CDIAC

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

SESSION FIVE:

CURRENT PRACTICES AND STRATEGIES – PART TWO:

MITIGATING RISK AND MANAGING LARGE, LONG-TERM PROJECTS

MAY 1, 2015

CONCORD, CA

Timing the Bond Issuance relative to development momentum and property value

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

- Things to Consider:
  - Value of Property
  - Development Risk
  - Entitlement Status
  - Environmental Regulations
  - Bond Market Conditions
  - Development Agreement provisions (if any)
  - Local Goals & Policies
  - Past Practices of your Public Agency

Development Stage & Land Secured Bonds

STAGE 1

Raw Land
Low Values
High Development Risk
Developer Financing in Place
Highest Bond Rate

STAGE 2

Backbone Infrastructure Completed
Vertical Construction Underway
Pre-Sale Activity
Lower Bond Rate

STAGE 3

Fully Built-Out
High Values
Special Tax Collection History
Lowest Bond Rate

Recent Stage 1 CFD Bond Issue

NEW ISSUE - BOOK-ENTRY ONLY **NO RATING**

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing law, and assuming compliance with the tax covenants described herein, interest on the Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. It is also the opinion of Bond Counsel that under existing law interest on the Bonds is exempt from personal income taxes of the State of California. See "TAX MATTERS" herein.

$5,960,000
RANCHO MURIETA CSD
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(RANCHO NORTH/MURIETA GARDENS)
SPECIAL TAX BONDS, 2015 SERIES
(BANK QUALIFIED)

Dated: Date of Delivery **Due: September 1, as shown on the Inside front cover**

The Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) Special Tax Bonds, 2015 Series (Bank Qualified) (the "Bonds") are being issued by the Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) (the "CFD"), pursuant to a Fiscal Agent Agreement dated as of January 1, 2015 (the "Fiscal Agent Agreement"), by and between the CFD and Wilmington Trust, N.A., as fiscal agent (the "Fiscal Agent"), and will be secured as described herein. The Bonds are being issued to (i) finance certain public improvements, including, but not limited to a portion of improvements to the District's Water Treatment Plant #1 (including reimbursement of certain developer deposits related thereto), (ii) fund a reserve account for the Bonds, (iii) fund administrative expenses of the CFD, (iv) fund capitalized interest on the Bonds for 24 months commencing on the date of delivery of the Bonds, and (v) pay the costs of issuance of the Bonds. See "THE FINANCING PLAN" herein. The CFD was established by and is located within the boundaries of the Rancho Murieta Community Services District (the "District") in Sacramento County, California.

The Bonds will be issued in denominations of $5,000 or any integral multiple thereof. Interest on the Bonds shall be payable on each March 1 and September 1, commencing September 1, 2015 (the "Interest Payment Dates") to the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, by check mailed on such Interest Payment Date or by wire transfer to an account in the United States of America made upon instructions of any Owner of $1,000,000 or more in aggregate principal amount of Bonds. The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases of the Bonds will be made in book-entry form only. Principal of and interest and premium, if any, on the Bonds will be payable by DTC through the DTC participants. See "THE BONDS - Book-Entry System" herein. Purchasers of the Bonds will not receive physical delivery of the Bonds purchased by them.

The Bonds are subject to optional redemption, mandatory sinking fund redemption and special mandatory redemption from Special Tax prepayments prior to maturity as set forth herein. See "THE BONDS - Redemption" herein.

The Bonds are limited obligations of the CFD. The Bonds are payable solely from the Special Taxes (as defined herein) to be levied on and collected from the owners of the taxable land within the CFD, and from certain other funds pledged under the Fiscal Agent Agreement, all as further described herein. The Special Taxes are to be levied according to a Rate and Method of Apportionment of Special Tax approved by the qualified electors within the CFD on September 5, 2014.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE COUNTY OF SACRAMENTO, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAXES AND CERTAIN OTHER FUNDS PLEDGED UNDER THE FISCAL AGENT AGREEMENT, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE CFD PAYABLE SOLELY FROM SPECIAL TAXES AND AMOUNTS HELD UNDER THE FISCAL AGENT AGREEMENT AS MORE FULLY DESCRIBED HEREIN.

THE PURCHASE OF THE BONDS IS AN INVESTMENT SUBJECT TO A HIGH DEGREE OF RISK, INCLUDING THE RISK OF NONPAYMENT OF PRINCIPAL AND INTEREST. SEE "SPECIAL RISK FACTORS" HEREIN FOR A DISCUSSION OF SUCH FACTORS THAT SHOULD BE CONSIDERED, IN ADDITION TO THE OTHER MATTERS SET FORTH HEREIN, IN EVALUATING THE INVESTMENT QUALITY OF THE BONDS.

This cover page contains certain information for quick reference only. It is *not* a complete summary of the Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

MATURITY SCHEDULE
(See Inside Cover Page)

The Bonds are offered when, as and if issued, subject to approval as to their legality by Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by Richard P. Shanahan, Esq., General Counsel to the District, with respect to the issuance of the Bonds, and for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Underwriter's Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about January 29, 2015.

AlamoCapital

Dated: January 21, 2015

Recent Stage 1 CFD Bond Issues pertinent facts

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

- Overview of Rancho Murieta CSD CFD No. 2014-1(2015 Series)
  - $5,960,000 par
  - 828 Gross Acres
  - 412.8 net taxable acreage at build-out
  - Ratio of Appraised Value to lien is 3.71:1
  - 30 year bonds with a 4.75% Coupon to yield 4.862% in 2044
  - Fully funded Debt Service Reserve Fund
- Other recent Stage 1 CFD Bond issues
  - Roseville Westbrook CFD No. 1 $14,535,000
  - River Islands CFD No. 2003-1 Series 2015 B $32,345,000

Recent Stage 2 CFD Bond Issue

NEW ISSUE - BOOK-ENTRY ONLY **NO RATINGS**

In the opinion of Rutan & Tucker, LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series 2014 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2014 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2014 Bonds. See "CONCLUDING INFORMATION – Tax Exemption" herein.

STATE OF CALIFORNIA **COUNTY OF ORANGE**

$72,700,000
CITY OF IRVINE
COMMUNITY FACILITIES DISTRICT NO. 2013-3 (GREAT PARK)
IMPROVEMENT AREA NO. 1
SPECIAL TAX BONDS, SERIES 2014

Dated: Date of Delivery **Due: September 1, as shown on inside cover page**

The City of Irvine Community Facilities District No. 2013-3 (Great Park) Improvement Area No. 1, Special Tax Bonds, Series 2014 (the "Series 2014 Bonds") are being issued under the Mello-Roos Community Facilities Act of 1982 (the "Act") and the Indenture, dated as of June 1, 2014, by and between City of Irvine Community Facilities District No. 2013-3 (Great Park) (the "District") and Wells Fargo Bank, National Association, as trustee (the "Trustee"), and are payable from Special Tax Revenues (as defined herein) derived from Special Taxes (as defined herein) levied on property within Improvement Area No. 1 of the District ("Improvement Area No. 1") according to the rate and method of apportionment of the Special Taxes approved by the qualified electors of Improvement Area No. 1. Generally, the Special Taxes will be collected in the same manner and at the same time as *ad valorem* property taxes are collected by the Treasurer-Tax Collector of the County of Orange. Pursuant to the Indenture, additional bonds ("Additional Bonds") for refunding purposes payable from Special Tax Revenues on parity with the Series 2014 Bonds may be issued by the District, as described herein. The Series 2014 Bonds and any such Additional Bonds are collectively referred to as the "Bonds."

The Series 2014 Bonds are being issued to provide funds (a) to pay the costs of the acquisition and construction of certain public facilities necessary for the development of the District, (b) to fund a reserve fund for the Series 2014 Bonds, (c) to pay a portion of the interest on the Series 2014 Bonds through March 1, 2017, (d) to pay certain administrative expenses relating to the Series 2014 Bonds, and (e) to pay the costs of issuing the Series 2014 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Series 2014 Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Interest on the Series 2014 Bonds is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2015. Purchasers will not receive certificates representing their interest in the Series 2014 Bonds. Individual purchases will be in principal amounts of $5,000 or integral multiples thereof. Principal of and interest and premium, if any, on the Series 2014 Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who are obligated to remit such payments to the beneficial owners of the Series 2014 Bonds. See Appendix G – "BOOK-ENTRY ONLY SYSTEM."

The Series 2014 Bonds are subject to optional and mandatory redemption prior to maturity as described herein. See "THE SERIES 2014 BONDS – Redemption of the Series 2014 Bonds" herein.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE DISTRICT, PAYABLE, AS PROVIDED IN THE INDENTURE, SOLELY FROM SPECIAL TAX REVENUES AND THE OTHER ASSETS PLEDGED THEREFOR THEREUNDER. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT (EXCEPT TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE), THE CITY OF IRVINE OR THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE BONDS.

MATURITY SCHEDULE
See Inside Cover Page

Investment in the Series 2014 Bonds involves risks which may not be appropriate for some investors. See "SPECIAL RISK FACTORS" for a discussion of certain risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Series 2014 Bonds. This cover page contains information for quick reference only. It is not a complete summary of the Series 2014 Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2014 Bonds are offered when, as and if issued and delivered to the Underwriter, subject to the approval as to their validity by Rutan & Tucker, LLP, Bond Counsel to the District, and subject to certain other conditions. Certain legal matters will be passed upon for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, for the City and the District by Rutan & Tucker, LLP, Costa Mesa, California, City Attorney and for Heritage Fields El Toro, LLC by Goodwin Procter LLP, Los Angeles, California. Orrick, Herrington & Sutcliffe LLP is acting as disclosure counsel in connection with the Series 2014 Bonds. It is anticipated that the Series 2014 Bonds will be available for delivery in book-entry form through the facilities of DTC in New York, New York on or about August 28, 2014.

STIFEL

Dated: August 6, 2014

Recent Stage 2 CFD Bond Issue pertinent facts

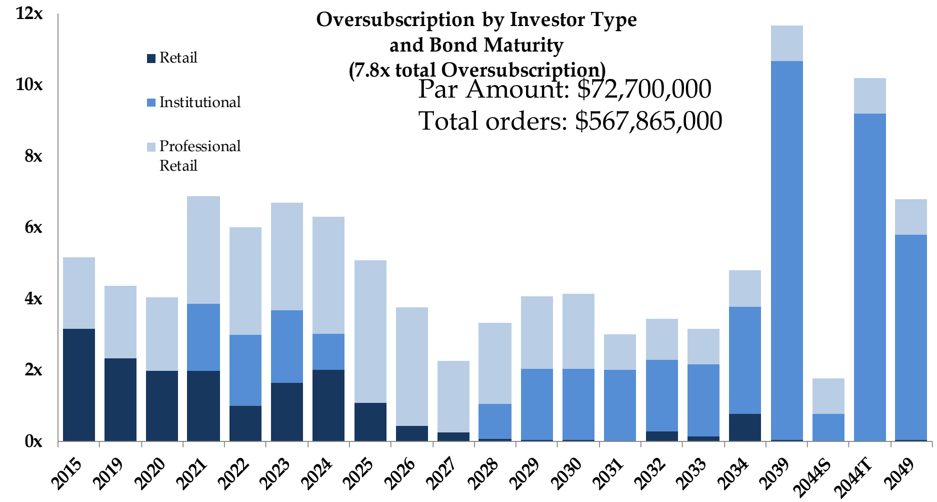
- Overview of City of Irvine CFD No. 2013-3 (Great Park) Improvement Area No. 1(Series 2014)
  - $72,700,000 par
  - 172 Gross Acres
  - 93 net taxable acreage at build-out
  - Ratio of Appraised Value to lien is 6.50:1(Incudes Overlapping Debt)
  - 35 year bonds with a 5.00% Coupon to yield 4.34% in 2049
  - Fully funded Debt Service Reserve Fund

Cultivated Investor Interest Case Study: Irvine's Great Park

Large, multi-phased project

- Maximum authorization of $1.6 billion
- Issuance expected to be staggered over 5 years
- 2014 investor site tour and presentation
  - Goal is to build a "following" for the program
  - 15 analysts from high-yield funds throughout the country and many Stifel sales executives
- Strong investor reception for the sale
  - 22 institutional orders, extensive retail orders
  - 6 institutions and 2 money managers from tour

Sale Result CFD No. 2013-3 (Great Park) IA #1



American Century	MacKay Shields	Standish Mellon
BlackRock	Mainline West	TRowe Price
Capital Research	Manulife Financial	Williams Jones
Columbia	Mass Financial	WNJ
Eaton Vance	Nuveen	
Federated	NWQ	**22 Institutions Placed Final Orders**
Franklin	Oppenheimer	
Invesco	Principal	
Lord Abbett	Putnam	

The underlined names represent firms that attended the site visit and presentation. Additionally, two important institution-like investment advisors attended and placed orders for the bonds: Bel Air Investment Advisors and Charles Fish Investments.

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Recent Stage 3 CFD Bond Issue

NEW ISSUE - BOOK-ENTRY-ONLY **NO RATING**

In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, subject to certain qualifications described in the Official Statement, under existing statutes, regulations, rules and court decisions, and assuming certain representations and compliance with certain covenants and requirements described in the Official Statement, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

COMMUNITY FACILITIES DISTRICT NO. 33 (EASTVALE AREA)
OF JURUPA COMMUNITY SERVICES DISTRICT
$8,265,000 IMPROVEMENT AREA NO. 1 SPECIAL TAX BONDS, 2014 SERIES A
$7,600,000 IMPROVEMENT AREA NO. 2 SPECIAL TAX BONDS, 2014 SERIES A

Dated: Date of Delivery **Due: September 1, as shown on inside front cover**

This Official Statement describes two separate and distinct bond issues (the "Bonds") that are being issued by Community Facilities District No. 33 (Eastvale Area) of Jurupa Community Services District (the "Community Facilities District" or the "District") primarily to finance various public improvements needed to develop property located within its Improvement Areas No. 1 and No. 2. The bonds being issued for Improvement Area No. 1 are sometimes referred to in this Official Statement as the "Improvement Area No. 1 Bonds" and the bonds being issued for Improvement Area No. 2 are sometimes referred to herein as the "Improvement Area No. 2 Bonds." Collectively, the Improvement Area No. 1 Bonds and the "Improvement Area No. 2 Bonds" are referred to in this Official Statement as the "Bonds." The Community Facilities District has been formed by and is located in the Jurupa Community Services District (the "Services District") within the City of Eastvale, Riverside County, California.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the "Act"). The Improvement Area No. 1 Bonds are being issued pursuant to the Act, Jurupa Community Services District's Resolution No. 2441 (the "Resolution") and the Fiscal Agent Agreement, dated as of July 1, 2014, by and between the Services District and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent"), relating to the Improvement Area No. 1 Bonds (the "Improvement Area No. 1 Fiscal Agent Agreement"). The Improvement Area No. 2 Bonds are being issued pursuant to the Act, the Resolution and the Fiscal Agent Agreement, dated as of July 1, 2014, by and between the Services District and the Fiscal Agent, relating to the Improvement Area No. 2 Bonds (the "Improvement Area No. 2 Fiscal Agent Agreement" and collectively with the Improvement Area No. 1 Fiscal Agent Agreement, the "Fiscal Agent Agreements"). The Bonds are special obligations of the Community Facilities District. The Bonds issued on behalf of each Improvement Area are payable solely from revenues derived from certain annual Special Taxes to be levied on the taxable property within that Improvement Area (but not Special Taxes levied on the taxable property within the other Improvement Area) and from certain other funds pledged under the Fiscal Agent Agreement relating to that Improvement Area, as further described herein.

The Bonds for each Improvement Area are payable on a parity with any Parity Bonds (as defined in the respective Fiscal Agent Agreement) issued on behalf of the applicable Improvement Area in the future. Parity Bonds in an Improvement Area may only be issued to refund the Bonds or any outstanding Parity Bonds issued for the benefit of that Improvement Area. See "SOURCES OF PAYMENT FOR THE BONDS" and "THE BONDS — Issuance of Additional Bonds for Refunding Only."

The Bonds are issuable in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases may be made in integral multiples of $5,000 and will be in book-entry form only. Purchasers of Bonds will not receive certificates representing their beneficial ownership of the Bonds but will receive credit balances on the books of their respective nominees. The Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described in the Official Statement. Interest on the Bonds will be payable on September 1, 2014 and semiannually thereafter on each March 1 and September 1. Principal of and interest on the Bonds will be paid by the Fiscal Agent to DTC for subsequent disbursement to DTC Participants who are obligated to remit such payments to the beneficial owners of the Bonds. See "THE BONDS — General Provisions," "— Book-Entry Only System" and APPENDIX G — "INFORMATION CONCERNING THE DEPOSITORY TRUST COMPANY AND ITS BOOK-ENTRY SYSTEM."

Neither the faith and credit nor the taxing power of the Services District, the County, the City of Eastvale, the State of California or any political subdivision of such entities is pledged to the payment of the Bonds. Except for the Special Taxes levied in the applicable Improvement Area, no other taxes are pledged to the payment of the Bonds. The Bonds are special obligations of the District payable solely from Special Taxes levied within the applicable Improvement Area and certain other amounts held under the Fiscal Agent Agreements as more fully described in the Official Statement.

The Bonds are subject to optional redemption, mandatory redemption prior to maturity from special tax prepayments and mandatory sinking fund redemption as described in the Official Statement. See "THE BONDS — Redemption."

Investment in the Bonds involves risks that are not appropriate for certain investors. Certain events could affect the ability of the District to pay the principal of and interest on the Bonds when due. See the section of this Official Statement entitled "RISK FACTORS" for a discussion of certain risk factors that should be considered, in addition to the other matters set forth in the Official Statement, in evaluating the investment quality of the Bonds.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

MATURITY SCHEDULE
(See Inside Cover Page)

The Bonds are offered when, as and if issued and accepted by Stifel, Nicolaus & Company, Incorporated, the Underwriter, subject to approval as to their legality by Best Best & Krieger LLP, Riverside, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed on for the Services District and the District by Best Best & Krieger LLP, Riverside, California and for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as counsel to the Underwriter. It is anticipated that the Bonds in book-entry form will be available for delivery to DTC in New York, New York, on or about July 10, 2014.

STIFEL

Dated: June 25, 2014

Recent Stage 3 CFD Bond Issue pertinent facts

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

- Overview of Jurupa Community Service District (Eastvale Area) CFD No. 33 Improvement Area No. 1&2 (2014 Series A)
  - $8,265,000 IA No. 1par and $7,600,000 IA No. 2 par
  - 45.09 Gross Acres IA No. 1 and 52.80 Gross Acres IA No. 2
  - 289 residential units in IA No. 1 and 201 residential units in IA No. 2 at build-out
  - Ratio of Appraised Value to lien is 12.23:1for IA No. 1 and 13.50:1 for IA No. 2
  - 29 year bonds with a 5.00% Coupon to yield 4.56% in 2043 for IA No. 1 and 29 year bonds with a 5.00% Coupon to yield 4.56% in 2043 for IA No. 2
  - Fully funded Debt Service Reserve Funds in each IA

Credit Observations for CFDs over the last 10 years

	2005 (Pre-Recession)	2010 (Recession)	2015 (Post Recession)
Average Bond Size	$11 million	$4 million	$14 million
District Size	+250 acres Hot real estate market allowed larger scale plans	-100 acres Faster build-out in slow real estate market	900 acres Significantly improved real estate market, especially in coastal areas by employment centers
Bond Coverage	From taxes on entitled undeveloped land Parcels with building permits often considered "developed"	From taxes on built-out and closed units Undeveloped land special tax often not leveraged	From taxes on primarily Developed Property with some Undeveloped land special tax being leveraged
Tax Collection History	Limited / No history	+10% delinquencies	Limited / No history
Reserve Fund	Traditional (10% of par)	Traditional + Special Reserve	Traditional (10% of par)
Value to Lien Ratios	3 : 1	8 : 1	11:1

Current state of CFD Bonds in 2015?

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

- Housing has made significant recovery, especially in coastal areas close to employment centers
- Developers are requesting formation of CFDs to fund infrastructure and issuance of CFD Bonds earlier in the development process
- Bond Investors are comfortable again taking on real estate risk
- Credit spreads have narrowed and interest rates on non-rated bonds have declined
- Developers are dealing with prevailing wage issue triggered by CFD Bonds
- Homebuyers are showing a willingness to buy homes subject to a special tax

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Brief Overview of Dodd-Frank and impact to Issuers and their relationships to Consultants

Overview of Dodd-Frank

- Legislation adopted as a result of the financial crisis of 2008
- Section 975 of the Dodd-Frank Act amended Section 15B of the Securities Exchange Act of 1934 to add a new requirement that "Municipal Advisors (MAs)" register with the Securities and Exchange Commission ("SEC") starting October 1, 2010
- Temporary rules went into effect on October 10, 2010 and final rules went into effect on September 18, 2013

Definition of Municipal Advisor

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

- The Exchange Act defines a "municipal advisor" generally to mean a person that: (1) provides advice to or on behalf of a municipal entity or obligated person with respect to municipal financial products (municipal derivatives, GICs and investment strategies) or the issuance of municipal securities, including advice with respect to the structure, timing terms, and other similar matters concerning such financial products or issues; or (2) undertakes certain "solicitations" of a municipal entity. This regime imposes a fiduciary duty on municipal advisors to act in the best interest of their clients

Advice Standard

- **Advice Standard**
- The rules did not include specific guidance on the meaning and the scope of the term "advice", but did provide the following guidelines:
  - First, advice depends on all of the relevant facts and circumstances
  - Second, advice includes certain "recommendations" that are particular to the specific needs, objectives, or circumstance of a municipality
  - Third, advice does not include certain general information (for example, facts without opinions or educational materials)

Covered Advice on Three Subjects

- **Covered Advice on Three Subjects**
- Absent an exemption, a person is required to register as a municipal advisor if the person provides advice on one of three subjects:
  1) Issuance of Municipal Securities, including structure, timing, terms, and other similar matters with respect to such issuance
  2) Investment of Proceeds of Municipal Securities and the Recommendation of and Brokerage of Municipal Escrow Securities
  3) Municipal Derivatives

Who is a Municipal Advisor?

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

- Municipal/Financial Advisors - Yes
- Public Officials – No
- Developers - No
- Bond Underwriters – No (Separate rules and regulations to be discussed on the next slide)
- Attorneys – No (Bond/Disclosure Counsel)
- Special Tax Consultants – No
- Appraisers – No
- Engineers – No
- Market Absorption Consultant - No

Impact of MA Rule on Underwriters

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

- **Underwriters cannot provide "advice" on a financing to municipal issuers unless:**
  - Responding to a Request for Proposals (sent to at least 3 firms)
  - Issuer has an independent financial advisor on that financing (with "IRMA letter" available)
  - Underwriter has been hired for that particular issue (with "engagement letter" signed)
- **Objective information and refunding analyses not construed as "advice" by SEC**
  - An underwriter can provide typical bond sizing and refunding analyses using generic assumptions with internal clearance and appropriate disclaimers
- **IRMA letter**
  - Issuer declares its understanding that it will rely on a financial advisor, as needed for advice, not the underwriter
- **Engagement letter**
  - Issuer declares its intent to engage the underwriting firm on a particular transaction in the role of underwriter, not financial advisor
  - Can be a non-binding, non-exclusive arrangement
- **G-17 disclosures**
  - Issuer is asked to acknowledge underwriter's disclosures of non-fiduciary role

Impact to Public Agencies

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

- New Rules have been in-place since July 1, 2014
- MAs have an explicit fiduciary duty to their Public Agency clients
- GFOAs best practices strongly recommend Public Agencies hire a MA for their bond transactions
- Underwriters and other bond professionals that do have a fiduciary duty to issuers will not be able to provide advice to Public Agencies unless certain exemption are met
- Underwriters will be able to communicate with Public Agencies about general market issues, facts and ideas, however, unless an exemption is met, they can not advise a Public Agency to take a specific action
- Responses to RFPs and RFQs are not considered to be municipal advice and must be sent to at least three firms

Example of IRMA Letter posted to Issuer website

JAY E. ORR
COUNTY EXECUTIVE OFFICER

COUNTY OF RIVERSIDE
EXECUTIVE OFFICE

GEORGE A. JOHNSON
CHIEF ASSISTANT COUNTY EXECUTIVE OFFICER
ROB FIELD
ASSISTANT COUNTY EXECUTIVE OFFICER
ECONOMIC DEVELOPMENT AGENCY
MICHAEL T. STOCK
ASSISTANT COUNTY EXECUTIVE OFFICER
HUMAN RESOURCES
ED CORSER
COUNTY FINANCE DIRECTOR
CHRISTOPHER HANS
CHIEF DEPUTY COUNTY EXECUTIVE OFFICER

July 1, 2014

By publicly posting the following written disclosure, the County of Riverside intends that market participants receive and use it for purposes of the independent registered municipal advisor exemption to the SEC Municipal Advisor Rule.

The County of Riverside has retained an independent registered municipal advisor. The County of Riverside uses a variety of municipal advisors in its debt management program. To know which firm is being used for a particular credit, please contact the entity's debt management program at 951.955.1110.

The County is represented by and will rely on its municipal advisors to provide advice on proposals from financial services firms concerning the issuance of municipal securities and municipal financial products (including investments of bond proceeds and escrow investments). This certificate may be relied upon until June 30, 2015. Proposals may be addressed to County of Riverside, Executive Office at 4080 Lemon Street, 4th Floor, Riverside, CA 92501. If the proposal received will be seriously considered by the County, we will share the document with our municipal advisor. Please note, that aside from regulatorily mandated correspondence between an underwriter and municipal advisor, the underwriter should not speak directly with or send documents directly to the municipal advisor unless specifically directed to by the County.

IVAN M. CHAND
Deputy County Executive Officer

ROBERT T. ANDERSEN ADMINISTRATIVE CENTER
4080 LEMON STREET, FOURTH FLOOR • RIVERSIDE, CALIFORNIA 92501 • (951) 955-1110 • (951) 955-1034 FAX

<u>County Financial Advisors</u>

1. Fieldman, Rolapp & Associates, Inc. — Daniel L. Wiles
   19900 MacArthur Boulevard, Suite 1100
   Irvine, CA 92612-2445

   (949) 660-7300 Main

2. CM deCrinis & Co., Inc. — Paul McDonnell
   100 N. Brand Boulevard, Suite 605
   Glendale, CA 91203

   (818) 385-4900

3. KNN Public Finance — David Leifer
   1300 Clay Street, Suite 1000
   Oakland, CA 94612

   Tel: 510-839-8200

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Example of a G-17 Letter

January 22, 2015

Director of Administrative and Community Services

Re: Underwriter Engagement Relating to Potential Municipal Securities Transaction for the Tax Allocation Refunding Bonds Series 2015A

Dear

The Successor Agency to the Redevelopment Agency of the City of (the "Issuer") and , Incorporated (" ") are entering into this memorandum to confirm that discussions related to the potential issuance of one or more issues of municipal securities for the Successor Agency to the Redevelopment Agency of the City of , Tax Allocation Refunding Bonds Series 2015A (the "Issue"), have occurred and that the Issuer and are hereby entering into this engagement letter to formalize role as underwriter with respect to the Issues as defined in MSRB Rule G-23. The Issuer and acknowledge that, in all discussions that they will have concerning the potential municipal securities transaction(s), will not be serving in the role of municipal advisor as defined in the SEC's Municipal Advisor Rule with current effective date of implementation of July 1, 2014. To that end, the Issuer agrees to provide specific project related information to and agrees to provide input to the Issuer relating to options concerning structure, timing, terms, and other similar matters related to the expected transaction referenced above.

Limitation of Engagement

This Memorandum establishes an engagement which does not obligate either party to execute a municipal securities transaction or to enter into a bond purchase agreement or any other legally binding transaction. The engagement is preliminary in nature, and Issuer acknowledges that it intends or reasonably expects to engage as the underwriter for the identified issuance of municipal securities. This engagement may be subject to conditions such as formal approval of the selection of as underwriter by the applicable governing body and the formalization of the structure and terms for the sale or placement of the applicable municipal securities. Additionally, this Memorandum does not restrict the Issuer from entering into engagement letters with more than one underwriter, provided that the issuer reasonably expects to engage each such underwriter. This engagement is nonbinding and may be terminated immediately at any time for any reason by either party upon written notice.

Role Disclosure

The Issuer hereby confirms and acknowledges each of the following concerning the role that would have as an underwriter:

(1) Municipal Securities Rulemaking Board Rule G-17 requires an underwriter to deal fairly at all times with both municipal issuers and investors;

(2) the underwriter's primary role is to purchase securities with a view to distribution in an arm's-length commercial transaction with the issuer and it has financial and other interests that differ from those of the issuer;

(3) unlike a municipal advisor, the underwriter does not have a fiduciary duty to the issuer under the federal securities laws and is, therefore, not required by federal law to act in the best interests of the issuer without regard to its own financial or other interests;

(4) the underwriter has a duty to purchase securities from the issuer at a fair and reasonable price, but must balance that duty with its duty to sell municipal securities to investors at prices that are fair and reasonable; and

(5) the underwriter will review the official statement for the issuer's securities, and complete requisite due diligence, in accordance with, and as part of, its responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of the transaction.

Disclosures Concerning the Underwriter Compensation

The underwriter will be compensated by an underwriting discount will be set forth in the bond purchase agreement to be negotiated and entered into in connection with the issuance of the Bonds. Payment or receipt of the underwriting fee or discount will be contingent on the closing of the transaction(s) and the amount of the fee or discount may be based, in whole or in part, on a percentage of the principal amount of the Bonds. While this form of compensation is customary in the municipal securities market, it presents a conflict of interest since the underwriter may have an incentive to recommend to the Issuer a transaction that is unnecessary or to recommend that the size of the transaction be larger than is necessary.

Conflicts of Interest Disclosures

has not identified any additional potential or actual material conflicts that require disclosure.

Example of a G-17 Letter (cont.)

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of the City of
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Disclosures Relating to Complex Municipal Securities Financing

Since , has not recommended a "complex municipal securities financing" to the Issuer, additional disclosures regarding the financing structure for the issuance of the Bonds are not required under MSRB Rule G-17.

However, if recommends, or if the Issue is ultimately structured in a manner considered a "complex municipal securities financing" to the Issuer, this letter will be supplemented to provide disclosure of the material financial characteristics of that financing structure as well as the material financial risks of the financing that are known to us and are reasonably foreseeable at that time.

Sincerely,

Managing Director

The Issuer acknowledges the foregoing.

Accepted and Executed

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(Name)______________

(Title)____________________ Date: _________________