DISTRICT COMPILED POLICIES

CHAPTER 6 – FINANCE

6.01 Fees and Charges

(A) The director establishes fees for district services based on policy guidelines established by the Board. These policy guidelines include:

(1) Fees will be calculated to achieve the desired level of applicable resource allocation based on costs for each service type.

(2) Fees will be established for out-of-district users of district services that are equitable with fees for in-district residents recognizing the contribution made by district residents through property taxes.

(3) Appropriate fee discounts will be established for select user groups including seniors, youth, patrons experiencing a disability, and the military. Only district residents will be eligible for fee discounts. Only one discount may be applied to each fee.

(4) The "THPRD Financial Aid Program" will provide accommodation for low-income in-district residents in the form of a limited amount of user fee waivers.

(5) Periodically the district will perform a service analysis, including analyzing fees. Fees will be adjusted based on results of the service analysis.

(B) The Board will review district fee policy as needed to ensure fees are in line with these guidelines.

6.02 Debt Management Policies

(A) These policies provide guidance on the issuance, structure, and management of the district's long- and short-term debt. The policy sets forth the guidelines for the issuance of debt and the management of outstanding debt. The policy establishes certain limits which recognize the district's capital requirements, its ability to repay financial obligations, and the existing legal, economic, financial, and debt market conditions. Specifically, the policy is intended to assist the district in the following:

(1) Evaluating available debt issuance options;
(2) Maintaining appropriate capital assets for present and future needs;
(3) Promoting sound financial management through accurate and timely information on financial conditions;
(4) Providing for full and timely repayment of all debt;
(5) Protecting and enhancing the district's credit rating(s); and

(6) Safeguarding the legal use of the district's financing authority through an effective system of internal controls.

(B) Type and Use of Debt: The district shall comply with all debt limitations imposed by the Oregon constitution, Oregon Revised Statutes (ORS), and Oregon Administrative Rules (OAR). The district will further comply with Security and Exchange Commission (SEC) and Municipal Securities Rulemaking Board (MSRB) rules regarding debt issuance, and with Internal Revenue Service (IRS) regulations for tax-exempt or tax- advantaged debt.

The district may issue debt at fixed and variable interest rates, and as taxable and tax-exempt obligations, including general obligation bonds; short-term borrowings; revenue bonds; full faith and credit obligations; and any other type of obligation authorized under ORS.

The scope, requirements, and demands of the budget, reserve levels, financial plans, and the ability or need to expedite or maintain the programmed schedule of approved capital projects, will also be considered when deciding to issue long-term debt. Obligations of a term greater than 13 months will not be used to fund operations of the district. All borrowings will be authorized by the board.

To the extent it benefits the district, the district may participate in federal, state, or other loan programs. The finance director shall evaluate the requirements of these programs to determine if the district is well served by employing them. For purposes of this policy, the district shall treat and report these obligations in a manner consistent with other similar debt instruments. To the extent required by the loans or other outstanding debt agreements, the district shall include the financial requirements of these obligations when determining additional bonds test, coverage requirements, etc.

(C) Debt Refinancing: Refunding obligations may be issued to retire all or a portion of an outstanding debt issue. Economic refundings may refinance debt to effectuate debt service savings. Alternatively, the district may conduct a refunding for reasons other than cost savings, such as to restructure debt service payments, to change the type of debt instruments, to release restricted revenues, to ease administrative requirements, or to remove undesirable covenants.

The district will target current refundings (refundings within 90 days of the call date) that produce net present value savings of at least 3% of the refunded par amount of each maturity being refunded. Refundings producing less than 3% net present value savings for each maturity being refunded will be considered for other purposes, such as to restructure debt service payments, to change the type of debt instruments, to release restricted revenues, to ease administrative requirements, or to remove undesirable covenants.

Advance refundings (refundings that occur more than 90 days prior to the call date of the refunded bonds) may be issued on a tax-exempt basis only if permitted under tax rules at the time of issuance. Advance refundings shall produce net present value savings (including cash contributions and foregone interest earnings) of at least 5% of the refunded par amount of each maturity being refunded. Advance refundings producing less than 5% net present value savings for each maturity being refunded may be considered for other purposes, such as to restructure debt service payments, to change the type of debt instruments, to release restricted revenues, to ease administrative requirements, or to remove undesirable covenants.

The district may also consider alternatives to current and advance refundings (e.g., delayed-delivery refundings) in consultation with its municipal advisor and bond counsel. In evaluating such alternatives, the finance director will consider the proposed structure and establish a required threshold of interest rate savings.

The finance director will monitor refunding opportunities for all outstanding debt obligations on a periodic basis applying established criteria in determining when to issue refunding debt and bring forth the recommended opportunities with appropriate board actions and related documentation.

(D) Maturity of Debt: The final maturity of the debt shall not exceed limits imposed under Oregon Revised Statutes, and to comply with Federal tax regulations, the average life of a financing shall not exceed 120% of the average life of the assets being financed.

(E) Debt Service Structure: Debt service payments for any new money debt issue will generally be structured to create approximately level debt service payments over the life of the debt. Exceptions are permitted for refunding debt that will have varying principal repayments structured to fill in the gaps created by refunding specific principal maturities, to wrap around existing or planned obligations, or to achieve other financial goals.

(F) Lien Structure: Senior and subordinate liens may be used to maximize the most critical constraint, either cost or capacity, thus allowing for the most beneficial leverage of revenues.

(G) Reserve Funds: A reserve fund for a debt issuance may be required for credit rating or marketing reasons. If required, such reserve fund can be funded with:

(1) The proceeds of a debt issue,
(2) The reserves of the district, or
(3) A surety policy.

A cash reserve fund will be invested pursuant to the investment restrictions associated with the respective financing documents and the district's separate investment policy. For each debt issue, the finance director will evaluate whether a reserve fund is required for credit rating or marketing purposes and the benefits of funding or maintaining the reserve requirement with cash or a surety policy, in addition to determining the benefits of borrowing the necessary funds or using cash reserves.

(H) Redemption Provisions: Redemption provisions will be established on a case-by-case basis, taking into consideration market conditions and the results of a call option analysis prior to the time of sale. For publicly offered debt, in general, the district will have the right to optionally redeem debt at par no later than ten and a half (10.5) years after issuance. Because the issuance of non-callable debt may restrict future financial flexibility, cost will not be the sole determinant in the decision to issue non-callable debt.

(I) Credit Enhancement: Credit enhancement (e.g., bond insurance or letters of credit) on district financings will only be used when net debt service is reduced by more than the cost of the enhancement. The district will evaluate the availability and cost/benefit of credit enhanced debt versus unenhanced debt prior to issuing any debt.

(J) Method of Sale: The district will select a method of sale considering the financial, market, transaction-specific and district-specific conditions and advantages. There are three basic methods of sale: publicly-offered competitive sale, publicly-offered negotiated sale, and direct placement. If a negotiated sale is expected to provide overall benefits, the senior managing underwriters and co-managers shall be selected through a process administered by the finance director.

(K) Investment of Debt Proceeds: Investment of debt proceeds are subject to the district's separately adopted Investment Policy. The district shall comply with all applicable Federal, State, and contractual restrictions regarding the use and investment of financing-related funds. The primary investment objectives are safety, liquidity, and yield. The district's independent investment advisor must be a registered Investment Advisor. The district will require that all fees resulting from investment services or sale of products to the district be fully disclosed to the district (including fees paid by third parties) to avoid actual or perceived conflicts of interest on whether the investments are being purchased at a fair market price, consistent with the district's Investment Policy.

(L) Credit/Ratings Objectives: The district's rating strategy is designed to achieve the best economic results for the district. This includes attaining the appropriate balance between minimizing borrowing costs and maximizing financial flexibility. The finance director shall be responsible for implementing and managing the district's credit rating agencies relations program. This effort shall include providing the rating agencies with the district's annual budget, financial statements and other information they may request. As appropriate, full disclosure of operations will be made to the credit rating agencies. The finance director shall also coordinate periodic meetings with the rating agencies and communicate with them prior to each debt issuance. The district will evaluate the benefits of a higher rating at lower debt cost versus a lower rating that provides more debt capacity and flexibility.

(M) Investor Relations: The finance director shall be responsible for implementing and managing the district's investor relations program. The finance director will also be responsible for responding to inquiries from institutional and retail investors, and for proactively communicating with such investors if necessary. Such communication shall be made only as permitted under applicable federal securities laws, in consultation with the district's bond counsel.

(N) Tax and Arbitrage Rebate Compliance: The district will comply with all financing covenants to maintain the validity of the issuance of debt, including, but not limited to tax-exemption, Arbitrage Rebate compliance, insurance provisions, reporting and monitoring requirements. Any instance of noncompliance will be reported to the board. The district shall consult with bond counsel and other legal counsel and advisors, as needed, throughout the debt issuance process to identify requirements and to establish procedures necessary or appropriate so that the bonds or other obligations issued on a tax-exempt basis will continue to qualify for tax- exempt status, if applicable. Those requirements and procedures shall be documented in the tax certificate and agreement ("Tax Certificate") and/or other documents finalized at or before issuance of such bonds. Those requirements and procedures shall include future compliance with applicable arbitrage rebate requirements and certain other applicable post-issuance requirements of federal tax law throughout (and, in some cases, beyond) the term of the bonds. This shall include, without limitation, consultation in connection with any potential changes in use of bond-financed or refinanced assets.

(O) Records to be Maintained for Tax-Exempt Bonds. It is the policy of the district that, unless otherwise permitted by future IRS regulations or other guidance, written records (which may be in electronic form) will be maintained with respect to each bond issue for as long as those bonds remain outstanding, plus three years. For this purpose, the bonds include refunding bonds that refund the original bonds and thereby refinance the property that was financed by the original bonds. The records to be maintained are to include:

(a) the official Transcript of Proceedings for the original issuance of the bonds;

(b) records showing how the bond proceeds were invested, as described in 3(a) above;

(c) records showing how the bond proceeds were spent, as described in 3(b) and 4(c) above, including purchase contracts, construction contracts, progress payment requests, invoices, cancelled checks, payment of bond issuance costs, and records of "allocations" of bond proceeds to make reimbursement for project expenditures made before the bonds were actually issued;

(d) information, records and calculations showing that, with respect to each bond issue, the district was eligible for the "small the district" exception or one of the spending exceptions to the arbitrage rebate requirement or, if not, that the rebate amount, if any, that was payable to the United States of America in respect of investments made with gross proceeds of that bond issue was calculated and timely paid with Form 8038-T timely filed with the IRS, as described in 3(c), (d) and (e) above; and

(e) records showing that special use arrangements, if any, affecting bond-financed property made by the district with nongovernmental persons, if any, are consistent with applicable restrictions on private business use of property financed with proceeds of tax-exempt bonds and restrictions on the use of proceeds of tax-exempt bonds to make or finance loans to any person other than a state or local government unit, as described in 4 above.

The basic purpose of the foregoing record retention policy for the district's tax-exempt bonds is to enable the district to readily demonstrate to the IRS upon an audit of any tax-exempt bond issue that the district has fully complied with all federal tax requirements that must be satisfied after the issue date of the bonds so that those bonds continue to be tax-exempt under the Code.

(P) <u>Restrictions on Private Business Use and Private Loans</u>. The finance director, or persons under the supervision of the finance director, shall be responsible for:

(1) Monitoring the use of bond proceeds (including investment earnings and reimbursement of expenditures made before bond issuance) and the use of the financed asset throughout the term of the bonds to ensure compliance with covenants and restrictions set forth in the Tax Certificate relating to the bonds;

(2) Maintaining records identifying the assets or portion of assets that are financed or refinanced with proceeds of each issue of bonds (including investment earnings and reimbursement of expenditures made before bond issuance), including a final allocation of the bond proceeds documented on or before the later of 18 months after an expenditure is paid or the related project is placed in service, and in any event before the fifth anniversary of the bond issuance;

(3) Consulting with bond counsel, other legal counsel, and other advisors in the review of any change in use or transfer of bond-financed or refinanced assets to ensure compliance with all covenants and restrictions set forth in the Tax Certificate relating to the bonds;

(4) To the extent the district discovers that any applicable tax restrictions regarding use of bond proceeds and bond-financed or refinanced assets will or may be violated, consulting promptly with bond counsel, other legal counsel, and other advisors to determine a course of action to preserve the tax-exempt status of the bonds (if applicable).

(5) Adopt procedures calculated to educate and inform the principal operating officials of those departments, including utility departments, if any, of the district (the "users") for which land, buildings, facilities and equipment ("property") are financed with proceeds of tax-exempt bonds about the restrictions on private business use that apply to that property after the bonds have been issued, and of the restriction on the use of proceeds of tax-exempt bonds to make or finance any loan to any person other than a state or local government unit. In particular, following the issuance of bonds for the financing of property, the finance director shall provide the users of the property a copy of this policy other appropriate written guidance advising that:

(a) "private business use" means use by any person other than a state or local government unit, including business corporations, partnerships, limited liability companies, associations, nonprofit corporations, natural persons engaged in trade or business activity, and the United States of America and any federal agency, as a result of ownership of the property or use of the property under a lease, management or service contract (except for certain "qualified" management or service contracts), output contract for the purchase of electricity or water, privately sponsored research contract (except for certain "qualified" research contracts), "naming rights" contract, "public-private partnership" arrangement, or any similar use arrangement that provides special legal entitlements for the use of the bond-financed property;

(b) under section 141 of the Code, no more than 10% of the proceeds of any tax-exempt bond issue (including the property financed with the bonds) may be used for private business use, of which no more than 5% of the proceeds of the tax-exempt bond issue (including the property financed with the bonds) may be used for any "unrelated" private business use—that is, generally, a private business use that is not functionally related to the governmental purposes of the bonds; and no more than the lesser of $5,000,000 or 5% of the proceeds of a tax-exempt bond issue may be used to make or finance a loan to any person other than a state or local government unit;

(c) before entering into any special use arrangement with a nongovernmental person that involves the use of bond-financed property, the user must consult with the finance director, provide the finance director with a description of the proposed nongovernmental use arrangement, and determine whether that use arrangement, if put into effect, will be consistent with the restrictions on private business use of the bond-financed property;

(d) in connection with the evaluation of any proposed nongovernmental use arrangement, the finance director should consult with bond counsel as may be necessary to obtain federal tax advice on whether that use arrangement, if put into effect, will be consistent with the restrictions on private business use of the bond-financed property, and, if not, whether any "remedial action" permitted under section 141 of the Code may be taken by the district as a means of enabling that use arrangement to be put into effect without adversely affecting the tax-exempt status of the bonds that financed the property; and

(e) the finance director and the user of the property shall maintain records of such nongovernmental uses, if any, of bond-financed property, including copies of the pertinent leases, contracts or other documentation, and the related determination that those nongovernmental uses are not inconsistent with the tax-exempt status of the bonds that financed the property.

(Q) Arbitrage Yield Restriction and Rebate Requirements. The finance director will maintain or cause to be maintained records of:

(a) purchases and sales of investments made with bond proceeds (including amounts treated as "gross proceeds" of bonds under section 148 of the Code) and receipts of earnings on those investments;

(b) expenditures made with bond proceeds (including investment earnings on bond proceeds) in a timely and diligent manner for the governmental purposes of the bonds, such as for the costs of purchasing, constructing and/or renovating property and facilities;

(c) information showing, where applicable for a particular calendar year, that the district was eligible to be treated as a "small issuer" in respect of bonds issued in that calendar year because the district did not reasonably expect to issue more than $5,000,000 of tax-exempt bonds in that calendar year;

(d) calculations that will be sufficient to demonstrate to the IRS upon an audit of a bond issue that, where applicable, the district has complied with an available spending exception to the arbitrage rebate requirement in respect of that bond issue;

(e) calculations that will be sufficient to demonstrate to the IRS upon an audit of a bond issue for which no exception to the arbitrage rebate requirement was applicable, that the rebate amount, if any, that was payable to the United States of America in respect of investments made with gross proceeds of that bond issue was calculated and timely paid with Form 8038-T timely filed with the IRS; and

(f) information and records showing that investments held in yield-restricted advance refunding or defeasance escrows for bonds, and investments made with unspent bond proceeds after the expiration of the applicable temporary period, were not invested in higher-yielding investments.

(R) Arbitrage Rebate. Unless otherwise provided by the transaction documentation relating to the bonds, unexpended bond proceeds shall be segregated from other funds of the district, and the investment of bond proceeds shall be managed by the district. The district shall prepare (or cause to be prepared) regular, periodic statements regarding the investments and transactions involving bond proceeds. Unless the Tax Certificate documents provide that arbitrage rebate will not be applicable to an issue of bonds, the finance director, or persons reporting to the finance director, shall be responsible for:

(1) Unless the Tax Certificate documents that arbitrage rebate will not be applicable to an issue of bonds, either (1) engaging the services of expert advisors (each a "Rebate Service Provider") to assist in the calculation of arbitrage rebate payable in respect of the investment of bond proceeds, and prior to each rebate calculation date, causing the trustee or other financial institution to deliver periodic statements concerning the investment of bond proceeds to the Rebate Service Provider, or (2) undertaking rebate calculations themselves and retaining and obtaining periodic statements concerning the investment of bond proceeds;

(2) If a Rebate Service Provider is engaged, providing to the Rebate Service Provider additional documents and information reasonably requested and monitoring efforts of the Rebate Service Provider;

(3) Assuring payment of required rebate amounts, if any, no later than 60 days after each five-year anniversary of the issue date of the bonds, and no later than 60 days after the last bond of each issue is redeemed;

(4) During the construction period of each capital project financed in whole or in part by bonds, monitoring the investment and expenditure of bond proceeds and consulting with the Rebate Service Provider to determine compliance with any exceptions from the arbitrage rebate requirements during each 6-month spending period up to 6 months, 18 months, or two years, as applicable, following the issue date of the bonds; and

(5) Retaining copies of all arbitrage reports, investment records, and trustee statements.

(S) Identification and Remediation of Potential Violations of Federal Tax Requirements for Tax-Exempt Bonds.

(1) So long as any of the district's tax-exempt bond issues remain outstanding, the finance director will periodically consult with the users of the district's bond-financed property to review and determine whether current use arrangements involving that property continue to comply with applicable federal tax requirements as described in this policy. This may be accomplished, for example, by periodically meeting with users, providing questionnaires to users about current use arrangements, or adopting other protocols reasonably calculated to ensure compliance with applicable federal tax requirements on a continuing basis. This periodic review may be scheduled, for example, at or before the times that the district is required to file with the Municipal Securities Rulemaking Board the annual financial information and operating data pursuant to the district's undertaking to provide continuing disclosure with respect to outstanding bond issues.

(2) If at any time during the life of an issue of tax-exempt bonds, the district discovers that a violation of federal tax requirements applicable to that issue may have occurred, the finance director will consult with bond counsel to determine whether any such violation actually has occurred and, if so, take prompt action to accomplish an available remedial action under applicable IRS regulations or to enter into a closing agreement with the IRS under the Voluntary Closing Agreement Program described under Notice 2008-31 or other future published guidance.

(T) Education Policy With Respect to Federal Tax Requirements for Tax-Exempt Bonds. It is the policy of the district that the finance director and such person's staff, as well as the principal operating officials of those departments of the district for which property is financed with proceeds of tax-exempt bonds should be provided with education and training on federal tax requirements applicable to tax-exempt bonds. The district recognizes that such education and training is vital as a means of helping to ensure that the district remains in compliance with those federal tax requirements in respect of its bonds. The district therefore will enable and encourage those personnel to attend and participate in educational and training programs offered with regard to the federal tax requirements applicable to tax-exempt bonds.

(U) Disclosure Documents: The district is required to provide disclosure, generally in the form of an official statement, relating to each public offering of debt. The district is responsible for providing complete and accurate information to be included in the official statement and is responsible for the overall content of the document, although it may rely on an external party (e.g., bond counsel or disclosure counsel) to assist in the creation of the document. Additionally, bonds sold via the direct placement method may have specific disclosure requirements required by the purchaser.

(V) Primary Disclosure Policies: The finance director will serve as the focal point for information requests relating to official statements to be used in the initial offering of the district's borrowings. The finance director will request information required for disclosure to investors and rating agencies from relevant departments and will sign a statement attesting to the accuracy and completeness of the information therein. The board will be provided with a copy of the official statement for each issue of debt.

(W) Continuing Disclosure Policies: Under Rule 15c2-12 of the Securities and Exchange Commission, adopted under the Securities Exchange Act of 1934, the district is required to enter into a contract to provide "secondary market disclosure" relating to each publicly offered bond issue (referred to as an "undertaking"). The finance director shall review any proposed undertaking to provide secondary market disclosure and negotiate any commitments therein.

The district will ensure compliance with all continuing disclosure requirements as part of its ongoing debt program. The finance director, or persons under the supervision of the finance director, shall have a clear understanding of the continuing disclosure requirements for each debt transaction.

Internal procedures shall be developed that identify the information that is obligated to be submitted in an annual filing, the dates on which filings are to be made, list the events required to be disclosed, and identify the person responsible for making the filings.

The Annual Comprehensive Financial Report (ACFR) may fulfill annual financial information filing obligations. The information provided in an ACFR does not have to be replicated when filing with the Electronic Municipal Market Access (EMMA) portal. If the district agrees to furnish information that is outside the scope of its ACFR, that information may be included as a separate document when filing with EMMA. On its completion, the ACFR should be immediately submitted to EMMA.

Each time the district issues new bonds, the finance director (in consultation with bond counsel and the municipal advisor) will review the district's compliance with prior continuing disclosure undertakings and make any necessary corrective filings.

In addition to continuing disclosure undertakings associated with public bond offerings as required by SEC Rule 15c2-12, the district may also be subject to ongoing reporting requirements associated with other debt obligations, such as bank loans. The finance director shall also be responsible for ensuring compliance with such reporting requirements.

(X) Municipal Advisor: The district will retain an independent registered municipal advisor (MA) through a process administered by the finance director. Selection of the district's MA should be based on the following:

(1) Experience in providing consulting services to issuers similar to the district;
(2) Meets all regulatory requirements;
(3) Knowledge and experience in structuring and analyzing large complex municipal debt issues;
(4) Ability to conduct competitive selection processes to obtain related financial services (including underwriters and other service providers);
(5) Experience and reputation of assigned personnel; and
(6) Fees and expenses.

The district shall require that its MA will provide objective advice and analysis, maintain confidentiality of district financial plans, and fully disclose any potential conflicts of interest.

(Y) Bond Counsel: For all debt issues, the district will engage and retain an external bond counsel through a process administered by the finance director. Where required by the lender and/or investors, debt issued by the district will include a written opinion by a nationally recognized bond counsel affirming that the district is legally authorized to issue the debt, stating that the district has met all state constitutional and statutory requirements necessary for issuance, and determining the debt's federal income tax status. Bond Counsel may also draft the Official Statement in lieu of having a separate disclosure counsel.

(Z) Disclosure Counsel: The district may engage and retain, when appropriate, Disclosure Counsel through a process administered by the finance director to prepare official statements for debt issues. Disclosure Counsel will be responsible for providing that the official statement complies with all applicable rules, regulations, and guidelines. Disclosure Counsel will be a nationally recognized firm with extensive experience in public finance.

(AA) Board Reporting Requirements: The finance director will report to the board on a quarterly basis the following information:

(1) A summary of outstanding debt obligations to include the series name, original amount of issuance, outstanding principal amount, issue date, maturity dates, interest rates, and annual debt service;
(2) The amount of the net variable rate obligation and percentage as compared to outstanding debt, if applicable;

(3) Other considerations if applicable, including (but not limited to): refunding opportunities, performance of variable rate obligations, and/or proposed new debt issuances.

6.03 Minimum Fund Balances / Reserves

(A) The district should maintain an appropriate level of ending fund balance in the General Operating Fund to provide financial stability and minimize service disruptions.

Working Guidelines: *The district should maintain ending general operating fund balance levels of 10 percent of operating expenses. In any year in which the district is not at the targeted fund level, the budgeted contingency or unappropriated ending fund balance will be increased by 1% of property tax revenues.*

(B) The district should measure its obligation for replacement of assets and ensure that replacements are managed in a manner that does not negatively impact district services.

(1) Working Guidelines – measurement of replacement obligation: *The district should measure the replacement obligation based on deferred replacements (i.e. backlog) for both major and routine replacements plus percentage of life used for major replacements.*

(2) Working Guidelines – prioritization of maintenance replacements funding: *The district should priority fund all major items replacements (subject to condition of asset deferrals) a minimum of $350,000 of routine replacements and fund the balance of routine replacements based on available funding.*

6.04 Resource Allocation

(A) The district should establish consistent guidelines to measure the full cost of district programs and capital projects.

(1) Working Guidelines – operating programs: *The district will measure the cost of providing services for both the direct cost and indirect cost. The direct cost includes all the specific identifiable expenses (fixed and variable) associated with providing a service, program or facility; these costs would not exist without the service or program. The indirect cost encompasses overhead (fixed and variable) including the administrative cost of the district; these costs would exist without any of the specific services or programs.*

(2) Working Guidelines – capital projects: *The district should measure the cost of capital projects based on the direct external cost plus the full*

cost (including indirect cost allocations) of district staff time to manage the projects.

(B) Programs: The district should maintain fee policies that utilize the measurement of resource allocation to district programs subject to other district goals.

Working Guidelines: *The district should establish and follow tiered structure for maintaining a resource allocation model for district activities, programs, and services.*

(C) Capital: The district should recognize resource allocation of internal support functions for activities funded by special or restricted funds to ensure that there are no hidden interfund subsidies.

Working Guidelines: *The district should charge the cost of staff support to capital projects and should recognize an interfund reimbursement so that all capital costs are borne by the capital projects fund.*

6.05 Cost / Benefit Analysis

The d istrict should establish a consistent methodology of measuring cost/benefit analysis that can be used for proposed capital expansion or acquisitions. Working Guidelines: The district should assess cost/benefit based on net present value of net financial returns using a discount rate equal to the district's current borrowing rate.

6.06 Financial Goal Measurement

(A) The district should establish, through the long-term financial planning process, financial goals and strategies and should periodically review these goals and strategies.

Working Guidelines: *The d istrict should review the goals and strategies annually as part of the Board of Directors' annual goals and objectives.*

(B) The district should periodically measure progress toward financial goals.

Working Guidelines: *The district should develop an annual reporting process for measuring progress toward financial goals.*

6.07 Retirement Plan Funding

(A) The district will ensure contribution levels that, at a minimum, provide funding of the Tualatin Hills Park & Recreation District Retirement Plan Trust ("the Plan") to ensure sufficient assets to pay benefits on an ongoing basis.

(B) The recommended contribution amount, referred to as the Actuarially Determined Contribution (ADC) will be reviewed annually in consultation with the Plan's actuary, as part of the annual Plan actuarial valuation.

(1) Working Guidelines: *The ADC should be determined in a manner intended to uphold the principle of intergenerational equity to the extent* feasible, with each generation of district taxpayers and patrons funding the retirement benefits of the district employees providing them services.

(2) Working Guidelines: *The ADC should be calculated in a manner such that the ADC amount is never less than the amount projected as appropriate to achieve 100% funded status of the Plan within ten years, if actual future experience matches the actuarial valuation assumptions informing the ADC calculation and contributions are made each year in accordance with the policy.*

(3) Working Guidelines: *Barring extraordinary circumstances, the ADC will be considered the minimum funding amount for the upcoming year. Funding amounts will be determined via the annual budget process and may exceed the ADC.*

(4) Working Guidelines: *Once the Plan is at or near 100% funded status, the ADC will be set at a level designed to maintain that funded status if the ADC is made in full and actual future experience matches the actuarial assumptions informing the ADC calculation. When the Plan is at or near 100% funded status, the ADC calculation methodology should consider inclusion of a "rainy day" margin based on the advice of the actuary. Such a margin would be to mitigate the potential effect on contribution levels of subsequent actual plan experience being less favorable than the actuarial assumptions.*

(5) Working Guidelines: *In calculating the ADC, the assumption for average long-term future annual investment return assumption will be informed by the Plan's target asset allocation policy. The assumption will be evaluated annually for reasonableness based on the opinion of the Plan's actuary, as informed by the capital market outlook over a long-time horizon, of the Plan's retained investment consultant.*