



City of Riverside Finance Department Post Issuance Compliance Policy

Last Review Date: 6/2013
Prepared by: Financial Resources Division

PURPOSE:

To establish a framework for post issuance compliance for bond issues.

POLICY:

The City will take all appropriate action to assure that (i) no use of the proceeds of the Bonds, and no other event or action, will cause the Bonds to violate federal income tax limitations with respect to the exclusion of interest on the Bonds from federal income taxation, and (ii) all uses of proceeds of the Bonds comply with State and local legal requirements regarding the valid incurrence of debt and permitted uses of proceeds of the Bonds.

Without limiting the generality of the foregoing, the City will take the following actions to account for and monitor (i) the expenditure and investment of Bond proceeds, (ii) the use of the Prior Projects refinanced with the proceeds of the Bonds, and (iii) any changes in the underlying structure of the Bond financing.

Nongovernmental Uses of the Financed Facilities

1. Monitor and document sales, leases or other use agreements with respect to the Prior Projects with nongovernmental entities, not including uses by members of the general public within the meaning of §1.141-3(c) of the Treasury Regulations (the "Regulations"). Compute the percent of private business use or private payments or private security with respect to those nongovernmental uses.
2. Monitor and document management contracts (see Rev. Proc. 97-13) with nongovernmental entities.
3. Monitor and document other special legal entitlements with respect to the tax-exempt financed property (e.g., licenses, use agreements, easements, etc.).
4. When nongovernmental uses of the financed facilities are identified, take remedial action to address the issue, including redemption or defeasance of nonqualified bonds, alternative use of the impacted bond proceeds, alternative use of the bond-financed facility in question, and/or participation in the Voluntary Closing Agreement program (VCAP).

Allocation of Bond Proceeds to Expenditures

1. Allocate proceeds of the Bonds and the Refunded Bonds to expenditures subject to §1.148-6(d) and §1.141-6(a) of the Regulations by 18 months after the later of the date the expenditure was made or the date the Prior Projects were placed in service, but not later than the earlier of five years after the funding date of the Bonds or 60 days after the Bonds are retired. Document this allocation.
2. Monitor and document reimbursement of expenditures paid from non-Bond proceeds and

Refunded Bonds proceeds (if any) prior to the issue date of the Bonds and verify compliance with §1.150-2 of the Regulations.

Arbitrage

1. Hire a rebate calculation agent or perform rebate calculations.
2. Rebate payments:
 - a. The first installment is due 60 days after the end of 5th bond year.
 - b. Succeeding installments are due 60 days after the end of every 5th bond year thereafter.
 - c. The final installment is due 60 days after retirement of the last bond of the issue.
3. Monitor expenditures of Bond proceeds for qualification for rebate expenditure exceptions: 6-month exception, 18-month exception or 24-month exception.
4. Monitor expenditures of Bond proceeds against date of issuance expectations regarding three-year or five-year temporary periods and five-year hedge bond limitations, if applicable.
5. When a situation arises that violates the arbitrage provisions of the Regulations, take remedial action to address the issue, including payment of a yield reduction payment and/or participation in the Voluntary Closing Agreement program (VCAP).

Record Retention

1. Retain records of all accounting and monitoring the Issuer carries out with respect to the Bonds for at least three years after the final maturity date of the Bonds is made or prepaid (whichever is earlier); however, if the Bonds are prepaid and refunded, the Issuer will retain its records of accounting and monitoring at least three years after the earlier of the maturity or redemption of the bonds or other financing agreement which refunded the Bonds.
2. Maintain special records required by the safe harbor investment contracts or defeasance escrows under §1.148-5 of the Regulations.
3. Maintain a record of the identification on the Issuer's books and records of any "qualified hedge" contract under §1.148-4(h)(2)(viii) and §1.148-11A(i)(3) of the Regulations.
4. Maintain a record of any election not to take depreciation on property required to be owned by a governmental unit which is leased to a nongovernmental entity as required by §1.103(n)-2T Q/A7 of the Regulations.
5. Maintain records of accounting for rebate for a period of at least three years after the earlier of the final maturity of the Bonds or prepayment of the Bonds.

Reissuance

A significant modification of the terms of the Bonds may result in the 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 arbitrage certificate. Qualified bond counsel should be consulted in the event of modification of the terms of the Bonds.