City of Phoenix, Arizona
Debt Management Policy



July 1, 2026

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CITY OF PHOENIX, ARIZONA
DEBT MANAGEMENT POLICY

INTRODUCTION

The Finance Department ("Finance") of the City of Phoenix (the "City") has developed this Debt Management Policy ("Debt Policy") to provide guidelines for the issuance of bonds and other forms of indebtedness to finance necessary land acquisitions, capital construction, equipment, and other items for the City.

While the issuance of debt is frequently an appropriate method of financing capital projects and major equipment acquisitions, such issuance must be carefully monitored to preserve the City's credit strength and to provide the necessary flexibility to fund future capital needs.

SCOPE

This Debt Policy shall govern, except as otherwise covered by the City Charter and City Code, the issuance and management of all debt and lease financing funded in the capital markets. While adherence to the Debt Policy is desired, the City recognizes that changes in the capital markets as well as unforeseen circumstances may from time to time produce situations that are not covered by the Debt Policy and may require modifications or exceptions to achieve City goals.

The City's Debt Policy shall be reviewed, and updated, if necessary, on an annual basis. The Chief Financial Officer ("CFO"), with the assistance of the Finance Debt Management Section staff, shall have the responsibility and authority for structuring, implementing and managing the City's debt and financing program, in accordance with City Council authorizations.

OBJECTIVES

The City's high credit ratings result in low interest rates on its debt. These low interest rates result in a lower overall cost of capital to the City. This Debt Policy will assist the City in determining appropriate uses of debt financing, establish certain debt management goals and assist the City in maintaining its high credit ratings, while assuming a prudent level of financial risk and preserving the City's flexibility to finance future capital programs and requirements. Additionally, this Debt Policy is intended to set forth criteria for selecting firms to provide certain financial, legal, and other related services that will ensure that a fair and open selection process is used which provides opportunities for all qualified firms.

DEBT ISSUANCE

There are three general methods of issuing debt obligations: competitive sale, negotiated sale and private placement.

Types of Bond Sales

A. Competitive Sale. In a competitive sale, security dealers submit bids, in a sealed bid or electronically secure process, and the security dealer with the lowest True Interest Cost (TIC) and in compliance with the bid parameters is awarded the bonds.

B. Negotiated Sale. In a negotiated sale, an underwriter or underwriter syndicate is selected from the City's qualified underwriter list, which is created through a Request for Qualifications process or a Request for Proposal process. Underwriter compensation and interest rates are negotiated prior to the sale, based on market conditions.

C. Private Placement. A private placement is a sale that is structured specifically for one purchaser, such as a mutual fund or a bank. Private placements are generally not used by the City; however, if the CFO, or designee, determines that it is in the best interest of the City from a cost or administrative standpoint, the Finance Department may negotiate financing terms with banks and financial institutions for specific borrowings. Private placements may be entered into in special circumstances where specific bonds may be difficult to market but may be attractive to a specific individual investor or to avoid the costs of a public offering and therefore reduce borrowing costs. All private placements shall be approved by the CFO, or designee, in writing and detailing the rationale for entering into such private placement.

As a best practice, the City should issue debt through a competitive sale when feasible to ensure the lowest overall interest rate to the City. However, it is also recognized that it is not always practical to issue bonds through a competitive sale. For example, a competitive sale may not be optimal with complex credit, variable rate debt, and specialized financing. In the event a negotiated sale is used, the underwriter or underwriter syndicate will be approved by the CFO.

The City will consider the following when determining whether a competitive or negotiated sale should be used.

Issuer Characteristics

A. Market Familiarity. A frequent issuer of a well-recognized credit such as excise tax revenue bonds or general obligation bonds can generally sell these bonds through a competitive sale since investors and underwriters are familiar with the quality of the credit. A negotiated sale may be appropriate if extensive pre-marketing to investors is desired or required.

B. Credit Strength. The higher the credit quality of the bonds being issued, the more likely the bonds can be successfully sold using a competitive sale due to the high demand for high-quality municipal bonds. High-quality credits fare well in competitive sales.

C. Policy Goals. A competitive sale does not provide the City with the flexibility of choosing the underwriter or underwriter syndicate. If the CFO concludes that determining the composition of the underwriter syndicate to achieve certain policy objectives is important, or if the complexity of the sale necessitates certain specializations, then a negotiated sale may be utilized. Generally, refunding bonds will be marketed using a negotiated sale due to the variability of the amortization structure (i.e. upfront savings, level savings or smoothing total debt service).

Financing Characteristics

A. Type of Debt Instrument. The market favors familiar debt instruments such as general obligation bonds backed by the full faith and credit of the City. New credit types may require an education process that is more conducive to a negotiated sale until the market becomes comfortable with the credit.

B. Issue Size. The size of the bond sale will influence both investor interest in the bonds and the market's ability to absorb the bonds. In general, if the bond sale is too small or too large, a negotiated sale may be necessary. A small sale may require greater marketing to garner investor interest while a large sale may be difficult for the market to absorb without the pre-sale activity available in the negotiated sale process.

C. Market Conditions and Timing. During periods of stable interest rates, market timing is not as critical. However, during periods of volatile interest rates, the timing of a sale becomes more critical. Bond refundings are often interest rate sensitive in terms of the potential level of savings or the general feasibility of the refunding. A negotiated sale provides more flexibility in terms of the structure and timing of the bond sale and may be more appropriate when issuing refunding bonds or when interest rates are volatile.

D. Story Bonds. Bonds that require a detailed explanation due to the complexity of the credit or the repayment of the bonds are often referred to as "Story Bonds". Due to their complexity and the additional explanation these bonds require, an extensive pre-marketing campaign is necessary. Story Bonds usually require a negotiated sale composed of an underwriting syndicate that is qualified to market the bonds to obtain the lowest financing cost for the City.

FINANCIAL SERVICE PROVIDERS

Selection

In connection with debt financings, municipal advisors, underwriters, bond counsel and other service providers will be selected from a Qualified Vendors List ("QVL") developed through a periodic Request for Qualifications ("RFQ") process or, for individual financings, through a Request for Proposals ("RFP") process, whichever method is deemed most appropriate given the specifics of the financing. At the discretion of the CFO, contracts may be awarded on a sole source basis if the RFP method is not feasible or is not in the best interest of the City. If the RFP process is deemed most appropriate given the specifics of the financing, the City will request quotes from service providers selected from the QVL.

For competitive sales, any security dealer meeting the qualification criteria outlined in the competitive bid notice may bid in the competitive sale. For negotiated sales, only those underwriters qualified under the RFQ process and placed on the QVL may be selected. Underwriters or underwriter syndicates will be approved by the CFO. The allocation of bonds among syndicate members will be at the sole discretion of the CFO.

Use of Independent Municipal Advisors

The City will only hire municipal advisors who are registered with the Securities and Exchange Commission ("SEC") and the Municipal Securities Rulemaking Board ("MSRB"), per Section 15B of the Securities Exchange Act. If the City engages a municipal advisor who is also an investment banking firm, the firm will under no circumstances be permitted to participate as the lead underwriter or as a member of an underwriter syndicate that is bidding on the bonds for which the firm is acting as a municipal advisor. In addition, if the firm has any profit sharing or other type of agreement with any member of the underwriting syndicate for the transaction in question, they will not be allowed to act as the municipal advisor. In general, no agreement will be permitted that would compromise the firm's ability to provide independent advice or that could be reasonably perceived by the City as a conflict of interest. Advisors must alert the CFO, in writing, of any conflict, potential conflict, or potentially perceived conflict prior to entering into an agreement with the City, or if occurring after entering into an agreement with the City, as soon as the conflict, potential conflict, or potentially perceived conflict arises.

Communication/Solicitation

All consultants, including all investment banking firms, municipal advisors, bond counsel, and other consultants hired in connection with any bond transaction will direct all communications, solicitations and questions to the CFO or designee. Underwriters are reminded that under MSRB Rule G-37, a firm may be banned from providing underwriting services to the City for two years for making any political contributions to elected City officials.

ASSESSING FINANCING NEEDS FOR CAPITAL PROGRAMS

The City's Budget and Research Department is generally responsible for the five-year capital improvement programs ("CIP") of the various City departments that are approved annually by the City Council. These capital programs provide the basis for determining long-term capital needs of the City and may be supplemented with longer term capital plans or master plans when appropriate. The Finance Department shall work with the Budget and Research Department and the various City departments to develop a financial forecast related to the capital programs to identify the optimal method to finance the program, including the issuance of bonds. The Finance Department is responsible for reviewing the funding sources and financial forecast to ensure their adequacy in complying with existing bond covenants, debt limits and the potential impact on existing bond ratings prior to the issuance of any new debt.

DEBT MANAGEMENT PROCESS – TAX STATUS

Prior to the issuance of any bonds, the Finance Department, in conjunction with bond counsel and the City's Law Department will evaluate the tax status of any bond sales.

Tax-Exempt

Interest on tax-exempt bonds is excluded from the gross income of its owners for federal income tax purposes and from Arizona income taxes, and as a result tax-exempt bonds can be sold at a lower true interest cost than taxable bonds. The City, along with bond counsel, will evaluate all projects to be funded to assess their eligibility to be funded by tax-exempt bonds. The City will make every effort to ensure that all tax regulations are complied with to ensure the bonds maintain their tax-exempt status throughout the life of the bonds.

Taxable

Certain municipal bonds are issued as taxable bonds when the federal government determines that the projects they finance do not provide a significant benefit to the public at large or involve private activity. In addition, certain tax laws such as the alternative minimum tax ("AMT") reduced the tax exemption applicable to certain types of bonds and to certain taxpayers. Taxable bonds will be used whenever a project has the potential for private activity or other uses that may call into question the eligibility to use tax-exempt financing.

DEBT MANAGEMENT PROCESS – TYPE OF DEBT

Fixed Rate Debt

Longer term debt usually consists of fixed interest rates over the term of the bonds and should be used to finance essential capital facilities, projects and certain equipment where it is appropriate to spread the cost of the project over more than one budget year and generally for a period not to exceed the useful life of the project being financed. In so doing, the City recognizes that future taxpayers who will benefit from the project will pay a share of its cost. Fixed rate debt provides the benefit of fixed payments during the life of the bonds and budget certainties for long-term capital planning. Fixed rate debt is typically longer term and carries higher interest payments (assuming an upward sloping yield curve) than variable rate debt but is not subject to changes in interest rates. Fixed rate debt is the most common type of debt issued by the City. Revolving loans may also be utilized as a short-term funding source and allow the City to use either a fixed or variable interest rate for periods of generally up to six months.

Variable Rate Debt

The municipal bond market has developed several vehicles by which municipalities can borrow at short-term, variable interest rates. Variable Rate Demand Notes may be issued with interest rates that reset daily, weekly, monthly or semiannually at the option of the City. Commercial paper is issued with a maturity of up to 270 days at the City's option. As the commercial paper matures, it is resold by a commercial paper dealer for another period of up to 270 days. Revolving loans may also be utilized as a short-term funding source and allow the City to use either a fixed or variable interest rate for periods of generally up to two years.

These products are structured as a rolling series of short-term investments and therefore are priced at the short end of the yield curve at lower interest rates than long-term fixed rate bonds (assuming an upward sloping yield curve). By accepting the risks inherent in variable interest rates, the City can take advantage of the lowest rates available in the current market.

Factors that will be considered in the use of variable rate debt are the availability and size of fund balances to cover variable rate risk, and the budgetary flexibility of the program being financed. Programs with large complex capital programs may use short-term financing to fund uncertain construction cash flow requirements. A project that must be carried out in anticipation of grant funding may also be a candidate for the use of variable rate financing. Examples are the Water, Wastewater and Aviation enterprise funds. The short-term debt can be paid off with cash or refinanced as fixed-rate, long-term debt once the projects are complete.

Use of Alternative Debt Instruments

The use of certain derivative products, such as swaps, swaptions and the sale of call options, allow the City to realize lower all-in costs on a new debt issuance or to receive an upfront payment. One type of swap that may be used would allow the City to issue variable rate

debt in exchange for fixed payments that are typically lower than fixed rate debt. Such products have unique risks and the City and its municipal advisors will evaluate per the City's Swap Policy. The current Swap Policy is included in Appendix A.

DEBT MANAGEMENT PROCESS – DEBT CAPACITY

The determination of how much indebtedness the City can afford begins by assessing the sufficiency of future revenues. The amount of debt issued is based on the requirements of the approved 5-year CIP, subject to the condition that sufficient revenues are projected to be available. Factors such as debt service coverage requirements outlined in bond indentures, the tax impact on citizens, and any impact on bond ratings will be carefully considered. Different factors are considered for each type of credit. For example, General Airport Revenue Bonds may consider the impact of additional debt on carrier rates and passenger fares, while water and sewer bonds will consider the impact on customer utility bills. In the case of general obligation debt, State Statutes and the State Constitution limit the amount of debt that a municipality can have outstanding. In general, the City's outstanding general obligation bonded debt cannot exceed 6% of the City's net assessed valuation. The limit can be expanded to 20% of the net assessed valuation for water; sewer; lighting; parks; open space preserves; playgrounds; recreation facilities; public safety; law enforcement; fire emergency; streets; and transportation programs. Other factors such as providing capacity for future programs will also be taken into consideration.

DEBT MANAGEMENT PROCESS – SECURITY OF DEBT

General Obligation ("G.O.") Bonds

G.O. bonds are backed by the full-faith and credit of the City and are secured by secondary property tax revenues. G.O. bonds are recommended by a Citizen's Bond Committee and referred to the voters for approval. The Citizen Bond Committee is maintained until all the approved bonds have been issued, and reviews and monitors the programs approved by the voters.

Excise Tax Revenue Bonds

Excise tax revenue bonds are backed by excise taxes of the City, and consist of City sales taxes, State-shared income and sales taxes, use taxes, utility & franchise fees and licenses and permits. The bonds are issued on either a senior, junior or subordinated junior lien basis with backing from all or a portion of the City's excise taxes. The City's excise tax revenue bonds are generally issued through the Civic Improvement Corporation ("CIC"), a nonprofit financing entity used by the City.

Highway User Revenue Fund ("HURF") Bonds

HURF Bonds are secured by State-shared gas taxes and other highway user fees and are issued with voter approval to provide capital funding for City owned and operated streets and highways.

Revenue Bonds

Revenue bonds are supported solely by fees generated by specific Enterprise Funds. Accordingly, to preserve debt capacity and budget flexibility, the City will issue revenue bonds when an identifiable revenue stream can be pledged to support the payment of debt service. The final maturity of revenue obligations will be determined by the expected life of the project to be financed and the revenues available to repay the debt. The City's various Enterprise Funds - Water, Wastewater and Aviation - issue bonds backed by revenues of the enterprise. Revenue bonds are generally issued through the CIC, although voter approved revenue bonds issued directly by the City may also be utilized.

Housing Bonds

Tax-exempt housing bonds are an important source of capital, providing loans for ownership of single-family homes and rental housing for low and moderate-income individuals and families. The relatively low tax-exempt interest rates, combined with federal, state, and local housing assistance programs, provide the necessary subsidy to create a supply of much needed, below market interest rate loans. To assist in issuing bonds for low-income housing projects, the City cooperates closely with the independent Phoenix Industrial Development Authority, a nonprofit entity organized under State Statutes.

Special Assessment Bonds

Special assessment bonds are a special type of municipal bond used to fund development projects that benefit a discrete group of taxpayers within an improvement district. Principal and interest owed on the bonds is paid from assessments on the properties benefiting from the particular bond-funded project. The creation of an improvement district must be approved by the City Council and follow a detailed legal process. The City traditionally has made limited use of special assessment debt.

Community Facilities District ("CFD") Bonds

CFD bonds are issued and backed entirely by a community facilities district established under Title 48, Chapter 4 of the Arizona Revised Statutes (A.R.S. §§ 48-701 et seq.) for the purpose of managing and financing public improvements within the district boundaries. Any CFDs established in the City of Phoenix are reviewed by the Finance Department. The creation of a CFD must be approved by City Council and follow a detailed legal process. Historically the City has made limited use of CFDs.

The Finance Department will supervise the issuance of debt on behalf of the CFD. In issuing the bonds on behalf of the CFD, the City shall make all determinations as to the selection of the financing team. The CFD will pay all costs of issuance for the bonds, including on-going administrative support. Principal and interest owed on the CFD bonds is not paid by the City. Revenues for debt payments generally come from property taxes levied or special assessments on CFD property owners, although other CFD revenue sources may be considered.

DEBT MANAGEMENT PROCESS – PURPOSE OF FINANCING

Generally, financings may be undertaken to fund new projects ("new money financing") or to refund existing bonds.

New Money Financing

New money issues are financings that generate funding for capital projects. The funds are used for necessary land acquisitions, capital construction, equipment, and other items for the City. New money bond proceeds are generally not used to fund operational activities. The City also may use its commercial paper programs, or other short-term debt instruments, to provide interim new money financing. The short-term debt is paid off with cash or retired upon receipt of bond proceeds from long-term fixed rate financing.

Refunding Bonds

A periodic review of the City's outstanding debt will be undertaken by the Finance Department to determine refunding opportunities.

Refunding bonds are issued to retire all or a portion of an outstanding bond issue. Most typically this is done to refinance at a lower interest rate to reduce overall debt service. Alternatively, some refundings are undertaken for reasons other than to achieve cost savings, such as to restructure debt service payments, to change the type of debt instruments being used, or to eliminate undesirable covenants.

With most refundings, the City will keep the same credit lien and amortization period of the bonds that are being refunded. The City will consider whether it may be advantageous to change the lien on the refunding bonds if it creates more favorable pricing or preserves future lien capacity.

The Tax Cuts and Jobs Act of 2017 prohibits refunding tax-exempt bonds before their call date, unless the bonds are refunded with taxable bonds. In most cases an advanced refunding of tax-exempt bonds with taxable bonds would not be financially beneficial. There may be circumstances when the City will consider a taxable advanced refunding when the benefits of the advanced refunding outweigh the disadvantages of issuing taxable bonds.

A present value savings analysis will be prepared that identifies the economic effects of any refunding being considered by the City. The savings from any particular refunding candidate shall generally be at least 3% of the refunded par amount, net of all transaction expenses. The required 3% present value savings threshold may be waived by the CFO or designee, upon determination that the proposed refunding is in the best interest of the City in refunding transactions for purposes other than cost savings.

DEBT MANAGEMENT PROCESS - CREDIT RATINGS

The City seeks to obtain and maintain the highest possible credit ratings for all categories of short- and long-term debt.

Rating Agency Relationships

The CFO, or designee, shall be responsible for maintaining relationships with rating agencies that assign ratings to the City's various debt obligations. This responsibility shall include coordinating meetings and presentations in conjunction with the issuance of debt. Full disclosure of operations and open lines of communication shall be maintained with the rating agencies used by the City throughout the life of the debt obligations.

Use of Rating Agencies

The City shall obtain a rating from at least one nationally recognized rating agency on all new bond issues being sold in the public market. The CFO or designee, shall determine whether any additional ratings will be requested on a particular financing. The CFO or designee, shall determine which major rating agencies will be asked to provide a rating. Exceptions to this requirement, such as when using a private placement, are permissible, if warranted by the circumstances and approved by the CFO, or designee.

The City shall notify the rating agencies by telephone or email when the City anticipates issuing bonds. Bond documentation shall be sent several weeks prior to the bond sale to the selected rating agencies to provide the rating agencies with sufficient time to perform a review. A personal meeting with the selected rating agencies may be scheduled if, in the opinion of the CFO, or designee, such a meeting is in the best interest of the City to obtain the highest possible credit rating.

Additionally, the City shall:

- Make every reasonable effort to maintain or improve its credit ratings;
- Request an underlying rating and an insured rating on all bond issues utilizing bond insurance;
- Notify all rating agencies utilized by the City of any material financial events that occur within the City. All communications, both oral and written, in response to requests for information from the rating agencies shall be made in a timely manner by the CFO or designee; and
- Submit its audited annual comprehensive financial report to all rating agencies utilized by the City.

DEBT MANAGEMENT PROCESS – CREDIT ENHANCEMENT

Although the City has high credit ratings, credit enhancement using bond insurance or a bank facility such as a letter of credit to strengthen the underlying credit rating of certain bonds may be

financially beneficial. Insured bonds may be able to be sold at lower interest rates. Bank facilities, such as letters of credit from highly rated banks, can also be used to provide credit enhancement.

Bond Insurance

Bond insurance may be considered when it provides an economic benefit to a particular bond maturity or the entire issue. Bond insurance can provide improved credit quality for the bonds because of the insurance provider's guarantee of the payment of principal and interest on the bonds. Because of the decreased risk of non-payment, investors may be willing to purchase insured bonds at lower yields than uninsured bonds, providing the issuer with interest cost savings. The City would only consider insurance if the rating of the insurance provider was higher than the underlying rating of the bonds and there was an economic benefit to the insurance. Since the 2007-08 financial crisis, most bond insurance providers have ratings that are lower than the ratings for the City's various credits. Without the credit enhancement benefit of higher ratings, it has not been advantageous for the City to use bond insurance. The City no longer analyzes the benefits of using bond insurance with every bond sale but may consider this option should a bond issue have constraints or complexities that may be resolved by such credit enhancement. The steps below will be followed if the City considers bond insurance for a bond issue.

A. **Benefit Analysis**. The decision to use bond insurance is an economic decision. A benefit analysis compares the present value of the interest savings to the cost of the insurance premium. Insurance may be purchased when the premium cost is less than the present value of the projected interest savings. A copy of the benefit analysis shall be maintained in the files of the Finance Department.

B. **Provider Selection**. The City or its municipal advisor will undertake a competitive selection process when soliciting pricing for bond insurance, or in the case of a competitive sale, facilitating the prequalification of bonds by insurance providers. The City recognizes that all providers may not be interested in providing bids to the City or pre-qualifying the issue. The winning security dealer in a competitive sale will determine whether it will purchase insurance for the issue. For a negotiated sale, the CFO shall have the authority to purchase bond insurance when deemed advantageous and the terms and conditions governing the guarantee are satisfactory.

Bank Facilities (Letters of Credit)

When used for credit enhancement, letters of credit ("LOC") represent a bank's promise to pay principal and interest when due for a defined period of time, subject to certain conditions. In the case of a direct-pay LOC, the trustee will draw upon the LOC to make debt service payments and the City will reimburse the LOC provider for the amount drawn on the LOC by the trustee. A stand-by LOC is used to ensure the availability of funds to pay principal and interest of an obligation only if the funds in the debt service account held by the trustee are insufficient to make the debt service payment on the bonds.

DEBT MANAGEMENT PROCESS – STRUCTURAL FEATURES

Maturity

The final maturity of a bond sale shall be equal to or less than the remaining useful life of the assets being financed, and the average life of the financing shall not exceed 120% of the average useful life of the assets being financed.

Debt Service Structure

Finance will carefully consider the debt service structure for each bond issue. Factors such as the flow of revenues available for a particular credit, the need to fill in gaps created by refunding specific principal maturities or to structure savings from a refunding in a particular year will be considered. Accelerated repayment may be considered within the bonding capacity constraints to provide capacity for future capital programs. Bonds will be amortized over a period not to exceed the useful life of the assets being financed.

Lien Levels

Senior, Junior and Subordinated Junior Liens for each revenue source will be utilized in a manner that will maximize the most critical constraint, typically either cost or capacity, allowing for the most beneficial use of the revenue source securing the bond.

Capitalized Interest

Subject to Federal and State law, interest may be capitalized from the date of issuance of debt through the completion of the construction to a maximum of 3 years. Interest may also be capitalized for projects in which the revenue designated to pay debt service on the bonds will be collected at a future date, not to exceed six months from estimated completion of construction. Any use of capitalized interest will require a review by bond counsel and approval by the CFO.

INVESTMENT OF BOND PROCEEDS

The City shall comply with all applicable Federal, State, and indenture restrictions, if any, regarding the use and investment of bond proceeds. This includes compliance with any restrictions on the types of allowable investment securities, restrictions on the allowable yield of invested funds, as well as restrictions on the time period over which some bond proceeds may be invested. The CFO, or designee, will direct the investment of bond proceeds in accordance with the permitted investments for each bond issue. Investments such as guaranteed investment contracts may be considered when the use is in the best interest of the City and will be selected on a competitive basis.

CONTINUING DISCLOSURE

The City will comply when applicable with Rule 15(c)2-12 (the "Rule") of the Securities and Exchange Commission and the respective continuing disclosure undertaking ("CDU") agreement by filing an annual report and annual financial information with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") System. In addition to annual filings, the Rule requires dissemination of a disclosure notice when a qualifying and material event has occurred ("Material Event"). The CDU for each bond series lists the Material Events for which the City has covenanted to file and reflects the Material Events which the Rule required at the time of issuance. The City will file a Material Event notice on EMMA as required by the Rule in a timely manner, but no later than 10 business days after the occurrence of the event.

In addition to required continuing disclosure, the City may post voluntary notices on EMMA to make bondholders and other interested parties aware of financial and operational events that are not required to be disclosed by the Rule. The CFO will determine when an event will be voluntarily disclosed on EMMA, and may consult with bond counsel, financial advisors, and City management to determine whether to post a voluntary notice.

ARBITRAGE REBATE

The City shall comply with all arbitrage rebate requirements as established by the Internal Revenue Service. The Finance Department shall establish a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of the federal tax code. This effort shall include tracking project expenditures financed with bond proceeds, tracking investment earnings on bond proceeds, calculating rebate payments in compliance with tax law, and remitting any rebate-able earnings to the federal government in a timely manner to preserve the tax-exempt status of the City's outstanding tax-exempt debt issues. The CFO, or designee, may enter into agreements with arbitrage service providers to assist in the City's compliance with arbitrage regulations.

POST ISSUANCE COMPLIANCE

The City shall comply with all applicable laws and regulations to ensure the tax-exempt status of its bonds is maintained. The Debt Management Section of the Finance Department shall maintain written procedures to document the processes used to ensure compliance with applicable laws and regulations; and shall specify the positions and individuals responsible for these processes.

DEBT MANAGEMENT STATEMENT

Management will continue to work on behalf of the City to borrow at the lowest possible rates. As debt markets continue to evolve and change, the items and descriptions above will not necessarily constitute every option that management may be presented when issuing debt. As new bond structures, bond designations, and types of bonds are created and come to market, management will evaluate the pros and cons of each, as well as their effectiveness, as it pertains to meeting the City's goals of maintaining high credit ratings, while assuming a prudent level of financial risk and preserving the City's flexibility to finance future capital programs and requirements.

Approved By: Signature on File
Kathryn E. Gregory
Chief Financial Officer

Dated: July 1, 2026

APPENDIX A
SWAP POLICY

City of Phoenix, Arizona
Interest Rate Swap Agreement Policy

INTEREST RATE SWAP AGREEMENT POLICY

This policy is promulgated by the City of Phoenix (the "City") to govern the use of Interest Rate Swap Agreements. "Interest Rate Swap Agreement" shall mean a written contract, entered into in connection with the issuance of debt by the City, in connection with City debt already outstanding or as a hedge for future anticipated debt, with a counterparty to provide for an exchange of payments based upon fixed and/or variable interest rates. "Swaps" shall be inclusive of Swaptions which are options on Swaps. The failure by the City to comply with any provision of this policy will not invalidate or impair any Interest Rate Swap Agreement.

The Conditions Under Which Interest Rate Swap Agreements May Be Entered

Purposes

Interest Rate Swap Agreements may be used for the following purposes only:

1. Achieve significant savings as compared to other, non-derivative type products available in the bond market; and/or
2. Enhance investment returns within prudent risk guidelines if authorized by the City's Investment Policy; and/or
3. Prudently hedge risk in the context of a particular financing or the overall asset/liability management of the City; and/or
4. Incur variable rate exposure within prudent guidelines; and/or
5. Achieve greater flexibility in meeting overall financial objectives than available in conventional markets; and/or
6. Accomplish a financial objective that is not otherwise obtainable using traditional financing methods (e.g., synthetic advance refundings of private activity bonds).

Legality

The City must receive an opinion acceptable to the market from a nationally recognized law firm that the Interest Rate Swap Agreement is a legal, valid and binding obligation of the City and the transaction is not prohibited by any applicable law.

Speculation

Interest Rate Swap Agreements shall not be used for speculative purposes. Associated risks will be prudent risks that are appropriate for the City to take.

Methods By Which Such Contracts Shall Be Solicited And Procured

In general, the City should procure Interest Rate Swap Agreements by competitive bidding, with at least three firms solicited. The City shall determine which parties it will allow to participate in a competitive transaction taking into consideration, among other factors, the credit ratings of the swap counterparties. The City may procure Interest Rate Swap Agreements by negotiated methods if determining that, due to the size or complexity of a particular swap, a negotiated transaction will result in the most favorable pricing and terms or that doing so will promote its interests by encouraging and rewarding innovation. The City has the right to accept matching of bids to decrease counterparty risk or reward firms for ideas and work performed. The City shall obtain an independent opinion from a Swap Advisor that the terms and conditions of the Interest Rate Swap Agreement reflect a fair market value of such agreement as of the date of its execution.

Form and Content of Interest Rate Swap Agreements

To the extent possible, the Interest Rate Swap Agreements entered into by the City shall contain the terms and conditions based on the standards generally accepted within the industry. The schedule should be modified to reflect specific legal requirements and business terms desired by the City.

The City shall consider including provisions that permit the City to assign its rights and obligations under the Interest Rate Swap Agreement and to optionally terminate the agreement at its market value at any time. In general, the counterparty shall not have the right to optionally terminate an agreement.

The Agreement shall include the following events of default of a counterparty:

1. Failure to make payments when due.
2. Material breach of representations and warranties.
3. Illegality.
4. Failure to comply with downgrade provisions.
5. Failure to comply with any other provisions of the agreement after a specified notice period.

The City will have the right to terminate the agreement upon an event of default by the counterparty. Upon such termination, the counterparty will be the "affected party" for purposes of calculating the termination payment owed.

Aspects of Risk Exposure Associated with Such Contracts

Before entering into an Interest Rate Swap Agreement, the City shall evaluate all the risks inherent in the transaction. These risks to be evaluated could include counterparty risk, termination risk, rollover risk, basis risk, tax-event risk, credit risk and amortization risk. The City shall endeavor to diversify its exposure to counterparties. To that end, before entering into a transaction, it should determine its exposure to the relevant counterparty or counterparties and determine how the proposed transaction would affect the exposure. The exposure should not be measured solely in terms of notional amount, but rather how changes in interest rates would affect the City's exposure "Value at Risk". The Value at Risk should be based on all outstanding derivative transactions by the City. Evaluation of risks will also include the following considerations:

1. Uncertainty with respect to the City's future debt obligations.
2. Effect on the City's credit quality.
3. Cumulative exposure to all risk factors identified.
4. Termination provisions of the swaps.

Counterparty Selection Criteria

The City may enter into an Interest Rate Swap Agreement if the counterparty or its guarantor has credit ratings of at least Aa3 from Moody's Investors Service and AA- from Standard & Poor's, and the counterparty has demonstrated experience in successfully executing Interest Rate Swap Agreements. The City may consider counterparties with lower ratings based on the term, size, and interest rate sensitivity of a particular transaction. If after entering into an agreement, the counterparty does not maintain the minimum ratings of Aa3/AA-, or as otherwise specified in the swap documents, then the agreement shall be subject to termination unless (a) the counterparty provides either a substitute guarantor or assigns the agreement, in either case, to a party meeting the rating criteria reasonably acceptable to the City, or (b) the counterparty (or guarantor) collateralizes the Interest Rate Swap Agreement in accordance with the criteria set forth in this Policy and the Interest Rate Swap Agreement. In addition, if after entering into an agreement, a rating of the counterparty is downgraded to Baa1/BBB+ or lower, or as otherwise specified in the swap documents, then the agreement shall be subject to termination unless the counterparty provides either a substitute guarantor or assigns the agreement, in either case, to a party meeting the rating criteria reasonably acceptable to the City.

Provisions for Collateralization

Should the rating of the counterparty, or if secured, the entity unconditionally guaranteeing its payment obligations not satisfy the requirements of having at least two ratings of at least Aa3/AA-, then the obligations of the counterparty shall be fully and continuously collateralized by (1) direct obligations of the United States of America, (2) obligations the principal and interest on which are guaranteed by the United States of America, or (3) direct obligations of US Agencies and such collateral shall be deposited with the City or an agent thereof. Collateral requirements shall be subject to reasonable threshold and minimum transfer amounts. The specific collateralization requirements for each interest rate swap transaction shall be set forth in the corresponding swap documentation.

Long - Term Implications

In evaluating a transaction involving the use of Interest Rate Swap Agreements, the City shall review long-term implications associated with entering into Interest Rate Swap Agreements, including cost of borrowing, historical interest rate trends, variable rate capacity, credit enhancement capacity, opportunities to refund related debt obligations and other similar considerations. The required minimum present value savings to the City of a swap transaction issued to refund outstanding debt shall be at least twice the minimum required for fixed rate refunding to compensate for the inherent risks associated with the use of interest rate swaps.

Methods to Be Used to Reflect Such Contracts in the City's Financial Statements

The City shall reflect the use of Interest Rate Swap Agreements on its financial statements in accordance with generally accepted accounting principles, including the Governmental Accounting Standards Board pronouncements and guidance. Further, the City will provide appropriate swap disclosures to credit rating agencies, to investors in connection with bond offerings, and the municipal secondary market. Appropriate disclosure includes information about legal authority, risks, guidelines, and market value.

Monitoring

The City may use an independent Swap Advisor to assist internal professional staff in monitoring its existing or proposed swaps if it is in the best interests of the City to do so.

The City shall monitor its use of Interest Rate Swap Agreements on a quarterly basis as follows:

1. Prepare a description of each contract, including a summary of its terms and conditions, the notional amount, rates, maturity and other provisions thereof.
2. Determine any amounts which were required to be paid and received, and that the amounts were paid and received.
3. Assess the counterparty risk, termination risk, and other risks associated therewith, which shall include the aggregate marked to market value for each counterparty and relative exposure compared to other counterparties and a calculation of the City’s Value at Risk for each counterparty.
4. Determine that each counterparty is in compliance with its rating requirements.
5. Determine that each counterparty is in compliance with the downgrade provisions, if applicable (See Counterparty Selection Criteria), and determine that all posted collateral, if required, has a net market value of at least the collateral requirements specified in the Interest Rate Swap Agreement.

APPENDIX B
POST ISSUANCE COMPLIANCE

POLICIES AND
PROCEDURES FOR TAX-EXEMPT BONDS

The City has issued and may in the future issue tax-exempt obligations (including, without limitation, bonds, notes, loans, leases and certificates, together "tax-exempt bonds") that are subject to certain requirements under the Internal Revenue Code of 1986, as amended (the "Code").

The City has established the policies and procedures contained herein (the "Procedures") updated on July 1 of each year and at any other time during the year when deemed appropriate, to ensure that the City complies with the requirements of the Code that are applicable to its tax-exempt bonds. These Procedures, along with requirements contained in the Tax Exemption Certificate (the "Tax Certificate"), other documents executed at the time of issuance of tax-exempt bonds, and the City's previously adopted Arbitrage Compliance Procedures and Spenddown Report Procedures are intended to constitute written procedures for ongoing compliance with the Federal tax requirements applicable to tax-exempt bonds and for timely identification and remediation of violations, if any, of such requirements.

A. GENERAL MATTERS.

1. Responsible Officer. The CFO will have overall responsibility for ensuring that the ongoing requirements described in these Procedures are met with respect to tax-exempt bonds (the "Responsible Officer").

2. Establishment of Procedures. The Procedures are included as a part of the City's Debt Management Policy.

3. Identify Additional Responsible Employees. The Responsible Officer, or designee, shall identify any additional employees who will be responsible for each section of the Procedures, notify the current holder of that office of the responsibilities, and provide that person with a copy of the Procedures. (For each section of the Procedures, this may be the Responsible Officer or another person who is assigned the particular responsibility.)

    a. Upon employee or Responsible Officer transitions, new personnel shall be advised of responsibilities under the Procedures and ensure they understand the importance of the Procedures.

    b. If employee or Responsible Officer positions are restructured or eliminated, responsibilities shall be reassigned as necessary to ensure that all Procedures have been appropriately assigned.

4. Training Required. The Responsible Officer and other responsible persons shall receive appropriate training that includes the review of contents of these Procedures, review of the requirements contained in the Code applicable to each tax-exempt bond, identification of all tax-exempt bonds that must be monitored, and familiarity with the procedures that must be taken in order to correct noncompliance with the requirements of the Code in a timely manner.

5. Periodic Review. The Responsible Officer or other responsible person shall periodically review compliance with the Procedures to determine whether any violations have occurred so that such violations can be timely remedied through the "remedial action" regulations (Treasury Regulation §1.141-12, §1.142-2, §1.144-2, §1.145-2 or §1.147-2, as applicable) or the Voluntary Closing Agreement Program described in Internal Revenue Service ("IRS") Notice 2008-31 (or successor guidance) and related sections of the Internal Revenue Manual. Such review shall consist initially of sending and reviewing the responses to an annual survey to the City departments on whose behalf tax-exempt bonds have been issued requesting (a) a listing of fixed assets so financed, (b) a description of any sales or other dispositions of fixed assets so financed and (c) identification of any management contracts, lease or other use agreements discussed in Section D.3 hereof or amendments with respect to such agreements with private entities entered into during the survey period (including, but not limited to agreements relating to solar energy or cellular phone towers) which have not been reviewed and approved by bond counsel as contemplated by Section D.3 hereof.

6. Change in Bond Terms. If changes to the terms of any bonds are contemplated, bond counsel shall be consulted. Such modifications could result in a reissuance, i.e., a deemed refunding, of the bonds which could jeopardize the status of tax-exempt bonds.

B. IRS INFORMATION RETURN FILING.

1. Filing of Applicable Form 8038. The Responsible Officer will confirm that bond counsel has filed the applicable information reports (such as Forms 8038 and 8038-G) with the IRS on a timely basis, and maintain copies of such reports, including evidence of timely filing as part of the transcript of the bond issue.

2. Filing of Forms 8038-T or 8038-R. The Responsible Officer shall file the IRS Form 8038-T relating to the payment of rebate or yield reduction payments in a timely manner. The Responsible Officer shall also monitor the extent to which the City is eligible to receive a refund of prior rebate payments and provide for the timely filing for such refunds using an IRS Form 8038-R.

C. USE OF PROCEEDS. The Responsible Officer or other responsible person shall:

1. Consistent Accounting Procedures. Maintain clear and consistent accounting procedures for tracking the investment and expenditures of bond proceeds, including investment earnings on bond proceeds.

2. Reimbursement Allocations at Closing. At or shortly after closing of a bond issue, ensure that any allocations for reimbursement expenditures comply with the Tax Certificate.

3. Timely Expenditure of Bond Proceeds. Monitor that sale proceeds and investment earnings on sale proceeds of tax-exempt bonds are spent in a timely fashion consistent with the requirements of the Tax Certificate.

4. Costs of Issuance. With respect to qualified private activity bonds, monitor that no more than 2% of the sale proceeds are used to pay costs of issuance.

5. Qualified Use of Proceeds of Qualified Private Activity Bonds. With respect to qualified bonds, including exempt facility bonds, monitor that sale proceeds and investment earnings on sale proceeds are allocated to qualifying expenditures permitted for each type of qualified bond in a timely fashion consistent with the requirements of the Tax Certificate. If an exempt facility or other applicable facility will not be completed, or the facility has been placed in service, and there are remaining unspent bond proceeds, immediately consult with bond counsel to determine whether bonds are required to be redeemed under Treasury Regulation §1.142-2. If exempt facility bonds are required to be redeemed or defeased in order to comply with the remedial action rules under Treasury Regulation §1.142-2, such redemption or defeasance must occur within 90 days of the date an action is taken that causes the bonds to not be used for the qualifying purpose for which the bonds were issued.

6. Requisitions. Utilize requisitions to draw down bond proceeds and ensure that each requisition contains (or has attached to it) detailed information in order to establish when and how bond proceeds were spent; review requisitions carefully before submission to ensure proper use of bond proceeds to minimize the need for reallocations.

7. Final Allocation. Ensure that a final allocation of bond proceeds (including investment earnings) to qualifying expenditures is made if bond proceeds are to be allocated to project expenditures on a basis other than "direct tracing" (direct tracing means treating the bond proceeds as spent as shown in the accounting records for bond draws and project expenditures). An allocation other than on the basis of "direct tracing" is often made to reduce the private business use of bond proceeds that would otherwise result from "direct tracing" of proceeds to project expenditures. *This allocation must be made within 18 months after the later of the date the expenditure was made or the date the project was placed in service, but not later than five years*

and 60 days after the date the bonds are issued (or 60 days after the bond issue is retired, if earlier). Bond counsel can assist with the final allocation of bond proceeds to project costs. Maintain a copy of the final allocation in the records for the tax-exempt bond.

8. Maintenance and Retention of Records Relating to Proceeds. Maintain careful records of all project and other costs (e.g., costs of issuance, credit enhancement and capitalized interest) and uses (e.g., deposits to a reserve fund) for which bond proceeds were spent or used. These records should be maintained separately for each issue of bonds for the period indicated under Section F below.

D. MONITORING PRIVATE BUSINESS USE. With respect to tax-exempt bonds that are subject to the private activity bond limitations provided in the Code (e.g., governmental bonds and qualified 501(c)(3) bonds), the Responsible Officer or other responsible person shall:

1. Identify Bond-Financed Facilities. Identify the voter authorization and/or City Council authorization that authorized each issue of bonds and the amounts and facilities financed.

2. Review of Contracts with Private Persons. Review all of the following contracts or arrangements with non-governmental persons or organizations or the federal government (collectively referred to as "private persons") with respect to the bond-financed facilities which could result in private business use of the facilities:

   a. Sales of bond-financed facilities;

   b. Leases of bond-financed facilities;

   c. Management or service contracts relating to bond-financed facilities;

   d. Research contracts under which a private person sponsors research in bond-financed facilities; and

   e. Any other contracts involving "special legal entitlements" (such as naming rights or exclusive provider arrangements) granted to a private person with respect to bond-financed facilities.

3. Bond Counsel Review of New Contracts or Amendments. With respect to tax-exempt bond financed facilities, prior to amending an existing agreement with a private person or entering into any new lease, management, service, or research agreement with a private person, consult legal counsel to review such amendment or agreement to determine whether it results in private business use.

4. Analyze Use. Analyze any private business use of bond-financed facilities and, for each issue of bonds, determine whether the 10% limit on private business use (5% in

the case of qualified 501(c)(3) bonds or "unrelated or disproportionate" private business use) is exceeded, and contact bond counsel or other tax advisors if either of these limits appears to be exceeded.

5. Remediation if Limits Exceeded. If it appears that private business use limits are exceeded, immediately consult with bond counsel to determine if a remedial action is required with respect to non-qualified bonds of the issue under Treasury Regulation §1.141-12, or if the IRS should be contacted under its Voluntary Closing Agreement Program. If tax-exempt bonds are required to be redeemed or defeased to comply with the remedial action rules under Treasury Regulation §1.141-12, such redemption or defeasance must occur within 90 days of the date a deliberate action is taken that results in a violation of the private business use limits.

6. Maintenance and Retention of Records Relating to Private Use. Retain copies of all the above contracts or arrangements (or, if no written contract exists, detailed records of the contracts or arrangements) with private persons for the period indicated under Section F below.

E. LOAN OF BOND PROCEEDS. Consult bond counsel if a loan of proceeds of tax-exempt bonds is contemplated. If taxable bonds are to be utilized, bond counsel should still be consulted with respect to State law issues. If proceeds of tax-exempt bonds are permitted under the Code to be loaned to other entities and are in fact so loaned, require that the entities receiving a loan of bond proceeds institute policies and procedures similar to the Procedures to ensure that the proceeds of the loan and the facilities financed with proceeds of the loan comply with the limitations provided in the Code. Require the recipients of such loans to annually report to the City ongoing compliance with the Procedures and the requirements of the Code.

F. RECORD RETENTION. The Responsible Officer or other responsible person shall ensure that for each issue of bonds, the transcript and all records and documents described in these Procedures will be maintained while any of the bonds are outstanding and during the three-year period following the final maturity or redemption of that bond issue, or if the bonds are refunded (or re-refunded), while any of the refunding bonds are outstanding and during the three-year period following the final maturity or redemption of the refunding bonds.

APPENDIX C
ARRA COMPLIANCE PROCEDURES

1. PURPOSE - The purpose of the ARRA Compliance Procedures is to ensure compliance with requirements related to participation in the local government debt components of the American Recovery and Reinvestment Act (ARRA). The City issued Build America Bonds (BABs) as part of its capital funding program, with the 2009A General Obligation bonds and the 2010B Airport Revenue bonds (Recovery Zone Economic Development Bonds). The procedures shall be reviewed at least annually and updated as necessary and appropriate to comply with governing laws and regulations. As of January 1, 2011, the BABs may no longer be issued.

2. RATIONALE FOR POLICY — Compliance with ARRA financing programs requires additional/different processes and procedures. The Internal Revenue Code places certain requirements on issuers related to the original issuance of ARRA related obligations. These requirements, along with the ongoing debt policy of the City, are to conform to industry's best practices.

3. PERSONNEL – The Finance Department shall identify City personnel who will be responsible for each of the procedures listed herein.

a. Upon a change in personnel, new personnel shall be appointed and advised of the responsibilities under these procedures to ensure uninterrupted oversight.

4. SCOPE – To ensure compliance with all ARRA requirements, the City shall perform the following procedures related to bonds issued pursuant to ARRA (i) prior to issuance of obligations, (ii) as part of the financing and (iii) post issuance.

a. Pre-Issuance Procedures - Prior to the issuance of obligations using financing programs created under ARRA, the City shall evaluate the cost effectiveness of the programs and ensure compliance with its long-term strategic initiatives. The City, working with its bond counsel, senior underwriter and municipal advisor, will review financing plans to ensure optimal use of the ARRA programs.

The review shall include:

i. Comparison of interest rates, net of the federal subsidy;
ii. Impact on costs of issuance;
iii. Comparison of maturity structures;
iv. Credit rating implications;
v. Ongoing fees;
vi. Future compliance; and
vii. Future risks.

b. Issuance Procedures -

i. Compliance with § 54AA(d)(2)(C) of the Internal Revenue Code - On the sale date of obligations, the senior underwriter shall prepare final financing schedules including:

debt service amortization, sources and uses of funds, arbitrage yield calculations, and pricing (yields/discounts/premiums). Bond counsel and the municipal advisor shall review the schedules for compliance. The senior underwriter shall certify that the premiums shown in the schedules are within the de minimis limit. The premium on each maturity of the bonds cannot exceed 0.25% multiplied by the number of complete years to the earlier of final maturity of the bonds or, in general, the earliest optional call date of the bond. Certification will be based on issue price as represented by the senior underwriter.

ii. For fixed rate BAB financings, prior to initial closing, the City, in consultation with the senior underwriter, bond counsel and municipal advisor will prepare schedules showing:

1. Periodic interest payments; and
2. Periodic refundable credit.

iii. Compliance With Federal Tax Requirements - Bond counsel shall prepare as part of the closing documents instructions related to compliance with federal tax requirements including:

1. Calculation of Available Project Proceeds, including estimated earnings on Available Project Proceeds;
2. Timely expenditure of bond proceeds, including earnings on Available Project Proceeds;
3. Expenditure of 100% of Available Project Proceeds, including estimated earnings, on capital expenditures;
4. Calculation of arbitrage yield;
5. Expenditure of no more than 2% of sale proceeds on costs of issuance;
6. Restrictions on private use of project; and
7. Responsibility for submitting 8038-CP and receipt of funds.

iv. Secondary Market Activity Procedures –

1. The City shall take all reasonable and practical steps to ensure that the initial issue price is accurately represented by the underwriters, through the use of an experienced municipal advisor.
2. Except in the case of privately placed obligations whose trading is limited in nature, the City will take all reasonable actions to enable the obligations to be available through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System (EMMA) (http://www.emma.msrb.org).

3. The City shall, when deemed in its best interest, monitor secondary market activity of its obligations. However, the City is not a secondary market participant and cannot monitor trading on an ongoing basis.

4. The City may, and to the extent required under applicable Treasury Regulations or guidance releases from the Internal Revenue Service, shall require underwriters to provide certifications regarding market activity at closing.

5. While the City cannot interfere with secondary market trading of its obligations between the sale date and closing date, and has no regulatory authority over secondary market participants, the City will engage its municipal advisor or other independent third party to monitor secondary market trading activity between the sale date and closing date to determine whether the market pricing of the bonds appears consistent with the issue price reported by the senior underwriter as of the sale date.

v. Post Issuance - The City shall perform certain tasks related to compliance following the issuance of BABs.

1. Rebate Consultant - The City shall engage a rebate consultant with experience preparing calculations for compliance with tax regulations;

- The rebate consultant shall prepare reports no less frequent than annually to ensure compliance with tax laws and regulations;
- The City will monitor rebate consultant activities and will provide all information required for accurate and timely completion of reports;
- The City will retain the records and reports prepared by the rebate consultant to support the status of the bonds as qualified obligations for the life of the bonds plus 3 years;
- The City will obtain electronic records whenever possible. The City will maintain paper and/or electronic records with respect to the obligations for the life of the bonds plus 3 years; and
- The City will monitor use of the project to ensure timely identification and correction of violations of federal tax requirements.

2. Conduct periodic reviews of compliance with these procedures and with the terms of Tax Certificates to determine whether any violations have occurred so that such violations can be remedied through the "remedial action" regulations or the Voluntary Closing Agreement Program described in IRS Notice 2008-31.

3. If any changes to the terms of the bonds are contemplated, consult bond counsel.

5. IRS FILING – The City shall ensure that all IRS Forms are filed in a timely manner with respect to each bond issue, including all required filing material.

a. Ensure that Bond Counsel files Form 8038-B at the time of issuance. Have Bond Counsel request a date-stamped copy of the filed form from the IRS and maintain it as part of the transcript for the bond issue.

b. Debt Management personnel shall file IRS Form 8038-CP up to 45 days, but not more than 90 days, prior to each interest payment date to request credit payment from the federal government.

    i. All payments of refundable credit shall be deposited to the appropriate City account when received.

6. PROCEEDS – There shall be clearly established accounting procedures for tracking the use of bond proceeds and the investment of bond proceeds.

a. The tracking of expenditures shall be performed by the Finance Department's Financial and Reporting (FAR) Division. FAR has established and will maintain accounting procedures related to the tracking of expenditures funded with bond proceeds.

b. Investment of bond proceeds shall be performed by the Finance Department's Investment and Cash Management Section in collaboration with the Debt Management Section.

c. At or shortly following the issuance of bonds, allocate proceeds of the bond issue to the reimbursement of prior expenditures, as appropriate.

d. Ensure that a final allocation of bond proceeds (including investment proceeds) to qualifying expenditures is made if bond proceeds are to be allocated to project expenditures on a basis other than "direct tracing" (direct tracing means treating the bond proceeds as spent as shown in the accounting records for bond draws and project expenditures). An allocation other than on the basis of "direct tracing" is often made to reduce the Private Business Use (see Section 7) of bond proceeds that would otherwise result from "direct tracing" of bond proceeds to project expenditures. This allocation must be made within 18 months after the later of the date the expenditure was made, or the date the project was placed in service, but not later than five years and 60 days after the issuance date of the bonds or 60 days after the bond issue is retired.

    Bond Counsel may assist with the final allocation of bond proceeds to project costs.

e. Maintain records of all facilities and other costs (e.g., issuance costs, credit enhancement and capitalized interest) and uses (e.g., deposit to reserve fund) for which bond proceeds were spent or used. These records shall be maintained separately for each issue of bonds.

f. Ensure that no more than 2% of the sale proceeds of a bond issue are used to pay issuance costs.

g. Ensure that 100% of all sale proceeds and investment proceeds, other than sale proceeds used to pay issuance costs (up to the 2% limit described above) or deposited in a reasonably required reserve fund, are allocated to capital expenditures.

7. PRIVATE ACTIVITY –

a. Before entering into any management, service, or research agreements, engage Bond Counsel to review such agreements to determine whether they result in private business use.

b. Analyze any private business use of bond-financed facilities and, for each issue of bonds, determine whether the 10% limit on private business use (5% in the case of "unrelated or disproportionate" private business use) is exceeded. Contact Bond Counsel if either of these limits is exceeded.

c. Maintain copies of all the following contracts or arrangements (or, if no written contract exists, maintain detailed records of the following contracts of arrangements) with non-governmental persons or organizations or the federal government (collectively referred to as "Private Persons"):

1. Sale(s) of bond-financed facilities;
2. Lease(s) of bond-financed facilities;
3. Management or service contracts relating to bond-financed facilities;
4. Research contracts under which a Private Person sponsors research in bond-financed facilities; and
5. Any other contracts involving "special legal entitlements" (such as naming rights or exclusive provider arrangements) granted to a Private Person with respect to bond-financed facilities. Each of the foregoing contracts or arrangements may result in private business use of the bond-financed facilities.

8. USE OF FINANCE PROFESSIONALS –

a. When prudent to do so, the City shall employ bond counsel, investment bankers, rebate consultants and other consultants that have experience with municipal finance and compliance with federal tax requirements. The decision to use any consultant shall be determined by the CFO, or designee.

b. The City shall retain such consultants on an ongoing basis. However, the firms providing such service may be replaced by the City if such replacement is deemed to be in the best interest of the City as determined by the CFO or designee.

9. AMENDMENTS AND SUPPLEMENTS –

These procedures may be amended and/or supplemented from time to time upon the written approval of the CFO of the City, as deemed necessary or desirable to ensure compliance by the City with the special requirements of ARRA.

10. RETENTION –

For each bond issue, the City shall maintain all records and documents described in these procedures while any of the bonds of the issue are outstanding and during the three-year period following the final maturity or redemption of the bond issue or, if later, while any bonds that refund (or re-refund) bonds of that original issue are outstanding and for the three year period following the final maturity or redemption date of the latest refunding bond issue.