

CITY OF ARLINGTON, TEXAS
Debt & Disclosure Policy

Finance Department
FY 2023

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OVERVIEW

The City of Arlington, Texas (“the City”), through the Finance Department’s Treasury division, executes debt instruments, administers debt proceeds, manages ongoing disclosure and debt compliance, and makes debt service payments, acting with prudence and diligence and with attention to prevailing economic conditions. The City believes that debt is an equitable means of financing projects and represents an important means of meeting fiscal responsibilities.

The Debt & Disclosure Policy (“the Policy”) primarily addresses debt instruments/securities issued by the City in public or private bond markets. This is consistent with examples of policies of other comparable municipalities, GFOA guidelines, and rating agency guidelines. The Policy pertains to debt that is typically incurred when capital is raised in the public or private markets, including borrowings from sophisticated qualified institutional buyers, to meet the City’s funding needs (the purpose and need for financings is discussed in Chapter I). Such debt constitutes obligations whereby a third-party has provided funds, which is evidenced by the formal execution of a bond or certificate (or a similar instrument) and is held by the third-party until it is repaid.

The Policy does not cover other obligations like contracts payable, notes payable, loans payable (e.g., HUD section 108 loans, SANDAG loans), arbitrage liability, and net pension obligation (NPO) and/or pension Unfunded Actuarial Accrued Liability (“UAAL”) and Other Post-Employment Benefits (OPEB) UAAL.

The Policy documents the City’s procedures and goals for the use of debt to finance City needs. A regularly updated Policy, in conjunction with the Five-Year Comprehensive Financial Forecast, the City’s Capital Improvements Plan, the City’s Financial Policy, and the Investment Policy, serves as an important tool that supports the use of the City’s resources to meet its financial commitments and to maintain sound financial management practices. This Policy is enacted in an effort to standardize and plan the issuance and management of debt by the City. While the Policy serves as a guideline for general use, it allows for exceptions in extraordinary conditions.

OBJECTIVE

The primary objectives of this Policy are to establish guidelines for the use of various categories of debt; create procedures and policies that minimize the City's debt service and issuance costs; retain the highest practical credit ratings; and to provide full and complete financial disclosure and reporting.

The City's Policy is also designed to:

- Establish parameters for issuing and managing debt;
- Provide guidance to decision makers related to debt affordability standards;
- Document the pre- and post-issuance objectives to be achieved by staff;
- Promote objectivity in the debt approval decision-making process;
- Facilitate the actual financing process by establishing important policy decisions in advance;
- Establish, maintain, and provide evidence of compliance with internal procedures;
- Promote compliance with federal and state securities laws;
- Document the process for preparing and reviewing Disclosure Documents;
- Satisfy in a timely manner all contractual obligations undertaken pursuant to the City's Continuing Disclosure Agreement; and
- Promote best practices relating to financial disclosures by the City.

It is the intention of the City to modify or amend these Procedures in the future in order to comply with any changes in legal or regulatory requirements to the extent such changes may apply to the City and its obligations or improve the realization of the purpose and intent of these Procedures.

An annual review of the Policy will be performed and any changes to the Policy will be brought forward for City Council consideration and approval. Further, in the event there are any deviations or exceptions from the Policy when a certain bond issue is structured, those exceptions will be discussed in the staff reports when the bond issue is docketed for City Council's consideration.

CHAPTER I – PURPOSE & NEED FOR FINANCING

1.1 Purpose of Financing

The City borrows money primarily to fund long-term capital improvement projects, essential equipment and vehicle needs, and to refinance existing debt. The issuance of debt to fund operating deficits is not permitted. Debt will be used to finance eligible projects only if it is the most cost-effective means available to the City.

While the “pay-go” means of using current revenues to pay for capital projects is often considered the preferred means of financing because it avoids interest payments, it may not be entirely equitable. The “pay-go” funding option requires current citizens to pay taxes over long periods of time in order to accumulate reserves sufficient to pay for capital projects. The City would be able to undertake capital projects under this method only if sufficient cash accumulates. Prudent use of debt financing rather than solely pay-go funding of capital projects can facilitate better allocation of resources and increased financial flexibility.

The three primary borrowing purposes for which bond proceeds may be used are summarized below:

A. Long-Term Capital Improvements

The City annually prepares a multi-year Capital Improvements Program (CIP) budget (see Appendix C). The CIP budget may be amended if there are significant changes to the scope and/or cost of projects.

Since the aggregate cost of desired capital projects generally exceeds available funds, the capital planning process prioritizes projects and identifies the funding needs. The City will initially rely on internally generated funds and/or grants and contributions from other governments to finance its capital needs. Debt is issued for a capital project only when it is an appropriate means to achieve a fair allocation of costs between current and future beneficiaries and if a secure revenue source is identified to repay the debt.

Treasury, working with City departments within the context of the Capital Improvements Program and the City’s Five-Year Financial Outlook, oversees and coordinates the timing, processing, and marketing of the City’s borrowing and capital funding activities. Close coordination of capital planning and debt planning ensures that the maximum benefit is achieved with the limited capital funds. The debt management process determines the availability of funds which can be raised through debt based upon a debt capacity analysis.

B. Essential Vehicle and Equipment Needs

In addition to capital projects, the City regularly finances certain essential equipment and vehicles. These assets range from public safety vehicles to information technology systems. The underlying asset must have a minimum useful life of three years. Short-Term Financings, including loans and capital lease purchase agreements, or Long-Term Financings are executed to meet such needs.

C. Refunding of Existing Debt

Treasury periodically evaluates the City’s existing debt and executes a refunding when economically beneficial. A refunding may include the issuance of bonds to refund existing bonds or the issuance of bonds in order to refund other obligations, such as pension obligations. See Chapter VIII for refunding considerations.

1.2 Financing Priorities

All borrowing requests or debt refunding proposals shall be reviewed by the Chief Financial Officer. Treasury shall be responsible for analyzing the proposal to determine if it is beneficial to the City and complies with the City’s long-term financial planning objectives. Borrowing requests include any debt or refunding proposals made to the City involving a pledge or other extension of the City’s credit through the sale of securities, execution of loans or leases, or making of guarantees or otherwise involving directly or indirectly the lending or pledging of the City’s credit.

1.3 Asset Life

Consistent with its philosophy of keeping its capital facilities and infrastructure systems in good condition and to maximize a capital asset’s useful life, the City makes every effort to set aside sufficient current revenues to finance ongoing maintenance needs and to provide reserves for periodic replacement and renewal. Generally, no debt will be issued for periods exceeding the useful life or average useful lives of projects to be financed.

The City will consider short or long-term financing for the acquisition, maintenance, replacement, or expansion of capital assets, including land. For short-term financing, the capital asset must have a minimum useful life of three years; for long-term financing, the physical asset must have a minimum useful life of ten years.

1.4 Approval Process

All proposed debt financings shall be authorized by the City Council. To ensure accuracy, all disclosure and bond related documents will go through many levels of review prior to being submitted for City Council approval.

CHAPTER II - CREDIT RATINGS

2.1 *Credit Ratings*

The City seeks to maintain the highest possible credit ratings that can be achieved for debt instruments without compromising the City's Policy objectives. Ratings are a reflection of the general fiscal soundness of the City, the local economy and other regional economic factors, and the capabilities of City management. By maintaining the highest possible credit ratings, the City can issue its debt at a lower interest cost. To enhance creditworthiness, the City is committed to prudent financial management, systematic capital planning, interdepartmental cooperation and coordination, and long-term financial planning.

Rating agencies consider various factors in issuing a credit rating; these typically include:

- City's fiscal status
- City's financial and general management capabilities
- Economic conditions that may impact the stability and reliability of debt repayment sources
- City's general reserve levels
- City's debt history and current debt structure
- The capital improvement project that is being funded
- Covenants and conditions in the governing legal documents
- State and Federal Decisions

The City recognizes that external economic, natural, or other events may from time to time affect the creditworthiness of its debt. Each proposal for additional debt will be analyzed for its impact upon the City's debt rating on outstanding debt. There are no predetermined credit rating formulas available from the rating agencies, although recent updates to rating methodologies from certain rating agencies have added transparency to their credit evaluation processes. This information provides a better understanding of how key quantitative and qualitative factors and risk factors are likely to affect rating outcomes. The City will monitor rating agency guidelines and methodologies regularly to stay informed of changes to the rating metrics and processes.

The Chief Financial Officer is responsible for managing the rating reviews associated with the City's various debt obligations. This effort includes providing periodic updates, both formal and informal, on the City's general financial condition and coordinating meetings and presentations in conjunction with a new debt issuance when determined necessary. Credit material provided to the rating agencies shall be reviewed by the City's Disclosure Working Group (DWG – see Chapter X).

The City will obtain a rating from at least one nationally recognized bond-rating agency on all issues being sold on the public market. Required information will be presented to the rating agency(s) at least annually in order to maintain ratings on outstanding debt. Obtaining ratings and credit enhancements for new issuances is discussed in Chapter V.

CHAPTER III - TYPES OF FINANCING INSTRUMENTS

There are many different types of financing instruments available to the City: long term financing debt obligations like General Obligation Bonds (Permanent Improvement Bonds), Certificates of Obligation, and Revenue Bonds would typically constitute direct debt of the City. The City may issue conduit financings to benefit third parties where public benefit can be achieved. The following are brief summaries of different types of long and short-term financing instruments that the City may consider.

DIRECT DEBT OBLIGATIONS

3.1 General Obligation Bonds (GOs) or Permanent Improvement Bonds (PIBs)

General Obligation (GO) Bonds or PIBs are secured either by a pledge of full faith and credit of an issuer or by a promise to levy taxes in an unlimited amount as necessary to pay debt service, or both. GOs usually achieve lower rates of interest than other financing instruments since they are considered to be a lower risk.

The authorization for the issuance of GOs must be approved by a majority of those voting on the Bond proposition. Uses of Bond proceeds are limited to the language in the Bond proposition.

3.2 Certificates of Obligation

Certificates of Obligation (COs) are obligations secured by a pledge of full faith and credit of an issuer, by a promise to levy taxes in an unlimited amount as necessary to pay debt service, and by a pledge of utility revenues (which can be a nominal amount). These obligations have not been previously approved by the voters, and therefore a Notice of Intent must be published twice prior to the sale, which allows for the ability of the voters to petition for an election. However, non-voter approved debt may be used for capital expenditures as an alternative to lease/purchase as defined in the City's Financial Policy.

3.3 Revenue Bonds

Revenue Bonds are obligations payable from revenues generated by an enterprise, such as water and wastewater utilities and stormwater, or other revenue sources, such as special taxes approved by the voters.

The City's utility Revenue Bonds are payable solely from the Enterprise Funds and are not secured by any pledge of ad valorem taxes or general fund revenues of the City. In accordance with the agreed upon bond covenants, the revenues generated by these Enterprise Funds must be sufficient to maintain required coverage levels, or the rates of the enterprise have to be raised to maintain the revenue coverages (see Section 4.2). The issuance of revenue bonds does not require voter approval.

3.4 Tax Notes

The City may issue Tax Notes for projects with a short useful life, such as vehicle and equipment purchases. Tax Notes have a maximum maturity of seven (7) years and are a general obligation bond of the City containing a pledge of the City's full faith and credit and requiring the City to levy an ad valorem tax sufficient to pay the Notes in each year.

3.5 Special Tax Revenue Bonds

The City may issue bonds contain a pledge of certain non-ad valorem taxes for a specific project. Hotel occupancy taxes and sales taxes are the most common taxes pledged to these special projects. Certain of these special projects must be voted and in all cases there are specific State statutes that authorizing the pledge of these taxes to debt in certain instances and for certain specified projects. Examples of these would include; Venue taxes levied pursuant to Chapter 334 Texas Local Government Code; City Hotel Occupancy Taxes and certain State Sales and Hotel Occupancy Taxes under Chapter 351, Texas Tax Code, and Sales Taxes pursuant to Chapter 504 and 505 Local Government Code (4A and 4B taxes).

OTHER DEBT OBLIGATIONS

3.6 Pension Obligation Bonds

Pension Obligation Bonds (“POBs”) are financing instruments used to pay some or all of the unfunded pension liability of a pension plan. POBs are issued over not more than a 30-40 year term or by matching the term with the amortization period of the outstanding UAAL. The purpose of the POB, its structure, and the use of the proceeds will go through a judicial validation process prior to the sale of the bonds. POBs are not typically subject to voter approval.

POBs may allow municipal governments to borrow at a rate that is lower than the assumed actuarial rate that is built into the UAAL. Such assumed actuarial rate is used to project the investment rate to be earned on the proceeds of the POBs and the investment rate payable on the UAAL. The City may consider the issuance of POBs if they are cost effective and, in the City’s, overall best financial interest.

3.7 Special Districts Financing

The City’s Special Districts primarily consist of Municipal Management Districts (“MMDs”) and Public Improvement Districts (“PIDs”). Special Districts are typically developer initiated, whereby a developer seeks a public financing mechanism to fund public infrastructure required by the City in connection with development permits or agreements, and/or tentative subdivision maps. Special District formation may also be initiated by an established community. Once a district is formed, special taxes (with voter approval in an MMD) or assessments (a PID) may be levied upon properties within the district to pay for facilities and services directly, or to repay bonds issued to finance public improvements.

The City will consider requests for Special District formation and debt issuance when such requests address a public need or provide a public benefit. Each application will be considered on a case by case basis, and the Chief Financial Officer may not recommend a financing if it is determined that the financing could be detrimental to the debt position or the best interests of the City.

3.8 Tax Increment Financing District (“TIF”)

Tax Increment Financing Districts (“TIFs”, also known as Tax Increment Reinvestment Zones) are authorized under state law to aid local government entities in funding public capital facilities, or other specified projects of communitywide significance, by capturing property tax increment revenue generated within the district above the base year established at formation. A TIF may finance the purchase, construction, expansion, or improvement of projects. The property tax increment generated within the TIF can be used to cash fund projects and/or pay debt service on bonds issued to finance the projects.

A TIF is a governmental entity, separate and distinct from the agency that establishes it, and is governed by an independent board of directors. The formation of a TIF involves numerous legislative actions by the agencies forming the district, the development and adoption of a TIF Plan, and extensive noticing. TIF bonds are an obligation of the TIF, and not the agencies forming the district.

SHORT-TERM BORROWINGS

3.9 Lease / Lease Purchase Financings

The City may enter into a lease or lease-purchase for the short-term financing of essential equipment, facilities improvements, or vehicles. The lease purchase terms are typically three to ten years. The City may enter into a master lease agreement with a lessor at the beginning of a fiscal year to finance via leasing up to a certain amount. Equipment is funded on an as needed basis through that fiscal year under this master lease agreement. The City may enter into other standalone operating leases and lease purchase agreements on an as-needed basis without voter approval.

3.10 Commercial Paper

Commercial paper (“CP”) serves as a cash management tool that is primarily used to provide interim funding for capital expenditures that will ultimately be funded from another source such as a long-term bond. The notes will be used as a short-term financing tool for only capital projects.

Commercial paper allows for borrowing smaller amounts as needed based on short term rates in place of issuing large amounts in the form of long-term bonds at long term interest rates. The notes will either be structured as revenue obligations for the City enterprises or general obligations for City General Fund’s capital needs, similar to the long-term Revenue Bonds and the GO Bonds. Notes have a maturity of up to 270 days and thus bear short-term interest rates. Upon maturity, the notes can be rolled over for additional intervals of up to 270 days with new short-term interest rates until the notes are refinanced using long-term refunding bonds or a cash repayment option.

Depending on the term of a note and the timing of the long-term bond that will ultimately be used to retire it, notes may need to be remarketed more than once before they are replaced with long-term financing. This means that notes are subject to rollover remarketing risk – the risk that the note cannot be reissued timely to a buyer at a reasonable rate of interest. Additional risk that will need to be considered is that interest rates on long term bonds can change between the time notes are originally issued and the time at which long term bonds will retire the notes. If interest rates rise, the total debt service paid using commercial paper and the long-term bonds to take out the notes will increase, although debt service cost differential may still be achieved. The Chief Financial Officer will evaluate these risks in light of capital market conditions before proceeding with any issuance of commercial paper. Commercial paper programs require the City to enter into a credit agreement with a qualified bank.

LOAN OBLIGATIONS

3.11 State and Federal Loans

State and federal loan proceeds are an important source of funds for capital projects in addition to the bond proceeds. State agencies, such as the Texas Water Development Board (TWDB) make low cost loans available to local agencies to fund certain public infrastructure projects. Through these programs, various state agencies, as well as federal agencies such as the Department of Transportation and Environmental Protection Agency, offer local agencies loans to fund qualifying public infrastructure projects. Benefiting departments within the City will evaluate such programs in conjunction with the Finance Department on a case by case basis. City Council approval is required to apply for these loans.

CHAPTER IV - DEBT RATIO GUIDELINES

The City is aware of the need to gauge the effect of ongoing debt service and other fixed obligations on its budgets and fiscal priorities over time. To provide a debt affordability plan and keep debt levels within acceptable ranges, the City will consider generally accepted debt affordability standards in evaluating when, why, and how much debt should be incurred. Debt ratio guidelines discussed in Section 4.1 below pertain only to the City's long-term general fund debt supported by tax levy or General Funds, and coverage ratios in Section 4.2 pertain to revenue bonds such as those issued by the City's Water and Wastewater utilities and Stormwater utility.

4.1 General Obligation Bonds & Certificates of Obligation

As discussed in Sections 3.1 and 3.2, GOs and COs are secured by a pledge of full faith and credit of an issuer which is a promise to levy taxes in an unlimited amount as necessary to pay debt service and by revenues of the City (i.e. utility revenues), or both. Generally accepted measures of assessing the impact of general obligation bonds include:

- The ratio of tax-supported debt to total taxable assessed valuation shall not exceed 2.0%. This excludes debt of overlapping jurisdictions. The City shall structure its bond issuance to achieve and maintain a debt-to-assessed-value of 2.0% or less.
- The ratio of debt service expenditures to total expenditures (general fund operating expenditures and debt service combined) shall not exceed 20%.
- The ratio of outstanding tax-supported debt to population shall not exceed \$1,350. The per capita amount will be revised matching Consumer Price Index (CPI) growth at least every three years. The new amount shall be presented to City Council for approval in conjunction with the Capital Budget.

Treasury shall prepare an analysis of the impact of proposed tax-supported debt prior to the issuance of the additional debt. The analysis shall project the debt ratios described above both including and excluding Pension Obligation Bonds as well as any other applicable debt ratios. The ratio limits are exclusive of the Pension Obligation Bonds.

4.2 Coverage Ratios for Revenue Bonds

Long-term obligations payable solely from specific pledged sources, in general, are not subject to a debt limitation. Examples of such long-term obligations include those which achieve the financing or refinancing of projects provided by the issuance of debt instruments that are payable from restricted revenues or user fees (enterprise funds) and revenues generated from a project. Also see Section 3.3, Revenue Bonds.

The coverage ratio, which is the ratio of available annual revenues to annual debt service, is one of the primary indicators of the ability of an enterprise to meet its annual operating expenses and debt service payments. Generally, legal covenants requiring a minimum coverage ratio are set forth in the bond documents and are based on the level of security provided to the bondholders (of the senior or subordinate debt obligations).

A. Water and Wastewater System Revenue Bonds*:

- City Council has covenanted in the Ordinances that it will maintain and collect charges for the use of the facilities and the services afforded by the System sufficient to pay all operation, maintenance, depreciation, replacement and betterment charges of the System, establish and maintain the Interest and Sinking Fund and Reserve Fund required for the Outstanding Bonds, the Bonds, and any Additional Bonds, and to produce Net Revenues

* Capitalized terms used in this subsection shall be as defined in the ordinances authorizing such Water and Wastewater System Revenue Bonds.

each year in an amount not less than 1.50 times the average annual principal and interest requirements of the Outstanding Bonds, the Bonds and any Additional Bonds from time to time outstanding.

- The City has covenanted that it will maintain in the Reserve Fund an amount equal to not less than the average annual principal and interest requirements on the Outstanding Bonds, the Bonds and any Additional Bonds from time to time outstanding (the “Reserve Fund Requirement”), and that upon the issuance of Additional Bonds, it will increase, if necessary, and accumulate such Reserve Fund Requirement in not more than 60 months from the date of such Additional Bonds.

B. Stormwater Utility (Municipal Drainage Utility System Revenue Bonds)*:

- The Ordinance establishes a Reserve Fund, but such Reserve Fund is not required to be funded and maintained unless revenues of the System are less than 2.00 times the Maximum Annual Debt Service requirements on the Previously Issued Bonds plus any Additional Bonds (the “Reserve Fund Requirement”).
- The City has covenanted in the Ordinance, while any of the Previously Issued Bonds or Additional Bonds (together, the “Parity Bonds”) are outstanding, to establish, maintain and impose drainage charges for services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to be sufficient to: (i) produce revenues each year in an amount reasonably anticipated to be not less than 1.10 times the maximum annual principal and interest requirements of the Previously Issued Bonds and Additional Bonds then outstanding (ii) make any required deposits to the Reserve Fund and any contingency fund created for payment and security of the Parity Bonds, (iii); pay all Operating and Maintenance Expenses of the System and (iv) pay all other indebtedness payable from and/or secured in whole or in part by a lien on and pledge of the Revenues of the System
- In the Ordinance, the City reserves the right to issue Additional Bonds payable from and equally and ratably secured by a parity lien on and pledge of the Revenues subject to satisfying certain terms and conditions including obtaining a certificate or opinion from a certified public accountant to the effect that, according to the books and records of the City, the Revenues received by the City for the last completed Fiscal Year or for any twelve consecutive months out of the eighteen months immediately preceding the month in which the ordinance authorizing the issuance of the Additional Bonds is passed were equal to 1.25 times the Maximum Annual Debt Service for all outstanding Parity Bonds after giving effect to the issuance of the Additional Bonds then being issued.

4.3 Coverage Ratios for State and Federal Loans

State and Federal loans may also have certain coverage ratio requirements for enterprise funds which are pledged as revenue sources for repayment of the loan. These coverage ratio requirements are set forth in the financing agreements which are executed between the City and state or federal agency for each project.

* Capitalized terms used in this subsection shall be as defined in the ordinances authorizing such Municipal Drainage System Revenue Bonds.

4.4 *Overlapping Debt*

In addition to the City's direct debt (GOs and COs), debt levels of underlying and overlapping entities such as counties, school districts, and special districts add to citizen's overall debt burden. The proportional share of debt of other local governmental units which overlap is called overlapping debt. Overlapping debt is generally apportioned based upon relative assessed value. While the City does not control debt issuance by other entities, it recognizes that its taxpayers share the overall debt burden. The City shall include a statement of overlapping debt in its initial and continuing disclosure.

CHAPTER V - STRUCTURE & TERM OF CITY INDEBTEDNESS

5.1 *Term of Debt*

Debt will be structured for the shortest period possible, consistent with a fair allocation of costs to current and future beneficiaries or users. Borrowings by the City should be of a duration that does not exceed the useful life of the improvement that it finances and where feasible, should be shorter than the projected economic life. The standard term of long-term borrowing is typically 20 years and shall not exceed 30 years. Refundings typically will match the current maturity schedule of the bonds being refunded, but may be extended to the State limit of 30 years.

5.2 *Rapidity of Debt Repayment*

In structuring a bond issuance, the City will manage the amortization of debt, and to the extent possible, match its cash flow to the anticipated debt service payments.

Bonds shall normally be issued with a level principal structure. This structure equates to an average life of 11 years or less for a 20-year issue. Interest on general obligation debt shall normally be paid in the same fiscal year in which the bond sale occurs, and principal must be paid no later than the first fiscal year after the bond sale, unless Capital Appreciation Bonds are issued (see Section 5.3).

“Backloading” of debt service will be considered only when one or more of the following occur:

- Natural disasters or extraordinary or unanticipated external factors make payments on the debt in early years prohibitive
- The benefits derived from the debt issuance can clearly be demonstrated to be greater in the future than in the present
- Such structuring is beneficial to the City’s aggregate overall debt payment schedule
- Such structuring will allow debt service to more closely match project revenues during the early years of the project’s operation
- Such structuring is in the best interest of the City

5.3 *Serial Bonds, Term Bonds, and Capital Appreciation Bonds*

Serial bonds are bonds maturing annually (or serially) in specified amounts comprising all or a portion of a bond issue.

Term bonds are those where all bonds, or a portion of the issue equal to that which would mature over a period of two or more years in a bond issuance, mature at a single time. Term bonds can be structured so that a portion of term maturity is mandated to be called or retired each year (called “sinking funds”) to mirror a serial bond structure. The funds paid into the sinking fund each year may be used at that time to retire a portion of the term bonds ahead of their scheduled redemption.

Sinking funds are preferred by investors since these funds provide the security of knowing that the issuer appropriately budgets and accounts for its expected future payments. The sinking fund also ensures that the payment of funds at maturity does not overtax the issuer’s resources at that time. The decision to use term or serial bonds is typically driven by market conditions when bonds are issued.

Capital Appreciation Bonds (CABs), also known as Zero Coupon Bonds, do not pay periodic interest payments but are issued as deep discounted bonds that pay investors the principal amount invested plus the interest, compounded semi-annually at the original interest rate, of the bond at maturity. CABs can be utilized in certain cases to better match a project’s cash flow to the bond’s debt service but typically carry significantly higher interest rates than bonds that pay semi-annual or periodic interest payments. For each issuance, the City will select serial bonds or term bonds, or both. On the occasions where circumstances warrant, CABs may be used. The issuance of CABs with new money bonds is subject to certain stringent State law requirements.

5.4 Interest Rate

The City currently issues securities on a fixed interest rate basis only. Fixed rate securities ensure budget certainty through the life of the securities and can be advantageous in a low interest rate environment. Variable rate issues may be utilized but must be analyzed and approved by the Chief Finance Officer.

5.5 Debt Instrument Rating

The City will obtain a rating from at least one nationally recognized bond-rating agency on all issues being sold on the public market. Required information will be presented to the rating agency(s) at least annually in order to maintain ratings on outstanding debt. (See Section 2.1)

5.6 Credit Enhancement

Credit enhancement may be used to improve or establish a credit rating on a City debt obligation. Types of credit enhancement include Letters of Credit, bond insurance or surety policies (see Section 5.7). The use of credit enhancement should reduce the overall cost of the proposed financing or if, in the opinion of the Chief Financial Officer, the use of such credit enhancement furthers the City's overall financial objectives.

A Letter of Credit is an arrangement with a bank that provides supplemental security, or in some cases, direct security that money will be available to pay debt service on an issue in the event insufficient funds are available to meet a debt service obligation. For a Commercial Paper program, a direct-pay Letter of Credit is obtained from a bank to represent a guarantee to pay, on behalf of the City, the principal and interest on Commercial Paper Notes when due for a defined period of time, and subject to certain conditions. In this case, the direct-pay Letter of Credit is directly drawn upon to make debt service payments. A Letter of Credit can enhance or substitute the credit rating by providing the City with access to credit under terms and conditions as specified in such agreements.

Bond Insurance is an unconditional pledge by an insurance company to make principal and interest payments on the City's debt in the event insufficient funds are available to meet a debt service obligation. Bond Insurance may be obtained from an insurance company and is a potential means of enhancing the debt's rating.

5.7 Debt Service Reserve Fund/Surety Policy

Debt service reserve funds, if established for a bond series, are held by and are available to the City (or a Trustee in the event of an Indenture) to make principal and interest payments to bondholders in the event that pledged revenues are insufficient to do so.

The Chief Financial Officer will make a determination whether one will be included and, if so, the size of the debt service reserve fund on a case-by-case basis at the time of a new bond issuance. Factors that are taken into consideration are cost of setting a debt service reserve fund over the life of the bond issue compared to interest earnings, bond pricing or credit rating impacts, conditions in the bond documents, if applicable, and other market conditions. Debt service reserve funds are not typically utilized for general obligation debt.

The reserve fund requirement may also be satisfied by a surety policy, a form of insurance provided by a bond insurer to satisfy a reserve fund requirement for a bond issuance. Under this arrangement, instead of depositing cash in a reserve fund, the issuer buys a surety policy by paying a one-time premium equal to a percentage of the face amount of the policy. The City may use a surety policy instead of a debt service reserve fund when economically feasible.

The City will not rely on any uncollateralized credit instruments for any reserve requirement unless justified by significant financial advantage. If a surety policy is used in lieu of a debt service reserve fund, a provider distinct from the bond insurer shall be used.

5.8 Capitalized Interest

Generally, in issuing revenue bonds, interest can be capitalized for the construction period plus one year of a project so that debt service expense does not begin until the project is expected to be operational and producing revenues. In addition, for lease back arrangements, interest may be capitalized for the construction period, until the asset is operational. When warranted, interest may be capitalized for a period longer than the construction period up to one year after. Capitalized interest may also be referred to as “funded interest.” Capitalized interest on general obligation debt may only be for a period between the issue date of the debt and the City’s levy of taxes for the next year (i.e. the end of that current fiscal year).

5.9 Call Options/Redemption Provisions

Treasury will evaluate and recommend to the Chief Financial Officer the use of a call option, if any, and call protection period for each issuance.

A call option, or optional redemption provision, gives the City the right to prepay or retire debt prior to its stated maturity. This option may permit the City to achieve interest savings in the future through refunding of the bonds with lower interest rates. Often the City must pay a higher interest rate as compensation to the buyer for the risk of having the bond called in the future. In addition, if a bond is called, the holder may be entitled to a premium payment (“call premium”). Because the cost of call options can vary widely, depending largely on market conditions, an evaluation of factors such as the following will be conducted in connection with each issuance:

- Interest rate premium for adding call provision
- The call premium paid to the bondholder
- Level of rates relative to historical standards
- The time until the bonds may be called at a premium or at par
- Interest rate volatility

Generally, 20-year tax-exempt municipal borrowings are structured with a 10-year call at no premium. From time to time, market conditions may facilitate shorter call options (6-9 years) with no premium.

CHAPTER VI - METHOD OF ISSUANCE & SALE

Under the direction of the Chief Financial Officer, Treasury will coordinate the issuance of all debt, including issuance size, debt structure, cash flow analysis, and method of sale. The selection of the financing team and the role of the various consultants are discussed in Chapter VII.

6.1 *Method of Sale*

Debt issuances are sold by a single underwriter or to an underwriting syndicate through either a public offering or a private offering. The selected method of sale will be that which is the most advantageous to the City in the judgment of the Chief Financial Officer, in terms of lowest net interest rate, most favorable terms in the financial structure used, and market conditions.

Public Offerings – Public offerings can be executed through either a competitive sale or a negotiated sale. Method of sale for each bond offering is based on the recommendation of the Chief Financial Officer with advice from the City’s financial advisor.

The City shall use a competitive bidding process in the sale of debt unless the use of a negotiated process is warranted due to market timing requirements (refunding), or a unique pledge or debt structure. The City will award competitively issued debt on a true interest cost (TIC) basis.

- A. **Competitive Sale** – In a competitive sale, bids will be awarded on a true interest cost basis (TIC), providing other bidding requirements are satisfied. In such instances where the City deems the bids received unsatisfactory, it may, at the discretion of the Chief Financial Officer, enter into negotiation for sale of the securities or reject all bids. In general, the Competitive Sale method is recommended for “plain vanilla” financings with a strong underlying credit rating, if the bond is not expected to be treated as a “story bond” by the investors and generally stable and strong market conditions exist. In a competitive sale, the bidder’s role is limited to its review of the offering circular released by the City, making a credit assessment based on the facts presented in the offering circular, and offering its bid per the bidding parameters established by the City.
- B. **Negotiated Sale** –The negotiated sale process provides the City control over the financing structure and the issuance timing, and provides flexibility of distribution. Negotiated sales may be executed when competitive sales are not suitable or not a viable option. Examples of such circumstances include unusual financing terms, market volatility, and weaker credit quality. Special district bonds are typically issued through a negotiated sale process. In a negotiated sale, the underwriter or the underwriting syndicate for the bonds is identified upfront through a competitive selection process along with other professionals for the transaction (see Section 7.2 D).
- C. **Private Offerings** – When determined appropriate by the Chief Financial Officer, the City will negotiate financing terms with banks and financial institutions for specific borrowings on a private offering basis. Typically, private offerings are carried out by the City when extraneous circumstances preclude public offerings, as an interim financing, to avoid the costs of a public offering for smaller issuances, or when accessing private lenders such as the Texas Water Development Board (TWDB).

6.2 *Bidding Parameters*

In a Competitive Sale, the Notice of Sale will be carefully constructed so as to ensure the best possible bid for the City, in light of existing market conditions and other prevailing factors.

Parameters to be examined include:

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- Limits between lowest and highest coupons
 - Discount or premium coupons
 - Use of bond insurance
 - Call provisions

A good faith deposit of 2.0% of the par amount of the bond sale shall be presented by the underwriter in the form of a check or surety acceptable to the City and Bond Counsel prior to the approval of the bonds by the Mayor and City Council.

A Notice of Sale will be published and disseminated among all prospective bidders for the proposed bond issuance.

6.3 Initial Disclosure Requirements

Treasury, together with the Financial Advisor, Bond Counsel, and Disclosure Counsel, coordinates all the necessary documents for disclosure, with input from various other City departments (as applicable for a particular bond issuance). Each publicly offered debt issuance will meet the disclosure requirements of the Securities and Exchange Commission (SEC) and other government agencies before and after the bond sale takes place. The Disclosure Documents, particularly the Offering Document, will provide the potential investor with full and accurate information necessary to make prudent investment decisions.

The DWG Disclosure Controls and Procedures (Chapter X) describes the City's preparation and approval process of primary and continuing Disclosure Documents.

6.4 Approval Process

In coordinating the bond issuance process, Treasury will work with the City Attorney's office, other responsible City departments, and outside consultants to compile all bond related documents (see Chapter VII for the role of various outside consultants). The City Attorney's office will assess any legal issues that may arise with respect to the issuance of the bonds.

All proposed debt financings shall be authorized by the City Council. To ensure accuracy, bond related documents will go through many levels of review prior to being submitted for City Council approval. As a part of such authorizations, City Council may authorize the Chief Financial Officer, or their designee, to approve the form and content of the Offering Document, and any addenda, supplement or amendment thereto (see Chapter X).

Bond related documents will be submitted by established agenda deadlines. All efforts will be made to distribute documents to reviewers at the earliest possible date.

During the annual Capital Improvement Program, Councilmembers will be briefed regarding the proposed bond financing prior to the City Council meeting.

The use of reimbursement resolutions shall be encouraged as a cash management tool for debt funded projects. Reimbursement resolutions allow the City to expend cash for the hard costs of a project and then reimburse itself from bond proceeds as long as those bonds are issued within a certain timeframe under federal tax law. Reimbursement resolutions may be used for any project that has been approved in the City's Capital Budget. Reimbursement resolutions may be used for other projects if the projects are revenue supported or funded within departments' operating budget.

CHAPTER VII – FINANCING TEAM – ROLES AND SELECTION PROCESS

Treasury, working with the City’s Purchasing Department, shall be responsible for establishing a solicitation and selection process for securing professional services that are required to develop and implement a debt issuance. Goals of the solicitation and selection process shall include encouraging participation from qualified service providers, both local and national, and securing services at competitive prices.

7.1 Selection and Compensation

The identification of financial advisors, trustees, and paying agents is accomplished through a selection process conducted by Treasury and may also be based upon recommendations from advisors that are specifically skilled in the type of bond issuance being proposed.

Selection of consultants will be made from either an as-needed pool, which is assembled via a Request for Qualifications (RFQ) process, or a separate RFP issued for a specific bond issuance. Once the selection of a Financial Advisor has occurred, the Financial Advisor will assist the City in the selection of other service providers, including underwriters, trustees, escrow agents, credit enhancers, verification agents, title and insurance companies, and printers.

Compensation for Bond Counsel, Disclosure Counsel, Financial Advisors, and other consultants will be as low as possible, given desired qualification levels, and consistent with industry standards.

The City may encumber and advance the fees associated with financial advisory services, which are later reimbursed from the bond proceeds, or may enter into contracts on a contingent basis.

Compensation for the other service providers listed above is typically included in the cost of issuance and paid from the bond proceeds. The ongoing trustee fee, semiannually or annually, for a bond issuance is budgeted under administration costs and appropriated in respective bond payment accounts.

Generally, Financial Advisor, Bond Counsel, and Disclosure Counsel compensation is contingent on the issuance of bonds and is either paid or reimbursed from bond proceeds. This practice is generally consistent with industry standards.

7.2 Financing Team: Outside Consultants

Contracts with Financial Advisors, Bond Counsel, and Disclosure Counsel will be in accordance with the City’s Procurement Policy.

A. Financial Advisors

As needed, Treasury, in consultation with the Chief Financial Officer, will identify an independent Financial Advisor. The primary responsibilities of the Financial Advisor are to advise and assist on bond document negotiations, transaction structuring including advising on pricing and call provision options and timing of issuance, running debt service cash flow numbers, obtaining ratings on the proposed issuance, and generally acting as an independent financial consultant and economic and bond market expert.

The Financial Advisor will also serve the City as a Municipal Advisor, as defined by and in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Municipal Advisor has a fiduciary duty to the City. Fiduciary duty is generally understood to encompass a duty of loyalty and a duty of care to the public agency.

B. Bond Counsel

The City will retain external Bond Counsel for all debt issuances. Bond Counsel will prepare

the necessary authorizing resolutions, ordinances, agreements, and other legal documents necessary to execute the financing. All debt issued by the City will include a customary approving legal opinion of Bond Counsel.

C. Disclosure Counsel

The City will retain Disclosure Counsel for all public issuances that entail City disclosure. Disclosure Counsel shall be required to deliver a customary 10(b)-5 opinion on City offering documents. The Disclosure Counsel will work with City staff to draft all Disclosure Documents for a bond financing.

D. Underwriters

For a competitive sale, the criteria used to select an underwriter (purchaser) shall be the bid providing the lowest true interest cost to the City.

For a negotiated sale debt issuance, the Chief Financial Officer, working with Treasury and the Financial Advisor, will identify broker-dealers/underwriters. The Chief Financial Officer will recommend to the City Council the selected broker-dealer/underwriter or a syndicate of underwriters. Underwriters will be required to demonstrate sufficient capitalization and experience related to the debt issuance being proposed, among other criteria determined for each issuance. The underwriter will actively assist the City in structuring the financing and marketing the bonds including providing assistance in preparing the bond offering documents. The selection of an underwriter or group of underwriters for a negotiated sale shall be based on the following factors:

- Participation in the City's competitive sales;
- Submission of unique or creative proposals;
- Qualifications of firm;
- Size and geographic distribution of their sales staff.

All professional service providers shall be selected in accordance with the City's Procurement Policy.

E. Trustee / Paying or Fiscal Agent

A Trustee or Paying/Fiscal Agent is the institution – usually a commercial bank or trust company – appointed in the indenture or bond resolution to act as the agent of the issuer to pay principal and interest from monies provided by or on behalf of the issuer.

Paying or Fiscal Agent duties are typically limited to receiving money from the issuer and paying principal and interest to bondholders on behalf of the issuer. A Trustee, in addition to performing the duties of a Paying Agent, is responsible for establishing and holding the funds and accounts relating to the bond issuance, including accounts for bond proceeds and revenues, determining that the conditions for disbursement of proceeds and revenues have been met, and, in some cases, collecting revenues, and executing investments.

The Trustee/ Paying Agent solicitation and selection is typically coordinated by the Financial Advisor in consultation with Treasury for a new bond issuance. Treasury will monitor the ongoing performance of a Trustee/Paying Agent. Treasury, in consultation with the Chief Financial Officer, may periodically solicit for trustees or paying agent services from qualified commercial and trustee banks.

F. Other Service Providers

Other professionals may be selected, at the discretion of the Chief Financial Officer, on an as-needed basis. These include the services of credit rating agencies, escrow agents, bond insurance providers, credit and liquidity banks, verification agents, title insurance companies, and services related to printing.

CHAPTER VIII - REFUNDING OF CITY INDEBTEDNESS

The City will consider refunding its existing debt when benefits of the refunding outweigh the costs and risks.

8.1 *Types of Refunding*

A. **Current Refunding**

A current refunding is one in which the refunding bonds are issued less than 90 days before the date upon which the refunded bonds will be redeemed.

B. **Advance Refunding**

An advance refunding is one in which the refunding bonds are issued more than 90 days prior to the date upon which the refunded bonds will be redeemed. Advance refundings are used to refinance outstanding debt before the date the outstanding debt becomes due or callable. Proceeds of the advance refunding bonds are placed into an escrow account with a fiduciary and used to pay interest and principal on the refunded bonds and then used to redeem the refunded bonds at their maturity or call date. As of 2017, advanced refundings may not be tax-exempt.

8.2 *Refunding Considerations*

Refundings may be undertaken to:

- Take advantage of lower interest rates and achieve debt service cost savings
- Eliminate restrictive or burdensome bond covenants
- Restructure debt to either shorten/lengthen the duration of debt or free up reserve funds
- Refund outstanding indebtedness when existing financial structures impinge on prudent and sound financial management

Generally, the City will consider a refunding only when there is a net economic benefit, i.e., when there is an aggregate net present value savings, expressed as a percentage of the par amount of the refunded bonds, at 3% and above for a current refunding.

In addition, in the case of an advance refunding, consideration is to be given to the impact of inefficient investment yields in the refunding escrow account (i.e., yield on the escrow investment is less than the yield on the refunding bonds. This inefficiency is also known as negative arbitrage.) Aggregate net present value savings should be greater than the aggregate amount of negative arbitrage to achieve an economic benefit. These savings requirements for a refunding may be waived by the Chief Financial Officer upon a finding that such a restructuring is in the City's overall best financial interest.

8.3 *Refunding Escrows*

The City will seek to purchase State and Local Government Securities (SLGS) to fund its refunding escrows. However, at the discretion of the Chief Financial Officer, the City may choose to fund an escrow through any securities authorized by State law.

CHAPTER IX – POST ISSUANCE COMPLIANCE & ADMINISTRATION

9.1 Investment of Bond Proceeds

The proceeds of the bond sales will be invested until used for the intended project in order to maximize utilization of the public funds. The investments will be made to obtain the highest level of safety. The Investment Policy and the bond indentures govern objectives and criteria for investment of bond proceeds. The City Treasurer, or the bond trustees under the direction of the City Treasurer, will invest the bond proceeds in a manner to avoid, if possible, and minimize any potential negative arbitrage over the life of the bond issuance, while complying with arbitrage and tax provisions.

9.2 Arbitrage Compliance

The City shall comply with the Internal Revenue Code Section 148 – Arbitrage Regulations for all tax-exempt debt issued. An annual estimate of arbitrage liabilities shall be obtained by the City and recorded on the financial statements.

9.3 Ongoing Disclosure

The City will meet secondary disclosure requirements in a timely and comprehensive manner, as stipulated by the SEC Rule 15c2-12. The Treasurer shall be responsible for providing ongoing disclosure information to the Municipal Securities Rulemaking Board’s (MSRB) Electronic Municipal Market Access (EMMA) system, the central depository designated by the SEC for ongoing disclosures by municipal issuers. The Chief Financial Officer is responsible for maintaining compliance with disclosure standards promulgated by state and national regulatory bodies, including the Government Accounting Standards Board (GASB), the National Federation of Municipal Analysts, the SEC, and Generally Accepted Accounting Principles (GAAP). The City may also employ the services of firms that improve the availability of or supplement the City’s EMMA filings.

The City will provide full and complete financial disclosure to rating agencies, institutional and individual investors, other levels of government, and the general public to share clear, comprehensible, and accurate financial information using the appropriate channels/policies/procedures.

All disclosure information shall be reviewed and approved by the City’s Disclosure Practices Working Group.

9.4 Compliance with Other Bond Covenants

In addition to financial disclosure and arbitrage compliance, once the bonds are issued, the City is responsible for verifying compliance with all undertakings, covenants, and agreements of each bond issuance on an ongoing basis. This typically includes ensuring:

- Annual appropriation of revenues to meet debt service payments
- Taxes/fees are levied and collected where applicable
- Timely transfer of debt service/rental payments to the trustee or paying agent
- Compliance with insurance requirements
- Compliance with rate covenants where applicable
- Recordkeeping and continued public use of financed asset
- Compliance with tax covenants including the timely spend-down of project fund proceeds
- Compliance with all other bond covenants

Treasury will coordinate verification of covenant compliance and will work with all other responsible departments to monitor compliance with the aforementioned compliance requirements.

9.5 Compliance with State and Federal Reporting Requirements

The City will meet required State and Federal reporting requirements related to bond and loan obligations. In May 2015, the 84th Legislature passed HB 1378 to increase the transparency of local government debt. Under Local Government Code §140.008, political subdivisions, including counties, cities, school districts, junior college districts, special purpose districts, and other subdivisions of state government must annually compile their debt obligation data from the preceding fiscal year and either:

- report it to the Comptroller of Public Accounts for posting or, alternatively,
- post the information on their own websites.

CHAPTER X – DISCLOSURE CONTROLS AND PROCEDURES

Purpose. These Disclosure Controls and Procedures (“Procedures”) are designed to (i) ensure the accuracy of the City’s disclosures and the City’s compliance (including the City Council, City officers, and staff) with all applicable federal and state securities laws, and (ii) promote best practices regarding disclosures relating to securities issued by the City.

DEFINITIONS

Capitalized terms used in these Procedures shall have the meanings set forth below:

“*Annual Report*” means the annual financial information and operating data required to be filed pursuant to the Continuing Disclosure Agreement.

“*Annual Review*” means the annual evaluation of the Procedures that is performed by the DWG.

“*Audited Financial Statements*” means the audited financial statements or Annual Comprehensive Financial Reports (ACFR) of the City.

“*Bond Counsel*” means the attorney or law firm retained to provide an opinion regarding the validity of the bonds or other municipal securities described in the Offering Documents.

“*Continuing Disclosure Agreement*” means the City’s contractual obligations relating to its outstanding securities entered into to permit the underwriters of such securities to comply with the Rule.

“*Continuing Disclosure Agreement Master List*” means a current list of each Continuing Disclosure Agreement of the City, identified by name of the issue covered and the CUSIP numbers associated therewith, for which the City remains obligated to advance funds to pay or support the municipal securities covered, together with a description of the tables and other matters required in the Annual Report for such Continuing Disclosure Agreement, the date on or before which the Annual Report and Audited Financial Statements must be filed, a description of information required in any notice of a failure to file the Annual Report and Audited Financial Statements, and a description of each event for which notice must be filed and whether the event must be filed in a timely manner or within ten business days of the occurrence of the event.

“*Contributors*” means those City staff members involved in preparing or approving the Disclosure Documents or additional staff members assigned by the DWG Chair or identified to the DWG Chair by a director or manager of a department, agency, office or other unit of the City, to assist with the review or preparation of one or more sections of a Disclosure Document.

“*Disclosure Counsel*” means the law firm retained by the City to provide advice with respect to the City’s obligations under federal securities law and its Continuing Disclosure Agreements.

“*Disclosure Document*” means any of the City’s documents and materials prepared, issued, or distributed in connection with the City’s disclosure obligations under applicable federal securities laws or that could potentially subject the City to liability under applicable federal securities laws, and shall include, but not be limited to, the following: the Offering Documents; the Annual Report; any filing made by the City with EMMA pursuant to a Continuing Disclosure Agreement, including an Event Notice; any voluntary filing made by the City that is filed on EMMA; investor presentations; rating agency presentations; and any other document that is reviewed and approved in accordance with these Procedures.

“*Disclosure Working Group*” or “*DWG*” means the City’s Chief Financial Officer, Treasurer, or the designee of any of the foregoing and the Financial Advisor.

“*Disclosure Working Group Chair*” or “*DWG Chair*” means the Chief Financial Officer, or a designee authorized by the Chief Financial Officer to act upon their behalf.

“*EMMA*” means the Electronic Municipal Market Access system maintained by the MSRB.

“*Event Notice*” means a notice for any of the events listed in the Rule.

“*Financial Advisor*” means an individual or firm providing financial advice to the City, including a municipal advisor.

“*Financial Obligation*” means a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). The term Financial Obligation does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule. The terms used in the definition of Financial Obligation have the meanings ascribed to them in SEC Release No. 34-83885 (Aug. 20, 2018).

“*Financial Obligations Master List*” means a list of the City’s existing Financial Obligations. The Financial Obligations Master List should include for each Financial Obligation listed such terms of the Financial Obligation as may be necessary to comply with the information reporting requirements of event (15) under the Rule and monitoring requirements of event (16) under the Rule. The Financial Obligations Master List should be updated on a continuing basis upon incurrence of each new Financial Obligation or modification of an existing Financial Obligation.

“*Financing Group*” means, the DWG, Bond Counsel, Disclosure Counsel, and any other party engaged by the City to assist in the offer, placement, and sale of the bonds or municipal securities described in an Offering Document.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Material*” means the determination that there is a substantial likelihood that a reasonable security holder would consider the information important in deciding whether to buy or sell a security. See *Basic, Inc. v. Levinson*, 485 U.S. 224 (1988). Also, for additional guidance on a materiality determination see Section 10.4 C 2 herein.

“*Offering Documents*” means all preliminary and final official statements, offering memoranda and other materials prepared by or for the City, together with any amendments or supplements thereto, for use in connection with the offering of notes, bonds, other municipal securities, or other obligations of the City subject to the antifraud provisions of federal securities law.

“*Required Date*” means the latest date or dates after the end of the City’s fiscal year when the Audited Financial Statements and Annual Report are required to be filed with the MSRB under the City’s Continuing Disclosure Agreement, as identified by the Continuing Disclosure Agreement Master List.

“*Rule*” means Securities and Exchange Commission Rule 15c2-12, adopted pursuant to the Securities Exchange Act of 1934, 17 CFR § 240.15c2-12, as amended from time to time.

“*Underwriter*” means the broker, dealer, or municipal securities dealer offering or placing the bonds or other municipal securities described in the Offering Documents to or with investors.

“*Underwriter Group*” means the Underwriter and counsel to the Underwriter

RESPONSIBILITIES

10.1 DWG Chair Responsibilities

The DWG Chair is responsible for oversight of compliance with these Procedures. The DWG Chair is the leader of the DWG and responsibilities include:

1. being the primary point of contact or establishing the primary point of contact regarding issues or information that should or may need to be disclosed in the Disclosure Documents;
2. assigning or overseeing the assignment of responsibilities and coordinating with Contributors for assembling, drafting, and verifying the accuracy of information in the Disclosure Documents;
3. establishing the schedule or timing requirements for drafting, reviewing, revising, and approving the Disclosure Documents, including the circulation and review of the draft Disclosure Documents;
4. communicating with senior City officials regarding the Disclosure Documents;
5. unless the DWG has designated other individuals to serve or assist in such capacity, serving as the spokesperson to investors and the public on questions regarding disclosure matters of the City;
6. monitoring compliance with these Procedures;
7. maintaining records demonstrating the City’s compliance with these Procedures;
8. scheduling and coordinating the Annual Review;
9. recommending to the City Council of the City, consideration of changes to these Procedures;
10. maintaining the Continuing Disclosure Agreement Master List and the Financial Obligations Master List; and
11. filing or causing the filing of Disclosure Documents, including the Audited Financial Statements, the Annual Report, and Event Notices with EMMA by the deadlines stated in the Continuing Disclosure Agreement.

The DWG Chair may designate staff or engage the Financial Advisor to assist in the execution of responsibilities above, if appropriate.

The DWG Chair has designated the filing of Disclosure Documents (excluding the Offering Document), the Annual Report, the Audited Financial Statements and the Event Notices to the Treasurer.

The DWG Chair has designated the filing of the Offering Document to the Financial Advisor.

10.2 DWG Responsibilities

The DWG is responsible for compliance with these Procedures and promoting compliance with federal and state securities laws. In that regard, the DWG is primarily responsible for:

1. consulting and coordinating with various parties and offices of the City regarding the content of the Disclosure Documents,
2. determining the content of the Disclosure Documents,
3. reviewing and revising drafts of the Disclosure Documents, and

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4. approving the final versions of the Disclosure Documents.

The DWG shall meet no less often than annually to fulfill its obligations under these Procedures. The DWG shall also meet prior to the posting of any Disclosure Document relating to the issuance of bonds. The DWG is encouraged to provide suggestions to improve these Procedures and the Disclosure Documents in the Annual Review or as otherwise needed. The DWG may consult with the Financing Group as necessary in connection with carrying out their obligations under these procedures.

Contributors and staff must cooperate with the DWG and provide the DWG with any information, assurances or certifications that it deems necessary to ensure that the Disclosure Documents are accurate and complete in all material respects.

All information that is discussed and contained in the Disclosure Documents or that is submitted to the DWG for inclusion in the Disclosure Documents should be kept confidential, to the extent allowed by law, and may not be transmitted to third parties without the express permission of the DWG.

DISCLOSURE PROCEDURES

10.3 Primary Disclosure

The following process will be used in connection with reviewing the form and content of Offering Documents and any supplements thereto.

A. Offering Document Creation Process

The DWG will consult with Contributors and other appropriate City staff, Financing Group, and other outside consultants, if necessary, regarding the disclosure in the Offering Documents.

1. The DWG Chair will coordinate internally and with the Financing Group to:
 - (i) ensure that all appropriate members of the Financing Group are included on the distribution lists of the Financing Group and Underwriting Group, and
 - (ii) assign portions of the Offering Documents, including appendices, to Contributors with responsibility for the financial information or operating data.
2. Financial Advisor will prepare the initial draft of Offering Document and appendices thereto for review by the Financing Group and Underwriting Group, and manage the incorporation of comments to the Offering Documents received from Contributors, Financing Group, and Underwriting Group.
3. Treasurer is responsible for drafting or obtaining information in the Offering Document relating to:
 - (i) compilation of tables,
 - (ii) coordinating the City's compliance with its Continuing Disclosure Agreement for the past five years and reviewing the information regarding the same in the Offering Document, with the assistance of the Disclosure Counsel. Such review shall include a review of the Continuing Disclosure Agreement Master List, the Financial Obligation Master List and the City's filings with EMMA for the preceding five years to determine whether any failure to comply has occurred,
 - (iii) information in the Offering Document regarding the operation of the City and any tax increment financing zones, public improvement districts and economic

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- development agreements,
 - (iv) updating information that is compiled from the ACFR, and
 - (v) consult with City Attorney regarding litigation, ongoing investigations and other legal matters, including the section labeled “Litigation”.
4. Bond Counsel will review and comment on disclosures related to the ordinance authorizing the debt obligations, the description of the Continuing Disclosure Agreement and federal income tax considerations contained in the Offering Document.

B. Offering Document Review and Approval Process

If an Offering Document will be a “final official statement” as defined in the Rule, the DWG Chair will instruct such members of the Contributors and Financing Group, to review the Continuing Disclosure Agreement Master List and the City’s filings with EMMA for the preceding five years to identify whether any failures to comply have occurred. The DWG Chair will consult with Disclosure Counsel to determine whether disclosure of any such failures is required in the Offering Document. The Treasurer, in consultation with Disclosure Counsel, shall draft such disclosure for inclusion in the Offering Document, as is required under federal securities law and submit such draft to the Financing Group and Underwriting Group for review and upon approval by the Financing Group and Underwriting Group, shall ensure such language is included in the Offering Document. To the extent practicable, remedial filings with respect to any such failures to file shall be prepared and filed in accordance with these Procedures.

The Financing Group and Underwriting Group will review, revise, and comment on initial and revised drafts of the Offering Document prior to their respective sign-offs.

The DWG Chair must approve the final version of an Offering Document prior to posting or distribution. Before final approval, the DWG must determine that the material facts described therein are consistent with those known to the DWG, and that the final version of the Offering Document (1) does not make any untrue statement of a material fact or omit any material fact necessary to make the statements made therein, in the light of the circumstances in which they are made, not misleading, and (2) is accurate and complete in all material respects.

Approval of an Offering Document shall be evidenced by written sign-off (which may be delivered by e-mail) from each Contributor with responsibility for the disclosure provided in the Offering Document. Upon receipt of written sign-off from the respective members of the DWG, the DWG Chair will authorize the distribution of the Offering Document. The DWG Chair should retain the written sign-offs received from each Contributor in the records maintained pursuant to these Procedures.

C. Offering Document Submission

After review and approval of the final Offering Documents by the Financing Group and Underwriting Group, as evidenced by the sign-offs, the DWG Chair shall direct the Financial Advisor to file such Offering Documents on EMMA.

10.4 Continuing Disclosure

In connection with the issuance of municipal securities, the City has entered into (and in the future may

enter into) Continuing Disclosure Agreements for the benefit of the holders and beneficial owners of the municipal securities of each such issuance, as required by the Underwriters in accordance with the Rule. The City is required to comply with these Continuing Disclosure Agreements for so long as it remains obligated to advance funds to pay or support the municipal securities covered by the respective Continuing Disclosure Agreement.

Under the Continuing Disclosure Agreements, the City is obligated to provide (1) annual financial information consisting of (i) Audited Financial Statements and (ii) the Annual Report on or before the date specified in the Continuing Disclosure Agreements, and notice of any failure to provide such annual financial information, and (2) in a timely manner, any of the Event Notices specified in the Continuing Disclosure Agreements to the MSRB by means of the EMMA system.

The DWG Chair maintains the Continuing Disclosure Agreement Master List of the City.

A. AUDITED FINANCIAL STATEMENTS

The Treasurer will file the Audited Financial Statements with EMMA upon availability or together with the Annual Report, provided such filing occurs on or before the respective Required Date.

If the Audited Financial Statements are not complete by the Required Date, the DWG Chair will

- (i) if required under the City’s Continuing Disclosure Agreement, arrange for the review by the DWG and filing of unaudited financial statements with such cautionary statements and disclaimers as may be appropriate on or before the Required Date or as soon as practicable thereafter, and
- (ii) direct the Treasurer to draft and file, an Event Notice, in conformity with the failure to file notice provisions of the Continuing Disclosure Agreement, stating that the annual financial information is not yet available and will not be filed by the Required Date. When the Audited Financial Statements become available, the DWG Chair shall direct the Treasurer to file such Audited Financial Statements on EMMA.

B. ANNUAL REPORT

The DWG Chair will schedule the preparation and drafting of the Annual Report with the DWG in time to file the Annual Report on or before the Required Date.

The DWG Chair will assign drafting portions of the draft Annual Report, as appropriate, to DWG members and Contributors with responsibility for the financial information or operating data described therein and indicated to be required by the Continuing Disclosure Agreement Master List, which includes the following:

- 1. The Treasurer compiles the Annual Report and updates the tables for filing on EMMA.
- 2. The Chief Financial Officer approves the final Annual Report after DWG and Disclosure Counsel as set forth below prior to filings.
- 3. The Treasurer files the Annual Report on EMMA.

The DWG Chair may engage the assistance of the Financial Advisor in undertaking this responsibility.

The DWG will review, comment on, and revise the initial and any subsequent drafts of the Annual Report; check, confirm and include or incorporate by reference, as appropriate, information contained in the Audited Financial Statements, and such other reports as required; and consult with appropriate staff, Bond Counsel, Disclosure Counsel,

and other outside consultants, if necessary, regarding the disclosure in the Annual Report.

The DWG must approve of the final version of the Annual Report. Before final approval, the DWG must determine that the material facts described therein are consistent with those known to the DWG, and that the final version of the Annual Report (1) does not make any untrue statement of a material fact or omit any material fact necessary to make the statements made therein, in the light of the circumstances in which they are made, not misleading, and (2) is accurate and complete in all material respects.

Prior to submitting the Annual Report to EMMA, the DWG Chair must receive written sign-off (which may be delivered by email) from each member of the DWG with responsibility for the disclosure provided in the Annual Report. Upon receipt of sign-off from the DWG, the DWG Chair will direct the Treasurer to file such Annual Report on EMMA. The DWG Chair should retain the written sign-offs received from such members of the DWG in the records maintained pursuant to these Procedures.

If the Annual Report is not available by the Required Date, the DWG Chair shall direct the Treasurer to file an Event Notice, in conformity with the failure to file notice provisions of the Continuing Disclosure Agreement, stating that the Annual Report is not yet available and will not be filed by the Required Date. When the Annual Report becomes available, the DWG Chair shall direct the Treasurer to file such Annual Report on EMMA.

C. EVENT NOTICES

In its Continuing Disclosure Agreement, the City is obligated to file notices of certain events on EMMA in a timely manner (in certain undertakings within ten business days) after the occurrence of the event, as set forth in the Continuing Disclosure Agreement Master List.

1. EVENT NOTICES – GENERAL

Each member of the DWG is expected to have a complete understanding of the events listed in the Continuing Disclosure Agreement, as described in the Continuing Disclosure Agreement Master List.

At all times a DWG member is required to notify the DWG Chair if they become aware of any event or potential for an event described in the Continuing Disclosure Agreement Master List that may require the filing of an Event Notice.

The DWG shall identify City department personnel who may know information relating to the City's Continuing Disclosure Agreement and Event Notices. The DWG shall require all departments in the City to notify the DWG upon the occurrence of any event or potential for an event described in the Continuing Disclosure Agreement Master List.

Upon notification of the occurrence of an event or potential occurrence of an event that may require filing of an Event Notice, the DWG Chair will confer with the Financing Group, staff of the City, and other outside consultants as may be necessary to determine whether an event has occurred and, if necessary, draft or assign the drafting of the Event Notice in sufficient time to allow the City to meet its continuing disclosure obligations described in the Continuing Disclosure Agreement Master List.

The Treasurer shall draft the Event Notice and the DWG Chair must approve the version of the Event Notice before the Event Notice is distributed to the DWG for review

and comment. The Treasurer will consult with Contributors and other appropriate City staff, Financing Group, and other outside consultants, if necessary, regarding the Event Notice. Before final approval, the DWG must determine that the material facts described therein are consistent with those known to the DWG, and that the final version of the Event Notice (1) does not make any untrue statement of a material fact or omit any material fact necessary to make the statements made therein, in the light of the circumstances in which they are made, not misleading, and (2) is accurate and complete in all material respects.

Prior to submitting the Event Notice, the DWG Chair must receive written sign-off (which may be delivered by email) from each member of the DWG with responsibility for the disclosure provided in the Event Notice. Upon receipt of sign-off from such members of the DWG, the DWG shall direct the Treasurer to file the Event Notice on EMMA. The DWG Chair should retain the written sign-offs received from such members of the DWG in the records maintained pursuant to these Procedures.

If the DWG becomes aware of an Event Notice that was not timely filed, the DWG Chair will follow the process described above to promptly file such Event Notice, if required pursuant to the Rule.

2. EVENT NOTICES – FINANCIAL OBLIGATIONS

Beginning February 27, 2019, in connection with any primary offering subject to the Rule, the City will be required to include in future Continuing Disclosure Agreements an agreement to file, not in excess of ten business days, an Event Notice for: (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. The terms used in events (15) and (16) shall have the meanings ascribed to them in 34-83885, (August 20, 2018).

Each member of the Financing Group is expected to have a complete understanding of new events (15) and (16) under the Rule. If the Financing Group has not received disclosure training on new events (15) and (16), the DWG Chair should request such training pertinent to these matters, see Section 10.6.

The DWG will, in consultation with Bond Counsel and Disclosure Counsel, be responsible for: (i) identifying existing material Financial Obligations; (ii) tracking new material Financial Obligations, including amendments thereto; and (iii) monitoring Financial Obligations for events which may reflect financial difficulties.

To assist in monitoring compliance with new events (15) and (16), the DWG Chair and the DWG will create the Financial Obligations Master List, with the assistance of Bond Counsel and Disclosure Counsel, and other outside consultants, as the DWG Chair and DWG deem appropriate and the City shall approve.

The Financial Obligations Master List should at a minimum provide information similar in content to the recommended format that was provided by the Government Finance Officers Association in January 2019.

The DWG Chair will maintain and update the Financial Obligations Master List, and upon approval of the DWG and the City, may retain a Financial Advisor, as may be

necessary, to effectively maintain and continuously update such Master List as well as to make all filings required to be made by the City under the Continuing Disclosure Agreement.

The Treasurer shall review City Council agenda items in order to identify the entering into of new potential Financial Obligations (or a modification of an existing Financial Obligation due to financial difficulty) and shall follow-up with the individual [City staff] responsible for the agenda item to determine if the item rises to the level of disclosure. For purposes of this section, at a minimum, items to be considered by the DWG as a potential “Financial Obligation” shall include, but are not limited to:

- (i) A debt obligation;
- (ii) A derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation.
- (iii) A guarantee of (i) or (ii);
- (iv) A financing agreement or financing lease or energy savings performance contract where the City effectively borrows money at a rate of interest for the purchase of vehicles and equipment and pays back such borrowing over a number of years;
- (v) A contract for the payment of a good or service that obligates the City to a payment over a number of years but not including normal operating contracts such as for the construction of public improvements or maintenance thereof;
- (vi) An economic development agreement or TIRZ Agreement that has features of a “debt” such as the payment of interest over time;
- (vii) A line of credit, credit agreement or commercial paper program;
- (viii) A loan or contract with the State or Federal Government where funds are received by the City and repayment is made over a number of years with interest;
- (ix) A contract or obligation affects, or contains provisions or triggers that may impair the City’s liquidity, creditworthiness or an existing security holder’s rights;
- (x) Any contract or obligation that is a guarantee provided by the City for the benefit of a third party; or
- (xi) Any other contract, instrument or obligation that is “debt-like” or “debt-related”.

The DWG shall review all potential Financial Obligations for materiality and recommend to the DWG Chair whether filing is required. For purposes of this section, a determination as to the materiality of a potential Financial Obligation involves a determination as to:

“whether a financial obligation or the terms of a financial obligation, if they affect security holders, would be important to the total mix of information made available to a reasonable investor when making an investment decision.”

In determining whether a Financial Obligation is material upon its incurrence or any modification of its terms, relevant facts and circumstances may include, but are not limited to:

- (i) The principal amount of the Financial Obligation, including the aggregate par amount of a series of related Financial Obligations (e.g., a series of financing leases), and the method of setting or adjusting the interest rate thereof;

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- (ii) The City's overall balance sheet and the size of its existing debt obligations;
 - (iii) The source of security pledged for repayment of the Financial Obligation and the rights associated with such pledge;
 - (iv) The length of time that the Financial Obligation is to remain outstanding; and
 - (v) Other appropriate terms of a Financial Obligation that will impact the City's financial condition and/or existing security holders in a material manner.

In determining whether the modification of the terms of a Financial Obligation reflects financial difficulties of the City pursuant to Event (16), such occurrences may include but are not limited to the following types of events:

- (i) Monetary defaults or events of non-appropriation where the City has failed to pay principal, interest or other funds due, or a non-payment related default where the City has failed to comply with specified covenants;
- (ii) An event of acceleration exercised by a trustee or counterparty as the result of an event of default or other applicable remedy provision;
- (iii) A modification of terms that reflects financial difficulties of the City such as a re-amortization of debt due to the City's difficulty in making payments;
- (iv) A written or verbal waiver of an agreement provision that is a departure from what was agreed to under the original terms of such agreement; and
- (v) Other events under the terms of a Financial Obligation that reflect financial difficulties of the City and share similar characteristics with the specific types of events in Event (16).

At all times, the DWG members are required to notify the DWG Chair if they become aware of the occurrence or potential occurrence of events, amendments or new agreements, or other items that would constitute Events (15) and (16) under the Rule. If a DWG member provides such notice or the DWG Chair otherwise becomes aware of such actual or potential event, the DWG Chair will follow the steps under "Section 10.4 C 1 Event Notices – General" and "Section 10.4 C 2 Event Notices – Financial Obligations" in determining whether an event has occurred and, if necessary, the drafting and filing of the Event Notice and related record-keeping.

The DWG will make a determination, based on the facts and circumstances, whether to submit to EMMA a description of the material terms of the Financial Obligations or changes thereto reflecting financial difficulties, or alternatively or in addition, submit the entirety of the materials, including contracts and transaction documents prepared in connection with the Financial Obligation, redacting any confidential or personally identifiable information.

3. *VOLUNTARY FILINGS WITH EMMA*

If City staff desires to file a voluntary disclosure filing on EMMA, the staff must make a request to the DWG Chair describing the reason for providing a voluntary disclosure. The DWG Chair will coordinate with the DWG to determine whether a voluntary filing is appropriate and, if so, draft or assign the drafting of the voluntary disclosure filing.

The DWG Chair will provide the DWG with a draft of the voluntary filing and the DWG will review, revise, and comment on initial and subsequent drafts of the voluntary filing. The DWG will consult with Contributors and other appropriate City staff, the Financing Group and other outside consultants, if necessary, regarding the voluntary filing.

The DWG must approve of the final version of the voluntary filing. Before final

approval, the DWG must determine that the material facts described therein are consistent with those known to the DWG, and that the final version of the voluntary filing (1) does not make any untrue statement of a material fact or omit any material fact necessary to make the statements made therein, in the light of the circumstances in which they are made, not misleading, and (2) is accurate and complete in all material respects.

Approval of a voluntary filing shall be evidenced by written sign-off (which may be delivered by e-mail) from each member of the DWG with responsibility for the disclosure provided in the voluntary filing. Upon receipt of sign-off from such members of the DWG, the DWG Chair shall direct the Treasurer to file the voluntary filing with EMMA. The DWG Chair should retain the written sign-offs received from members of the DWG in the records maintained pursuant to these Procedures.

4. *RATING AGENCY PRESENTATIONS*

In the event officials of the City are to make a presentation to a rating agency relating to the rating of outstanding or proposed municipal securities, the DWG Chair will assign portions of the draft rating agency presentation to DWG members and Contributors with responsibility for the financial and other information to be provided therein and to Bond Counsel, Disclosure Counsel and the Financial Advisor, as appropriate.

The DWG will consult with Contributors and other appropriate City staff, and other outside consultants, if necessary, regarding the disclosure in the rating agency presentation. The DWG will review, revise, and comment on initial and subsequent drafts of the rating agency presentation.

The DWG must approve the final version of any rating agency presentation prior to delivery to a rating agency. Before final approval, the DWG must determine that the material facts described therein are consistent with those known to the DWG, and that the final version of the rating agency presentation (1) does not make any untrue statement of a material fact or omit any material fact necessary to make the statements made therein, in the light of the circumstances in which they are made, not misleading, and (2) is accurate and complete in all material respects.

Approval of a rating agency presentation shall be evidenced by written sign-off (which may be delivered by e-mail) from each member of the DWG with responsibility for the disclosure provided in the rating agency presentation. Upon receipt of sign-off from such members of the DWG, the DWG Chair shall direct the Financial Advisor to provide the rating agency presentation to the rating agency. The DWG Chair should retain the written sign-offs received from members of the DWG in the records maintained pursuant to these Procedures.

5. *INVESTOR PRESENTATIONS*

In the event a presentation is to be made to prospective investors with respect to an offering of municipal securities of the City or to investors with respect to outstanding municipal securities of the City, the DWG Chair will assign portions of the draft investor presentation to DWG members and Contributors with responsibility for the financial and other information to be provided therein and to Bond Counsel, Disclosure Counsel, and the Financial Advisor, as appropriate.

The DWG will consult with Contributors and other appropriate City staff, and other outside consultants, if necessary, regarding the disclosure in the investor presentation. The DWG will review, revise, and comment on initial and subsequent drafts of the investor presentation.

The DWG must approve the final version of any investor presentation prior to presentation to investors. Before final approval, the DWG must determine (A) that the material facts described therein are consistent with those known to the DWG, and that the final version of the investor presentation (1) does not make any untrue statement of a material fact or omit any material fact necessary to make the statements made therein, in the light of the circumstances in which they are made, not misleading, and (2) is accurate and complete in all material respects, and (B), in the case of (1) an investor presentation to potential investors in an offering of municipal securities of the City, that the presentation is limited to information provided in the Offering Document and (2) an investor presentation to investors of outstanding municipal securities of the City, that the presentation is limited to information about the City that is readily available to the public on websites such as EMMA or the City's website.

Approval of an investor presentation shall be evidenced by written sign-off (which may be delivered by e-mail) from each member of the DWG with responsibility for the disclosure provided in the investor presentation. Upon receipt of sign-off from such members of the DWG, the DWG Chair shall permit the investor presentation to be made to investors. The DWG Chair should retain the written sign-offs received from members of the DWG in the records maintained pursuant to these Procedures.

6. WEBSITE DISCLOSURE

Disclosure Documents may be posted on areas of the City's website. The Disclosure Documents must be approved by DWG and Disclosure Counsel.

Routine information and data, including financial, budgetary, and operating data generally made available to the public by a department or office of the City may be posted on a portion of the City's website allocated to that department or office.

Posting information to the City's website alone is not sufficient to comply with the City's Continuing Disclosure Agreements described herein; such information must also be filed on EMMA.

OTHER INFORMATION

10.5 Annual Review of Procedures

Each year the DWG will conduct the Annual Review. The purpose of the Annual Review is for the DWG to evaluate the design, operation and effectiveness of these Procedures and to make recommendation regarding changes to the Procedures.

In connection with the Annual Review, the DWG will (i) request comment on the Procedures from staff involved in preparing or approving disclosure, (ii) meet with staff to discuss the portions of the Disclosure Documents for which they are responsible and evaluate the effectiveness of the Procedures, and (iii) meet with the Financing Group to review the design of the Procedures. All comments and recommendations to amend or maintain the Procedures will be discussed with the DWG.

If the DWG recommends any substantive amendment to these Procedures, the DWG Chair will prepare a written summary of such amendment. The written summary will be delivered to the City Council of the City, together with the recommendation of the DWG for adoption pursuant to an amendment of the resolution by the City Council.

In addition to a recommendation to amend these Procedures made in the Annual Review, the DWG, the DWG Chair and any staff involved in preparing or approving the Disclosure Documents may at any time recommend an amendment to the Procedures.

Following receipt of the recommendation for an amendment, the DWG will convene a meeting to discuss the proposed amendment and determine whether such amendment should be approved. Any amendments to the Procedures will be discussed with the Financing Group. If the DWG recommends any substantive amendment to these Procedures, the DWG Chair will prepare a written summary of such amendment. The written summary will be delivered to the City Council, together with the recommendation of the DWG for adoption pursuant to an amendment of the resolution by the City Council.

10.6 TRAINING

All members of the Financing Group, as well as staff identified by the DWG Chair involved in preparing or approving the Disclosure Documents are required to attend Training.

Training will generally include an overview of these Procedures, the disclosure obligations of the City under federal and state securities laws, and the responsibilities and potential liabilities of the staff involved in preparing or approving the Disclosure Documents.

In order to insure the quality and capability of all involved in preparing or approving the Disclosure Documents, Training will be provided through courses and seminars offered by independent professional organizations and associations, including, but not limited to:

- SEC
- GFOA / GFOAT
- GTOT / Bond Buyer / APTUS&C
- Underwriters
- Bond Counsel
- Disclosure Counsel

10.7 RECORD RETENTION

The DWG will retain all Disclosure Documents as required by the City’s record retention schedule. All final versions of the Disclosure Documents and closing transcripts for financings will be preserved and maintained in a central location that is accessible to the DWG. The DWG Chair will retain all records required to be retained by the DWG Chair under these Procedures for a minimum of ten years after the date of the most recent final official statement of the City approved under these Procedures.

10.8 DISCLOSURE DISSEMINATION AGENT

If the City, in consultation with the DWG Chair, elects to use a Disclosure Dissemination Agent or indenture trustee for the purpose of assisting in the dissemination, filing responsibilities and recordkeeping requirements under these Procedures, the City agrees that it will enter into a written contract with the designated Disclosure Dissemination Agent or indenture trustee. The written contract will be reviewed or drafted by Bond Counsel or Disclosure Counsel. Such contract will describe the responsibilities of the parties, including detailed instructions regarding the process for dissemination.

If the City elects to use a Disclosure Dissemination Agent or indenture trustee, these Procedures will be updated to reflect the mechanics of the interaction.

CHAPTER XI – COMPLIANCE WITH CITY DEBT & DISCLOSURE POLICY

In the event there are proposed exceptions from the Policy when a certain bond issue is structured, those exceptions will be discussed in the applicable staff reports when the bond issue is docketed for City Council consideration. Any exception will also be stated in the financing ordinance to be approved by City Council for the corresponding bond offering.