

City of Santa Clara, California

Tax-Exempt Bond Proceeds Drawdown Procedures

Effective as of November 18, 2025

Purpose. The purpose of these Tax-Exempt Bond Proceeds Drawdown Procedures (the “Procedures”) is to establish processes and requirements for the timely and systematic drawdown of eligible expenditures in accordance with respective bond documents and Internal Revenue Service (IRS) rules.

Scope. These Procedures apply to all City of Santa Clara (the “City”) departments that utilize tax-exempt bond proceeds for the payment of capital improvement program (CIP) project expenditures and request fund drawdowns.

Authority. The City of Santa Clara Debt Management Policy approved by City Council authorizes the Finance Department to oversee the City’s debt management activities, including investment of bond proceeds, monitoring compliance with bond covenants, monitoring use of debt proceeds, monitoring use of facilities financed with tax-exempt debt, continuing disclosure, arbitrage compliance for tax-exempt debt, relationships with credit rating agencies, payment of debt service, and meeting all required federal, state, and local reporting requirements.

Responsibilities & Procedures. To facilitate the timely and accurate drawdown of bond proceeds, responsibilities shall be as follows:

Finance Department:

- Prior to issuance of debt, work with bond counsel and department liaisons to determine the necessity for a Declaration of Official Intent to Reimburse (“Reimbursement Resolution”)
 - If a Reimbursement Resolution is advised, work with department liaisons to determine the description of the project or projects to be financed and the amount to declare and work with bond counsel and the City Attorney’s Office to prepare a resolution for City Council approval
- Create an accounting structure (funds, accounts, project, etc.) for all capital improvement projects to facilitate financial accounting and reporting
- Prior to the issuance of debt, the Finance Department’s Treasury Division (“Treasury”) shall:
 - Provide a detailed project description and projected bond proceeds expenditure schedule to bond counsel to be included in the tax certificate prepared by bond counsel (the “Tax Certificate”)
- Following the issuance of debt, Treasury shall:
 - Review the Tax Certificate to determine the expectations and covenants related to the debt
 - Determine project proceeds and advise department liaisons
 - Review drawdown requirements and expectations with all department liaisons. Determine drawdown frequency, with routine and/or defined time periods (i.e. month-end or quarter-end)¹
 - Provide debt sale information to the City’s arbitrage services provider, including:

- Bond sale pricing information
 - Debt service schedule
 - Yield limit determinations prepared by bond counsel or municipal advisor
 - IRS Form 8038-G
 - Tax Certificate
- If debt proceeds are held by a third-party trustee (“Trustee”):
 - Manage trust accounts and trustee relationships
 - Submit requisitions corresponding to each Drawdown Request to the Trustee in accordance with the bond issuance documents
 - Confirm receipt of funds from Trustee pursuant to each requisition
 - Return completed Drawdown Request Forms to requesting departments
- Treasury will provide department liaisons with necessary instructions (see attachment 1) to complete Drawdown Requests
- Treasury shall review each Drawdown Request for accuracy and authorization and forward to the Accounting Division (“Accounting”)
- Accounting shall obtain from the Finance Department’s records copies of all detail Accounts Payable payment information, including invoices and payment documentation, for each expenditure included on Drawdown Request Forms
 - At a minimum, invoices and payment documentation shall include:
 - Payee name and address
 - Date of payment
 - Brief description of goods and services
 - Amount paid
- Accounting shall retain all Drawdown Request Forms (see attachment 2), PeopleSoft accounting reports, and detailed payment documentation to a designated electronic folder and to the Laserfiche system, in accordance to Finance Department retention policy, which will be made available for requesting department’s access
- Treasury shall monitor drawdown requests monthly or quarterly, as applicable, to ensure timely submittal by department liaisons
- Treasury shall track the cumulative drawdown of bond proceeds to ensure compliance with IRS spenddown rules and exceptions
- Treasury shall engage with the City’s arbitrage services provider and provide drawdown and investment information to facilitate the timely calculation of arbitrage rebate and compliance with IRS rules
- In the event of an IRS audit, the Finance Department shall be the primary point of contact for the IRS
 - The Finance Department shall coordinate with bond counsel, the arbitrage services provider, the City Attorney’s Office, and department liaisons responsible for projects funded with proceeds of the bonds being audited by the IRS, as necessary

Requesting Departments:

- Follow standard City Accounts Payable procedures to approve project invoices related to the debt funded projects they respectively manage, coded to assigned CIP project account strings, and submit for timely payment
- Charge construction only related staff time to CIP project, when applicable
- Designate a department liaison to coordinate with project managers to facilitate the drawdown process as described in these Procedures
- Prepare Drawdown Request Forms, including appropriate authorizations, in a timely manner as required by the Finance Department (i.e., monthly, quarterly, etc.) for project expenditures. Refer to Note 1 above
- Run PeopleSoft accounting reports to determine periodic drawdown amounts
 - Run PeopleSoft Financials query supporting expenditures charged to CIP project
 - Run PeopleSoft HR/Payroll query supporting staff time charged to CIP project with electronic timesheet; or
 - Scan paper timesheets supporting staff time charged to CIP project
- Submit Drawdown Request Forms, including PeopleSoft accounting reports and all timesheet records, to Treasury
- Department is the owner of all records (see following Retention Schedule)
- Retain records in accordance with the City's Debt Management Policy or to the final maturity of the bonds, including any refunding bonds, plus three years, whichever is longer
- Department liaisons work in tandem with the Finance Department in the event of an IRS audit, including providing all records
 - Department director and City Attorney's Office will be informed immediately of such audit

Retention Schedule Summary

Retention No.	Office of Record	Record Type	Records Description	Retention / Disposition		
				Active (in office)	Inactive (Records Center)	Total Retention
	(OFR)					
FIN-002	Accounting Services	AP Payments	Accounts Payable / Invoices and Backup and Purchase Card Statements - Originals (includes Invoices, Travel Expense Reimbursements, Warrant Request, etc.)	2 years	5 years	7 years
FIN-028	Payroll	Regulatory Timekeeping	Time Sheets / Time Cards / Overtime Sheets / Overtime Cards - Hardcopies	2 years	8 years	10 years
FIN-029	Payroll	Source	Time Sheets / Time Cards / Overtime Sheets / Overtime Cards - PeopleSoft (electronically)	Indefinite	-	Indefinite
Debt Policy	Each CIP Department	Project Fund Drawdown	Drawdown Request Forms / Invoices and Backup / Purchase Card Statements / and Originals / Time Sheets	Cancellation, Redemption or Maturity*	3 years	Final Maturity + 3 years

**includes refunding activities*

Attachments

1. Drawdown Request Training Manual draft
2. Drawdown Request Form draft