

Additional Policies Regarding Land-Secured and Conduit Financing

The purpose of the Additional Policies Regarding Land-Secured and Conduit Financing is to facilitate the acquisition and construction of public facilities on commercial, industrial, and residential properties by promoting the health and welfare of developed areas; the orderly development of the City; and the development of needed commercial or industrial property.

The policies consist of guidelines and requirements for such item as:

- Project costs and reimbursement policies
- Agreements required
- Project feasibility information
- Appraisals/Value to lien ratios
- Credit enhancements
- Special tax formulas
- Continuing disclosure and notification requirements

Credit Rating

A major portion of the City's financings has been through the issuance of special assessment district debt. These assessment and Mello-Roos district bonds are land secured financings where developments are not yet completed at the time of issuance, and are therefore not rated.

The City's general obligation bonds are rated A1 by Moody's Investor's Service and A+ by Standard and Poor's. The City's Certificates of Participation (COP's) issued to finance essential facilities such as the 2001 Central District Fire Station are rated A3 by Moody's. COPs issued for non-essential facilities, such as parks are rated in the BBB range. The City has typically opted to purchase bond insurance to enhance its credit rating to AAA. A bond insurance policy guarantees payment of principal and interest on bonds due for payment should the City fail to make a bond payment.

The City is in the process of actively seeking a rating upgrade from the major credit rating agencies based on the City's current financial condition.

Types of Debt Financing Instruments

A. General Obligation Bonds:

The California Constitution provides for the issuance of General Obligation Bonds by cities subject to a two-thirds approval of voters on the bond proposition. General Obligation Bonds are secured by the full faith and credit of the City. Ad valorem taxes are levied on all real property within the City for the payment of annual principal and interest on the bonds.