending authority levels are not guaranteed from one fiscal year to another. At the start of the annual budget process, the CAO, in consultation with the Board, shall determine the maximum allocations (expenditure targets) for each General Fund department, based on detailed reviews of spending needs, priorities, expected results, and long-range revenue and expenditure forecasts, thereby limiting the rate of budgetary growth to address issues of sustainability.

The appropriation levels for funds outside the General Fund shall be determined in a similar manner by the appropriate department heads, in conjunction and with approval from the CAO.



### **Current Revenues Should Be Sufficient to Support Current Expenditures**

Ongoing operating costs should be supported by ongoing, stable revenues whenever possible. Unassigned fund balances, if not needed for current critical operations or contingencies/reserves, should only be used for one-time expenditures such as unanticipated emergencies, projects and equipment.

### **Revenue and Expenditure Projections**

In order to improve financial planning and decisions, the CAO's Office will, at a minimum, prepare an annual budget and three to five-year projections of revenues and expenditures for all General Fund County departments. Such projections may be made for other funds whenever possible. All revenue projections shall be conservative in nature.

In addition, the CAO's Office will submit an annual Mid-Year Budget Report to the Board that compares revenues recognized and expenditures obligated to Current Modified Budgeted amounts and identify any challenges that need to be addressed by the end of the fiscal year.

### **Alternative Means of Service Delivery**

Alternative means of service delivery will be evaluated to ensure that quality services are provided to citizens at the most competitive and economical cost. Departments, in cooperation with the CAO, will identify activities that could be provided by another source and review options/alternatives to current service delivery. The review of service delivery alternatives and the continuing need for the service will be performed at least annually as part of the budget process or on a more frequent "opportunity" basis by the CAO's Office and departments, using the County's Strategic Management System and Government Code where applicable.

### **Funded Positions**

All allocated positions should be fully funded on an annualized basis by an identifiable revenue source. Any filled or vacant position that becomes unfunded or under-funded will be either fully funded by an alternative revenue source, frozen, or deleted, unless specifically exempted by the CAO. If such actions result in a reduction of force, the process will be conducted in accordance with procedures administered by the Human Resources and Development Department. Any payroll liability costs will be funded from within the affected County department whenever possible or from another source as approved by the CAO.

Additional personnel will only be requested to meet program initiatives and policy directives, after service needs have been thoroughly examined. It must be substantiated that additional staffing will result in increased revenue or enhanced operating efficiencies. To the extent feasible, personnel cost reductions will be achieved

through attrition. Additional positions will not be approved unless their fully annualized cost can be supported within the County department's current appropriation, or if the CAO approves other funding.

Reclassifications, with appropriate justifications, will be approved only when the fully annualized additional cost can be supported within the County department's current appropriation, or if the CAO approves an alternate funding source.

Long-term costs of changes in salary/benefit packages shall be estimated, as part of the annual salary/benefit forecast, and fully disclosed to the Board before implementation and annual wage adjustments are affirmed.

#### **Agreements**

Departments shall not recommend for approval by the Board any agreements that commit the County to expenditures for which funding is not identified in the current fiscal year or future years (i.e., multi-year agreements), unless specifically recommended by the CAO.

#### **Maintenance of Capital Assets**

The budget should provide sufficient appropriations for regular repair and maintenance of capital assets to protect the County's capital investment and to minimize future maintenance and replacement costs. The CAO's Office is responsible for determining the level of appropriations needed.

#### **Capital Asset Replacement Programs**

The County will strive to establish and maintain replacement programs, including reserves, for technology and vehicles in order to stabilize requests and maintain efficient and up-to-date technology-related equipment and vehicles.

#### **Transfers from the General Fund**

General Fund transfers to other funds are resources intended to support specific programs or services. At the time of eliminating and closing a fund that has received a General Fund transfer, all assets funded by the General Fund revert back to the General Fund unless prohibited by applicable Federal, State, or local law.

#### **Advances from the General Fund**

General Fund advances to other funds are loans intended to address cash flow issues and are expected to be repaid to the General Fund in the future, with interest, at the County's Treasury Pool rate. Should the receiving fund accumulate an unassigned fund balance, the responsible department shall notify the CAO's Office. The CAO's Office and the ACTTC's Office will coordinate to adjust the unassigned amount to first repay the General Fund advance before any of it is used for other purposes. As stated before, at the time of eliminating and closing a fund, all assets funded by the General Fund

revert back to the General Fund unless prohibited by applicable Federal, State, or local law.

#### **Assumption of Program Costs**

The County's general policy is to eliminate programs when Federal, State, or other grant funding is terminated. Limited exceptions may be approved by the Board only.

#### **Departmental Carry Forwards**

As an incentive, the CAO may grant General Fund departments the option of requesting a carry forward of unanticipated revenues and/or unspent appropriations from one fiscal year to the next, not to exceed 50% of any savings of budgeted Net County Cost, unless economic conditions are such that the CAO determines that a lesser amount shall be retained by departments or all of the balances shall fall to the General Fund unassigned fund balance or contingencies. The carry forward funding should only be used for one-time expenditures as recommended by the CAO during the budget process.

#### **Use of Contingencies**

Any governmental fund can budget for contingencies. Departments can request funding for unanticipated expenditures or unfunded projects. If such a situation arises in a fund outside the General Fund, and that fund does not have a budget for contingencies, then General Fund appropriations for contingencies can be used to transfer funds to any department outside the General Fund. Any request for use of Appropriation for Contingencies must be submitted via Board agenda item, and submitted by the responsible department and approved by the CAO before being put on the agenda. The Board must approve all requests for contingency funds by a 4/5th vote. Any contingency funds used within the General Fund during the fiscal year shall be replenished the following fiscal year or at the discretion of the CAO.

#### **Use of Reserves**

Per the County Budget Act (Government Code §29130), at any regular or special meeting, the Board by a 4/5th vote may make available for appropriation any of the following fund balances for which the Board has authority:

- Restricted, committed, assigned, and unassigned fund balances, excluding general reserves and non-spendable fund balance.
- Amounts that are either in excess of anticipated amounts or not specifically set forth in the budget derived from any actual or anticipated increases in financing sources.

Any portion of fund balance designated as general reserves during the budget process is inaccessible until the next annual budget. The exception is that after adopting a

resolution by 4/5 vote declaring an emergency at any regular or special meeting, the Board may appropriate and make expenditures necessary to meet that emergency (Government Code §29127).

#### **Budget Performance Monitoring**

The CAO maintains ongoing contact with department fiscal officers in the process of implementation and execution of the budget. The CAO exercises appropriate fiscal management as necessary to operate within the limits of the adopted budget.

### **8. CAPITAL IMPROVEMENT PROJECTS POLICIES**

Capital Improvement Projects are defined as infrastructure acquisition or maintenance or construction projects costing \$100,000 or more or major equipment acquisition or maintenance costing \$100,000 or more, with an estimated useful (depreciable) life of five years or more. Improvements or maintenance projects below stated parameters are considered to be ordinary in nature and can be included in the Capital Project Department Operating Budget.

#### **Capital Improvement Projects Plan Preparation**

In order to meet the County's debt ratio targets, to schedule debt issuance, and to systematically improve the County's capital infrastructure, each year the General Services Agency will prepare and submit to the Board for adoption, a three, five, or ten-year Capital Improvement Plan (CIP). The first year of each three-year plan will be the next year's capital plan. Whenever possible, the CIP will include, in addition to current major operating maintenance expenditures, adequate funding to support repair and replacement of deteriorating infrastructure in an effort to ensure that it will last its expected lifetime.

#### **Coordination with Operating Budget**

Capital improvement lifecycle costs will be coordinated with the development of the Operating Budget. Future operating, maintenance, and replacement costs associated with new capital improvements will be forecast, matched to available revenue sources, and included in the Operating Budget. Capital project contract awards will include a fiscal impact statement disclosing the expected operating impact of the project and when such cost is expected to occur.

#### **Pay-As-You-Go Capital Improvement Funding**

The County is committed to funding a significant portion of capital improvements with funds that are dedicated to that purpose. Additional one-time General Fund contributions may be made to help finance specific projects, from Unassigned Fund Balance not needed for current critical operations or planning for emergencies.

Should such dedicated funding be unavailable, Capital Projects reserves not needed for critical operations or emergencies may be used to support existing projects that had been scheduled to receive the funds.

Whenever possible, funding from other governmental entities should be solicited and used to finance capital improvements that are consistent with the CIP and whose operation and maintenance costs have been included in operating budget projections.

#### **High Priority Projects**

A high priority shall be placed on capital improvements or replacements when assets have deteriorated to the point of becoming hazardous, incurring high maintenance costs, negatively affecting property values, becoming dysfunctional for their intended purposes, and/or adversely affecting service delivery to the public.

#### **Deferred or Incomplete Projects**

Unexpended one-time funds from deferred or incomplete capital projects can be carried forward to the next fiscal year.

#### **Capital Projects Reserves**

Any balance in the Capital Projects Fund remains until a need is identified. Some portion of the fund balance must remain available in order to address unforeseen circumstances. The County's policy of funding a large portion of capital expenditures by pay-as-you-go further enhances debt management.

### **9. DEBT POLICIES**

The County's debt policies ensure sound and uniform practices for issuing and managing debt. As the demand for public sector investment and infrastructure continues to grow, the issuance of debt has become an increasingly important component of local government capital obligations. Accordingly, these policies confirm the commitment of the Board of Supervisors, staff, advisors, and other decision-makers to adhere to sound financing management practices with the following objectives:

- Establish a systematic and prudent approach to debt issuance and debt management.
- Ensure access to debt and capital markets and direct purchase investors (private placement providers) through prudent and flexible policies.
- Define specific limits or acceptable ranges for General Fund-supported debt.

### **Delegation of Authority**

Government Code section 53635.7 requires that all borrowing be placed on the Board Agenda as a separate item of business. Policy implementation and the day-to-day responsibility for and authority over the County's debt program will lie with the CAO and the ACTTC, with participation by County Counsel and other departments, as necessary. The CAO and ACTTC will be supported on an as-needed basis by other members of the financing team and a Financial Advisor. The services of other outside consultants may be obtained, as necessary.

### **Debt Management**

While the issuance of debt is frequently an appropriate method of financing capital obligations, and sometimes appropriate for certain other obligations, it also entails careful monitoring of such issuances to ensure that the agency does not commit beyond its resources. Debt commits the County's revenues several years into the future and limits its flexibility to respond to changing service priorities, revenue inflows, or cost structures.

### **Applicable Law**

County debt issuances shall comply with all applicable Federal, State, local, and securities and tax laws, and these policies.

### **Debt Limit**

State law sets limits on the amount of voter-approved General Obligation debt the County can use at 1.25% of assessed valuation. There are no legal limits on the amount of General Fund-supported Lease Revenue Bonds or Certificates of Participation.

For General Fund lease obligations, including COPs/Lease Revenue Bonds, the County has set the maximum limit on annual debt service payments (principal and interest) at 10% of total General Fund expenditures<sup>3</sup>, unless the Board determines that a higher limit is necessary to address compelling needs in any given year.

When calculating the above ratios, self-supporting debt such as General Obligation (GO) Bonds, tax allocation or special tax-supported bonds, and enterprise revenue bonds, as well as short-term debt including Tax and Revenue Anticipation Notes (TRANs) and other notes, should not be included. Likewise, the ratios should not include any Pension Obligation Bond debt service or the County's Other Post-Employment Benefits (OPEB) unfunded actuarial accrued liabilities.

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<sup>3</sup> In calculating this ratio, General Fund Expenditures will include any Net Transfers Out (Transfers In minus Transfers Out) of the General Fund

### **Use of Debt**

The use of debt by the County will be based on the long-term needs of the County and the amounts needed for capital asset acquisitions and other uses as determined by the Board through the budget process. In determining whether or not to issue debt, the Board will consider, among other things, the compelling necessity for financing capital outlay or other obligations of the County, the impact of additional debt on the County's credit ratings, and the recommendations of the CAO and the ACTTC.

The County shall assess the impact of new debt issuance on the long-term affordability of all outstanding and planned debt issuance in the context of each new financing. Such analysis recognizes that the County has limited capacity for debt service in its budget and that each newly issued financing will obligate the County to a series of payments until the debts are paid. The County will maintain, or have their Financial Advisor maintain, a Debt Affordability Model (DAM), that calculates the historical and current ratios cited above. The DAM will also include projections for future ratios based upon existing debt levels and various financial and economic assumptions. The DAM will be utilized as a planning tool and updated in advance of each financing.

As part of the analysis, the CAO and the ACTTC offices, shall cooperatively examine various specific statistical measures, using readily available data, to evaluate debt capacity and relative debt position and may compare these ratios to other counties, rating agency standards and the County's historical ratios to evaluate debt affordability. These measures may include:

- Net direct bonded long-term debt as a percentage of assessed valuation (Debt per AV).
- Debt service as a percentage of noncapital Governmental Funds expenditures (Carrying Charge).
- Net direct bonded long-term debt as a percentage of the County's population (Debt Per Capita).

### **Short-Term Debt**

Short-term debt may be issued for many of the same purposes as long-term borrowing as well as for temporary cash flow shortages. Different forms of short-term debt may be utilized, including, but not limited to, Tax and Revenue Anticipation Notes (TRAN), Commercial Paper, lines of credit, or other forms of short-term financing. TRANs are typically issued to help bridge temporary cash flow shortages. Commercial Paper, lines

of credit, or other short-term financing instruments like Bond Anticipation Notes, may be utilized to fund capital projects on an interim basis in anticipation of long-term financing.

### **Long-Term Debt**

The County will consider utilizing debt financing for capital acquisition and improvement projects and capital asset equipment purchases under the following circumstances:

- When the project is included in the County's Capital Improvement Plan.
- When the project is not included in the County's Capital Improvement Plan, but has been identified as an emerging critical need whose timing was not anticipated in the Capital Improvement Plan, or is a project mandated immediately by State or Federal requirements.
- When the project's useful life, or the projected service life of the equipment, will be equal to or exceed the term of the financing.
- When there are designated revenues sufficient to service the debt, whether from project revenues, other specified and reserved resources, or infrastructure cost-sharing revenues, or where the General Fund has the capacity to service the debt.

The County may also consider issuing Pension Obligation Bonds (POBs), which are financing instruments that would be used to pay some or all of the County's unfunded pension liability, which itself is a form of "debt" owed to the retirement plan. POBs must be issued on a taxable basis, and the proceeds would be transferred to the Tulare County Employees' Retirement Association (TCERA) as a prepayment of all or part of the County's unfunded actuarial accrued pension liabilities (UAAL). The proceeds would then be invested by TCERA.

POBs would be used to refund at least a portion of the County's UAAL at a lower interest rate to achieve cost savings and would be issued only after careful consideration by the Board of potential benefits and risks. Considerations would include:

- The interest rate spread between the expected borrowing rate for the POBs and the assumed rate of return on retirement plan investments.
- Investment risk associated with the investment of POB proceeds.
- Issuing a sufficient amount of POBs to generate market interest.
- The County's overall pension burden, including both POB debt and UAAL.



Generally, the following criteria may be used by the CAO and the ACTTC to evaluate funding options for capital improvements and other multi-year obligations and make recommendations to the Board:

➤ Factors that favor pay-as-you-go:

- Current revenues and adequate unassigned fund balances are available.
- Payoff can be accomplished over time.
- Debt levels would exceed County affordability targets.

➤ Factors that favor long-term financing:

- Revenues available for debt service are considered sufficient and reliable so that long-term financing can be marketed with the highest possible credit rating.
- Market conditions present favorable interest rates and demand for governmental financings.
- A project/payoff is mandated by State or Federal requirements, and current revenues and fund balances are insufficient to meet costs.
- A project is immediately required to meet or relieve capacity needs, and no resources are currently available.

There are many different types of long-term debt instruments available. Depending on the specific circumstances, the County will consider using the most appropriate type of financing instruments, including, but not limited to:

- General Obligation Bonds (voter-approved)
- Revenue Bonds
- Certificates of Participation/Lease Revenue Bonds
- Pension Obligation Bonds
- OPEB Bonds
- Mello-Roos Community Facilities District Bonds
- Other Bonds
- Other Loans

Long-term debt will not be issued for current operational costs or for recurring uses. Revenue surpluses may be used to pay the debt off early to save interest charges.

### **Refunding of Indebtedness**

The County may issue advance or current refunding bonds (as defined for federal tax purposes) when advantageous, legally permissible, and prudent. The County also may choose to refund outstanding indebtedness when existing bond covenants or financial structure impinge on prudent and sound financial management. In general, current refundings should only be done if value savings are not less than 3.0% of refunded par amount (accounting for debt service reserve fund earnings), and advance refundings should only be done if present value savings of 5% or more of refunded par amount can be achieved.

Adjustments to savings thresholds for both advance refunding and current refundings may be justified based on:

- The length of time from the call to maturity. The longer the time to maturity, the higher should be the savings threshold. Conversely, a shorter time to maturity may justify a lower savings threshold.
- Interest rates at the time of the refunding relative to historical markets. In low-interest rate markets, a lower threshold may be justified, while a higher threshold would be justified in high-interest rate markets. Generally, refunding transactions should not extend the final maturity of the existing financing, net of any reserve fund offset. The County may consider shortening the term of the originally issued financing to realize greater interest savings.

### **Credit Enhancements**

The County shall seek to use credit enhancements (letters of credit, bond insurance, surety bonds, etc.) when such enhancements prove cost-effective. The use of credit enhancements must meet the County's debt financing goals and objectives.

### **Credit Worthiness**

The County places a high priority on maintaining the highest possible credit ratings for all categories of short and long-term debt in order to achieve the lowest possible borrowing interest rates.

### **Conduit Financing**

The County may sponsor conduit financing (financing for private projects with identified public benefits issued by a governmental agency) for other governmental entities that are consistent with the County's overall service and policy objectives. All conduit financing must insulate the County to the maximum extent possible under the

circumstances from any credit risk or exposure and from all other liability exposure and must be approved by the County Board of Supervisors.

#### **Debt Repayment**

The County commits to full and timely repayment of debt. Debt will be structured to accommodate fair allocation of costs to both current and future beneficiaries of the financed capital project. The duration of repayment shall not exceed the economic or useful life of the capital project to be financed.

Revenue surpluses may be used to pay debt off early to save interest charges.

#### **Relationships within the Financial Community**

The County places a high priority on maintaining good working relationships with credit rating agencies, investors, and others in the financial community who are involved with the County's long-term debt. The County will provide full and open financial disclosures with these partners.

#### **Professional Assistance**

The County will use the services of independent Financial Advisors and Bond Counsel for all debt financing. Other professional services may include disclosure counsel, underwriting, trustee, verification agent, escrow agent, arbitrage consulting, and special tax consulting. The goal in selecting service providers is to achieve a good balance between cost and service.

#### **Due Diligence**

The County will conduct "due diligence" meetings with all relevant County staff and consultants prior to the issuance of new bonds and notes. A Preliminary Official Statement will be released to the market only after the completion of the "due diligence" meetings.

#### **Method of Sale**

The County's goal is to protect the public's interest by obtaining the lowest possible interest cost. To obtain that goal, the County may use a competitive, negotiated, limited-competitive, or private placement (direct purchase) method of sale. The appropriate method shall be determined on a case-by-case basis.

Before selecting a method of sale for public offerings, the financing team shall take into consideration the current market, the issuer's characteristics, and the proposed bond structure. Market considerations will focus on the supply and demand of the competing issuances. Issuer characteristic considerations will include market familiarity, credit strength, and policy goals. Bond structure considerations will include the type of debt instrument, issue size, structure, and timing.

The County prefers the use of a competitive method of sale for public offerings, where feasible.

#### **Investment of Bond Proceeds**

Investments of proceeds shall be consistent with Federal tax requirements, the County's Investment Policy as modified from time to time, and requirements of the governing bond documents.

#### **Derivatives**

A derivative product is a financial instrument that derives its own value from the value of another instrument, usually an underlying asset, such as a stock, bond, or an underlying reference such as an interest rate. Derivatives are commonly used as hedging devices in managing interest rate risk to mitigate risk and borrowing costs. These products bear certain risks not associated with standard debt instruments. Derivative products should only be employed after careful evaluation of potential benefits and risks with prior Board approval and with the adoption of a separate Derivatives Policy, intended to protect the County.

The County prefers not to use derivative products.

#### **Post Issuance Compliance**

The County will comply with certain post-debt issuance compliance requirements, including, but not limited to, Continuing Disclosure requirements, as stated in specific financing documents, and arbitrage regulations. Generally, tax-exempt financing issues are subject to IRS arbitrage rebate requirements. These requirements specify that any profit or arbitrage be rebated to the Federal Government. Rebate computations are typically required every five (5) years and upon final redemption, maturity, or refunding of the bonds. Any excess earnings are required to be rebated to the Federal Government. The County will also comply with any post-debt issuance reporting requirements of State law, including, but not limited to, the annual report to the California Debt and Investment Advisory Commission required by Government Code section 8855(k)(1).

#### **New Financing Methods and Techniques**

This policy is not intended to hinder the County's use of any new financing techniques that may arise. Proposals for new financing methods or structures not included in this Policy should be addressed to the CAO and ACTTC for consideration and, if necessary, referred to the County's Financial Advisor for evaluation. This policy should then be amended to reflect any new financing techniques recommended and approved by the Board.

### **Use of Debt Proceeds**

The CAO, the ACTTC, and other appropriate County personnel shall implement Internal Control procedures outlined below to ensure that the proceeds of the proposed debt issuance will be directed to the intended use:

- Monitor the use of Debt proceeds, the use of Debt-financed assets (e.g., facilities, furnishings, or equipment), and the use of output or throughput of Debt-financed assets throughout the term of the Debt to ensure compliance with covenants and restrictions set forth in applicable County resolutions and Tax Certificates. Monitoring will include providing an annual report to the Board of Supervisors;
- Maintain records or contracts identifying the assets or portions of assets that are financed or refinanced with proceeds of each issue of Debt and to document compliance with all covenants and restrictions set forth in applicable County resolutions and Tax Certificates. An applicable Record Retention Policy will be maintained by the ACTTC; and
- Consult with Bond Counsel or other professional expert advisors in the review of any contracts or arrangements involving use of Debt-financed facilities to ensure compliance with all covenants and restrictions set forth in applicable County resolutions and Tax Certificates.

## **10. INVESTMENT POLICIES**

### **Treasury Pool Investment Guidelines**

The ACTTC Investment Policy Statement for the Pooled Investment Fund is presented annually to the Treasury Oversight Committee for review and to the County Board of Supervisors for approval as recommended by California Government Code§53646 and §27133 and shall remain in effect until the succeeding policy is adopted. This policy has been researched, prepared, and written under the direction of the ACTTC and the ~~Assistant Treasurer~~~~Chief Deputy Treasurer~~-Tax Collector of the County of Tulare. Each issue addressed in this policy is considered to be of timely and significant importance to the administration of the investment portfolio. The purpose of the investment policy is to facilitate the accomplishment of the goals and objectives of the Treasurer with regard to the investment of idle funds, to provide a framework within which to carry out the business of administering and investing the idle funds of the Treasury, and to improve communications at all levels between those involved and those interested in the process of investing and administering the idle funds of the Treasury.

### **Treasury Pool**

~~The ACTTC oversees the Pooled Investment Funds (the Pool) which includes funds belonging to local school districts and many local special districts in addition to County funds.~~

### **County Treasury Oversight Committee**

~~The Board of Supervisors, in consultation with the ACTTC has created a County Treasury Oversight Committee to promote the public interest by involving depositors in the management of their funds and by enhancing the security and investment return of their funds through the establishment of criteria for the withdrawal of funds. The County of Tulare Treasury Oversight Committee shall annually review and monitor the Investment Policy and cause an annual audit to determine the Treasurer's compliance with the Investment Policy. Nothing in this policy shall be construed to allow the County Treasury Oversight Committee to direct individual investment decisions, select individual investment advisers, brokers or dealers, or impinge on the day-to-day operations of the County Treasury.~~

### **County Investment Policy Goals**

~~The ACTTC's primary goals for the investment of idle funds (the portfolio) are, in order of priority as per California Government Code §§27000.5 and §§53600.5:~~

- ~~1. **Safety** — Safety of capital shall mean the safeguarding of capital through the selection of investments and investing procedures to best protect against loss arising from default, fraud, or error. This objective will be obtained through diversification and investment in securities of high quality to minimize credit risk and loss of principal.~~
- ~~2. **Liquidity** — The investment portfolio shall remain sufficiently liquid to enable the Treasury Pool to meet the operating requirements of its participants which might be reasonably anticipated and shall always have the ability to convert sufficient securities in the portfolio to cash to meet contingency needs.~~
- ~~3. **Yield** — The investment portfolio shall be designed with the objective of attaining the highest rate of return, taking into consideration income preservation, current market conditions, the present phase of the market cycle, both present and future cash flow needs, and the other primary goals of Safety and Liquidity.~~

~~Performance measurements are laid out in the Annual Investment Policy and are measured from time to time throughout the year.~~

### Treasurer's Quarterly Investment Report

The ACTTC provides a quarterly Investment Report to the Board of Supervisors, County Administrative Officer, the County Auditor, and the Oversight Committee, within thirty (30) days following the end of the quarter covered by the report. The quarterly investment report contains, but is not limited to, the following investment information:

A. The type of investment, name of issuer, date of maturity, par and dollar amount invested in all securities, investments, and monies:

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B. A description of any funds, investments that are under the management of contracted parties:

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C. The market value as of the date of the report, and the source of this valuation for any security within the treasury or under management by contract;

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D. The weighted average maturity of investments within the treasury;

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E. Purchase dates, book values, and current credit rating of issuers;

F. Yield to maturity;

G. Overall portfolio yield based on cost;

H. Statement that the portfolio is in compliance with the Investment Policy or the manner in which the portfolio is not in compliance;

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I. A statement denoting the County's ability to meet its expenditure requirements for the next six months, or an explanation as to why sufficient money shall not be available.

In addition, an annual audit of the portfolios, procedures, reports, and operations related to the Pool will be conducted in compliance with California law.

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### Treasury Pool Investment Guidelines

The Treasury Pool Investment Guidelines are available by online or by request from the Treasury Division, or online at:

<https://tularecounty.ca.gov/treasurertaxcollector/treasurer/documents/investment-policy/>

### Millennium Capital Project Fund Program Investment Policy

In 1999, the Tulare County Public Financing Authority issued \$45 million of taxable variable rate demand bonds in order to provide funds to assist the County in financing or refinancing of public capital improvements and related repair and maintenance costs. The bond proceeds and the program established from the proceeds, ~~was~~ were

designated as the "Millennium Fund Program." Repayment of principal and interest on the bonds was supported by pledged revenues from, among other sources, tobacco settlement revenues received under a 1998 Master Settlement Agreement between the attorneys general of 46 states (including California) and the four largest U.S. tobacco manufacturers. In 2006, the bonds were refinanced as a private placement.

In 2024, the Tulare County Board of Supervisors approved the prepayment and release of said Bonds, and approval of the Amended and Restated Millennium Capital Project Fund Program, along with a separate Investment Policy to govern the use of the funds. This-The Board of Supervisor's goal was to policy-maintain s-the same governmental requirements as other County investments, while allowing for longer term maturities to increase the potential for greater returns. In addition, the separation of the Millennium Capital Project Fund Program recognizes the County's long-standing intention to commit the Tobacco Settlement Proceeds and investment returns for future capital project needs. -

The Millennium Capital Project Fund Program Investment Policy is available by request from the Treasury Division, or online at:

<https://tularecounty.ca.gov/treasurertaxcollector/treasurer/documents/investment-policy/>

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## 11. FINANCIAL REPORTING POLICIES

The County's accounting and financial reporting systems will be maintained in conformance with all State and Federal laws, generally accepted accounting principles (GAAP), GASB standards and recommendations, and recommended practices of the GFOA.

### **Level of Accountability**

The County strives to maintain the highest level of accountability expected by any major stakeholder group. The degree of accountability is measured by the extent to which:

- Resources are acquired and used effectively and efficiently.
- Laws and regulations are complied with.
- Results are appropriately reported to demonstrate good stewardship.

Accountability should extend to all levels of the County organizational structure.



### **Financial Reporting**

Financial transactions will be recorded and summarized into financial reports in accordance with GAAP. The ACTTC will prepare a Comprehensive Annual Financial Report (CAFR) of the County's financial position and changes in financial position in conformity with GAAP.

### **Internal Controls**

County management is responsible for maintaining adequate internal controls to obtain reasonable assurance that long-term County goals are achieved efficiently and in compliance with law.

County accountant-auditors (as available) or outside auditors may be called upon to validate financial data reported by departments and may be asked to make recommendations to improve controls when appropriate. The CAO will determine the source of funding for requested financial audits.

The risk of non-accountability should be periodically assessed countywide and mitigated through audits.

### **Independent Audits**

An annual independent audit of the CAFR will be conducted in accordance with GAAP. All material audit findings and recommendations, whether arising from internal or external audits, shall be reported to the Audit Committee and resolved in a timely manner.

### **Audit Committee**

The Board of Supervisors established the committee to assist the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the County of Tulare's process for monitoring compliance with laws and regulations and the code of conduct.

The Audit Committee shall consist of:

- Two members of the Board of Supervisors
- The County Administrative Officer or his/her Alternate
- County Counsel or his/her Alternate
- One Department Head

The Audit Committee has the authority to conduct or authorize investigations into any matters within its scope of responsibility. The Audit Committee's Bylaws, which outline

its authority, scope of responsibilities, and duties are available online at the County Administrative Office website.

**County of Tulare Fraud Hotline**

The ACTTC implemented the County's Fraud Hotline as another measure to safeguard the County's financial and capital assets. The hotline has been established to report improper or inappropriate activities not identified by existing controls.

## **APPENDIX A: MAINTENANCE OF POLICIES**

These Financial Policies are maintained by the County Administrative Office and the County Auditor-Controller's Office. Each department works collaboratively together to ensure the integrity of the policies. The core focus of each department with respect to the Financial Policies is as follows:

County Administrative Office:

- Balanced Budget
- Revenue
- Operating Budget
- Capital Improvement Projects Debt (with ACTTC's Office)
- Financial Reporting (with ACTTC's Office)

Auditor-Controller/Treasurer-Tax Collector Office:

- Investment
- Debt (with CAO)
- Financial Reporting (with CAO)

## **“ATTACHMENT 6”**

MILLENNIUM CAPITAL PROJECT FUND PRESENTATION

# COUNTY OF TULARE

## MILLENNIUM FUND



July 30, 2024

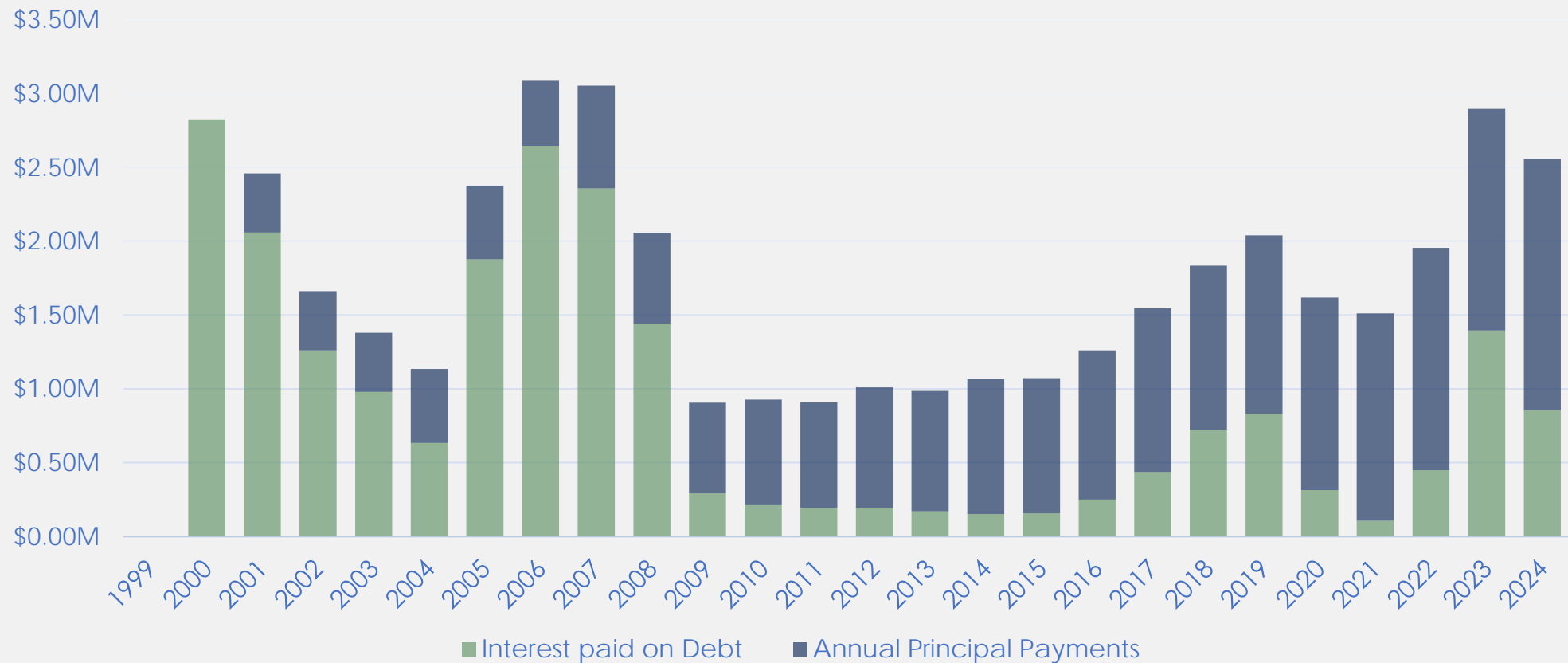
# OVERVIEW

- Millennium Fund Recap
- Proposed Millennium Capital Project Fund
- Bond Payoff Opportunity
- Key Program Goals
- Investment Policy and Strategy
- Management of Funds
- Implementation Terms and Timeline
- Board Actions

# MILLENNIUM FUND RECAP

- **1999 - Millennium Fund established**
  - Tobacco settlement revenues, approximately \$4.1M annually (as of April 2024)
  - County issued \$45M in Variable Rate Bonds to fund public capital improvements through Tobacco Settlement Revenue
- **2006 – Bonds refunded and moved to Private Placement**
  - Private placement reduced costs
  - Provided an interest rate of LIBOR + 25 basis points until 2023
- **Current Environment-** Variable SOFR Rate (beginning 2023)
  - 5.69% is far above historical average
  - Higher Bond payment reduces investment return

# PRINCIPAL VS. INTEREST PAYMENTS





PROPOSED PROGRAM

**MILLENNIUM CAPITAL PROJECT FUND**

## BOND PAY OFF OPPORTUNITY

- Remaining Debt: **\$23.69 million**
- Bond Payoff: **11% Discount**
- Final Principal Payment: **\$21.09 million**
- Savings: **\$2.60 million**

# BOND PAYOFF BENEFITS

- **Financial Stability**
  - Reduces long-term debt obligations
  - Enhanced Credit Rating
  - Unencumbers Collateral
- **Long-Term Growth**
  - Accelerates future investments
  - High interest rate environment
- **Strategic Resource Allocation for Capital Projects**
  - One-time funds for one-time purposes
  - Aligns with County's Capital Improvement Plans (CIP)

## KEY PROGRAM GOALS

- Proposed long-term program goals:
  - Designate the purpose of the Millennium Capital Project Fund to be used solely for Capital Projects/Maintenance costs
  - Authorize the perpetual Tobacco Settlement funds to be deposited into the fund on an annual basis or as received from the State
  - Pay off remaining debt to maximize investment returns
  - Allow for a maximum annual draw of \$4.5 million annually
  - Adopt an investment policy that allows for long-term investments and potentially higher investment returns

# PFM ASSET MANAGEMENT

# Millennium Capital Project Fund Program of Tulare County

## Investment Recommendations

July 30, 2024

Presented by:  
Lauren Brant, Managing Director

**[pfmam.com](https://pfmam.com)**

*PFM Asset Management LLC*

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# Program Objectives

- ▶ Millennium Capital Project Fund Program (“MCPFP” or “Program”) funds will be invested in a longer-duration portfolio separate from the County Pool funds, to be used consistent with the original use of proceeds.
  - ▶ Funded by annual tobacco settlement receipts
- ▶ MCPFP will have a separate Investment Policy and strategy, reflecting:
  - ▶ Program objectives
  - ▶ A longer investment horizon
  - ▶ Broader investment parameters (full CA Government Code)
  - ▶ Annual spending targets for approved projects



# Millennium Capital Project Fund Program Investment Policy

- ▶ Permitted investments expanded in line with **California Government Code §53600 et. seq.**
- ▶ Fund withdrawals will be allowed up to \$4.5 million per year for approved public capital improvement projects and related repair and maintenance
- ▶ Consistent with the long-term perpetual nature of the Program to annually fund capital projects, the asset types below may exceed 5 years to maturity, but limited to 10.5 years maximum:
  - ▶ U.S. Treasuries
  - ▶ Federal Agencies or U.S. Government Sponsored Enterprises, including agency-backed mortgage-backed securities (“MBS”)
  - ▶ Municipal obligations
- ▶ Securities with maturities in excess of 5 years may not exceed 50% of the portfolio
- ▶ Investment performance will be measured quarterly to a selected benchmark
  - ▶ Benchmark to be constructed to match the investment risk, constraints, and cash flow needs of the Program



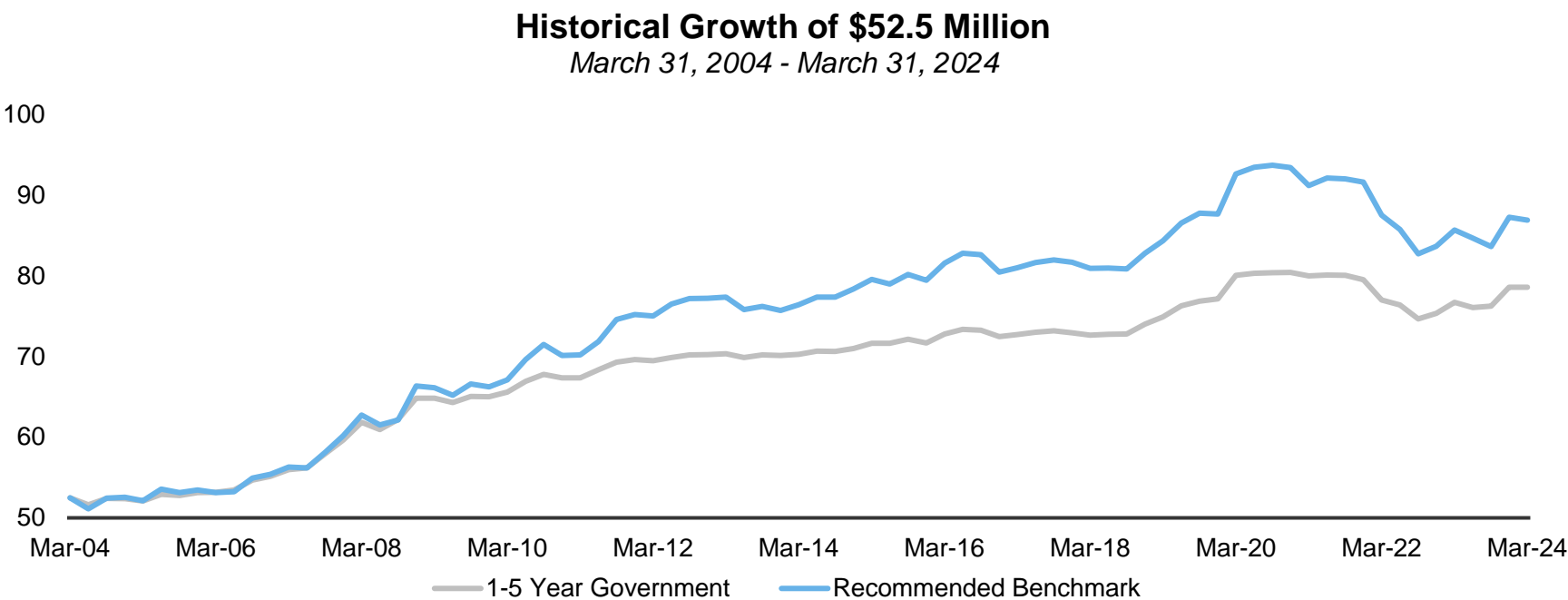


# Proposed Investment Strategy and Benchmark

- ▶ Recommended benchmark:
  - ▶ 60% 1-5 Year AAA-A Government and Corporate Index
  - ▶ 40% 5-10 Year US Treasury Index
  
- ▶ Recommended strategy:
  - ▶ Maturities out to 10 years
  - ▶ Use of corporates and other non-government securities to enhance yield
  - ▶ Broad diversification
  - ▶ Portfolio initially structured slightly longer than the benchmark to lock in today's historically high yields



# Historical Modeled Growth of \$52.5 Million



March 31, 2004, through March 31, 2024		
Index/Strategy	Annualized Total Return	Cumulative Value of \$52.5 Million
1-5 Year Government Index	2.04%	\$78.6 million
Recommended Benchmark	2.55%	\$86.9 million

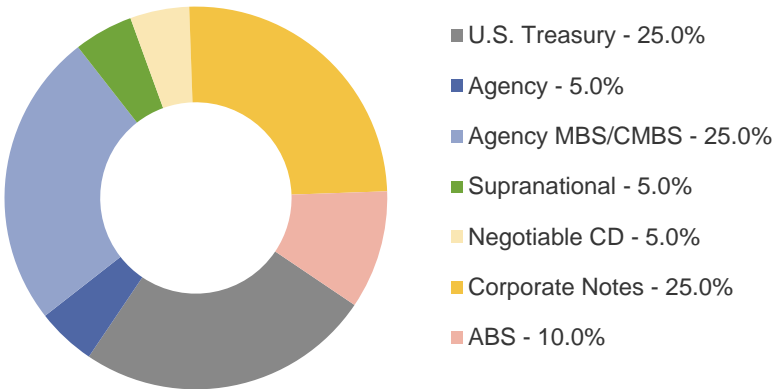
Source: Bloomberg, as of May 31, 2024; ICE BofA Indices. Millennium Capital Project Fund Program recommended benchmark is 60% 1-5 Year AAA-A Corporate and Government Index and 40% 5-10 Year US Treasury Index. All figures annualized.

# Sample MCPFP Portfolio

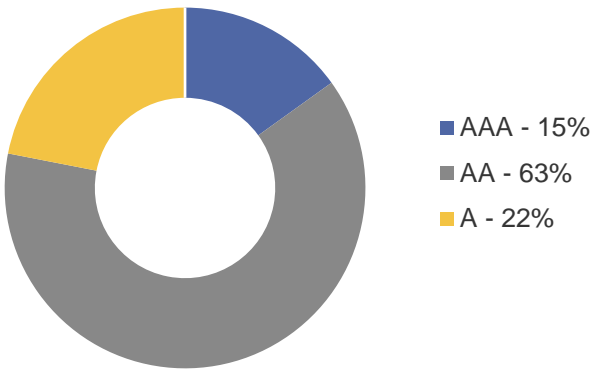
Sample Portfolio Statistics

Investment Par Amount	\$52,500,000
Duration	4.35 years
Gross Yield	4.73%

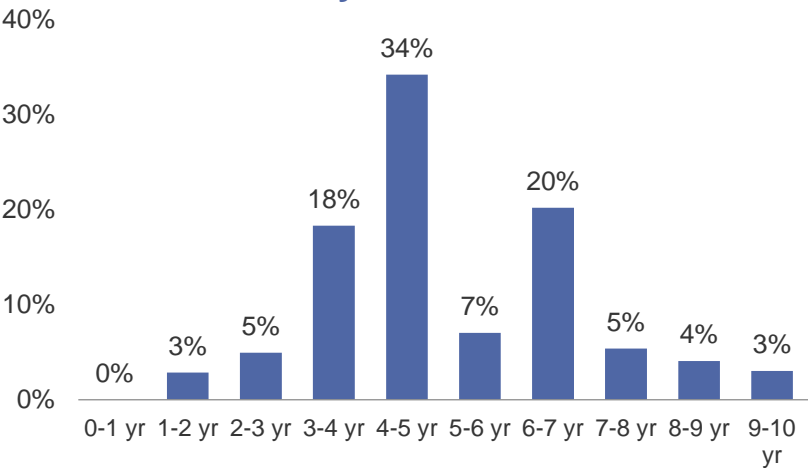
Sector Allocation



Credit Quality

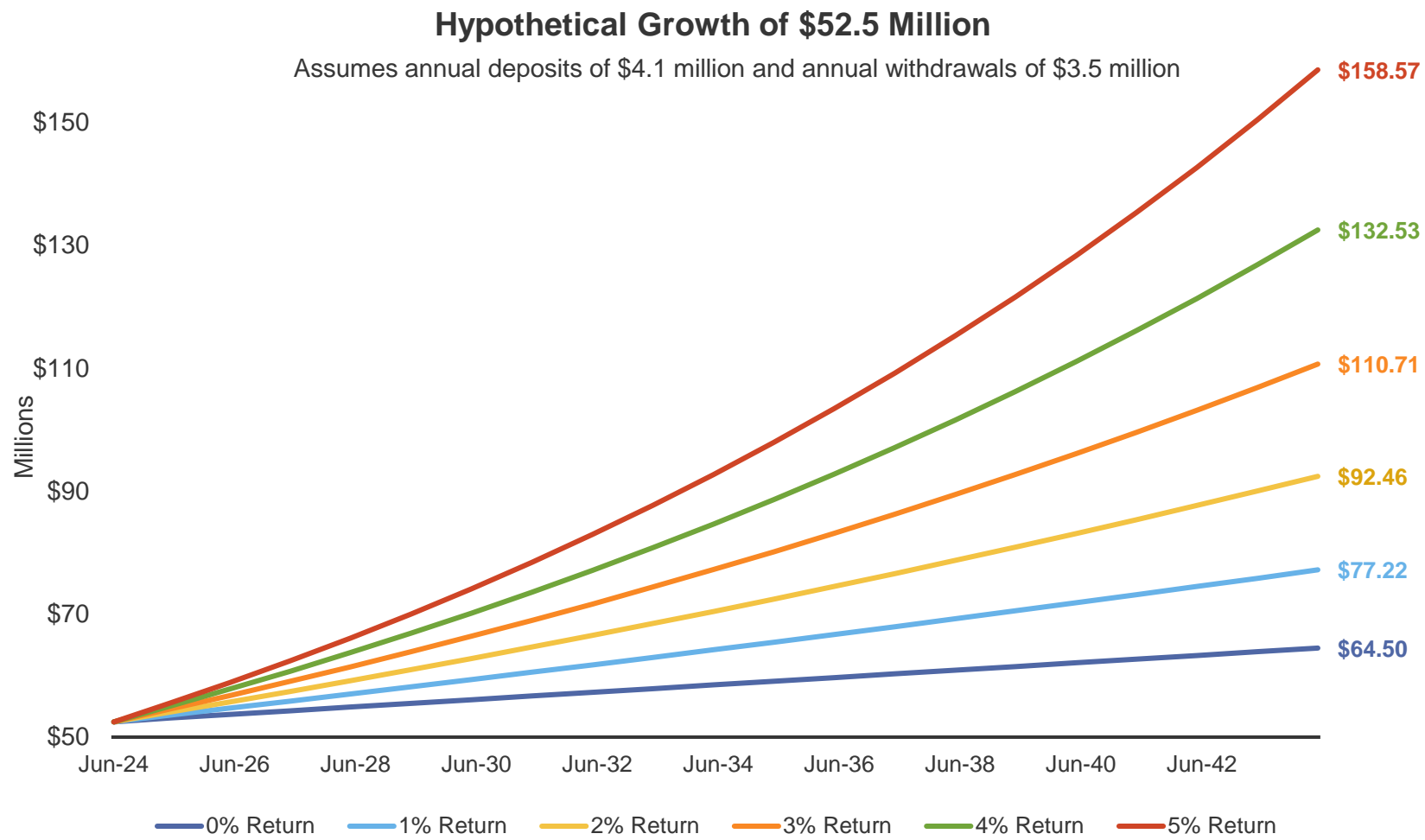


Maturity Distribution



• Data Source: Bloomberg. Data as of June 24, 2024.  
• Sample portfolio structured by PFMAM. Please see important disclosures at the end of this presentation.

# Hypothetical Growth of \$52.5 Million



For illustrative purposes only.

# Summary

- ▶ Millennium Capital Project Fund Program Investment Policy allows for broad investment in compliance with California Government Code, and includes parameters and requirements to prioritize safety.
- ▶ Program portfolio will be managed to a longer-term strategy and designed to support annual withdrawals of \$4.5 million annually
  - ▶ Suggested benchmark: 60% 1-5 Year AAA-A Government and Corporate Index and 40% 5-10 Year US Treasury Index
  - ▶ Portfolio holdings will be diversified with maturities laddered out to 10.5 years



# Important Notes to Sample Portfolio

- ▶ *Sample portfolio is provided for illustrative purposes only and is not a recommendation.*
- ▶ *Portfolio based on assumed investment noted on each respective page.*
- ▶ *Yield source Bloomberg as of June 24, 2024.*
- ▶ *Ratings shown are S&P, or the equivalent Moody's or Fitch rating.*
- ▶ *Security universe sourced from Bloomberg and Market Axess and further limited to those issuers permitted by PFMAM's internal Approved Credit List.*
- ▶ *Actual yields and security availability may vary at time of purchase.*
- ▶ *As economic and market conditions may change in the future, so may PFMAM's recommendations as to the sale and purchase of securities in the portfolio.*



# Disclaimer

Investment advisory services are provided by PFM Asset Management LLC (“PFMAM”), an investment adviser registered with the U.S. Securities and Exchange Commission and a subsidiary of U.S. Bancorp Asset Management, Inc. (“USBAM”). USBAM is a subsidiary of U.S. Bank National Association (“U.S. Bank”). U.S. Bank is a separate entity and subsidiary of U.S. Bancorp. U.S. Bank is not responsible for and does not guarantee the products, services or performance of PFMAM. The information contained is not an offer to purchase or sell any securities. Additional applicable regulatory information is available upon request.

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# AUDITOR-CONTROLLER TREASURER-TAX COLLECTOR



# MANAGEMENT OF FUNDS



## PFM Manages Investments

Guided by:

- Investment Policy and Strategy,
- Amended and Restated Millennium Capital Project Fund Program



## Custody Agreement with Bank

Tobacco Settlement Funds placed in long and short-term investments



## Annual Draw

Auditor/Controller completes annually through Board approval

# COUNTY COUNSEL

# TERMS OF BOND REDEMPTION

- New Agreement between the County, the PFA, FMS, and Bank of New York, Mellon to:
  - Prepay Bond Principal and Interest at a discounted price
  - Redeem Bonds
  - Terminate leasehold interests on collateral from 2006 Refunding Bonds
  - Release from original agreement
- Board of Supervisors to adjourn and convene as Tulare County Public Finance Authority (TCPFA)

# TERMS OF NEW PROGRAM

- Terms governing the Millennium Capital Project Fund:
  - Resolution approving the restated Program
  - Exhibit A: Amended and Restated Millennium Capital Project Fund
  - Exhibit B: Millennium Capital Project Fund Investment Policy
- Delegation of Authority of Fund Oversight to County Treasurer
- Approval of new Administrator Agreement with PFM Asset Management, LLC

# TIMELINE

- July 31, 2024, Last CIP request for \$3 Million from current Millennium Fund Account
- August 1, 2024, Last Principal Payment on Bond debt: \$1.7 million
- August 13, 2024, Bond redemption: \$21.09 million + Interest (\$200k estimate)
- After August 13<sup>th</sup> payment, File the Prepayment and Redemption Agreements with the Recorder to release Collateral
- Custody account transfer

## REQUESTED ACTION

# TULARE COUNTY BOARD OF SUPERVISORS

## Requested Action

1. Adopt a Resolution authorizing the prepayment of the principal of and interest on lease payments, and related bond principal and interest, and optional redemption of and with respect to the Tulare County Public Financing Authority Refunding Bonds, Series 2006 (Millennium Fund Program) (federally taxable), approving the Form and authorizing the execution and delivery of a Lease Prepayment, Bond Redemption, and Termination of Leasehold Interests and Release Agreement with respect to said Bonds, and authorizing official actions and execution of documents related thereto.
  - a) Approve the Lease Prepayment, Bond Redemption, and Termination of Leasehold Interests and Release Agreement with respect to said Bonds, subject to County Counsel review and approval, in an amount not to exceed \$21,290,000.
  - b) Direct the Clerk of the Board to record the agreement with the Clerk-Recorder.
  - c) Approve the necessary budget adjustments per the attached AUD 308 (4/5ths vote required).

# TULARE COUNTY BOARD OF SUPERVISORS

## Requested Action

2. Approve a Resolution approving an amended and restated Millennium Capital Project Fund Program, approving an Investment Policy for said Program, approving and authorizing the Board Chair to sign an Agreement with PFM Asset Management LLC to serve as Administrator of said Program, and authorizing official actions and execution of documents related thereto.
  - a) Approve the Amended and Restated Millennium Capital Project Fund Program.
  - b) Approve the Millennium Capital Project Fund Program Investment Policy for said program.
  - c) Approve the delegation of authority to the County Treasurer over said Program.
  - d) Approve the agreement with PFM Asset Management LLC to serve as Administrator of said Program, effective July 30, 2024 through July 29, 2029.
3. Approve the updated County of Tulare Financial Policy.
4. Authorize the Board Chair to sign the Agreements.