

**CITY AND COUNTY OF DENVER, COLORADO,  
ACTING BY AND THROUGH ITS BOARD OF WATER COMMISSIONERS**

**POST-ISSUANCE COMPLIANCE POLICIES  
AND PROCEDURES FOR BONDS**

*as adopted by the Board on  
July 14, 2010*

1. Purpose. The purpose of this Compliance Policy for bonds issued by the Board of Water Commissioners of the City and County of Denver, Colorado is to ensure that the Board will be in compliance with requirements of the Code that must be satisfied with respect to bonds when issued and after such bonds are issued so that interest on the bonds will be and will remain qualified for an exclusion from gross income for federal income tax purposes or for tax credit purposes. The terms “bond” or “bonds” will be used generically herein and will include bonds, notes and other forms of obligations of the Board. All capitalized terms used herein will have the meanings ascribed to them in Section 2 hereof.

2. Definitions. The following capitalized terms shall have the following meanings under this Compliance Policy:

“Board” means the Board of Water Commissioners of the City and County of Denver, Colorado.

“Code” means the Internal Revenue Code of 1986 as amended from time to time.

“Compliance Policy” means the post-issuance compliance policies and procedures set forth herein.

“Director of Finance” means, for purposes of this Compliance Policy, Director of Finance of the Board or his or her designee.

“IRS” means the Internal Revenue Service.

“Regulation(s)” or “Treasury Regulation(s)” means the temporary, proposed or final Income Tax Regulations promulgated by the Department of the Treasury and applicable to the Board’s bonds.

3. Responsibility for Monitoring Post-Issuance Tax Compliance. The Board has the overall and final responsibility for monitoring whether the Board is in compliance with post-issuance federal tax requirements for its bonds. However, the Board assigns to the Director of Finance the primary operating responsibility to monitor the Board’s compliance with post-issuance federal tax requirements for the Board’s bonds.

4. Arbitrage Yield Restriction and Rebate Requirements. The Director of Finance shall maintain or cause to be maintained records of:

(a) purchases and sales of investments made with bond proceeds (including amounts treated as “gross proceeds” of bonds under section 148 of the Code) and receipts of earnings on those investments;

(b) Expenditures made with bond proceeds (including investment earnings on bond proceeds) for the governmental purposes of the bonds, such as for the costs of purchasing, constructing and/or renovating property and facilities;

(c) Information showing, where applicable for a particular calendar year, that the Board was eligible to be treated as a “small issuer” for arbitrage rebate purposes in respect of bonds issued in that calendar year because the Board did not reasonably expect to issue more than \$5,000,000 of bonds in that calendar year;

(d) Calculations that will be sufficient to demonstrate to the IRS upon an audit of a bond issue that, where applicable, the Board has complied with an available spending exception to the arbitrage rebate requirement in respect of that bond issue;

(e) Calculations that will be sufficient to demonstrate to the IRS upon an audit of a bond issue for which no exception to the arbitrage rebate requirements was applicable, that the rebate amount, if any, that was payable to the United States of America in respect of investments made with gross proceeds of that bond issue was calculated and timely paid with Form 8038-T timely filed with the IRS;

(f) Information and records showing that investments held in yield-restricted advance refunding or defeasance escrows for bonds, and investments made with unspent bond proceeds after the expiration of the applicable temporary period, were not invested in higher-yielding investments; and

(g) Any records the Board may reasonably obtain relating to the prices at which bonds may trade prior to their delivery or issue date.

5. Records to be Maintained for Bonds. It is the policy of the Board that, unless otherwise permitted by future IRS regulations or other guidance, written records (which may be in electronic form) will be maintained with respect to each bond issue for a long as those bonds remain outstanding, plus three years. For this purpose, the bonds include refunding bonds that refund the original bonds and thereby refinance the property that was financed by the original bonds.

The records to be maintained are to include:

(a) The official transcript of proceedings for the original issuance of the bonds;

(b) Records showing how the bond proceeds were invested, as described in Subsection 4(a) above; (The monthly investment portfolio report submitted to Board will suffice for this requirement.)

(c) Records showing how the bond proceeds were spent, as described in Subsection 4(b) above, including purchase contract, construction contracts, progress payment requirements, invoices, cancelled checks, payment of bond issuance costs, and records of “allocations” of bond proceeds to make reimbursement for project expenditures made before the bonds were actually issued;

(d) Information, records and calculations showing that, with respect to each bond issue, the Board was eligible for the “small issuer” exception or one of the spending exceptions to the arbitrage rebate requirement or, if not, that the rebate amount, if any, that was payable to the United States of America in respect of investments made with gross proceeds of that bond issue was calculated and timely paid with Form 8038-T timely filed with the IRS, as described in Subsections 4(c), (d) and (e) above;

(e) Any records relating to the assignment or allocation of volume cap to any tax credit bonds and any elections made with respect thereto; and

(f) Any records obtained in monitoring secondary market trading activity for any of the Board’s bonds.

The basic purpose of the foregoing record retention policy for the Board’s bonds is to enable the Board to readily demonstrate to the IRS upon an audit of any bond issue that the Board has fully complied with all federal tax requirements that must be satisfied after the issue date of the bonds so that interest on those bonds continues to be qualified for an exclusion from gross income for federal income tax purposes or for tax credit purposes under the Code.

6. Restrictions on Private Business Use and Private Loans. The Board understands that there are restrictions on private business use of assets financed with proceeds of bonds and restrictions on the use of proceeds of bonds to make or finance any loan to any person other than a state or local government unit. The Board will consult its Bond Counsel in the event private business use or private loans are contemplated.

7. Education Policy With Respect to Federal Tax Requirements for Bonds. It is the policy of the Board that the Director of Finance and his or her staff, as well as the principal operating officials of those departments of the Board for which property is financed with proceeds of bonds should be provided with education and training on federal tax requirements applicable to bonds. The Board recognizes that such education and training is vital as a means of helping to ensure that the Board remains in compliance with those federal tax requirements in respect of its bonds. The Board therefore will enable and encourage those personnel to attend and participate in educational and training programs with respect to federal tax requirements related to bonds.

8. Retention of Rebate Analysts or Other Professionals. The Board may retain for particular transactions, one or more Rebate Analysts or other professionals for the purpose of filing any necessary forms to obtain refundable tax credits. A Rebate Analyst may also be retained or engaged at the outset of a transaction to advise the Board with respect to the

transaction structure that will allow the Board to take advantage of any available exceptions to the Rebate Rule.

9. Periodic Review. The Compliance Policy shall be reviewed regularly by the Bond Counsel retained by the Board to ensure conformity with current Regulations.

This policy is hereby adopted by action of the Board at it public meeting of \_\_\_\_\_, 2010.

ATTEST:

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President

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Secretary