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APPROVED

Date: February 17, 2022

MARIN CLEAN ENERGY

Policy 017 - Debt Management Policy

1. Background

The formation of Marin Clean Energy ("MCE" or the "Agency"), formerly Marin Energy Authority, was made possible by the passage, in 2002, of California Assembly Bill 117, enabling communities to purchase power on behalf of their residents and businesses, and creating competition in power generation.

MCE was established under the Joint Exercise of Powers Act, Chapter 5 of Division 7 of Title 1 of the California Government Code, commencing with Section 6500 (the "Act"); and a Joint Powers Agreement (the "Agreement"), executed on December 19, 2008; which established MCE as a Joint Powers Authority ("JPA") to study, promote, develop, conduct, operate, and manage energy and energy-related climate change programs. Accordingly, participants in the JPA elected to implement a Community Choice Aggregation Program known as Marin Clean Energy. MCE was established to provide electric power and related benefits within MCE's service area, including developing a wide range of renewable energy sources and energy efficiency programs. MCE is responsible for the acquisition of electric power for its service area. Governed by an appointed Board of Directors, MCE has the rights and powers to set rates and charges for electricity and services it furnishes, incur indebtedness, and issue bonds or other obligations.

2. Purpose and Goals

The financial strength of MCE is one of the necessary pillars of the Agency if it is to deliver on its mission to address climate change by providing competitively priced renewable and GHG-free energy to its customers. MCE's policies and procedures will be designed to strengthen its financial position to allow the Agency to achieve its environmental goals.

The MCE Board of Directors adopts budgets and establishes and adjusts rates, as appropriate, each fiscal year to provide sufficient revenues to pay all operating expenses and to make required payments and comply with commitments on all other debts or financial obligations of the Agency. MCE and the Board of Directors are committed to long-term financial planning, maintaining appropriate reserve levels, and employing prudent practices in governance, management, and budget administration. To meet its goals, MCE will utilize financial policies that foster financial stability, support fiscal discipline, and enable MCE to maintain strong investment-grade credit ratings.

The purpose of this Debt Management Policy ("Policy") is to establish guidelines for the issuance and management of debt issued by MCE. This Policy confirms the commitment of the MCE Board, management, staff, advisors and other decision makers to adhere to sound financial management practices, including full and timely repayment of all borrowings, allowing continuing ready access to the capital markets to achieve the most effective cost of capital within prudent risk parameters. The goals and objectives of this Debt Management Policy are as follows:

- Maintain cost-effective access to capital markets
- Maintain a prudent level of financial risk
- Preserve future financial flexibility
- Finance capital projects, acquisitions, or improvements in a timely and cost-effective

manner

- Manage debt effectively within MCE Board objectives and parameters
- Maintain strong credit ratings and good investor relations
- Maintain compliance with all relevant laws, reporting, and disclosure requirements
- Foster integrity in the debt management process

Further, this Policy is intended to comply with the regulatory requirements of California Government Code Section 8855 and Senate Bill 1029 which, among many things, requires debt issuers to adopt a local debt policy governing the issuance of debt and to enhance the management of government financial resources.

3. Scope and Authority

This Policy shall govern the issuance and management of all bonds and other forms of indebtedness of MCE, together with any credit, liquidity, or other security instruments and agreements that may be executed in connection with the issuance of bonds and other forms of indebtedness ("bonds" or "debt"). It also considers certain financial targets which MCE and its Board may contemplate in the future in order to continue to implement its capital investment program and to support cost effective borrowing.

While this Policy specifically governs debt issued directly by MCE, MCE may consider joint arrangements with other municipal issuers or private parties to finance a project when it serves MCE's policy objectives. MCE is authorized to join together with other municipal agencies to create a separate entity, such as a joint powers authority, to issue debt on behalf of MCE or the project participants. Typically, joint venture debt is repaid through revenues generated by the project, and MCE will be liable only for its share of debt service, as specified in a contract executed in connection with the joint venture debt. If the potential for a joint venture does exist, MCE will examine and negotiate the financial arrangements, obligations, liabilities, tax issues and other factors that may arise in the context of impacts on MCE and its direct debt obligations using this Policy and financial best practices as guidance. MCE will comply with state law limitations and in general, avoid joint procurement situations if MCE lends it credit or enhances the credit of another entity, unless doing so will result in other net tangible benefits to MCE. Further, as with all MCE debt, any joint venture debt would be subject to evaluation and authorization of the Board.

While adherence to this Policy is generally required, it is recognized that changes in the capital markets, MCE programs and other unforeseen circumstances may from time to time produce situations that are not covered by the Policy and will require modifications or exceptions to best achieve policy goals. In these cases, management flexibility is appropriate, provided specific authorization from the MCE Board is obtained.

This Policy shall be reviewed at least annually as described below and presented to the MCE Board for approval of any changes as appropriate. This Policy will remain in effect as amended or restated in the future by the Board.

Notwithstanding anything in this Policy to the contrary, the failure of MCE to comply with any provisions of this Policy shall not affect the authorization, validity or enforceability of any debt or other forms of indebtedness that are otherwise issued in accordance with law.

4. Use of Debt

To achieve its objectives, MCE may consider debt financing for the construction, acquisition, rehabilitation, replacement, or expansion of physical assets, including real and personal property, equipment, furnishings, and improvements. Debt may also be issued for other Board-approved needs or for the refunding of prior outstanding debt.

For example, MCE may consider the use of debt to finance ownership interest in generating or storage assets if it is determined to be a cost-effective alternative to a standard power purchase agreement or if asset ownership may afford synergies between MCE's other objectives (e.g. resiliency, GHG free energy etc.) or additional measurable advantages in terms of operational efficiency.

MCE, under the direction of the Board, will retain full flexibility in determining the best funding approach on a case-by-case basis.

5. Types of Debt

Types of bond issuance, further described in the Appendix, include:

- **New Money:** Debt may be incurred to provide for capital financing for future capital expenditures or reimbursement of prior expenditures.
- **Refunding**: Refunding bonds may be issued to realize debt service savings, restructure outstanding debt, modify covenants, or for other debt management purposes. Absent significant non-economic factors, refunding transactions contemplated solely for debt service savings must produce a minimum aggregate net present value debt service savings of at least 3% of the par value of the refunded bonds, calculated using the refunding issue's true interest cost (TIC) as the discount rate. MCE will work with its Municipal Advisor (MA) to assess potential refunding opportunities.

Bonds may be issued as taxable or federally tax-exempt:

- **Tax-Exempt**: Interest received by bondholders of MCE's bonds issued on a federally tax-exempt basis is exempt from federal income tax, and so typically may be issued at lower interest rates, reducing MCE's cost of borrowing. Additional interest rate advantages may be available for bank qualified bonds (where MCE will issue less than $10 million of tax-exempt bonds in a year). However, MCE is limited by federal tax law in the uses of tax-exempt bond proceeds and must comply with additional federal tax law requirements during the full term of any bond issue. Uses of proceeds typically require a governmental purpose and must be spent on capital improvements rather than operating expenses. Tax implications include having reasonable expectations for spending proceeds at the time of issuance, limiting private use of financed projects, and complying with arbitrage restrictions on the bond proceeds.
- **Taxable**: Taxable debt's interest is not exempt from federal income tax, and so is typically issued at higher interest rates than tax-exempt debt. However, the IRS restrictions described above do not apply, and so MCE may wish to use taxable debt in situations where the project or purpose of borrowing may not meet federal tax law requirements. MCE may also consider taxable tax credit or direct subsidy bonds, such as Clean Renewable Energy Bonds, Qualified Energy Conservation Bonds, etc., that offer lower costs of borrowing to MCE through the issuance of taxable debt that is supported by federal subsidy payments on the interest expense to MCE.

6. Method of Sale

MCE may choose to issue bonds using either a competitive or negotiated sale process. MCE may also sell bonds by means of a private placement or direct sale with a financial institution or other accredited investor when this method is expected to result in cost savings or provide other advantages compared to a traditional public offering. MCE staff will work with its Municipal Advisor to determine the most appropriate method of sale for each issuance. Please see the Appendix for a detailed description of the different methods of sale that MCE may consider.

7. Structure and Term

The repayment schedule of a bond issue can vary greatly from one sale to another. The same is true for other debt instruments. MCE will consider which structures meet MCE's strategic goals, are cost effective, minimize the new debt's impact on MCE's overall debt service schedule, future debt capacity, and other factors when deciding how to structure new debt. In addition to debt amortization terms, structuring options may include the addition and procurement of credit enhancement, the establishment of reserves, the use of capitalized interest, and call or redemption options.

In structuring debt service, MCE shall consider (1) current and forecasted revenues and any anticipated changes to rates, charges and operating expenses, (2) future borrowing plans, (3) meeting the Credit Considerations described in Section 8, and (4) feedback from the Municipal Advisor and rating agencies on a structure's potential impacts to MCE's credit worthiness. Generally, but not a requirement under this Policy, MCE prefers level debt service over time. MCE, consistent with tax law, will not structure debt with a maturity date that materially exceeds the average useful life of the assets or improvements being financed.

8. Credit Considerations

When MCE issues debt, the Agency will have to execute certain bond documentation and agreements (herein generally referred to as 'indentures') that will bind MCE to specific terms or requirements. Generally speaking, MCE will agree to abide by certain covenants written in the indenture which describes in detail the obligations and responsibilities of MCE and the rights of the bondholders which are designed to protect bondholders by setting standards by which MCE agrees to comply. These types of covenants may require MCE to meet certain requirements or, conversely, may forbid MCE from undertaking certain activities that would jeopardize MCE's ability to repay its debt. An indenture defines MCE's contractual obligations and determines the parameters of MCE's permissible financial behavior.

The incorporation of effective bond covenants into MCE's future bond issues and respective documentation signal a commitment to abide by stated financial and operating parameters over the long-term and contribute towards MCE's ability to maintain strong financial health. Credit ratings are ultimately statements about the likelihood of full and timely debt repayment. Because bond covenants govern an issuer's ongoing financial behavior, the analysis of bond/indenture covenants and their impact on the risk profile of a bond is an integral part of the credit rating process.

Credit ratings are fundamentally forward-looking opinions on the relative default risk associated with a particular issuer and its debt obligations. Credit ratings have a significant impact on the interest rates for MCE debt, and therefore MCE will work to address the cost and benefits of obtaining and maintaining strong credit ratings. Depending on the lien structure of the debt, some, or all, of the following factors may be included in its bond documentation in order to obtain and maintain strong credit ratings that would broaden the appeal of and lower the cost of debt issued by MCE.

- **Debt Service Coverage Ratio:** The ability of an agency to pay debt service (i.e. principal and interest on debt obligations) when due is often measured by how much cash flow is available, after payment of operating expenses, to cover debt service payments (Debt Service Coverage Ratio). Debt Service Coverage Ratio is a common financial metric used in the utility industry and is used by the rating agencies and investors to determine the ability of a utility to fulfill its debt obligations and ensure that the utility generates sufficient revenues to make its debt secure. MCE's future indentures will likely require cash flow in excess of debt service, or a Debt Service Coverage Ratio greater than 1.0x. Many public agencies target a Debt Service Coverage Ratio in its financial and debt policies higher than the minimum required by its indenture to improve debt ratings and lower their costs of borrowing. Should MCE establish a minimum Debt Service Coverage Ratio in its future indentures, the Board may consider establishing a target ratio in this Policy that is higher than the legal minimum. Note, that a failure by MCE to meet a target ratio proposed in this Policy will not result in a default under the indenture so long as the minimum Debt Service Coverage Ratio is achieved.
- **Rate Covenant:** A rate covenant is a promise to set rates or fees at levels that are set to

recover sufficient revenues at a designated threshold level to cover operating expenses and debt service payments. This designated threshold level is the same as the Debt Service Coverage Ratio discussed previously. MCE may develop one or more rate covenants in order to measure and govern operating performance. As noted, future indentures may establish minimum levels of coverage and MCE's Board-adopted financial policies may establish internal goals that exceed these minimum coverage requirements.

- **Additional Bonds Test:** If MCE were to issue bonds or other debt obligations, the indentures governing those obligations may have covenants that stipulate whether MCE may sell additional bonds in the future that share that same pledged revenue stream as security. MCE may develop conditions or standards in its indentures that describe the parameters whereby MCE could issue additional bonds (referred to as an "additional bonds test"). This test is intended to ensure that future bond issuance does not reduce bondholder security by placing too high a burden on the revenue stream. The additional bonds test may require that MCE demonstrate that it has sufficient revenues to meet or exceed the designated Debt Service Coverage Ratio before additional bonds can be issued.
- **Reserves:** MCE may maintain reserves including those in compliance with GASB 62 such as the adopted Operating Reserve Fund to act as a rate stabilization fund that can help mitigate the impacts of revenue variability. Depending on whether or not MCE incorporates a rate stabilization fund reserve into its indentures, this reserve may be used to help meet Debt Service Coverage Ratio requirements during times of revenue shortfalls. This fund can be a valuable tool to manage and mitigate the risk related to any Debt Service Coverage Ratio requirements included in future indentures and to address revenue and rate volatility. There are other reserves that the Board may consider adopting in the future that, for example, may be utilized for paying debt service, for funding specific capital projects, or for emergency purposes etc.

  Additional Ratio Targets: In the future the Board will continue to monitor this Policy and will establish enhancements to further strengthen the financial ratios and targets of MCE. For example, while not a ratio included in Indenture covenants, another ratio that can help measure MCE's financial health and position is the ratio of debt-funded capital to overall capital spending (i.e., debt to pay-go spending). Prudent use of debt financing rather than pay-go funding of capital projects can facilitate better allocation of resources over time and ensure payment equity across generations for the use of long-term assets.

Financing Team and Professional Services

MCE will assemble a financing team that will provide advice and support for the development and implementation of debt issuance as well as ongoing analysis and support. The financing team will include both MCE staff and outside professional consultants. When required by MCE's solicitation policy, MCE will use a competitive process through a Request for Proposal (RFP) in the retention of professional consultants. Otherwise, MCE will adhere to its best practices in contracting to procure such vendors. The professional consultants selected by MCE could be engaged to help develop a credit strategy, issue debt and/or assist MCE with its compliance with applicable federal and state statutes, and Internal Revenue Code at the time of issuance as well as on a continuing basis. Please see the Appendix for a detailed description of the outside professional consultants MCE may include on its financing team.

9. Debt Administration

The CEO or designee shall make recommendations on budget, stabilization transfers and rate adjustments. The Director of Finance shall be responsible for the administration and implementation of this Policy and will have day-to-day responsibility for structuring, implementing and managing MCE's debt program.

10. Internal Control Procedures

When issuing debt, in addition to complying with the terms of this Policy, MCE shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds. Please see the Appendix for a detailed description of MCE's internal control procedures.

11. Post-Issuance Administration

MCE will comply with requirements pertaining to initial bond disclosure, continuing disclosure, tax-exemption, post-issuance compliance, and investment of bond proceeds. This includes any continuing disclosure undertakings under Securities and Exchange Commission (SEC) Rule 15c2-12; tax covenants and related federal tax compliance requirements such as arbitrage restrictions and rebate requirements; and all California State reporting requirements. Please see the Appendix for a detailed description of MCE's Post-Issuance Compliance Policy and additional information on MCE's post-compliance procedures.

12. Training

The Director of Finance shall provide training the members of MCE staff involved in the tax compliance and the initial or continuing disclosure process in coordination with the CEO, and the Board of Directors regarding their respective responsibilities for disclosure and tax compliance.

The Director of Finance, or designee, shall arrange for periodic disclosure and tax training sessions conducted by MCE's disclosure counsel or other professionals (e.g., seminars) which shall include education regarding disclosure policies, MCE's disclosure obligations under applicable federal and state securities and tax laws, and the tax compliance and disclosure responsibilities of MCE.

13. Policy Review

In coordination with the CEO, the Director of Finance, or designee, will be responsible for regularly reviewing and updating this Policy, and shall present any recommended revisions to the Board for consideration and adoption.

APPENDIX

Permitted Types of Debt

MCE may legally issue both short-term and long-term debt, through either a direct loan or through the public market, using the debt instruments described below. MCE in consultation with its internal Counsel, Bond Counsel and Municipal Advisors, shall determine the most appropriate instrument for a proposed debt offering.

MCE may issue the following types of tax-exempt or taxable Debt:

- **Long-Term Debt:** Long-term debt generally includes debt issued to finance capital expenditures with the objective of structuring repayment within the expected life of the financed asset. Debt may be used as a tool for rate stabilization as repayment of the debt is spread over the useful life of the financed project. Long-term bonds may bear interest at fixed or variable rates or structured with level debt service payments or otherwise with term maturities. Long-term revenue bonds are a type of debt that may be entered into by MCE and which may be secured by a lien on the revenues of MCE. MCE may also enter into long-term loans with state or federal agencies. These loans typically have fixed interest rates. Government loan programs may offer favorable interest rates and terms, and should be considered as alternatives to market rate debt when available. The use of long-term debt will be evaluated with pay-as-you-go capital investment and would not be expected (absent extraordinary circumstances) to fund non-capital operational expenditures or operating deficits.
- **Short-Term Debt:** Short-term debt generally has a maturity of less than 7 years and may take several forms, including notes, commercial paper, direct bank loans and other short-term products with either fixed or variable rates. Short-term debt products are flexible cash management tools that are primarily used to meet interim funding (pending the issuance of long-term debt). When approving short-term debt products, the Board may limit MCE's percentage of short-term debt when compared to its long-term debt portfolio taking into account future market access, term-out provisions and retail rate stability.
- **Variable-Rate Debt:** In addition to interim financing, which includes commercial paper and similar short-term borrowing programs, it may be appropriate to issue long-term variable rate debt that bears an interest rate that is reset periodically at predetermined intervals, including entering into revolving credit facilities, to diversify the debt portfolio, to reduce interest costs, and to improve the match of variable rate assets (such as short-term investments and reserves) to liabilities. The amount of variable rate debt will generally not exceed a net 20% after consideration of investments and cash equivalents of the outstanding debt portfolio of MCE.
- **Refunding Debt**: Refunding bonds may be issued to refinance existing bonds to achieve debt service savings, restructure the type of debt outstanding, modify MCE's covenants to bondholders, restructure future debt service payments, take advantage of market opportunities, or to reduce exposure to certain counterparties. MCE will work with its Municipal Advisor (MA) to assess potential savings and determine whether refunding bond issuance is warranted. If refunding bonds are being contemplated solely for debt service savings, the refunding should generally result in a reduction in average annual debt service or provide an overall savings target (net of all costs) set by the Board at the time it approves the financing. This savings target may be adjusted depending on the remaining term of the debt or under circumstances where the number of refunding options is then limited by federal tax law.

MCE may consider the following types of fixed or variable rate debt:

- Revenue Bonds secured by general revenues or project revenues
- Commercial Paper or other Interim Funding Notes
- Capital Leases
- Certificates of Participation/Lease Revenue Bonds

- Installment Sale or Purchase Agreements Revenue Bonds
- Bond or Grant Anticipation Notes
- Tax and Revenue Anticipation Notes
- State and Federal Loans and Grants
- Direct Bank Loans or Lines of Credit

This list is not meant to be inclusive of all options that may be available to MCE as different circumstances may dictate. MCE may from time to time find that other types of debt would be beneficial to further its purposes and may approve such debt without an amendment to this Policy.

Method of Sale

MCE may choose to issue bonds using either a competitive or negotiated sale process. MCE may also sell bonds by means of a private placement or direct sale with a financial institution or other accredited investor when this method is demonstrated to result in cost savings or provide other advantages relative to a traditional public offering. MCE staff will work with its Municipal Advisor to determine the most appropriate method of sale for each issuance.

- **Competitive Sale:** MCE may elect to sell bonds in the public market on a competitive basis depending on market conditions, required size of issuance and relative complexity of structure. The Bonds are marketed to a wide audience of investment banking (underwriting) firms. The underwriter is selected based on its bid for the securities. MCE will award the sale of the competitively sold bonds on the basis of the lowest true interest cost basis. Pursuant to this policy, The Director of Finance, or designee, is authorized to sign the bid form on behalf of the MCE fixing the interest rates on bonds sold on a competitive basis.
- **Negotiated Sale:** MCE may elect to sell bonds in the public market on a negotiated basis depending on market conditions, required size of issuance and relative complexity of structure. MCE staff selects the underwriter, or team of underwriters, of its securities in advance of the bond sale on the basis of responses to a proposal review. With the assistance of the MA, MCE staff works with the underwriter to bring the issue to market and negotiates all rates and terms of the sale. In advance of the sale, MCE staff will determine compensation for and liability of each underwriter employed and the designation rules and priority of orders under which the sale itself will be conducted. Pursuant to this policy, the Director of Finance or designee will be authorized to sign the bond purchase agreement on behalf of MCE, fixing the interest rates on bonds sold on a negotiated basis.
- **Private placement:** MCE may elect to issue debt on a private placement basis. Such method shall be considered if it is demonstrated to result in cost savings or provide other advantages relative to other methods of debt issuance, or if it is determined that access to the public market is unavailable and/or timing considerations require that a financing be completed more quickly than required for a competitive or negotiated sale.

Financing Team and Professional Services

MCE will assemble a financing team that will provide advice and support for the best execution of each debt transaction. The financing team may consist of multiple parties with distinct responsibilities and is generally comprised of both MCE staff and outside professional consultants. These outside professional consultants may include:

- **Municipal Advisors:** MCE shall utilize the services of independent municipal advisors (MAs) in connection with debt-related issuances or projects. MCE's MA will not serve as an underwriter on negotiated bond sales of MCE.

- **Underwriters:** MCE will utilize an underwriter in the sale of bonds on a competitive or negotiated basis. An underwriter is a financial services firm that acquires (by purchase) bonds for resale in the public bond markets. For a negotiated sale, MCE will select an underwriter through a request for proposal process; basing the selection on value for MCE including capital structure, underwriting capabilities, demonstrated expertise and experience as well as proposed fees. MCE may also select an underwriting firm to act as placement agent in connection with a private placement of bonds. In a competitive sale, bonds are offered for sale at a designated date and time, and multiple underwriters may submit bids. The bonds are awarded to the underwriter (or group of underwriters) that submit the lowest bid.
- **Disclosure Counsel:** MCE will endeavor to provide complete and appropriate disclosure of financial and legal condition in the issuance of debt. MCE will also take steps and adopt policies in order to provide for compliance with continuing disclosure requirements. Disclosure counsel, which may be Bond Counsel, shall be responsible for assisting MCE in the preparation of the Preliminary and Final Official Statements and any other disclosure documents. MCE will select, through a request for proposal process, and retain qualified and experienced counsel in achieving this objective of appropriate disclosure.
- **Bond Counsel:** MCE will retain qualified and experienced legal counsel as representation of MCE to provide the customary opinions required for the issuance of bonds and other financial obligations. Bond counsel shall be responsible for developing the legal documents required for each transaction and draft and review documentation sufficient to provide approving legal opinions. Bond counsel will render customary approving legal and tax opinions for each transaction.
- **Trustee:** MCE may select through a request for proposal process the services of a financial institution, acting through its trust division, to act as trustee. The trustee may hold, invest and disburse financing proceeds as directed by MCE. The trustee will act as registrar as well as the paying agent for MCE debt. The Director of Finance or designee shall monitor the services rendered by the trustee.

Internal Control Procedures

All debt transactions must be approved by the Board of Directors. The proceeds of bond sales will be invested until used for the intended project(s) in order to maximize utilization of the public funds. The investments will be made consistent with the following guidelines: (1) compliance with federal tax arbitrage requirements, as applicable, (2) safety of principal, (3) liquidity, (4) diversity and (5) return on investment or yield, and may be held as cash. MCE's Investment Policy guidelines and bond indentures will govern objectives and criteria for investment of bond proceeds. The Director of Finance or Treasurer will oversee the investment of bond proceeds consistent with the foregoing guidelines.

Proceeds of debt will be held either by a third-party trustee or by MCE. The trustee will disburse bond proceeds to MCE upon submission of one or more written requisitions signed by an authorized MCE officer. If the funds are held directly by MCE, they must be held and accounted for in a separate fund or account, the expenditure of which will be documented by MCE and subject to established internal controls consistent with MCE's applicable policies and procedures. These procedures will include, in connection with each requisition or expenditure of proceeds held by MCE, a written record of the particular capital project or program or other expense to which the funds drawn were applied or allocated.

For bond proceeds that are meant to reimburse MCE for previous expenditures, MCE staff will provide documentation that conform to tax requirements and other applicable regulations. To support this certification, staff will analyze capital expenditures and establish that requirements are met before the bond issuance takes place and maintain a written record of such analysis and the amount reimbursed to each particular capital project or program or other expense to which such reimbursed proceeds are to be allocated.

For bond proceeds intended to provide funding for ongoing or upcoming capital expenditures, MCE staff will monitor the expenditure process. Staff will analyze the use of proceeds on an annual basis or more frequently, if deemed appropriate, until the proceeds are completely spent and will perform monitoring and record-keeping in accordance with MCE's accounting guidelines and other applicable regulatory requirements.

Refunding bond proceeds are generally held by a third-party trustee or fiscal agent to be applied in connection with written directions generally prepared by bond counsel. MCE will maintain records of the directions to the trustee, and will review of fund statements and other records received from, the trustee.

Post-Issuance Administration

MCE will comply with requirements pertaining to initial bond disclosure, continuing disclosure, tax-exemption, post-issuance compliance, and investment of bond proceeds. This includes any continuing disclosure undertakings under Securities and Exchange Commission (SEC) Rule 15c2-12; tax covenants and related federal tax compliance requirements such as arbitrage restrictions and rebate requirements; and all California State reporting requirements.

- **Post-Issuance Compliance Policy**: MCE will adopt a Post-Issuance Compliance Policy ("PICP") to provide for ongoing monitoring and reporting with respect to compliance with SEC requirements for publicly offered indebtedness and with tax regulations applicable to tax-exempt debt. The PICP will provide for the federal disclosure requirements, responsibility for reporting, training, and describe procedures for compliance with continuing disclosure agreements entered into for each such series of bonds from the date they are issued until the bonds are no longer outstanding. The PICP may be administratively adopted and amended without approval of the Board.
- **Financial Disclosure:** MCE will comply with applicable deliverable obligations and financial disclosure requirements, as specified in any and all bond and debt-related documents. Staff has developed and will maintain an updated schedule of the requirements in compliance with MCE's internal record-keeping processes. MCE will post required documents to the Municipal Securities Rulemaking Board (MSRB)'s Electronic Municipal Market Access (EMMA) website as required on a timely basis. MCE, at its discretion, may also post documents voluntarily to EMMA. MCE will provide financial disclosure to rating agencies, institutional and individual investors, other levels of government, and the general public to share clear, comprehensible, financial information using the appropriate channels/policies/procedures. The Director of Finance is responsible for monitoring the compliance by MCE of applicable disclosure requirements. MCE also may contract with an outside service provider to monitor disclosure postings.
- **Tax Compliance:** MCE will comply with applicable federal arbitrage and rebate regulations related to its bonds and other debt instruments. These responsibilities include monitoring the investment and expenditure of bond proceeds, maintaining a system of record-keeping and reporting and contracting for the services of outside arbitrage consultants as necessary. MCE will establish and implement post-issuance procedures to guide its compliance with these requirements. The Director of Finance is responsible for monitoring the compliance by MCE of applicable tax requirements for debt issued on a tax-exempt basis.
- **Record Keeping:** A copy of all debt-related records shall be retained at MCE's offices or otherwise electronically. At a minimum, these records shall include all official statements, bid documents, bond documents/transcripts, indentures, resolutions, trustee statements, leases, and title reports for each financing (to the extent available). The following documents shall be maintained for the term of each issue of bonds (including refunding bonds) plus at least three years:
    - A copy of the bond closing transcript(s) and other relevant documentation delivered to MCE at or in connection with closing of the issue of bonds;

- A copy of material documents relating to capital expenditures financed or refinanced by bond proceeds, including (without limitation) construction contracts, purchase orders, invoices, trustee requisitions and payment records, draw requests for bond proceeds and evidence as to the amount and date for each draw down of bond proceeds, as well as documents relating to costs paid or reimbursed with bond proceeds and records identifying the assets or portion of assets that are financed or refinanced with bond proceeds, including a final allocation of bond proceeds;
- A copy of all contracts and arrangements involving the use of bond-financed or refinanced assets; and
- A copy of all records of investments, investment agreements, arbitrage reports and underlying documents, including trustee statements, in connection with any investment agreements, and copies of all bidding documents, if any.