



Peninsula Metropolitan Park District

PO Box 425 – Gig Harbor, WA 98335
253-858-3400 – info@penmetparks.org
www.penmetparks.org

SPECIAL STUDY SESSION AGENDA

September 14, 2021, 5:00 PM

Community Recreation Center (CRC) 2416 14th Ave NW, Gig Harbor, WA 98335

Call to Order

Commissioner Roll Call:

	Present	Excused	Comment
Amanda Babich, President			
Kurt Grimmer, Clerk			
Maryellen (Missy) Hill			
Steve Nixon			
Laurel Kingsbury			

ITEM 1 **Approval of Agenda**

ITEM 2 **Board Discussion**

- 2a. [P40-101: Comprehensive Financial Management Policy](#)
- 2b. [P40-103 Bond Procedure and Post Compliance Policy - Federal Securities Law \(Pacifica\)](#)
- 2c. [P40-104 Bond Procedure and Post Compliance Policy - Federal Tax Law \(Pacifica\)](#)

ITEM 3 **Adjournment**

AGENDA POLICY

No comments or discussion will be allowed on consent items.

Citizen Comments: Citizens are afforded an opportunity at each regular and special meeting of the Board of Park Commissioners to offer their comments to the Board. Citizens are limited to a three (3) minute time limit and may only speak once during the Citizen Comment period at each meeting. Comments will be included as part of the official record of the meeting.

Individuals wishing to submit materials or written testimony to the Board at the meeting must provide ten (10) copies at least 15 minutes prior to the start of the meeting.



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DISTRICT COMMISSION MEMO

To: District Commission

From: Ally Bujacich, Executive Director

Date: September 14, 2021

Subject: **Amended and Proposed New Financial Policies**

Background/Analysis

The Board of Park Commissioners passed Resolution R2021-016 on July 20, 2021, which adopted the June 19, 2021 Board Retreat outcomes, including a policy review priority schedule. The schedule identifies reviewing existing Policy P40-101, Comprehensive Financial Management Policy, as well as reviewing proposed new policies P40-103, Bond Procedure and Post Compliance Policy – Federal Securities Law and P40-104, Bond Procedure and Post Compliance Policy – Federal Tax Law as high priorities.

The attached draft amended Policy P40-101, Comprehensive Financial Management Policy, includes two recommended revisions, which have been reviewed by DA Davidson:

- Section 4 – Financial Planning and Reserve Policies: add language describing the Reserve Fund.
- Section 9 – Investment Policy: add recommended language to clarify the intent of the District’s investment policy.

The attached proposed new Policy P40-103, Bond Procedure and Post Compliance Policy – Federal Securities Law, is recommended by bond counsel. The purpose of the policy is to guide PenMet Parks in meeting its obligations under applicable statutes, regulations and documentation associated with publicly offered and privately placed securities of the District.

The attached proposed new Policy P40-104, Bond Procedure and Post Compliance Policy – Federal Tax Law, is recommended by bond counsel. The purpose of the policy is to guide PenMet Parks in meeting its obligations under applicable statutes, regulations and documentation associated with tax-exempt bonds and other tax-advantaged obligations.

The two proposed new policies have been developed by Pacifica Law Group.

DA Davidson and Pacifica will review the draft policies with the Board during the September 14, 2021 Board study session, then present final policies for Board consideration and adoption at the September 21, 2021 Board meeting.

Policy Implications/Support

1. The District has adopted goals including prudent management of District funds.
2. The District adopted the outcomes from the June 19, 2021 Board Retreat, including the policy priority schedule.

If you have any questions or comments, please contact me at the earliest opportunity at (253) 858-3408 or via e-mail at abujacich@penmetparks.org.



Peninsula Metropolitan Park District

Comprehensive Financial Management Policy DRAFT

Policy Number:	Resolution Number:	Date Approved:	Supersedes the following Resolutions and Policies:
P40-101	R2021-0XX	September 21, 2021 (anticipated)	R2020-010 (Adopted 6/16/20) R2012-011 (Adopted 4/16/12) R2009-013 (Adopted 6/15/09) R2006-004 (Adopted 4/17/06) R2005-010 (Adopted 8/08/05) R2007-007 (Adopted 9/17/07)

Deleted: June 16, 2020
 Deleted: R2020-010

Policy: **Comprehensive Financial Management**
 (Approved by the PenMet Parks Board of Park Commissioners)

Purpose: The Peninsula Metropolitan Park District (PenMet Parks) is accountable to its citizens for its use of public money. The establishment and maintenance of wise financial and fiscal policies enable officials of PenMet Parks to protect the public interest and ensure public trust.

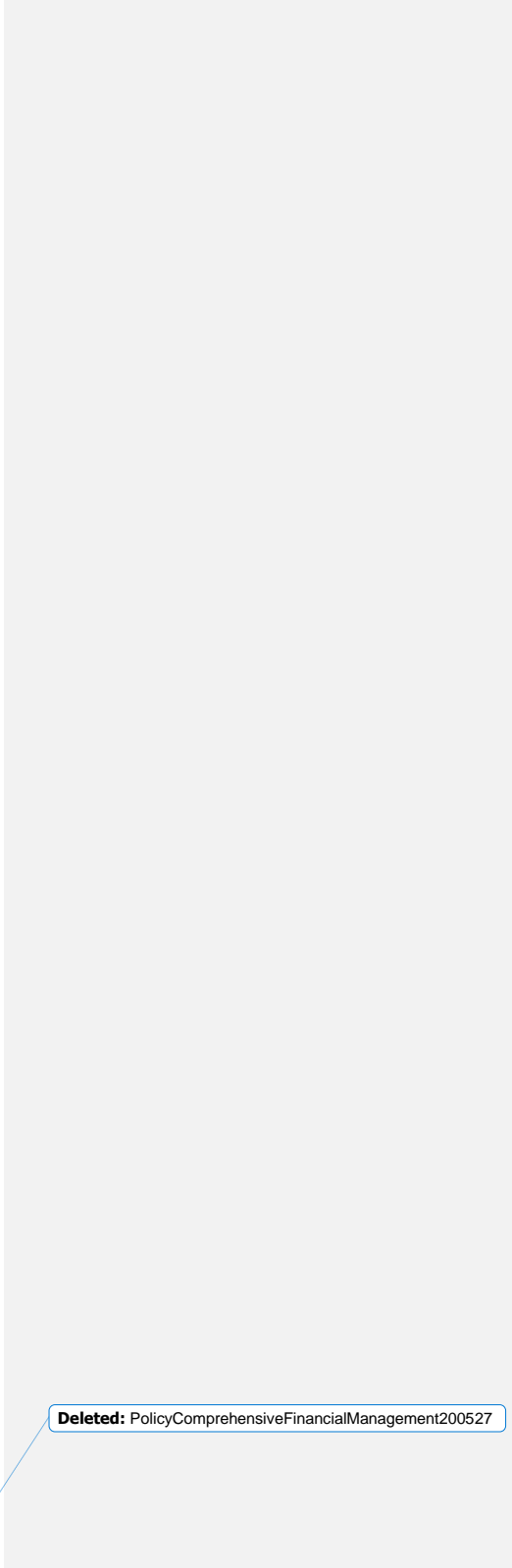
This Financial Management Policy defines the current policies to be used by PenMet Parks to meet its immediate and long-term service goals and operate in a financially prudent manner. The individual policies contained herein serve as general guidelines for both financial planning and internal financial management of PenMet Parks.

This policy ensures that the District is positioned to respond to changes and the economy or new service requirements without an undue amount of financial stress.

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This policy is also established to maintain a good credit rating in the financial community and assure taxpayers that the District is well managed financially and maintained in sound fiscal condition.

The District will adhere to the highest accounting and management policies as set by the Government Finance Officers' Association, the Governmental Accounting Standards Board, and other professional standards for financial reporting and budgeting.



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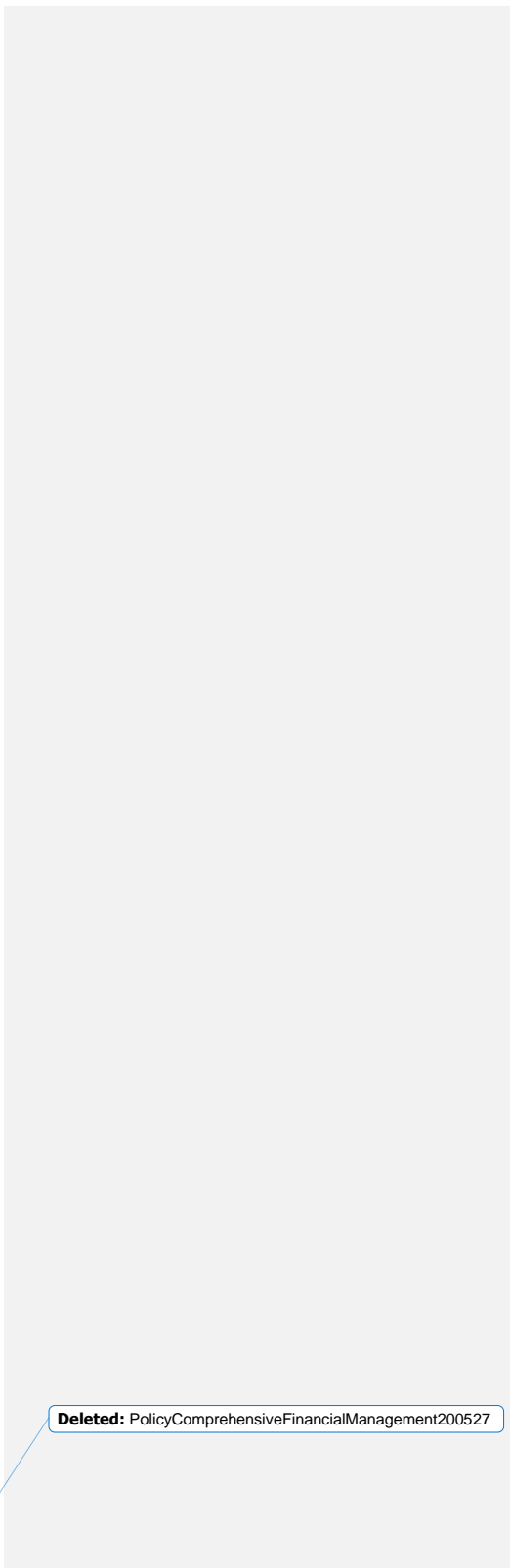
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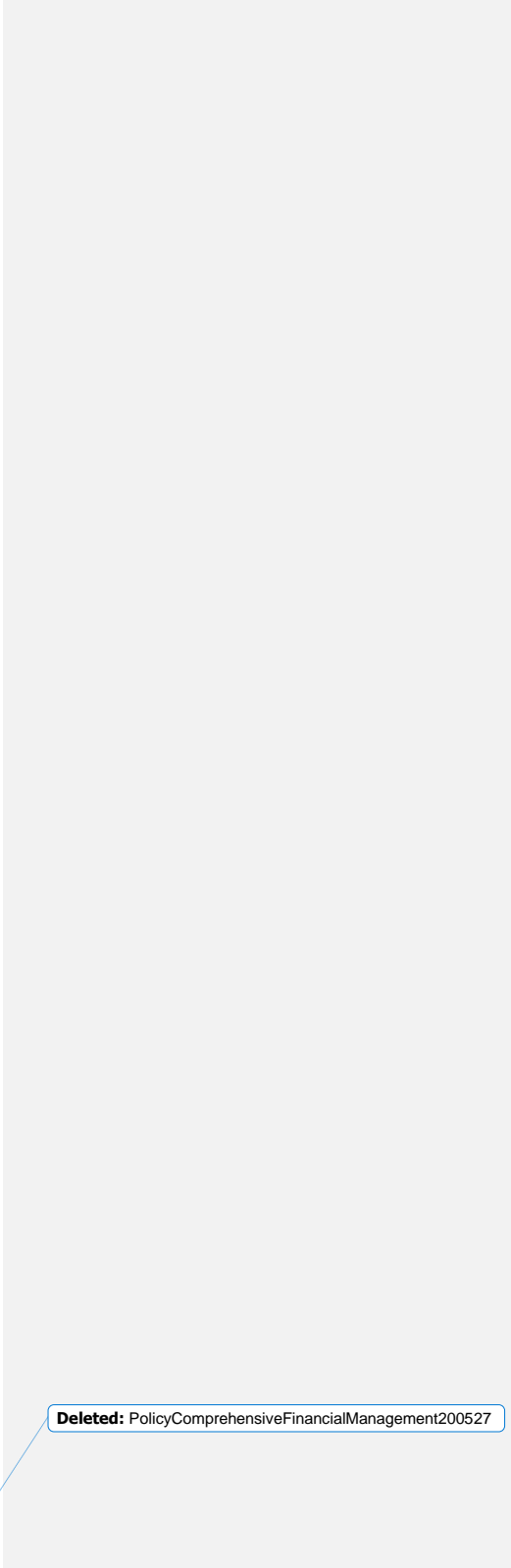
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Policy Requirements:

Section 1. General Responsibilities

The PenMet Parks Board of Park Commissioners (the “Board”) is responsible for approving the annual Operating Budget and the Capital Improvement Plan as well as establishing the policy direction for PenMet Parks under Washington State Law. Sound business practice and good government dictate that the Board establishes policies regarding the fiscal activities of PenMet Parks in accordance with applicable local, state, and federal laws and regulations.

District staff, under the direction of the Executive Director, is responsible for proposing programs, recommending funding levels, and formulating budget proposals for implementing service programs in accordance with established goals and directives.

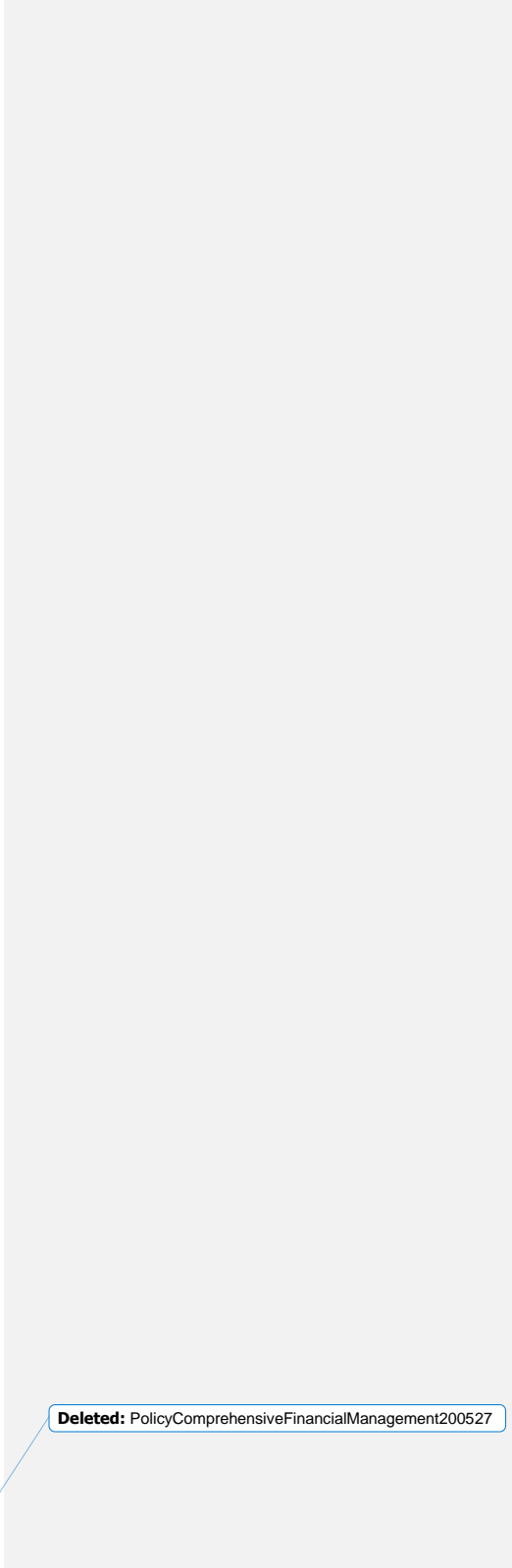


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Section 2. Objectives

The objectives of the Comprehensive Financial Management Policy are:

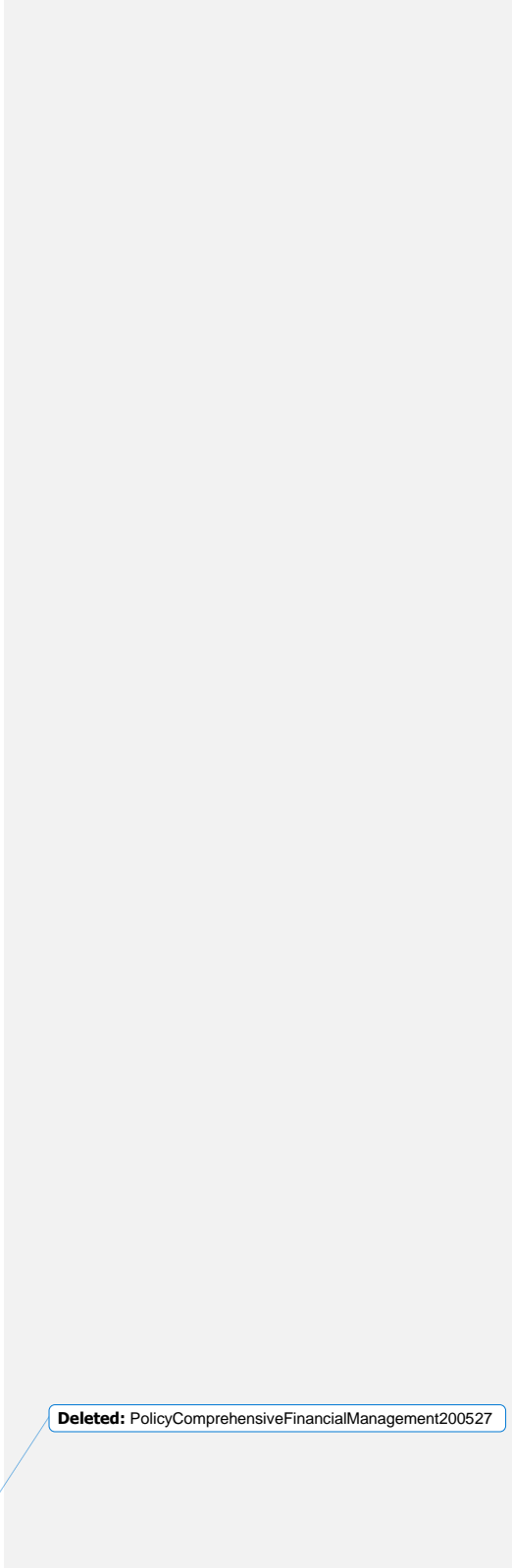
- To guide the Board and management for policy decisions having significant fiscal impact;
- To set forth operating principals to minimize the cost of government and limit financial risk;
- To employ balanced and fair revenue policies to provide sufficient funding for desired programs;
- To maintain appropriate financial capacity for bonded indebtedness for present and future needs;
- To promote sound financial management by providing accurate and timely information regarding PenMet Parks' financial condition;
- To protect PenMet Parks' credit rating and provide for adequate resources to meet the provisions of PenMet Parks' debt obligations;
- To ensure the legal use of financial resources through an effective system of internal controls; and
- To promote cooperation and coordination with other governments, non-profits, and the private sector in the financing and delivery of services.



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Section 3. General Policies

- A. The Board may adopt resolutions to set financial policies to assure the financial strength and accountability of the District.
- B. The Executive Director shall develop administrative directives and general procedures for implementing the Board's financial policies.
- C. All Departments will share in the responsibility of meeting policy goals and ensuring long-term financial health. Future service plans and programs will be developed to reflect current policy directives, projected resources, and future service requirements.
- D. The District shall establish and maintain a compensation and benefit package that is competitive with the public and private sectors to attract and retain employees necessary for providing high quality services.
- E. The District will strive to coordinate with other governmental agencies to achieve common policy objectives, share the cost of providing governmental services on an equitable basis and support favorable legislation at the state and federal level.
- F. The District will strive to initiate, encourage, and participate in economic development efforts to create job opportunities and strengthen the local economy.
- G. The District will strive to maintain fair and equitable relationships with its vendors, contractors and suppliers.



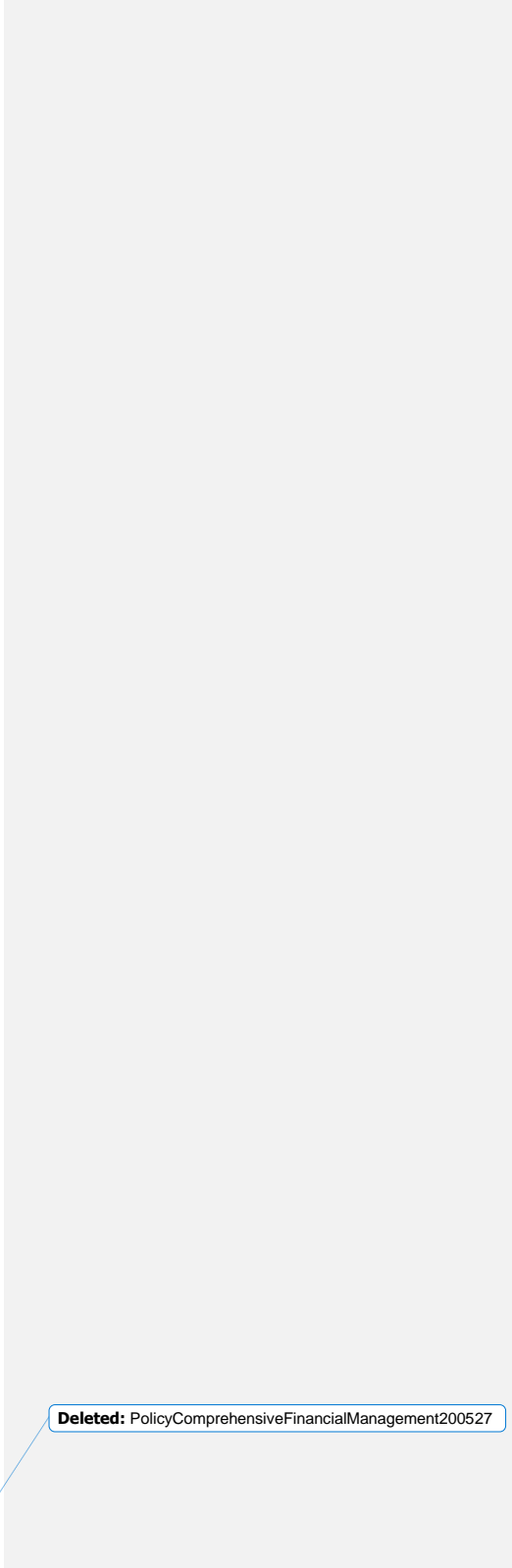
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Section 4. Financial Planning and Reserve Policies

- A. The District engages in a financial planning process which encompasses important policy considerations and provides guidelines for all aspects of the District’s financial management strategy.
- B. The General Fund’s targeted unreserved fund balance will be a goal of twenty-five percent (25%) or greater of annual expenditures of the General Fund, excluding capital expenditures (the “Unrestricted Reserve Fund”).
- C. This Unrestricted Reserve Fund will be established and maintained annually in the District budget as District resources allow to:
 - 1. Offset unanticipated economic downturns and necessary revisions to any general municipal purpose fund; and
 - 2. Provide a sufficient cash flow for daily financial needs at all times.
- D. The District will maintain sufficient funds in the Unrestricted Reserve Fund to meet any existing debt service or other agreements.
- E. All transfers from the Unrestricted Reserve Fund will require Board approval.
- F. In addition to the Unrestricted Reserve Fund, the District also maintains other “unrestricted reserve funds” including the Capital Projects Fund and Equipment Replacement Fund.
- G. Fees and charges collected for services:
 - 1. Recreation (Program) Fees collected will be utilized to off-set the cost of direct expenses related to the delivery of District sponsored recreation programs.

Facility Use and Rentals Fees and Charges are typically used to off-set the cost of direct maintenance expenses related to facilities maintained and operated by the District. The Board will direct 100% of these fees to a Permanent Fund such as a restricted maintenance endowment fund(s) to support park maintenance in general or for a specific park or facility. This will be determined by the Board during the budget process.

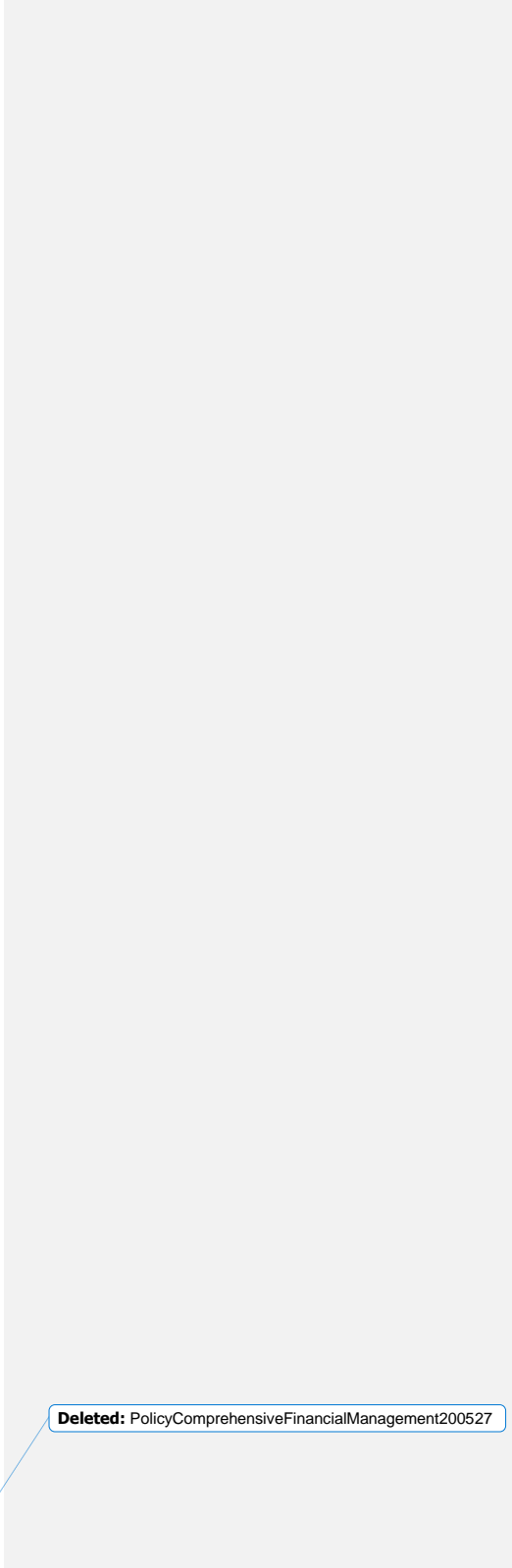
Financial Forecasting:



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- A. PenMet Parks shall develop and maintain annually a financial forecast for the General Fund that estimates fund resources and uses for a period of six (6) years beyond the current year. This forecast will be updated annually and provide PenMet Parks' decision makers with an indication of the long-term fiscal impact of current policies and budget decisions. This planning tool should recognize the effects of economic cycles, the demand for services and PenMet Parks' projected resources. It is the goal of PenMet Parks to achieve a strong financial condition with the ability to:
 - Withstand local and regional economic conditions;
 - Adjust efficiently to the changing service requirements within the District's boundaries; and
 - Effectively maintain and improve PenMet Parks' infrastructure.

- B. The forecast should differentiate between revenue associated with one-time economic activities and revenues derived as a result of economic growth. PenMet Parks' financial planning should ensure the continued delivery of needed services by assuring the availability of adequate and ongoing resources during economic downturns.



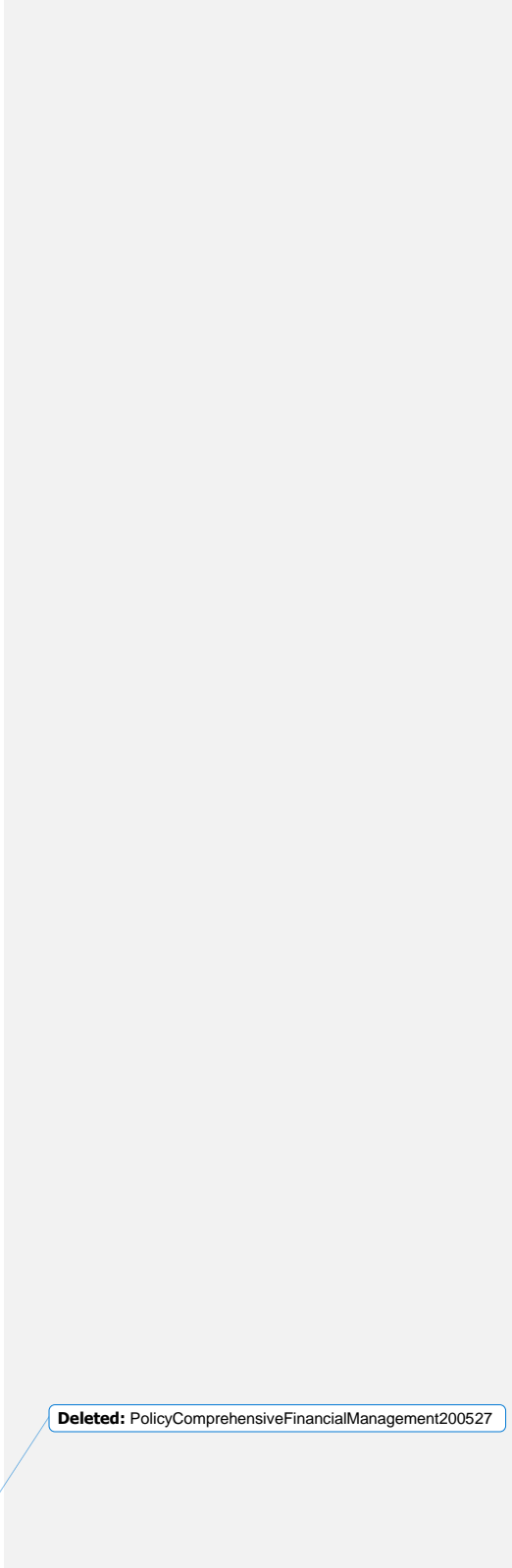
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Section 5. Operating Budget Policies

- A. The Board will adopt and maintain a balanced annual operating budget.
- B. The operating budget will define the District's annual financial plan as developed by the Board and staff in establishing goals and objectives for the ensuing year. The intent of the budget is that one-time and routine expenditures will be financed with current resources.
- C. The operating budget shall serve as the annual financial plan for the District. It will serve as the policy document of the Board for implementing the Board's goals and objectives. The budget will provide staff with the resources necessary to accomplish the determined service levels.
- D. Balanced revenue and expenditure forecasts will be prepared to examine the District's ability to absorb operating costs due to changes in the economy, service demands, contractual obligations, and capital improvements.
- E. In the event a balanced budget is not attainable, and the cause of the imbalance is expected to last for no more than one year, the use of reserves to balance the budget is permitted. In the event that a budget shortfall is expected to continue beyond one year, the reserves may be used, but only if developed as part of a corresponding strategic financial plan to close the gap through revenue increases or expenditure decreases.
- F. The budget will give first consideration to ongoing mission led programs before the addition of any new program. Budgets associated with any proposed new program should be submitted and reviewed at least four months prior to adoption and incorporation into the budget. Additional personnel should be recommended only after the need has been fully substantiated. Personnel not authorized in the budget must be approved by the Board.
- G. The budget will reflect the projection of all revenues from all sources and all expenditures and present the level of governmental services and method of allocating costs in the provision of these services to the community.

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- H. Current operating expenditures will be paid from current revenues and cash carried over from the prior year after the reserve requirements are met. The District will avoid budgetary and accounting practices that balance the current budget at the expense of future budgets.
- I. The District will maintain a level of expenditures that will enhance public wellbeing and quality of life for the residents of the community.
- J. A multi-year maintenance and replacement schedule will be developed based on the District's projections of its future replacement and maintenance needs. The projections will be updated and the schedule revised on an annual basis.
- K. The budget will provide sufficient levels of maintenance and replacement funding to ensure that all capital facilities and equipment are properly maintained and that such future costs will be minimized.
- L. Year-end surpluses in the General Fund may be used for nonrecurring emergency capital expenditures or dedicated to the Capital Program. The following criteria must be met to qualify any portion of the General Fund surplus for these purposes:
 - There are surplus balances remaining after the Reserve Fund is fully funded and allocations to the other funds are made;
 - An analysis has occurred assuring that the District has an adequate level of short and long-term funding resources to support the proposed alternate use of the surplus balances; and
 - The funds are specifically appropriated by the Board.

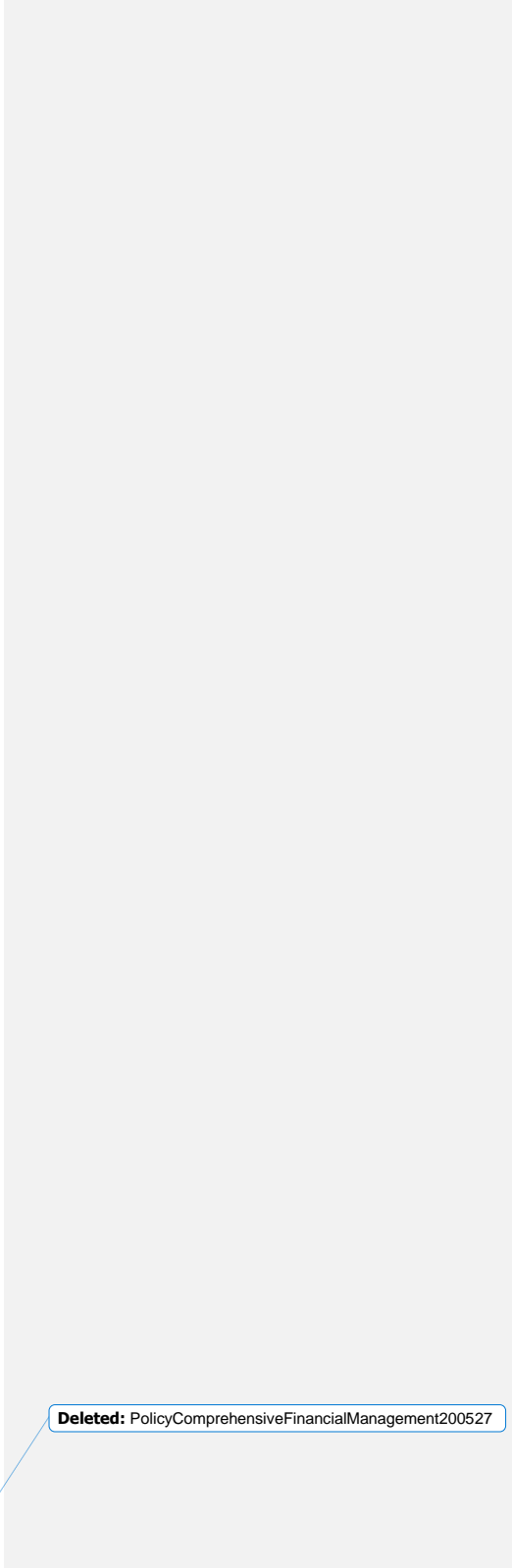


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Section 6. Budgetary Control Policies

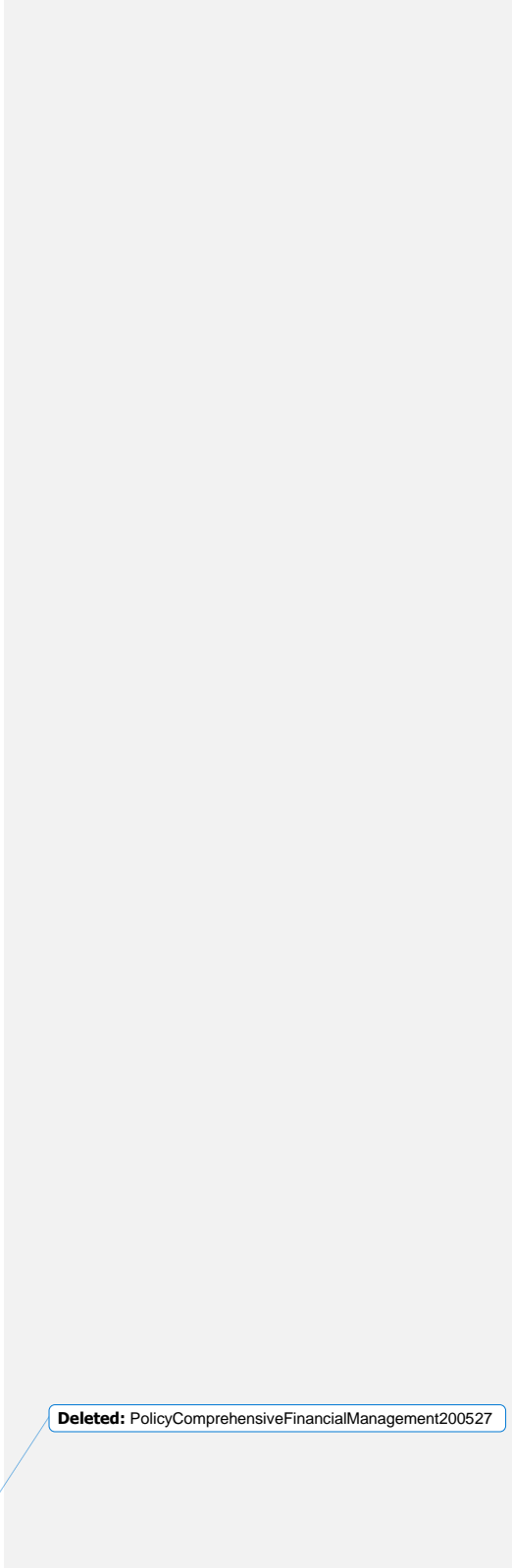
- A. The District will adopt a twelve (12) month balanced calendar year budget with annual financial reporting. The balanced budget means budgeted expenditures will not exceed the available resources of the beginning fund balance plus all revenues.
- B. The budget will be developed and administered in compliance with all applicable State of Washington budgetary statutes.

The Administration will maintain a system for monitoring the District’s budget performance. The system will include provisions for amending the budget during the year in order to address unanticipated needs, surpluses or emergencies.
- C. Accounting and reporting practices will be maintained to provide accurate and timely monitoring of the District’s budget performance.
- D. Appropriations requested after the original budget is adopted will be approved only after consideration of the elasticity of anticipated revenues. Such appropriations must be approved by the Board.
- E. Monthly budget reports will be issued by the Executive Director or his or her designee to the Board reporting on the actual performance compared to budget estimates.
- F. The budget may be adjusted during the year in order to address unanticipated needs, emergencies or changes in work plan. Adjustments or amendments will occur through a process coordinated by the Executive Director or his or her designee.
- G. The budget is adopted at the fund level with allocations made for administrative control. Reallocation of existing appropriation does not change the adopted budget “bottom-line.” It may become necessary to shift allocations between line items, programs, or even departments to meet unanticipated needs, emergencies or changes in work plan. As long as the total fund budget is not changed, the adjustment can be done administratively with the authorization of the Department Manager and approval of the Executive Director with the exception of any shift of allocation from the Maintenance Department which requires approval by the Board.
- H. The Executive Director has the authorization to transfer money between funds and between projects within the CIP, but only if approved by the Board in advance and as part of amending the adopted budget.



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- I. The budget may also be amended during the year in order to address unanticipated needs, emergencies or changes in work plan. Formal amendment of the budget through Board approved resolution amending the expenditure appropriation and the related funding source is required when a fund's total budget changes. The change can either be when existing budget authority is moved between funds or when a new budget authority is needed such as in the case of receiving additional grant funding.



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Section 7. Revenue Policies

- A. The District will strive for a diversified and stable revenue system to protect against short-term fluctuations in any one revenue source. The District will seek to avoid dependence on temporary or unstable revenues to support on-going services. The District will also seek to avoid dependence on federal or state revenues. The revenue mix should combine revenue source types that minimize the effect of an economic downturn.
- B. Because revenues, especially those of the General Fund, are sensitive to local and regional economic conditions, revenue estimates will be conservative and will be made using an objective, analytical process.
- C. General Fund and other unrestricted revenues will not be earmarked for specific purposes, activities or services unless otherwise authorized by the Board or required by law. All non-restricted revenues will be deposited into the General Fund and appropriated through the budget process.
- D. The District will not use deficit financing and borrowing to support on-going operations in the case of long-term (greater than one year) revenue downturns. Revenue forecasts will be revised and expenses will be reduced to conform to the revised long-term revenue forecast or alternative revenue sources will be considered.
- E. The District will follow an aggressive and professional policy of collecting revenues and, when necessary, discontinuing service, pursuing the claim in court, utilizing a collection agency and other reasonable methods of collection (such as imposing penalties, collection and late charges) may be used.

Fees and Charges

- F. The District will charge appropriate service user fees instead of ad valorem (property) taxes or subsidies from other District funds, for services that can be identified and where costs are directly related to the level of service provided.
 - 1. Park recreation programs shall be funded by a user charge. User charges shall be comparable to other neighboring municipalities where practical.

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2. Reimbursable work performed by the District (labor, meals, contracted services, equipment and other indirect expenses) shall be billed at actual or estimated actual cost.
3. Charges for services shall accurately reflect the actual or estimated cost of providing a specific service where practical. The cost of providing specific services shall be recalculated periodically, and if necessary, the fee adjusted accordingly. The District shall maintain a current schedule of fees and charges, showing when the fees were last reviewed and/or recalculated. Fees and charges will be reviewed every three years at a minimum.
4. The District will consider market rates and charges levied by other municipalities for like services in establishing rates, fees, and charges.
5. Certain fees, such as rental fees, will be based upon market conditions and are not subject to the limitations of cost recovery.

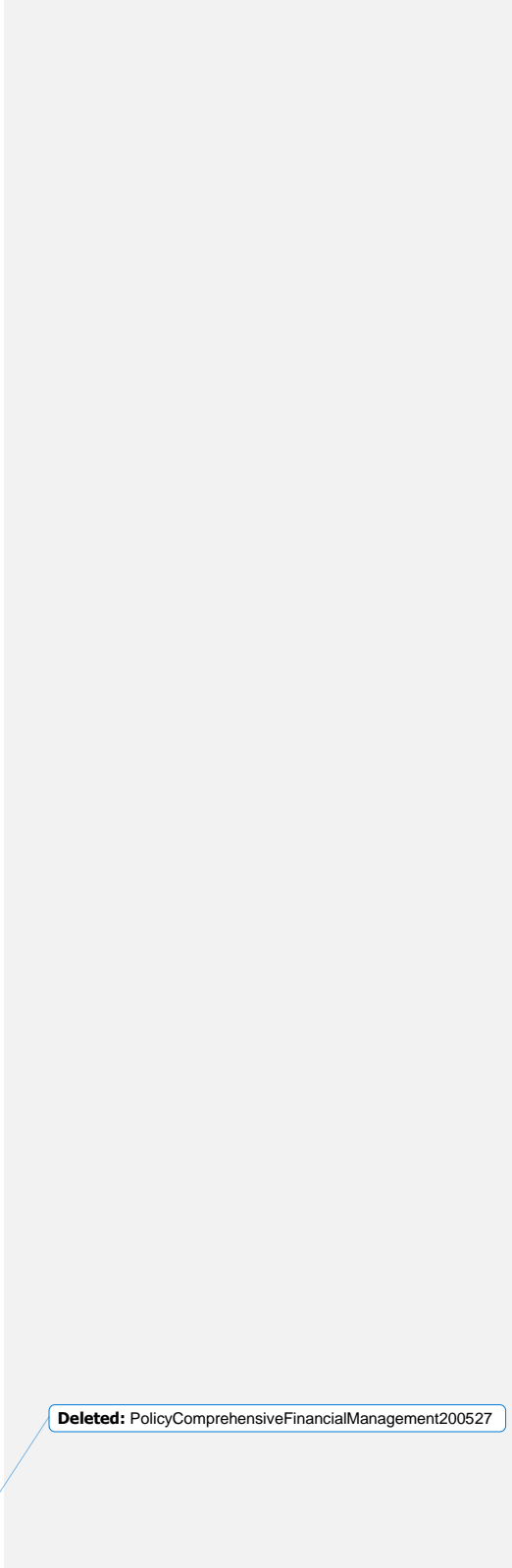
Grants and Gifts

- G. Grant funding for programs or items which address the District's current priorities and policy objectives should be considered to leverage District funds. Inconsistent and/or fluctuating grants should not be used to fund on-going programs.
- H. Before accepting any grant, the District shall thoroughly consider whether or not the terms of the grant will have a negative impact on any on-going obligations.
- I. All grants and other federal and state funds shall be managed to comply with the laws, regulations, and guidance of the grantor, and all gifts and donations shall be managed and expended in accordance with the District's Donation Policy and the wishes and instructions of the donor.

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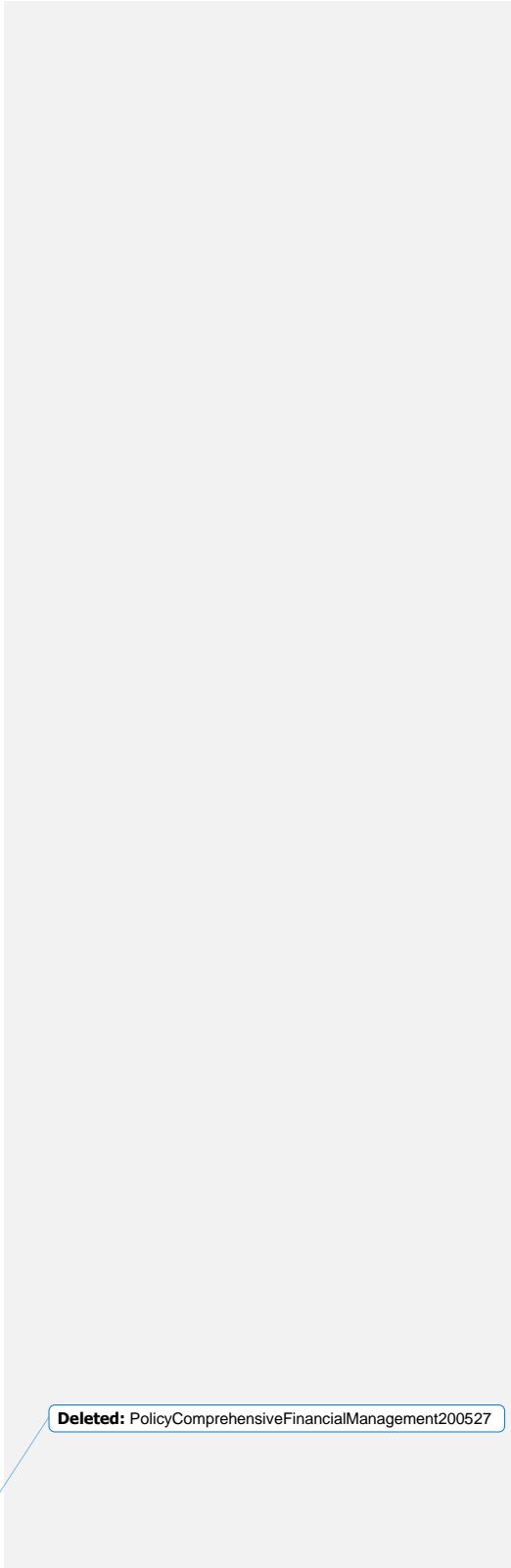
Section 8. Expenditure Policies

- A. The District will strive to adopt an annual General Fund budget in which current expenditures do not exceed current projected revenues. Capital expenditures may be funded from one-time revenues.
- B. Department Managers are responsible for managing their budgets within the total appropriation for their department.
- C. The District will take immediate corrective actions if at any time during the fiscal year expenditure and revenue re-estimates are such that an operating deficit is projected at year-end. Corrective actions can include a hiring freeze, expenditure reductions, fee increases or use of contingencies. The District may approve a short-term interfund loan or use of one-time revenue sources to address temporary gaps in cash flow, although this should be avoided if possible.
- D. Long-term debt or bond financing shall not be used to finance current operating expenditures.
- E. Consideration will be placed on improving individual and work group productivity rather than adding to the work force. The District will invest in technology and other efficiency tools to maximize productivity. The District will hire additional staff only after the need for such positions has been demonstrated and documented.
- F. All compensation planning will focus on the total costs of compensation which includes direct salary, health care benefits, pension contributions, and other benefits which are a cost to the District. Contracts presented for approval by the Executive Director that do not meet these requirements will have specific operational, legal or other compulsory items identified and discussed before ratification by the Board will be considered.
- G. Periodic comparisons of service delivery will be made to ensure that quality services are provided to our citizens at the most competitive and economical cost. Privatization and contracting with other governmental agencies will be evaluated as alternatives to service delivery where appropriate. Programs that are determined to be inefficient and/or ineffective or not aligned with the mission of the District have the potential to be reduced in scope or eliminated.



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- H. The District will make every reasonable effort to maximize any discounts offered by creditors/vendors.



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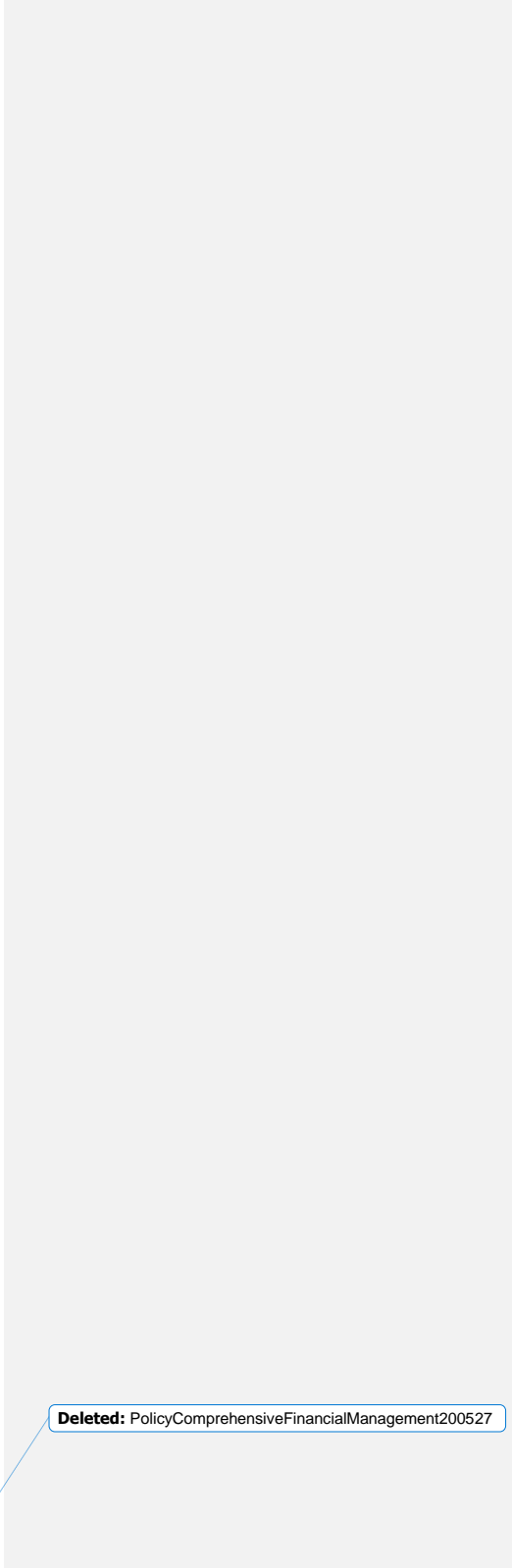
Section 9. Investment Policy

[It is the District's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.](#)

Funds are managed by the Pierce County Treasurer (see Pierce County Investment Policies).

District staff will review all investments at least monthly.

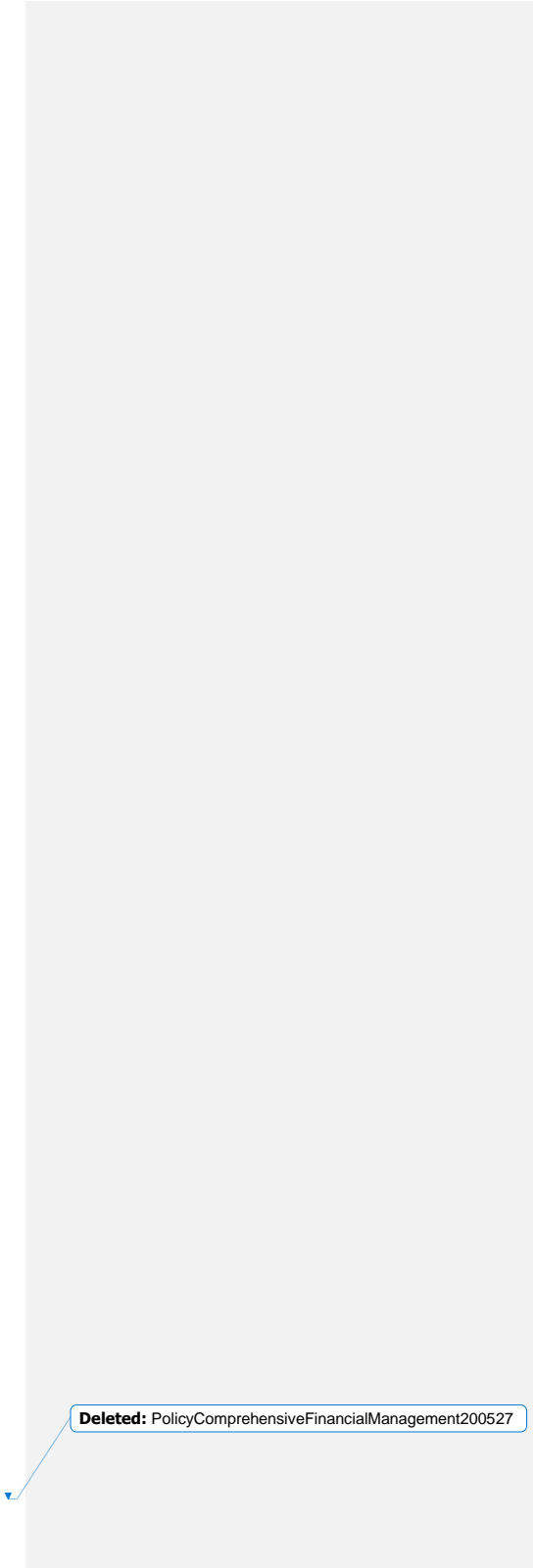
Monthly investment reports will be issued by the Executive Director or his or her designee to the Board to monitor the District's Investment fund performance and fees.



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Section 10. Accounting and Reporting Policies

- A. The District’s accounting and financial reporting will follow the Washington State Auditor’s Office prescription for the accounting and reporting of local governments in the State of Washington under RCW 43.09.200.
- B. The State Auditor’s Office provides a standard account classification system through its Budgeting Accounting and Reporting System (BARS). The District is classified as a Special Purpose Governmental District and will maintain its records on a basis consistent with the Category 2 BARS manual.
- C. The Executive Director or his or her designee will maintain electronic financial systems to monitor expenditures, revenue, and performance of all District programs on an on-going basis. The Board will receive regular monthly reports that will present a summary of financial activity for the period and the cumulative data for the budget year.
- D. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The District’s resources are allocated to and accounted for in individual funds depending on their intended purpose.
- E. Revenues are recognized only when cash is received and expenditures are recognized only when paid, including those properly chargeable against the report year budget appropriations as required by State law. Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.
- F. The Executive Director or his or her designee shall maintain fixed asset records for all capital assets owned by the District. The threshold for capitalization of non-infrastructure assets is \$25,000.
- G. The State Auditor’s Office will perform a financial and compliance audit on a scheduled basis and issue an audit report. Results of the audit will be provided to the Board.
- H. The District will conduct an internal financial review on an annual basis.



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Section 11. Fund Policies

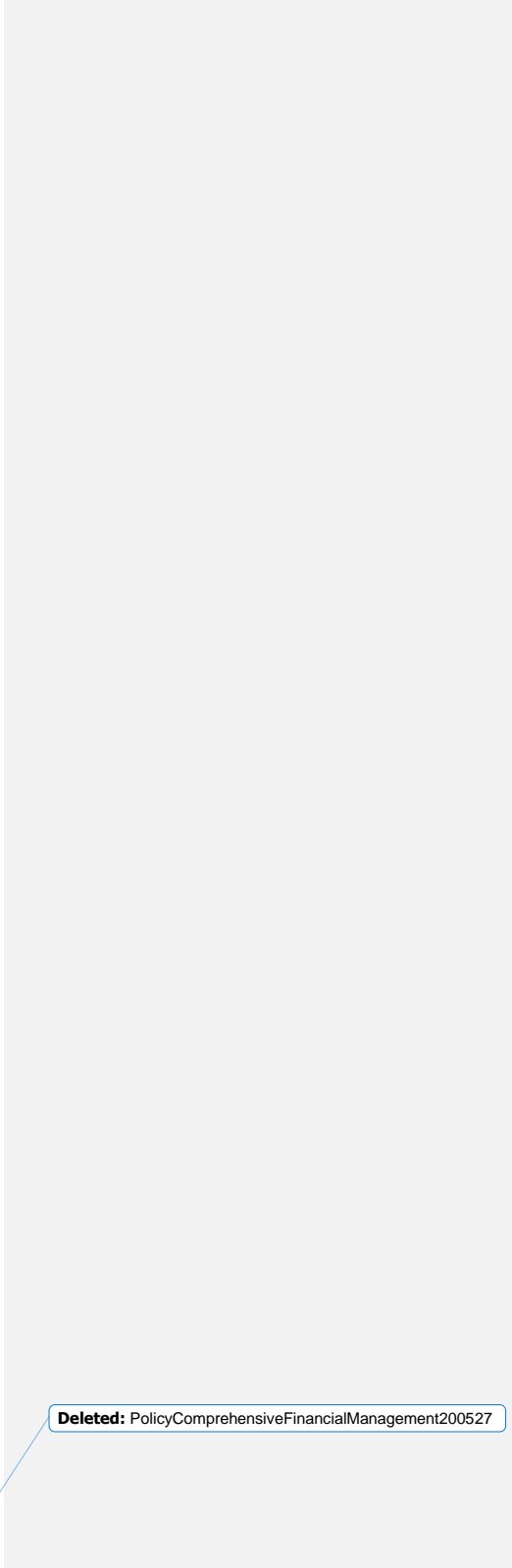
To be consistent with text contained in the annual budget, the following is a list of District Financial Funds:

- A. General Fund
The General Fund is the general operating fund of the District. This fund is used to account for all financial resources and expenditures of the District which are not accounted for in other funds.

The General Fund provides funding for general purpose governmental services to the citizens. This fund is used to account for all general financial resources except those that must be accounted for in a special revenue fund.

- B. Special Revenue Funds
Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or for major capital projects) that are legally restricted to expenditure for specific purposes.
 - 1. Reserve Fund
Use of reserve funds must be authorized by a Resolution of the Board.
 - 2. Recreational Activities Fund
The Recreational Activities Fund is user fee based. Revenues are collected and used to operate a particular recreational activity with excess funds used for improvements to support programs, facilities and events.
 - 3. Equipment Replacement Fund
Use of this fund is restricted to capital equipment replacement and is funded annually by the General Fund at 100% of equipment replacement value divided by the number of years of useful life.

- C. Debt Service Fund
 - 1. The Debt Service Fund is used only to account for the accumulation of resources for, and the payment of, long-term debt, principal and interest.



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This fund contains several types of debt including but not limited to:

- Special Voter Approved Levies
- Voted Unlimited Tax Obligation Bonds
- Non-Voted Limited Tax Obligation Bonds
- General Obligation Bonds

2. Under RCW 39.36.020(2), the public may vote to approve bond issues [known as Unlimited Tax General Obligation (UTGO) Bonds] for general government in an amount not to exceed 2.5% of the assessed valuation, less any other outstanding debt.

All voter approved UTGO Bonds require a 60% majority approval and to validate the election, the total votes cast must equal to at least 40% of the total votes cast in the last general election.

The Board may approve non-voted bond issues known as Limited Tax General Obligation (LTGO) Bonds. The non-voted debt capacity limit may not to exceed 0.25% of the District's assessed valuation, less any other outstanding non-voted debt.

3. Debt service for voter approved UTGO Bond issues are funded with special excess property tax levies. By law, the maximum financing term for UTGO Bonds is 40 years or less.

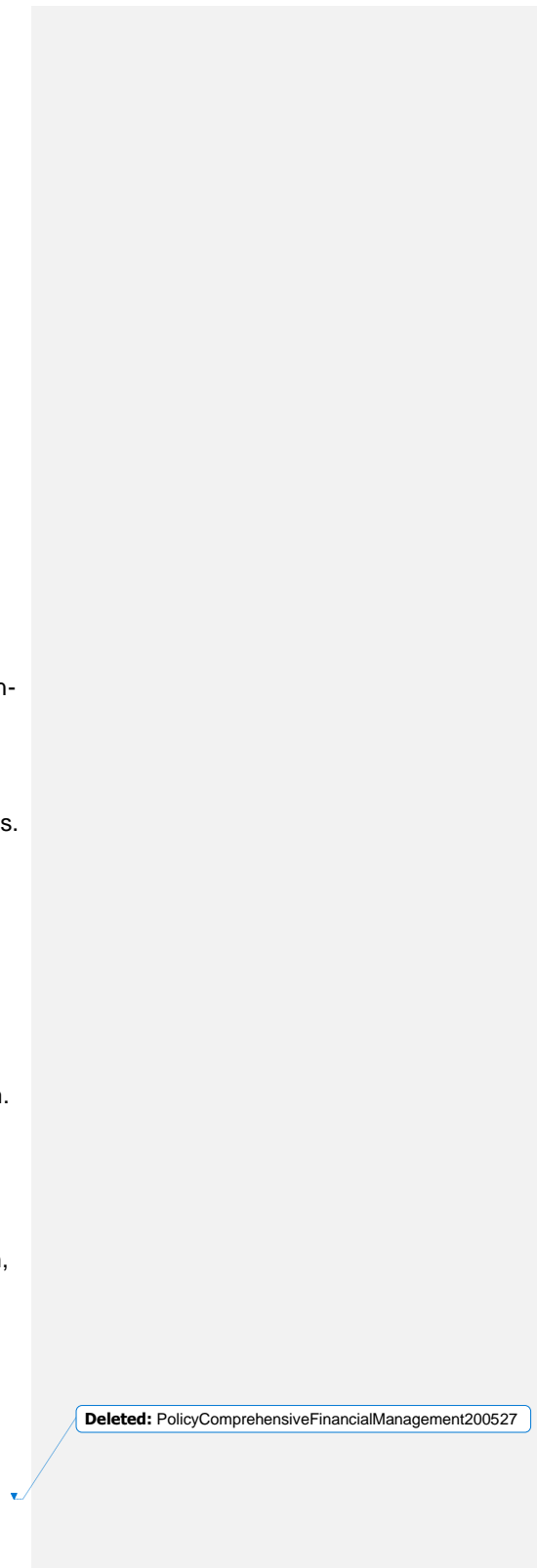
Debt service for non-voted LTGO Bond issues are funded through regular property taxes and other money lawfully available. By law, the maximum financing term for LTGO Bonds is 40 years or less.

D. Permanent Funds

Permanent Funds are legally restricted so only earnings, not principal, may be used to support the specific government program. The Board will adopt separate policies governing the management of restricted funds such as endowments.

E. Capital Improvement Funds

Capital Improvement Funds account for the purchase, construction, replacement, addition, or major repair of public facilities and major equipment. These projects differ from routine maintenance in that their cost is generally greater than \$25,000 and they have a useful life of generally ten (10) years or more. Examples may include but



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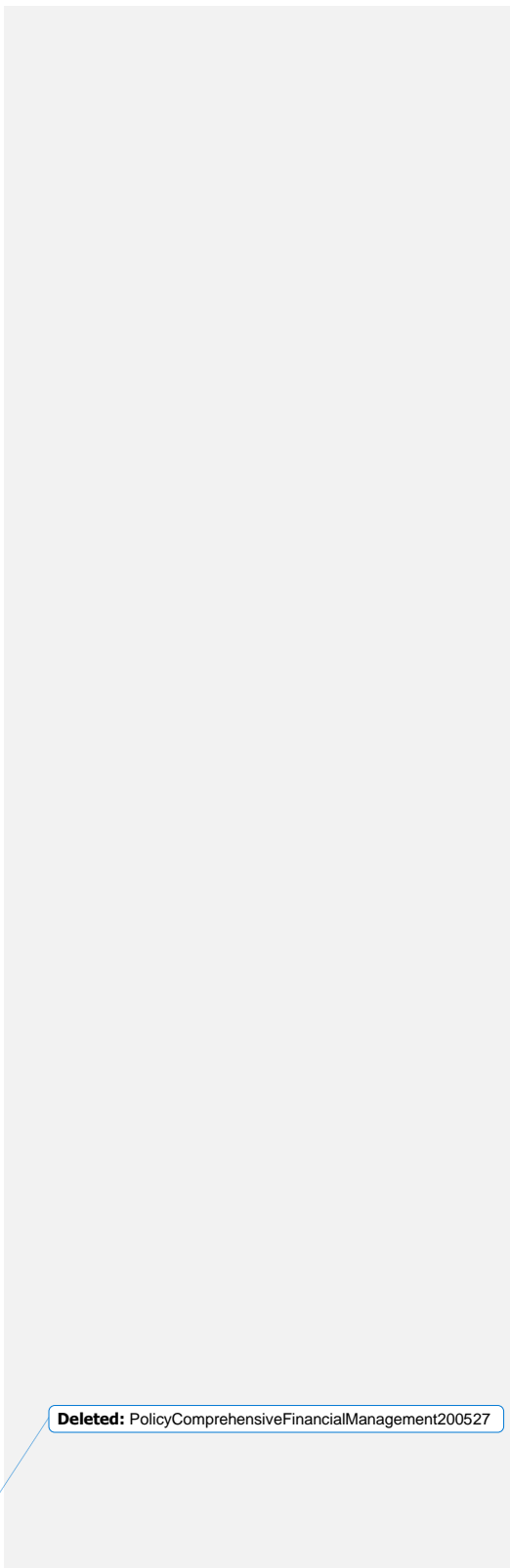
are not limited to: buildings, bridges, parks, major trails, and significant pieces of equipment.

F. Depository Account

All District funds received shall be deposited in the bank of record within three (3) business days of receipt, except when staffing levels are inadequate to timely make such deposits, but in such events such deposits shall be made as soon as reasonably possible not to exceed two (2) weeks. Funds are automatically transferred from the depository account to the District's fund account with Pierce County (the District's Treasurer).

G. Fund Balance and Maintenance of Minimum Reserve Levels

The District shall strive to maintain adequate fund balances (reserves) in order to provide sufficient cash flows to meet operating and capital expenses, while also providing the financial ability to address economic downturn and system emergencies. Operating expenditures shall include salaries, benefits, supplies, professional services, intergovernmental and interfund expenses, capital outlays and transfers



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Section 12. Debt Policies

A. Capital Planning:

The District shall integrate its debt issuance with its Capital Improvement Program (CIP) spending to ensure that planned financing conforms to policy targets regarding the level and composition of outstanding debt. This planning considers the long-term horizon, paying particular attention to financing priorities, capital outlays and competing projects. Long-term borrowing shall be confined to the acquisition and/or construction of capital improvements and shall not be used to fund operating or maintenance costs. For all capital projects under consideration, the District shall set aside sufficient revenue from operations to fund ongoing normal maintenance needs and to provide reserves for periodic replacement and renewal. The issuance of debt to fund operating deficits is not permitted.

B. Legal Governing Principles

In the issuance and management of debt, the District shall comply with the state constitution and with all other legal requirements imposed by federal, state, and local rules and regulations, as applicable.

- 1. State Statutes – The District may contract indebtedness as provided for by state law, subject to the statutory and constitutional limitations on indebtedness.
- 2. Federal Rules and Regulations – The District shall issue and manage debt in accordance with the limitations and constraints imposed by federal rules and regulations including the Internal Revenue Code of 1986, as amended; the Treasury Department regulations thereunder; and the Securities Acts of 1933 and 1934.
- 3. Local Rules and Regulations – The District shall issue and manage debt in accordance with the limitations and constraints imposed by local rules, policies, and regulations.

C. Roles & Responsibilities

The Board:

- 1. Approves indebtedness;
- 2. Approves appointment of the bond underwriter and bond counsel;

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3. Approves the Financial Policy, including the section on the Debt Policy; and
4. Approves budgets sufficient to provide for the timely payment of principal and interest on all debt.

The Executive Director (and/or Finance Manager) in consultation with the Board:

1. Assumes primary responsibility for debt management;
2. Provides for the issuance of debt at the lowest reasonably possible cost and risk;
3. Determines the available debt capacity;
4. Provides for the issuance of debt at appropriate intervals and in reasonable amounts as required to fund approved capital expenditures;
5. Recommends to the Board the manner of sale of debt;
6. Monitors opportunities to refund debt and recommends such refunding as appropriate;
7. Complies with all Internal Revenue Service (IRS), Securities and Exchange Commission (SEC), and Municipal Securities Rulemaking Board (MSRB) rules and regulations governing the issuance of debt;
8. Provides for the timely payment of principal and interest on all debt and ensures that the fiscal agent receives funds for payment of debt service on or before the payment date;
9. Provides for and participates in the preparation and review of offering documents;
10. Complies with all terms, conditions and disclosure required by the legal documents governing the debt issued;
11. Submits to the Board all recommendations to issue debt;
12. Provides for the distribution of pertinent information to rating agencies;
13. Complies with undertakings for ongoing disclosure pursuant to SEC Rule 15c2-12; and
14. Applies and promotes prudent fiscal practices.

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D. Ethical Standards Governing Conduct

The members of the District’s staff will adhere to the standards of conduct as stipulated by the Public Disclosure Act, RCW 42.17 and Ethics in Public Service, RCW 42.52.

E. Types of Debt Instruments:

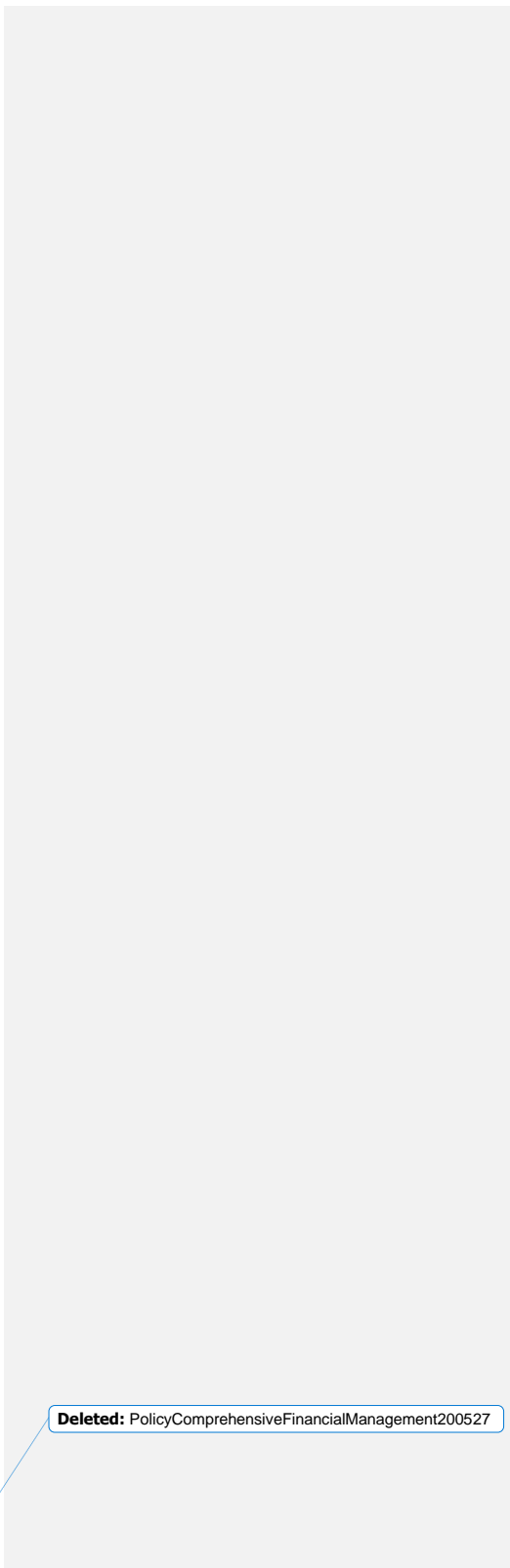
The District may utilize several types of municipal debt obligations to finance long-term capital projects. Subject to the approval of the Board, the District is authorized to sell:

- 1. **Unlimited Tax General Obligation Bonds** – The District shall use Unlimited Tax General Obligation Bonds (UTGO), also known as “Voted General Obligation Bonds” for the purpose of general purpose, pool improvements, open space and parks. Voted Bond issues are limited to capital purposes only.

Every project proposed for financing through general obligation debt should be accompanied by a full analysis of the future operating and maintenance costs associated with the project. UTGO Bonds are payable from excess tax levies and are subject to the approval of 60% of the voters at an election to be held for that purpose, plus validation requirements.

- 2. **Limited Tax General Obligation Bonds** – A Limited-Tax General Obligation Debt (LTGO), also known as “Non-Voted General Obligation Debt,” requires the District to use a portion of its regular property tax levy sufficient to meet its debt service obligations but only up to a statutory limit. The District shall use LTGO Bonds as permitted under State law for lawful purposes only. LTGO debt is backed by the full faith and credit of the District and is payable from regular property taxes and other money lawfully available. LTGO Bonds will only be issued if:

- a. The District determines they can afford the payments;
- b. A project requires funding not available from alternative sources;
- c. Matching fund monies are available which may be lost if not applied for in a timely manner; or,
- d. Emergency conditions exist.



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- 3. **Revenue Bonds** – The District shall use Revenue Bonds as permitted under State law for the purpose of financing construction or improvements to facilities of enterprise systems (if any) operated by the District in accordance with the Capital Improvement Plan.
- 4. **Short-Term Debt** – The District shall use short-term debt as permitted by State law for the purpose of meeting any lawful purpose of the municipal corporation, including the immediate financing needs of a project for which long-term funding has been secured but not yet received. The District may use interfund loans rather than outside debt instruments to meet short-term cash flow needs for the project. Interfund loans will be permitted only if an analysis of the affected fund indicates excess funds are available and the use of the funds will not impact the fund's current operations. All interfund loans will be subject to the Board's approval and will bear interest at prevailing rates.
- 5. **Leases** – The District is authorized to enter into capital leases under State law, subject to the approval of the Board.

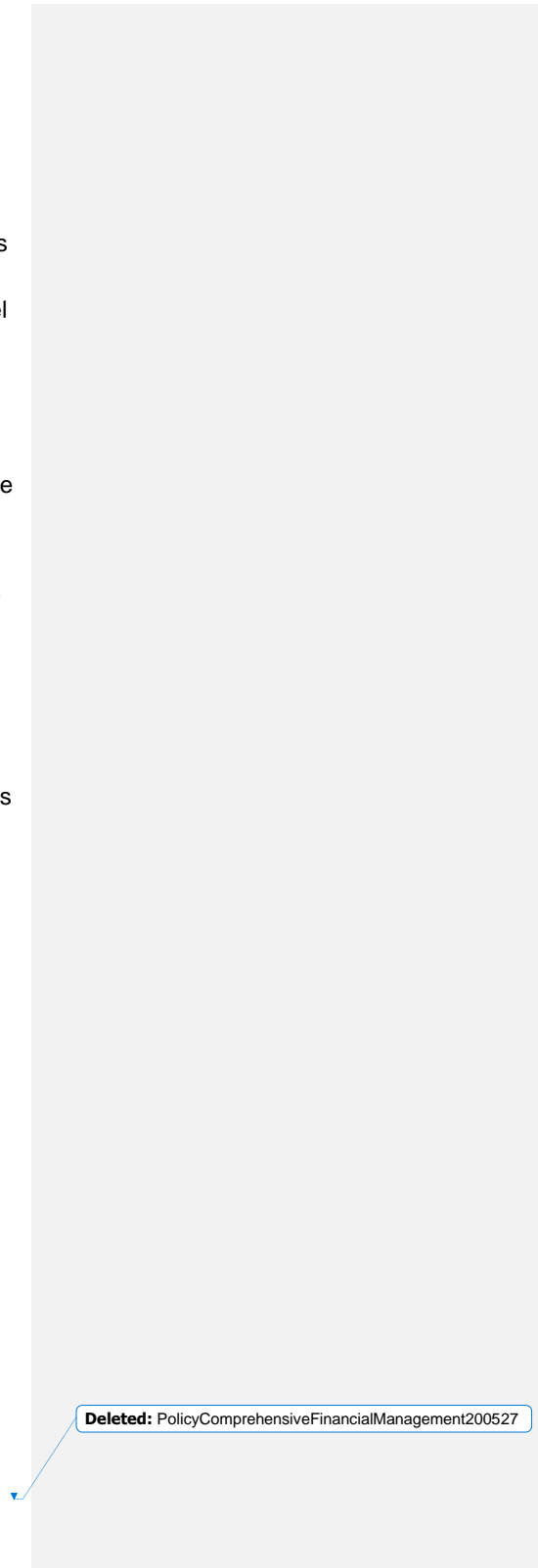
F. General Requirements

- 1. The District will not use long-term debt to pay for current operations. The use of bonds or certificates of participation will only be considered for significant capital and infrastructure improvements.
- 2. The term of the debt shall never extend beyond the useful life of the improvements to be financed, and generally the term of the debt will not exceed thirty (30) years.
- 3. The general policy of the District is to establish debt repayment schedules that use level annual principal and interest payments.
- 4. Interest earnings on bond proceeds will be limited to 1) funding the improvements specified in the authorizing bond resolution, or 2) payment of debt service on the bonds.

Proceeds from debt will be used in accordance with the purpose of the debt issue. Funds remaining after the project is completed will be used in accordance with the provisions stated in the bond resolution that authorized the issuance of the debt.

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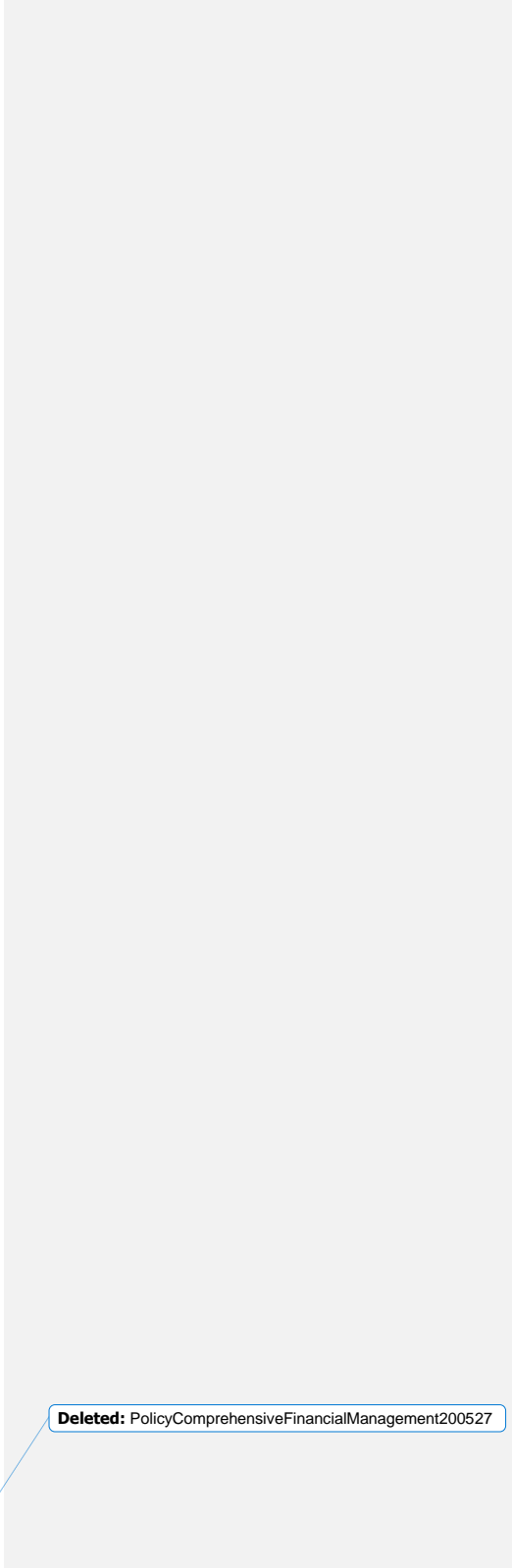
5. The District will use the most prudent methods of acquiring capital outlay items, including the use of lease-purchase agreements. In no case will the District enter into a lease-purchase agreement if the equipment has a useful life that is less than the term of the lease.
6. The District will maintain its bond rating at the highest level fiscally prudent, so that future borrowing costs are minimized and access to the credit market is preserved. The District will encourage and maintain good relations with financial bond rating agencies and will follow a policy of full and open disclosure.
7. The District shall use refunding bonds in accordance with the Refunding Bond Act, as amended or superseded. Unless otherwise justified, the District will refinance debt to achieve true savings as market opportunities arise. Refunding debt shall never be used for the purpose of avoiding debt service obligations. A target 5% cost savings (discounted to its present value) over the remainder of the debt must be demonstrated for any "current refunding," unless otherwise justified.
8. With the Board's approval, interim financing of capital projects may be secured from the debt financing marketplace or from other funds through an interfund loan as appropriate in the circumstances.
9. An independent outside financial advisor may be used to provide the District with objective advice and analysis on debt issuance.
10. A fiscal agent will be used to provide accurate and timely securities processing and timely payment to bondholders. As provided by RCW chapter 43.80 the District will use the fiscal agent appointed by the State.
11. Projects proposed for financing through general obligation debt will be accompanied by an analysis of the future operating and maintenance costs associated with the project.



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Section 13. Communication Policies

- A. It is the policy of the District to remain as transparent as possible.
- B. The District shall manage relationships with the rating analysts assigned to the District’s credit, using both informal and formal methods to disseminate information.
- C. The District’s Basic Financial Statements and Notes shall be a vehicle for compliance with continuing disclosure requirements. The Notes to the Financial Statements may be supplemented with additional documentation as required. Each year included in the Notes to the Financial Statements, the District will report its compliance with debt targets and the goals of the Debt Policies.
- D. The District shall strive to maintain and improve its current bond rating.



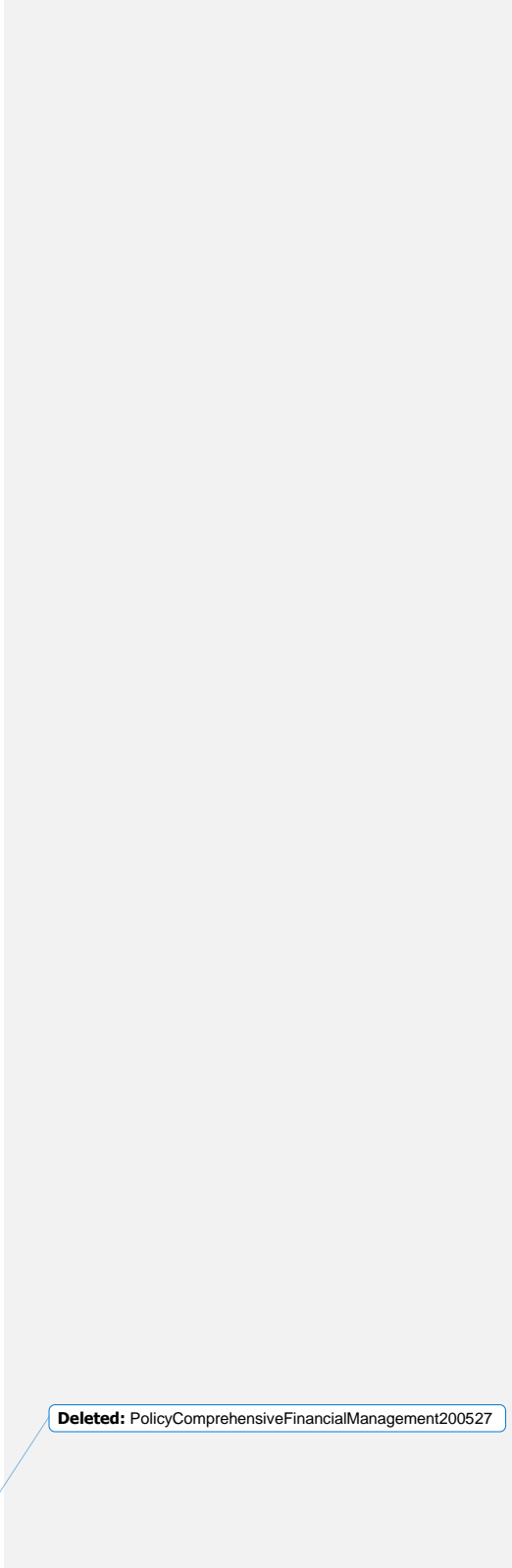
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Section 14. Compliance Policies

- A. Investment of Proceeds
The District shall comply with all applicable federal, state and contractual restrictions regarding the investment of bond proceeds. This includes compliance with restrictions on the types of investment securities allowed, restrictions on the allowable yield of invested funds as well as restrictions on the time period over which some of the proceeds may be invested.

- B. Legal Covenants
The District shall comply with all covenants and conditions contained in governing law and any legal documents entered into at the time of a bond offering.

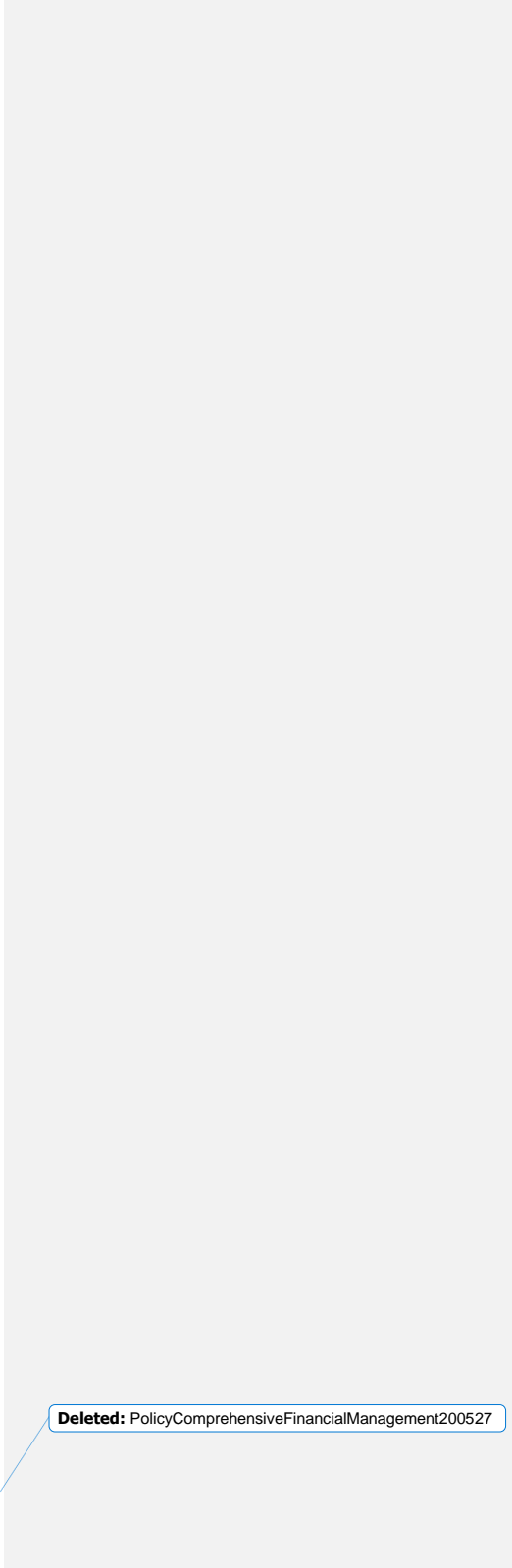
- C. Periodic Policy Review
At a minimum, the Financial Management Policies and the District's Post Issuance Compliance Policy will be reviewed and updated every five (5) years.



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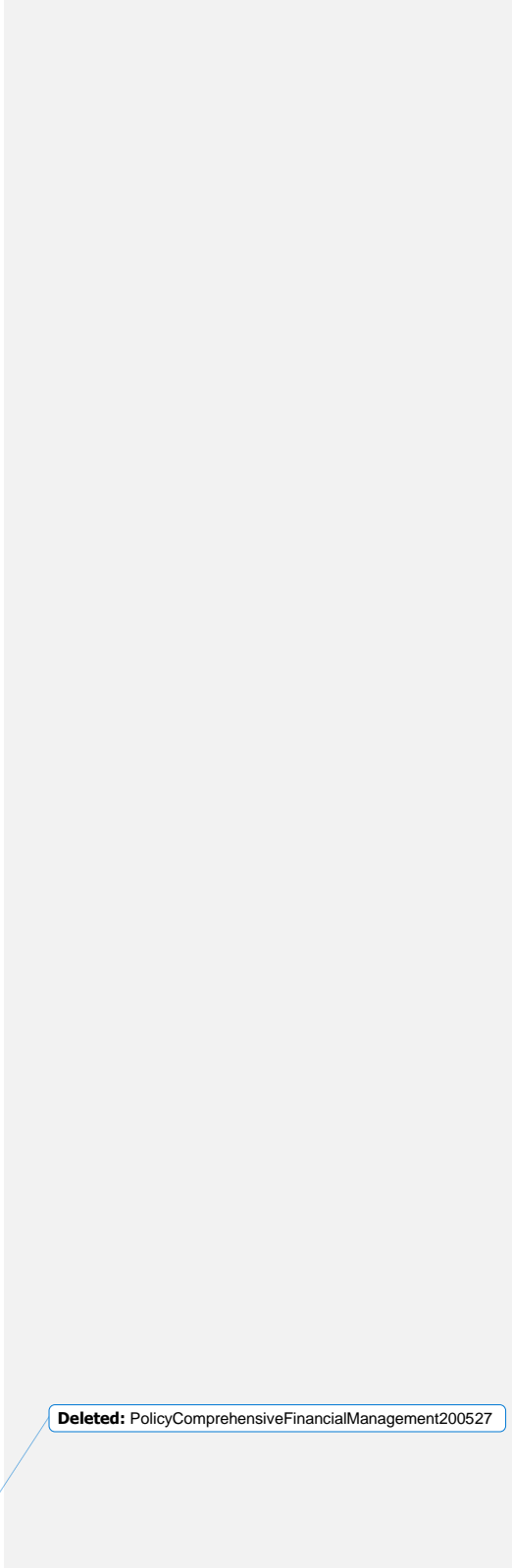
Section 15. Capital Improvement and Capital Budget Policies

- A. It is the District’s policy to ensure that adequate resources are allocated to preserve existing infrastructure and other capital assets before targeting resources toward construction or acquisition of public facilities or major equipment. The District will maintain its physical assets at a level adequate to protect its capital investment and minimize future maintenance and replacement costs. The budget will provide for the orderly replacement of the capital assets from current resources where possible. Long-term borrowing for capital facilities is considered an appropriate method of financing large facilities that benefit more than one generation of users.
- B. The District will develop a six-year Capital Improvement Plan (CIP) to identify and coordinate infrastructure, facility, and major pieces of equipment needs and what facilities to construct, their location, timing, projected cost, and funding sources in a way that maximizes the return to the community. The plan is directed at improving the parks and recreational infrastructure for the community. All capital improvements will be made according to the adopted CIP.
- C. The CIP will be formulated using an analysis of long-term, overall resources and will include projected funding sources and ongoing operations and maintenance costs. Future changes in economic or demographic factors identified in the financial forecasting process will be incorporated in the capital budget projections. The plan will be updated annually.
- D. The first year of the CIP will constitute the capital budget for the ensuing budget year. The capital budget and the base operating budget will be reviewed at the same time to assure that the District’s capital and operating needs are evaluated in a balanced manner.
- E. The District will reasonably determine the least costly financing method for all new projects. Whenever possible, the District will use intergovernmental assistance and other outside resources to fund capital projects. Additional funding may come from designated surpluses in the General Fund and certain special revenue funds as outlined in the operating budget policy.
- F. Projects contained within the CIP will include capital costs as well as ongoing operating costs.



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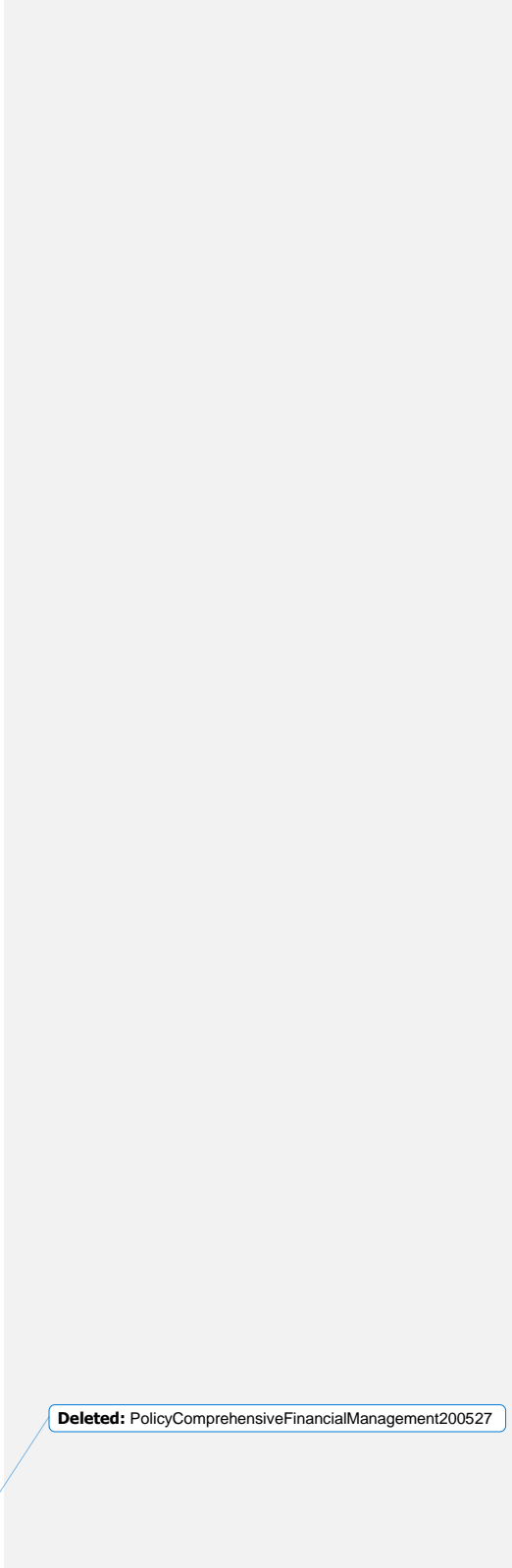
- G. For the purposes of this section, a CIP project is defined as any one project or a grouping of similar projects that are reasonably related where the cost exceeds \$25,000 and/or a life span of more than 10 years; involves new construction or reconstruction designed to replace an existing system or facility; acquisition of land or structures; involves District funding in whole or in part; or involves no District funding but is the District's responsibility to implement, operate or maintain, such as a 100 percent grant funded project.
- H. Minor equipment that falls below the capital asset threshold but is subject to shrinkage shall have a District property tag affixed to it when placed into service and will be accounted for on the "Small and Attractive" inventory list.
- I. The Finance Department will coordinate an annual physical count/inspection of all capital assets.
- J. Adequate insurance will be maintained on all capital assets consistent with the results of the annual physical count / inspection.



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Section 16. Cash and Purchasing Policies

- A. The Executive Director or his or her designee will develop, maintain, and constantly seek to improve cash management systems which ensure the accurate and timely accounting, investment and security of all cash assets. Written cash handling procedures are updated periodically and made available to all departments.
- B. Purchase of goods and services will be accomplished by a separate purchasing policy adopted by the Board.
- C. Payroll costs are authorized by budget adoption.
- D. Expenditures will be within current resource projections at the fund level.



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Peninsula Metropolitan Park District

Bond Procedure and Post Compliance Policy – Federal Securities Law

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Policy Number: P40-103	Resolution Number: R2021-0XX	Date Approved: September 21, 2021 (anticipated)	Supersedes the following Resolutions and Policies:
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Policy: **Bond Procedure and Post Compliance Policy – Federal Securities Law**
(Approved by the PenMet Parks Board of Commissioners)

Purpose: This policy and procedure is intended to guide the Peninsula Metropolitan Park District, Pierce County, Washington (the “District”) in meeting its obligations under applicable statutes, regulations and documentation associated with publicly offered and privately placed securities of the District. These obligations may arise as a result of securities laws or as a result of contractual commitments made by the District. This policy should be read together with other District policies and procedures relating to its debt obligations and (with respect to tax-exempt securities) a separate District policy relating to requirements of federal tax law. This policy outlines obligations that may be applicable to each issue of securities and identifies the party to be responsible for monitoring compliance. In the District, the District’s Director of Finance and Administration (“Finance Director”), or such officer’s designee, will be responsible for ensuring that the policy is followed and compliance checklist and records maintained.

A. Scope and Purpose

This policy and procedure is intended to establish a framework for compliance by District with its disclosure and/or contractual obligations with respect to bonds, notes, and other securities it issues or that are issued on its behalf (as defined herein, the “securities”), pursuant to the requirements of federal and state securities laws and other applicable rules, regulations, and orders. This section applies generally to all of the District’s bonds (regardless of their tax status) and other debt issued on the District’s behalf subject to comparable requirements. The purpose of this policy is to: facilitate compliance with applicable law and existing ongoing disclosure undertakings when preparing and distributing initial and ongoing disclosure documents, to reduce exposure (of the District and its officials and employees) to liability for damages and enforcement actions based on material misstatements and omissions in such documents, and to promote good investor relations.

B. The Anti-Fraud Rules

It is the policy of the District to comply fully with applicable securities laws regarding disclosure in connection with the issuance of securities and with the terms of its continuing disclosure agreements, including the Anti-Fraud Rules. The “Anti-Fraud Rules” refer to Section 17 of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934, particularly Rule 10b-5 under the Securities Exchange Act of 1934, and regulations adopted by the Securities and Exchange Commission under those Acts.¹

The Anti-Fraud Rules require all material information relating to the offered securities to be provided to potential investors in connection with the sale or issuance of securities. The information provided to investors must not contain any material misstatements, and the District must not omit material information which would be necessary to provide to investors a materially complete description of the securities and the District’s financial condition. In the context of the sale of securities, a fact is considered to be material if there is a substantial likelihood that a reasonable investor would consider it to be important, in the total mix of information made available to investors, in determining whether or not to purchase the securities being offered.

¹ For example, the Anti-Fraud Rules provide that “It shall be unlawful for any person, directly or indirectly, ...
(a) To employ any device, scheme, or artifice to defraud,
(b) To make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading,
or
(c) To engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person,
in connection with the purchase or sale of any security.”

The Anti-Fraud Rules apply to all statements and other communication that are intended (or reasonably can be expected) to be accessible to and relied upon by investors of the District's securities. Investor communications include: Preliminary and final Official Statements (the offering documents used in connection with the sale of securities), filings made on EMMA (including filings made pursuant to continuing disclosure undertakings and voluntary postings), and may include, depending on the context, information uploaded or linked or posted to the website of the District, and press releases and other formal and/or public statements of the District.

C. Guidelines for Preparing Disclosure Documents

1. All District staff members and officials involved in the preparation or review of disclosure documents or other investor communications are responsible for being familiar with the Anti-Fraud Rules. Violations of the Anti-Fraud Rules may be punishable by civil or criminal penalties against the District and the individual staff members and officials responsible for the violations.
2. Staff members and officials involved in the preparation or review of disclosure documents and other investor communications are instructed to err on the side of raising issues when preparing or reviewing such documents and communications. Officials and staff are encouraged to consult with the District's general counsel, bond counsel and/or disclosure counsel, if any, and/or the District's municipal advisor, if any, if there are questions regarding whether an issue is material. Any concerns regarding the accuracy of a disclosure document or other investor communication should be immediately reported to the District's general counsel, bond counsel and/or disclosure counsel, if any.
3. The officers and employees charged by this policy with performing or refraining from any action may depart from this policy when they and the District Finance Manager in good faith determine that such departure is in the best interests of the District and consistent with the duties of the District under the Anti-Fraud Rules. The District Finance Manager is encouraged to first consult with bond counsel, disclosure counsel and/or other legal counsel to the District prior to any such departure.
4. Prior to the public release of any disclosure document or communication to be posted on EMMA, the District Executive Director or Finance Manager or designee shall complete a final review of the material, consisting of comparing and resolving any material discrepancies between the District's audited (and unaudited, if needed) financial statements and other source materials, and cover-to-cover review of the communication.

D. Preliminary and Final Official Statements

For the purpose of satisfying the underwriter’s compliance with the SEC Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the “Rule”), the District Executive Director or the District Finance Director (and/or any other official designated by the District’s Board, if any) shall be responsible for “deeming final” the Preliminary Official Statement as of its date, except for the omission of information as to offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, maturity dates, delivery dates, and other terms of the securities dependent on such matters or permitted under the Rule to be omitted.

Prior to release of a final Official Statement, the District Executive Director or Finance Director or designee shall be responsible for reviewing and approving the document. Such officer’s approval may be documented in the form of the signed closing certificate. In connection with the closing of the transaction, the District Executive Director or Finance Director (and any other official designated by the District’s Board, if any) will execute a certificate under the Anti-Fraud Rules stating that the Preliminary and final Official Statements, as of their respective dates and as of the dates of pricing and closing, as applicable, do not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements contained therein not misleading in light of the circumstances under which they were made.

E. Ongoing Disclosure

Under the provisions of the Rule, underwriters are required to obtain an agreement for ongoing disclosure in connection with the public offering of securities. The transcript for each issue subject to the Rule (i.e., all publicly sold securities) will include an undertaking by the District to comply with the Rule. The District Finance Director or designee will be responsible for and monitor compliance by the District with its undertakings. These undertakings may include the requirement for an annual filing of operating and financial information and will include a requirement to file notices of certain “listed events.”

1. *Annual Filings.* The District shall file, on a timely basis, its audited financial statements and any operating data as required under its continuing disclosure agreements. If audited financial information is not available by the filing date, unaudited information must be filed, and the audited information must be filed as soon as it is available. Further, the District Finance Director is responsible for providing, in a timely manner, notice of any failure to provide required annual financial information, on or before the date specified in the applicable continuing disclosure agreement.

Prior to posting an annual filing, the District Finance Director will complete a final review, consisting of comparing and noting material discrepancies with source materials and compliance with the Anti-Fraud Rules. Each

continuing disclosure filing shall be sent to the District Finance Director or other authorized officer for approval prior to posting on EMMA. The District Finance Director must exercise reasonable care to file the annual filings in word-searchable PDF format and with the identifying information required by the Continuing Disclosure Agreements, including applicable CUSIP numbers for the securities. The District Finance Director shall enroll on the EMMA website to receive annual email reminders of annual filing deadlines.

2. *Listed Events.*

- (a) *When Notice is Required.* Notice of certain listed events must be filed in a timely manner not more than *ten (10) business days* after the occurrence of the event. As of the date of this policy, the listed events include the following:
 - (1) Principal and interest payment delinquencies;
 - (2) Non-payment related defaults, if material;
 - (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (5) Substitution of credit or liquidity providers, or their failure to perform;
 - (6) Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the bonds, or other material events affecting the tax status of the bonds;
 - (7) Modifications to the rights of bondholders, if material;
 - (8) Bond calls, if material, and tender offers;
 - (9) Defeasances;
 - (10) Release, substitution, or sale of property securing repayment of the securities, if material;
 - (11) Rating changes (both upgrades and downgrades);
 - (12) Bankruptcy, insolvency, receivership or similar event of the District;
 - (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
 - (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
 - (15) Incurrence of a Financial Obligation (as defined below) of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Security holders, if material; and
 - (16) Default, event of acceleration, termination event, modification of terms, or

other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

- (b) *Definition of "Financial Obligation."* "Financial Obligation" is defined in the Rule to mean a (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of clause (A) or (B) of this definition. The term financial obligation does not include municipal securities as to which a final Official Statement has been provided to consistent with the Rule.
- (c) *Inventory of Financial Obligations.* To facilitate compliance with these listed events, the District Finance Director will maintain an inventory of all Financial Obligations of the District. The District Finance Director will review each Financial Obligation (with the assistance of disclosure counsel and/or bond counsel as needed) to determine whether it is material and subject to reporting under the District's continuing disclosure agreements. The District Finance Director will periodically review the definition of Financial Obligations and the inventory of existing Financial Obligations with the appropriate District officers and employees. If there is a foreseeable possibility of any default, event of acceleration, termination event, modification of terms or other similar event is reasonably possible occur, the District Finance Director will be informed.

F. Other Investor Communications

The Anti-Fraud Rules apply to all investor communications. Such investor communications may include, but are not limited to, voluntary filings made on EMMA, information on the District's website (such as on an investor relations webpage), communications with investors (or potential investors), press releases and other formal statements of the District that are intended to reach investors. The District Finance Director and other officers of the District shall exercise reasonable care to make sure that the information in investor communications is materially accurate and complete and otherwise in compliance with this policy.

G. Document Retention.

The following documents are to be maintained in connection with each Security. The goal is to retain adequate records to substantiate compliance with the Anti-Fraud Rules. Unless otherwise specified, the following records are to be maintained.

1. Complete bond transcript.
2. A written record of any Financial Obligation or the occurrence of other notice event that is determined to be immaterial or not reflecting financial difficulty

and thus not requiring disclosure, and the facts and circumstances used to reach such conclusion.

3. Documentation of the actions taken to prepare, check, review and approve each Investor Communication made pursuant to these procedures, including the sources of the information included.
4. Electronic copies of confirmations from EMMA of all continuing disclosure filings.
5. Copies of any filings or correspondence with the SEC or other regulatory body.

H. Training

The District will provide opportunities for training to the District Executive Director, District Finance Director, legal counsel, department managers/directors, elected officials and other individuals responsible for complying with this policy, as needed, specifically including the following training opportunities: at or after bond closing, a conference call or meeting with bond counsel to review the requirements applicable to a new bond issue; participation in in-house training sessions, CPE seminars, or seminars/webinars conducted by professional organizations (e.g., GFOA, WPTA, WFOA); and training will be provided as necessary to address any changes in federal securities laws or this policy.



Peninsula Metropolitan Park District

Bond Procedure and Post Compliance Policy – Federal Tax Law

DRAFT

Policy Number: P40-104	Resolution Number: R2021-0XX	Date Approved: September 21, 2021 (anticipated)	Supersedes the following Resolutions and Policies:
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Policy: **Bond Procedure and Post Compliance Policy – Federal Tax Law**
(Approved by the PenMet Parks Board of Commissioners)

Purpose: This policy and procedure is intended to guide the Peninsula Metropolitan Park District, Pierce County, Washington (the “District”) in meeting its obligations under applicable statutes, regulations and documentation associated with tax-exempt bonds and other tax-advantaged obligations. This policy should be read together with other District policies and procedures relating to its debt obligations and a separate District policy relating to the requirements of federal securities laws. This policy outlines obligations that may be applicable to each issue of tax-exempt or tax-advantaged bonds and identifies the party to be responsible for monitoring compliance. In the District, the District’s Director of Finance and Administration (“Finance Director”), or such officer’s designee, will be responsible for ensuring that the policy is followed and compliance checklist and records maintained.

A. Scope and Purpose

This policy and procedure applies to all of the District’s tax-exempt and tax-advantaged governmental bonds, and other bonds subject to comparable requirements. As used in this policy, references to “bonds” include bonds, lines of credit, bond anticipation notes, and equipment and other financing leases. This policy and procedure is intended to improve the District’s ability to: prevent violations in bond requirements from occurring; timely identify potential violations; and correct identified violations through appropriate remedial steps.

B. Transcripts

1. For each bond issue, the District will receive a full transcript, including a full record of the proceedings related to the issuance of the bonds. For tax-exempt and tax-advantaged bonds, the transcript will include proof of filing an IRS Form 8038-G or 8038-GC and a tax certificate (the “Tax Certificate”) with respect to the bonds.
2. Bond transcripts will be retained in the following location within the District: District Finance Director’s Office.
3. Additional records to be retained by the District are listed in Section H below.

C. Use of Bond Proceeds

Monitoring the expenditure of bond proceeds is necessary to assure that the required amount of bond proceeds are expended for capital expenditures and that not more than 10% of the bond proceeds are expended for projects that will be used in a private trade or business (including by the federal government and nonprofit entities).

1. If the project(s) to be financed with the proceeds of the bonds will be funded with multiple sources of funds, the District will adopt an accounting methodology that:
 - (a) maintains each source of funding separately and monitors the actual expenditure of bond proceeds;
 - (b) commingles the proceeds and monitors the expenditures on a first in, first out basis; or
 - (c) provides for the expenditure of funds received from multiple sources on a proportionate basis.
2. Records of expenditures (timing of expenditure and object code) of the proceeds of bonds will be maintained by the District Finance Director.

3. If the project involves bond proceeds and other sources of funds and included both governmental and nongovernmental use of the financed facilities, the District Finance Director in consultation with the project manager or other authorized District official will undertake a final reconciliation of bond proceeds expenditures and expenditures of other funds with project costs no later than 18 months after the later of the date of expenditure or the date that the project is placed in service (but in no event more than five years after the date of issue).
4. Any change in the scope of the project financed with bond proceeds should be reviewed and documented.
5. Any delay in the project and the expected spending of bond proceeds should be discussed with bond counsel and documented.
6. Records of investments and interest earnings on the bond proceeds will be maintained by the District Finance Director. Such records should include the amount of each investment, the date each investment is made, the date each investment matures and if sold prior to maturity, its sale date, and its interest rate and/or yield. Interest earnings on bonds are considered proceeds of the issue. Interest earnings on proceeds will be deposited in the fund in which the bond proceeds were deposited (if not, then the plan for use of interest earnings will be discussed with the District's bond counsel).
7. Records of interest earnings on reserve funds maintained for the bonds.
8. If at the completion of the project there are unspent bond proceeds, the District Finance Director, conferring with bond counsel, will direct application of the excess proceeds for permitted uses under federal tax law, state law, and bond authorization documents.

D. Arbitrage Rebate

In general, bond proceeds and certain other funds can only be invested at a rate that exceeds the yield on the bonds under limited circumstances. Furthermore, amounts earned by investing above the bond yield must be rebated to the IRS, unless the District qualifies as a small issuer or a spending exception is met. The arbitrage and rebate requirements for each bond issue are detailed in the Tax Certificate executed in connection with the applicable bond issue. The District Finance Manager will monitor compliance with the arbitrage rebate obligations of the District for each bond issue.

1. *Funds to Monitor.* The District Finance Director will monitor the following funds in connection with each bond issue: bond or debt service funds/accounts; project or construction funds/accounts; any refunding

accounts; debt service funds/accounts; any other accounts with bond proceeds; and any other accounts holding amounts pledged to pay bonds.

2. *Review.* The District Finance Director will monitor rebate compliance for each issue of tax-exempt governmental obligations issued during that calendar year.
 - (a) During construction, the District Finance Director is to monitor expenditures to confirm satisfaction of expected exceptions to rebate (described below in Subsection 3).
 - (b) The first rebate payment is due five years after date of issue of the bonds plus 60 days.
 - (c) Rebate is due every succeeding five years, if there are unspent gross proceeds of the bonds.
 - (d) Final rebate payment is due 60 days after early redemption or retirement of the bonds.
3. *Rebate Exceptions.* The District Finance Director will review the Tax Certificate in the transcript in order to determine whether the District is expected to comply with a spending exception that would permit the District to avoid having to pay arbitrage rebate. If the Tax Certificate identifies this spending exception, then the District Finance Director will monitor the records of expenditures to determine whether the District met the spending exception (and thereby avoid having to pay any arbitrage rebate to the federal government).
4. *Rebate Consultant.* The District Finance Director may select and retain the services of a rebate consultant if determined to be necessary and in the best interest of the District in order to calculate any potential arbitrage rebate liability. The rebate consultant may be selected no later than the completion of the project to be financed with the proceeds of the issue. A rebate consultant may be selected on an issue by issue basis or for all bonds issued by the District. The selected rebate consultant shall provide a written report to the District with respect to the issue and with respect to any arbitrage rebate owed if any.

Based on the report of the rebate consultant, the District will file reports with and make any required payments to the Internal Revenue Service, no later than the fifth anniversary of the date of each issue (plus 60 days), and every five years thereafter, with the final installment due no later than 60 days following the retirement of the last obligation of the issue.

5. *Yield Reduction Payments.* If the District fails to expend all amounts required to be spent as of the close of any temporary period specified in the Tax Certificate (generally three years for proceeds of a new money issue

and 13 months for amounts held in a debt service fund), the District will consult with bond counsel to determine and pay any required yield reduction payment.

E. Use of the Facilities Financed with Bond Proceeds

In order to maintain tax-exemption of bonds issued on a tax-exempt or tax-advantaged basis, the financed facilities (projects) are required to be used for governmental purposes during the life of the issue. The District Finance Director will monitor and maintain records regarding any private use of the projects financed with such bond proceeds. The IRS Treasury Regulations prohibit private business use (use by private parties (including nonprofit organizations and the federal government)) of tax-exempt financed facilities beyond permitted *de minimis* amounts unless cured by a prescribed remedial action.

1. Private use may arise as a result of:
 - (a) Sale of all or a portion of the facilities;
 - (b) Lease of all or a portion of the facilities (including leases, easements or use arrangements for areas outside the four walls, e.g., hosting of cell phone towers);
 - (c) Management contracts (in which the District authorizes a third party to operate a facility (e.g., cafeteria or parking operator)), except for qualified management contracts under IRS Rev. Proc. 2017-13 or any successor guidance;
 - (d) Preference arrangements (in which the District grants a third party preference of the facilities, e.g., preference parking in a public parking lot); and
 - (e) Entering into contracts giving “special legal entitlement” to the facility (for example, selling advertising space or naming rights).
2. All leases and other contracts involving use or management of bond-financed property will be sent prior to execution to the District Finance Director for review. The District Finance Director will confer with personnel responsible for bond financed projects at least annually to discuss any existing or planned use of bond-financed or refinanced facilities. Private use for each bond-financed project will be calculated annually.
3. If the District Finance Director or designee identifies private use of tax-exempt debt financed facilities, the District Finance Director or designee will consult with the District’s bond counsel to determine whether private use will adversely affect the tax-exempt status of the issue and if so, what remedial action is appropriate. The private use may be allocated to those

facilities (or portions of facilities) that were funded from sources other than bond proceeds. If noncompliance will be remediated under existing remedial action provisions or tax-exempt bond closing agreement programs contained in the regulations or other published guidance from the IRS, determine the deadline for taking action and proceed with diligence to take the required remedial actions. If remedial actions are unavailable, determine whether to make a submission to the Tax-Exempt Bonds Voluntary Closing Agreement Program (“VCAP”) under Internal Revenue Manual 7.2.3.

F. Refundings

For refunding escrows, the District will confirm that any scheduled purchases of State and Local Government Series (“SLGS”) or open market securities are made as scheduled. On the redemption date, the District Finance Director will confirm that the refunded bonds have been redeemed and cancelled. Promptly following the redemption date, the District Finance Director will confirm that all proceeds of the bonds and all proceeds of the refunded bonds have been spent. Verify that excess proceeds, if any, of the bonds do not exceed an amount permitted by the Regulations.

Any final rebate payment is due 60 days after early redemption or retirement of the refunded bonds.

G. Reissuance

A significant modification of the bond documents may result in bonds being deemed refunded or “reissued.” Such an event will require, among other things, the filing of new information returns with the federal government and the execution of a new Tax Certificate. The District shall consult with bond counsel in the event of modification of the bond documents.

H. Records Retention

1. Records with respect to matters described in this Section H will be retained by the District for the life of the bond issue (and any issue that refunds the bond issue) and for a period of three years thereafter.
2. Records to be retained:
 - (a) The transcript;
 - (b) Arbitrage rebate reports prepared by the District or by outside consultants;
 - (c) Work papers that were provided to the rebate consultants;

- (d) Records necessary to document the allocation of bond proceeds and other sources of funds to particular projects or portions of projects.
- (e) Records of expenditures and investment receipts (showing timing of expenditure and the object code of the expenditure and in the case of investment, timing of receipt of interest earnings). (Maintenance of underlying invoices should not be required provided the records include the date of the expenditure, payee name, payment amount and object code; however, if those documents are maintained as a matter of policy in electronic form, then the District should continue to maintain those records in accordance with this policy);
- (f) Copies of all certificates and returns filed with the IRS (e.g., for payment of arbitrage rebate);
- (g) Records documenting the final allocation of bond proceeds to projects, including any reallocations of bond proceeds, in a format showing the timing and substance of the reallocation, if applicable;
- (h) Copies of all contracts relating to the use of the bond-financed facility including leases, concession agreements, management agreements and other agreements that give usage rights or legal entitlements with respect to the facility to nongovernmental persons (e.g., advertising displays, cell tower leases, and naming rights agreements; and
- (i) Copies of all records noting compliance with these policies.

I. Training

The District will provide opportunities for training to the District Executive Director, District Finance Director, legal counsel, department managers/directors, elected officials and other individuals responsible for complying with this policy, as needed, specifically including the following training opportunities: at or after bond closing, a conference call or meeting with bond counsel to review the requirements applicable to a new bond issue; participation in in-house training sessions, CPE seminars, or seminars/webinars conducted by professional organizations (e.g., GFOA, WPTA, WFOA); and training will be provided as necessary to address any changes in federal tax laws or this policy.