

City of Santa Fe, New Mexico
Debt Management Policy
July 17, 2017

I. GENERAL PROVISIONS

- A. Purpose of Debt Management Policy.** This Debt Management Policy (the “Policy”) provides a general framework under which the City plans for and manages the use of debt financing. This Policy should be considered within the broader scope of the City’s Comprehensive Financial Policies and other City rules and regulations. In addition to adhering to this Policy, all City financings will be conducted and maintained in compliance with applicable Federal law, New Mexico Statutes, City Code and other regulatory requirements.
- B. Capital Financing Proposals.** Department Directors shall be responsible for ensuring that any capital financing proposal involving the sale of securities, execution of loans or capital leases, or making of guarantees or agreements, or directly or indirectly pledging or lending of the City's credit shall be referred to the Finance Director. The Finance Director shall be responsible for analyzing the proposal, responding to the proposal, and recommending the action to be taken.
- C. Debt Planning and Administration.** The Finance Director shall be responsible for administering the City’s debt programs, including monitoring ongoing compliance with this Policy. It shall be the responsibility of the Finance Director to coordinate the timing, process, and sale of City debt required in support of the City’s Capital Improvement Plan (“CIP”). The Finance Director shall make recommendations to the Governing Body as necessary in order to accomplish City financing objectives. Departments (defined for purposes of this Policy as any City department, agency, project or program that utilizes debt financing) are responsible for coordinating with the Finance Director in connection with any planned or active debt financing to ensure compliance with this Policy.
- D. Investor Communication.** The Finance Director shall be the City’s centralized point of contact for questions from current or prospective bondholders, bond rating agencies and credit analysts regarding City bond issues, bond disclosure and this Policy.
- E. Periodic Review of Debt Management Policy.** At least annually, the Finance Director shall perform a thorough review of this Policy and recommend updates for Governing Body approval, if appropriate. This Policy may be updated at any time, subject to Governing Body approval.
- F. Comprehensive Capital Planning and Financing Approach.** The City shall utilize an integrated approach to capital planning and financing and shall prepare a five-year CIP for Governing Body consideration and adoption. Individual departments and agencies shall develop five-year capital plans. Coordination and integration of these individual capital plans into the CIP shall reside with the City Budget Office. The CIP shall be for the coming five fiscal years and shall be updated annually as part of the City budget process. The CIP shall contain a comprehensive description of the sources of funds, including current revenue requirements; identify the timing of project expenditures and their impact on future operating and capital budgets; and evaluate the impact of the projects on the amount and timing of bonds to be issued, debt service requirements, outstanding debt, debt burden and debt capacity. In developing the CIP, the City Budget Office shall coordinate with the Finance Director to determine whether the planned financings conform with policy

targets related to (1) the principal amount, interest cost and composition of the City's indebtedness, and (2) the fiscal resources of the City to support such indebtedness during the five-year CIP horizon and through the final maturity of the proposed debt. Affordability impacts of the CIP shall be evaluated in consultation with the various departments.

- G. Debt Authorization for Capital Projects.** The City will authorize use of long-term debt only to fund capital projects and related capital expenditures; long-term debt shall not be authorized to fund short-term operational obligations. No City debt should be issued to fund any capital project unless that capital project has been included in the CIP and authorized by Governing Body. Inclusion in the CIP may occur as part of an action related to budget approval or budget amendment. Such approval should occur only after Governing Body has received a report of the impact of the contemplated borrowing on the CIP and/or budget and recommendations from the Finance Director and the City Budget Office regarding the capacity of existing or new revenues to support the anticipated debt service requirements of the borrowing.
- H. Pay-As-You-Go Funding of Capital Outlays.** When feasible, the City shall make contributions from current resources or from outside funding sources (such as state or federal grants) to each capital project or program. In particular, the City will examine paying for planning and design services with available cash or short term debt instruments.
- I. Maintenance, Replacement and Renewal.** The City will set aside sufficient current revenues to finance ongoing maintenance needs and to provide reserves for periodic renewal and replacement.
- J. Investment of Tax-Exempt Bond Proceeds.** The Finance Director shall be responsible for investing unspent tax-exempt or tax-advantaged bond proceeds in accordance with the legal requirements described in the tax compliance documentation incorporated in each tax-exempt or tax-advantaged bond or loan transaction, and with the City's Investment Policy.

II. LIMITATIONS ON CITY INDEBTEDNESS

A. Limitations on General Obligation Indebtedness.

1. The City shall, as a matter of policy and in compliance with New Mexico statute, limit General Obligation debt outstanding at any time, to not exceed four percent (4%) of assessed value.
2. General Obligation Bonds should not exceed \$1,000 Per Capita.

B. Limitations on GRT Tax Revenue Indebtedness. The City shall, as a matter of policy, manage its finances so that the amount of GRT tax revenue supported indebtedness outstanding at any time shall:

1. Senior Lien:
 - Annual debt service will not exceed 1 times coverage by the combined ½ percent Municipal GRT revenue and 1/16 percent Pledged Infrastructure GRT Revenue.
 - Issuance of Senior Lien GRT debt will conform to the following established legal provisions:
 - No additional Parity Obligations will be issued unless the Pledged Revenues received for the Historic Test Period have been sufficient to pay an amount representing at least 2 times the combined maximum annual Debt Service Requirements coming due in any subsequent Fiscal Year, on the then outstanding Parity Obligations and the Parity Obligations proposed to be issued. The

Historic Test Period is defined as any consecutive 12 month period in the last 18 months immediately preceding the adoption date of a bond ordinance.

- The ½ percent Municipal GRT Revenues and the Pledged Infrastructure GRT Revenue, together with the other GRT revenues received by the City, whether from distribution by the State or pursuant to GRT imposed by the City (other than the State-shared GRT revenues) pledged to the Parity Obligations and the Parity Obligations proposed to be issued, for the Historic Test Period will be sufficient to pay an amount representing 1 times the combined maximum annual Debt Service Requirements coming due in any subsequent Fiscal Year on the then outstanding Parity Obligations and the Parity Obligations proposed to be issued.
- No additional Parity Obligations will be issued unless Pledged Revenues for the Historic Test Period will have been sufficient to pay an amount representing 1.5 times the combined maximum annual Debt Service Requirements coming due in any subsequent Fiscal Year on the then outstanding Parity Obligations and Subordinate Obligations and the Parity Obligations proposed to be issued.
- In making the computations described above, other GRT revenues, including without limitation, the Environmental Services GRT revenues, received by the City, whether from distribution by the State or pursuant to GRT imposed by the City (other than State-shared GRT revenues) pledged to the Parity Obligations, Subordinate Obligations, and the Parity Obligations proposed to be issued, may be included only to the extent such GRT revenues are pledged to a particular series of such outstanding Obligations or proposed Parity Obligations and only to the extent of the maximum annual Debt Service Requirements on such outstanding Obligations or proposed Parity Obligations.

2. Subordinate Lien:

- Issuance of Subordinate Lien GRT debt will conform to the following established legal provisions:
 - Senior and Subordinate Lien debt service shall not exceed 2 times coverage of all Pledged Revenues.
 - No additional Parity Obligations will be issued unless Pledged Revenues received for the Historic Test Period have been sufficient to pay an amount representing at least 2 times of the combined maximum annual Debt Service Requirement coming due in any subsequent Fiscal Year on the 2013B Bonds, on the then outstanding Superior Tax obligations and Parity Obligations, and the additional Parity Obligations proposed to be issued. Historic Test Period is defined as any consecutive 12 month period in the last 18 months immediately preceding the adoption date of a bond ordinance.
 - In making the computations described above, other gross receipts tax revenues, including without limitation, the Environmental Services GRT revenues, received by the City, whether from distribution by the State or pursuant to GRT imposed by the City (other than State-Shared GRT revenues) pledged to the Parity Obligations, Subordinate Obligations, and the Parity Obligations proposed to be issued, may be included only to the extent such GRT revenues are pledged to a particular series of such outstanding Obligations or proposed Parity Obligations and only to the extent of the maximum annual Debt Service Requirements on such outstanding Obligations or proposed Parity Obligations.

- C. Limitations on Enterprise Revenue-Secured Debt Obligations.** The City may finance a portion of the capital needs of its revenue producing enterprises and activities through the issuance of revenue-secured debt obligations. Prior to issuing revenue-secured debt obligations, Departments, in consultation with the Finance Director, will develop financial plans and projections showing the feasibility of the planned financing, required rates and charges needed to support the planned financing, and the impact of the planned financing on ratepayers, property owners, departments, or other affected parties. The amount of revenue-secured debt obligations issued by a department will be limited by the feasibility of the overall financing plan including consideration of debt service coverage, revenue volatility, fund balances, debt reserves and future capital needs as determined by the Finance Director.

Revenue-secured debt obligations must first be reviewed and approved by the Finance Director in consultation with the involved departments before being presented to the Governing Body for approval. The City will strive to maintain at least 1.5 to 2 times coverage of debt service on enterprise revenue bonds.

- D. Limitations on Capital Leases for Equipment and Furnishings.** In Chapter 3, Article 31 NMSA, the term “bond” means any obligation of a municipality issued under Chapter 3, Article 31 NMSA, includes bond, note, warrant, debenture, lease-purchase agreement or other instrument evidencing an obligation of a municipality to make payments. Therefore, all leases shall meet the same criteria and comply with Revenue Secured debt or enterprise debt metrics.
- E. Other Pledged Revenues** Nothing this policy shall be construed as prohibiting the City’s issuance of bonds or other debt obligations secured by a pledge of other revenues, as permitted by law, including the City’s home-rule powers.

III. **STRUCTURE AND TERM OF CITY INDEBTEDNESS**

- A. Debt Repayment.** Generally, borrowings by the City should be of a duration that does not exceed the expected economic life of the improvement that it finances and where feasible should be shorter than the expected economic life of the assets being financed. The City shall strive to repay the principal amount of its long-term general obligation debt on an issue-by-issue basis as follows: at least 20 percent in five years and 40 percent in ten years. Revenue bonds should strive for the same repayment period, but may also consider the underlying security, overall capital program needs, debt service coverage and other structuring considerations.
- B. Optional Redemption.** City debt issues with final maturities of 10 years or more should include provisions for optional redemption prior to maturity absent special circumstances in which it does not appear to be cost-effective and in the City’s best interests to do so. Determination of redemption features shall be made by the Finance Director in consultation with the City’s Financial Advisor and Bond Counsel.
- C. Use of Capitalized Interest.** The City shall use capitalized interest debt structures subject to review and approval of the Finance Director, when a specific repayment cash flow intended to be used by the City is not available to make initial debt service payments, and the project is deemed by Governing Body to be of sufficient importance to pay the additional interest cost resulting from the use of capitalized interest.
- D. Issuance of Variable-Rate Securities.** When appropriate, the City may choose to issue securities that pay a rate of interest that varies according to a pre-determined formula or results from a periodic remarketing of the securities. The decision to issue variable rate securities shall be reviewed and approved by the Finance Director before Governing Body is requested to approve issuance of such securities. Prior to issuing variable rate debt,

Departments shall, in conjunction with the Finance Director, develop a plan to address interest rate risk associated with these instruments.

- E. Issuance of Subordinate Lien Obligations.** Creation of a subordinate lien shall be based on the overall financing needs of a particular Department, expected credit ratings, relative cost of a subordinate lien structure, and impacts on the City as determined by the Finance Director, in consultation with the involved Department. Expectations regarding subordination shall be presented to the Governing Body for consideration prior to or at the time such bonds are being authorized.
- F. Issuance of Tax-Advantaged Debt.** The City may choose to issue taxable bonds that are eligible to receive a direct interest subsidy or that facilitate a tax credit from the federal government. The decision to issue such debt shall be based upon an analysis indicating that the post-subsidy interest cost would be lower than the interest cost of a comparable tax-exempt borrowing. The decision shall also take into account any additional risks or administrative costs associated with issuing such bonds, including the anticipated costs of periodic reporting and semi-annual or annual application for the subsidy. Tax-advantaged debt shall be subject to the same policies and conditions as tax-exempt debt, unless otherwise legally allowable, and subject to approval by the Finance Director.
- G. Issuance of Federally Taxable Debt.** The City may issue debt that is not eligible for any federal tax exemption or other benefit for projects that do not meet federal requirements for tax-exempt or tax-advantaged debt. Decisions to issue federally taxable debt will be made by the Finance Director after appropriate due diligence regarding project qualifications, financing costs, and other considerations of this Policy. The City may also issue federally taxable debt for reasons of maintaining financing flexibility or cost efficiency if it is determined by the Finance Director to be in the City's best interest to do so.

IV. SHORT-TERM DEBT AND INTERIM FINANCING

In addition to the debt instruments outlined herein section IV, the City will analyze available cash balances to fund planning and design phases of capital projects. The use of such fund balances, whether as an internal loan or otherwise, must conform to the City code and ordinance as well as the State statutes which govern the legal purpose of the revenue stream.

- A. Lines and Letters of Credit.** Where their use is determined by the Finance Director and to be prudent and advantageous to the City, authorized by New Mexico Statute, and confirmed by Bond Counsel not to create a general obligation, Governing Body may authorize the Finance Director to enter into agreements with commercial banks or other financial entities for purposes of acquiring lines or letters of credit that shall provide the City with access to credit under terms and conditions as specified in such agreements. Before entering into any such agreements, takeout financing or intended amortization for such lines or letters of credit must be planned for and determined to be feasible by the Finance Director. Lines or letters of credit will be procured in conformance with Section VIII.C. Lines and letters of credit entered into by the City shall be in support of projects contained in the approved CIP as described in Section I.F.
- B. Bond Anticipation Notes.** Where their use is determined by the Finance Director to be prudent and advantageous to the City, where authorized by New Mexico State Statute, and subject to authorization and approval by Governing Body, the City may choose to issue Bond Anticipation Notes (BANs) as a source of interim construction financing. Before issuing such notes, takeout financing for such notes must be planned for and determined to be feasible by the Finance Director. BANs may be sold in either a competitive or negotiated sale, or through private placement.

- C. **Tax and Revenue Anticipation Notes.** Where their use is determined by the Finance Director to be prudent and advantageous to the City, where authorized by New Mexico State Statute, and subject to authorization and approval by Governing Body, the City may choose to issue Tax and Revenue Anticipation Notes (TANs, RANs) to fund internal working capital cash flow needs. Before issuing such notes, cash flow projections will be prepared by the appropriate Departments and determined to be feasible by the Finance Director. TANs and RANs may be sold in either a competitive or negotiated sale, or through private placement.
- D. **Reimbursement Resolutions.** The City may, as determined by the Finance Director, in compliance with Internal Revenue Code and U.S. Treasury regulations, New Mexico Statute, and the Governing Body, advance internal funds prior to issuance of General Obligation Bonds, GRT Revenue Bonds, Enterprise Revenue Bonds or New Mexico Finance Authority loans, in support of projects contained in the approved CIP as described in Section I.F. for authorized projects. Reimbursement resolutions should be adopted within 60 days of the capital expenditures that will be reimbursed with bond or loan proceeds and the reimbursement bonds must be issued within 18 months of the expenditure.

V. **SPECIAL SITUATION DEBT ISSUANCE**

- A. **Debt Instruments.** There are a number of debt issuance options the City may employ depending on the economic opportunity, the entity in which is seeking the opportunity and the goals and objective of the City. Public Improvement Districts (PIDs), Business Improvement Districts (BIDs), Special Assessment Districts (SADs), Tax Increment for Development Districts (TIDs) or Industrial Revenue Bonds (IRBs) are available financing instruments to the City. These debt instruments may or may not be used in conjunction with other New Mexico statutes such as Enterprise Zones (Article 9) or Metropolitan Redevelopment (Article 60A).
- B. **Governing Policies.** The City's Comprehensive Economic Development policy, CIP Plan and Public Works Development Plan shall govern the use and timing of issuance of said debt instruments in conjunction with the Governing Body.
- C. **Commitment to Self-Supporting Economic Development Financings.** The City's economic development indebtedness shall be self-supporting. Prior to the issuance of any economic development bonds, the Finance Director shall review projected cash flows which incorporate scheduled payments, and projections of prepayments, delinquencies, and non-payments to ensure that the proposed bonds meet the City's self-supporting requirement and provide as specified level of coverage or margin for debt service. Unless it is specifically provided by the City, no economic development indebtedness shall have a direct or implied support of City credit. Economic development financing shall have no direct or indirect negative impact on the debt or financing capabilities of the City.
- D. **Exception to Limits on Debt Structure.** Economic development financing shall be structured in a manner aligned with the structure and provisions of the dedicated taxes or revenues that provide repayment revenues for the financing, with the exception of IRBs.
- E. **IRB Debt Financing.** The City may sponsor conduit financings for those activities that have a general public purpose and are consistent with the City's overall service and policy objectives as determined by the Governing Body. All Conduit financings must insulate the City completely from any direct credit risk or exposure and must first be approved by the Finance Director before being submitted to the Governing Body for authorization. The City will consider possible property tax abatement, in keeping with New Mexico State Statute and Federal Tax Law. The following criteria will be used to evaluate the possible issuance and

structuring of IRBs and associated property tax abatements:

- Unless waived by the City, the minimum amount financed per bond shall be \$5 million dollars.
- The maximum maturity for IRBs is 30 years.
- For all IRBs issued, the City requires the issuer to remit, for the complete duration of the bond, a yearly payment in lieu of taxes (P.I.L.O.T) equal to the total value of real and personal property taxes that would otherwise have been levied on behalf of and paid to the Santa Fe Public School District for the tax period in question. The IRB issuer will have an appraisal of the real and personal property done once every four years.
- Applicants for IRBs shall pay to the City a one-time, application, processing and issuance fee totaling one-tenth of one percent (.001) of the amount financed. For issuance greater than \$100 Million, the fee would be negotiated. One-third of the fee shall constitute the application fee and shall be non-refundable.
- The Applicant shall be responsible for paying all bond sale costs associated with the financing.
- The Applicant shall be responsible for funding any debt reserve requirement, if applicable.
- The Applicant shall be responsible for complying with all arbitrage rebate requirements associated with the bonds and shall, prior to closing of the bonds, enter into a contract for rebate services with a firm recognized as having expertise in performing arbitrage rebate calculations for tax-exempt or tax-advantaged bonds.

VII. SELECTION OF FINANCE CONSULTANTS AND SERVICE PROVIDERS

The City's Finance Director shall be responsible for establishing a solicitation and selection process for securing professional services that are required to develop and implement the City's debt program.

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. The solicitation and selection process for such services will comply with City Code requirements for such services, including procurement requirements for Professional, Technical, and Expert Services, if appropriate.

- Bond Counsel.** As part of its responsibility to oversee and coordinate the marketing of all City indebtedness, the City Attorney, upon consultation with the Finance Director, shall make recommendations to the Governing Body regarding the selection of one or more Bond Counsel firms to be engaged and the duration of the engagement. Bond Counsel may be selected for an individual financing, for a series of financings or for a specified period of time. The Governing Body shall make such selection, taking into consideration these recommendations.
- Underwriters.** The Finance Director shall, in consultation with the City's financial advisor, solicit proposals for underwriting services for all long-term debt issued in a negotiated or private placement sale. The solicitation process shall include formation of a review committee selected by the Finance Director to evaluate written proposals and, if deemed necessary, conduct oral interviews. The selection of underwriters may be for an individual or series of financings or for a specified period of time. The Finance Director shall make such selections taking into consideration the recommendations of the review committee.

- C. **Commercial Banks.** The Finance Director may solicit proposals from commercial banks to provide lines of credit, letters of credit, direct loans and direct bank placements as needed. Selection of such providers will be based upon the proposed financial terms deemed most advantageous to the City, including, but not limited to, lowest cost.
- D. **Financial Advisor.** The Finance Director shall make recommendations to the Governing Body regarding the selection of financial advisors to be engaged and the duration of such engagement. The time period for engagement may relate to an individual or a series of financings, or for a specified period of time. The Governing Body shall make such selections taking into consideration the recommendations of the RFP review committee. Any firm acting as financial advisor to the City regarding debt issuance must be a registered Municipal Advisor (as defined by the Municipal Securities Rulemaking Board) and must remain in compliance with all securities regulations.
- E. **Other Service Providers.** The Finance Director shall periodically solicit for providers of other services necessary to carry out the debt issuance activities of the City (paying agents, escrow agents, verification agents, feasibility consultants, rebate consultants, trustees, etc.). The Finance Director in recommending such additional service providers to the Governing Body shall evaluate the cost and perceived quality of service of the proposed service provider.

VIII. METHOD OF SALE

- A. **Presumption of Competitive Sale.** The City, as a matter of policy, shall issue its long-term debt obligations through a competitive sale unless the Finance Director determines that such a sale method is unlikely to produce the best results or is otherwise not in the best interests of the City. In such instances, the City may enter into negotiation with an underwriter (or syndicate of underwriters) for sale of the securities.
- B. **Negotiated Sale.** When determined appropriate by the Finance Director, the City may elect to sell its debt obligations through a negotiated sale. Such determination may be made on an issue by issue basis, for a series of issues, or for part or all of a specific financing program. Selection of the underwriting team shall be made pursuant to selection procedures set forth in this Policy, consistent with City Code, and as may be adjusted by the Finance Director, in consultation with the City's Financial Advisor. It is the City's policy that negotiated sale underwriters receive fair and reasonable compensation for actual expenses incurred as part of the bond transaction, but underwriters will not be compensated for travel or similar out-of-pocket expenses unless such travel is specifically requested or approved by the City.
- C. **Private Placement.** When determined appropriate by the Finance Director, the City may elect to sell its debt obligations through a direct bank loan, private placement or limited public offering. Selection of a placement agent shall be made pursuant to selection procedures developed by the Finance Director, consistent with Section VIII.C of this Policy and with City Code, as applicable.

IX. REFUNDING OF CITY INDEBTEDNESS

- A. **Monitoring of Refunding Opportunities.** The Finance Director shall be responsible for monitoring the interest rates and optional redemption provisions of the City's outstanding debt in order to identify potential current or advance refunding opportunities.
- B. **Debt Service Savings-Advance Refundings.** The City may issue advance refunding bonds (as defined for federal tax law purposes) when advantageous, legally permissible and prudent, and when net present value savings equals or exceeds 3 percent.

- C. **Debt Service Savings-Current Refundings.** The City may issue current refunding bonds (as defined for federal tax law purposes) when advantageous, legally permissible and prudent, and when net present value savings equal or exceed 3 percent.
- D. **Restructuring of Debt.** The City may choose to refund outstanding indebtedness when existing bond covenants or other financial structures impair prudent and sound financial management. Savings requirements for current or advance refunding's undertaken to restructure debt may be waived by the Finance Director upon a finding that such a restructuring is in the City's overall best financial interests.
- E. **Open Market Purchase of City Securities.** The City may choose to defease its outstanding indebtedness through purchases of its securities on the open market when market conditions make such an option financially feasible. The Finance Director shall be responsible for developing procedures in consultation with Bond Counsel and the Financial Advisor for executing open market purchases and the savings objectives to be achieved by undertaking such actions.

X. USE OF CREDIT ENHANCEMENT

The City may use credit enhancement (letters of credit, bond insurance, surety bonds, etc.) when such credit enhancement proves cost-effective or is otherwise beneficial to a financing transaction. Selection of credit enhancement providers shall be subject to a competitive bid process developed by the Finance Director. Credit enhancement may be used to improve or establish a credit rating on a City debt obligation even if such credit enhancement is not cost effective if, in the opinion of the Finance Director, the use of such credit enhancement otherwise facilitates the City's debt financing goals and objectives.

XI. CREDIT RATINGS

- A. **Rating Agency Relationships.** The Finance Director shall be responsible for maintaining relationships with the rating agencies that currently assign ratings to the City's various debt obligations. This effort shall include providing periodic updates on the City's general financial condition along with coordinating meetings and presentations in conjunction with a new debt issuance.
- B. **Use of Rating Agencies.** The Finance Director shall be responsible for determining whether or not a rating shall be requested on a particular financing, and which of the major rating agencies shall be asked to provide such a rating.
- C. **Minimum Long-Term Rating Requirements.** The city will strive to maintain its GO, Senior Lien GRT, Senior Lien water revenue bond ratings at "AA" or higher. Subordinate lien GRT ratings should be maintained at no more than two notches below the Senior lien GRT ratings. For other enterprise or separately secured revenue debt, the City will strive to maintain ratings in the "A" category. If a debt obligation cannot meet this requirement based on its underlying credit strength, then private placement with New Mexico Finance Authority "NMFA" will be considered, or credit enhancement shall be sought to ensure that the minimum rating is achieved. If credit enhancement is unavailable or is determined by the Finance Director to be disadvantageous to the City, then the obligations may be issued without a rating, however, bonds that are not rated shall be sold via a private sale only to NMFA or "accredited investors", unless such requirement is waived by the Finance Director.

XII. REBATE COMPLIANCE AND OTHER POST-ISSUANCE RESPONSIBILITIES

The Finance Director shall establish and maintain a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of the federal tax code. The procedures

shall include: tracking investment earnings on bond proceeds, calculating rebate payments in compliance with tax law, and remitting any rebatable earnings to the federal government in a timely manner in order to preserve the tax-exempt status of the City's outstanding tax-exempt or tax-advantaged debt issues. The City's Post-Issuance Tax Compliance Procedures currently in effect are incorporated by reference in this Policy, as those Procedures may be amended from time to time.

It shall be the primary responsibility of the Finance Department to ensure that appropriate accounting records of bond expenditures are maintained for a period of time that allows the City to comply with its arbitrage rebate requirements. The Finance Director shall advise the Finance Department on appropriate record-retention timeframes based upon current legal requirements and industry best practices. The Departments for which the Debt was issued, is responsible to promptly notify the Finance Director of any concerns surrounding the appropriate use of tax-exempt and tax-advantaged bond proceeds or facilities financed with tax-exempt or tax-advantaged bonds. In particular, it is the responsibility of the debt-issuing Department to notify the Finance Director of any planned or potential sale of or change in use of assets financed with tax-exempt or tax-advantaged bonds, so long as the bonds are currently outstanding.

Additionally, general financial reporting and certification requirements embodied in bond covenants shall be monitored by the Finance Department and the Finance Director to ensure compliance with all covenants. Debt-issuing Departments will be responsible for providing relevant data and information to the Finance Director to assure ongoing compliance.

XIII. DISCLOSURE

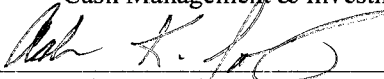
- A. Primary Market Disclosure.** The Finance Director shall be responsible for establishing a process for the review, approval and publication of official primary market disclosure information, including review by Bond Counsel, Municipal Advisor or other Professionals retained by the City. Such process shall be periodically reviewed to ensure that the City is complying with legal requirements and following accepted best practices with respect to primary market disclosure.
- B. Continuing Disclosure.** The Finance Director shall be responsible for preparing and providing required continuing disclosure information to the Electronic Municipal Market Access ("EMMA") or any such successor organization designed to assist issuers in maintaining compliance with disclosure standards promulgated by state and national regulatory bodies. The Finance Director shall be responsible for establishing and maintaining a process to guide continuing disclosure actions and responsibilities. Additionally, the Finance Director may determine that it is in the City's best interest to prepare and provide information beyond the minimum continuing disclosure requirements, and may prepare and provide such information from time-to-time. The City's Continuing Disclosure Compliance Procedures currently in effect are incorporated by reference in this Policy, as those Procedures may be amended from time to time.

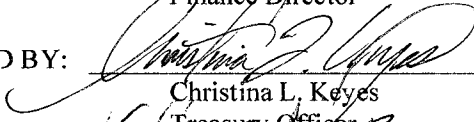
XIV. DERIVATIVE PRODUCTS

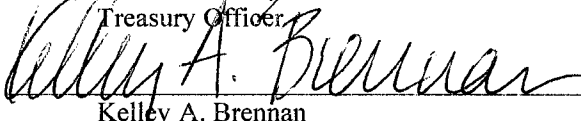
The Finance Director may, in consultation with the City's financial advisor and appropriate swap advisor, recommend to the Governing Body that it is in the City's financial interest to enter into contracts and financing agreements involving interest rate swaps or other forms of debt bearing synthetically determined interest rates as authorized under New Mexico statutes.

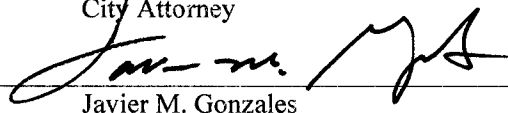
REVIEW AND APPROVALS:

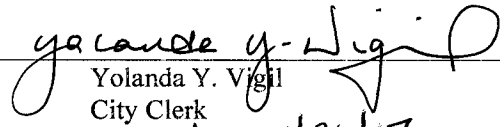
PREPARED BY:  7-17-17
Bradley J. Fluetsch, CFA
Cash Management & Investment Officer
Date

REVIEWED BY:  7-17-17
Adam K. Johnson
Finance Director
Date

REVIEWED BY:  07.17.17
Christina L. Keyes
Treasury Officer
Date

REVIEWED BY: 
Kelley A. Brennan
City Attorney
Date

APPROVED BY:  8/2/17
Javier M. Gonzales
Mayor
Date

ATTEST:  8-3-17
Yolanda Y. Vigil
City Clerk
cc mtg. 7/26/17
Date