

**COUNTY OF SANTA BARBARA  
DEBT MANAGEMENT POLICY**

**APPENDIX B: POST-ISSUANCE BOND COMPLIANCE AND RECORD  
RETENTION POLICY**

**1. PURPOSE**

The purpose of the Post-Issuance Bond Compliance and Record Retention Policy is to establish policies and procedures in connection with tax-exempt bonds or obligations (whether in the form of bonds, certificates of participation, installment sale contracts, leases or other financing structures) and other tax-advantaged bonds or obligations (collectively, the Bonds) issued for the benefit of the County of Santa Barbara (County) so as to ensure that the County complies with all applicable post-issuance requirements of federal income tax law needed to preserve the tax-exempt or special tax status of the Bonds.

**2. POST ISSUANCE REPORT**

Contemporaneously with issuance of bonds, the underwriter must execute an issue price certificate in a form approved by bond counsel. Within 30 days of closing, the municipal advisor or underwriter is required to file a Post Issuance Report with the County Treasurer. The report will also be presented to the County Debt Advisory Committee (DAC). The report must include:

- **Pricing:** Interest Rates/Yield/Premiums/Discounts. For direct pay bonds, provide data to document that no maturity is in excess of the de minimis amount of **premium**, as required by section 54AA(d)(2)(C).
- **Comparable Sales Data:** Minimum Information to include: Issuer, Credit Ratings, Type of Credit (Revenue, COP, Special Tax, etc.), Taxable or Tax-Exempt, Par Amount, Coupon Rate and Yield by Maturity, and Credit Spreads by Maturity.
- **Orders:** Total orders broken down by allotment (retail, institutional, underwriter) and actual allotments, (both by dollar and percentage).
- **Costs of Issuance:** A detail of each individual item and an aggregate total should be included. The aggregate total percentage of issuance should be indicated.

**3. USE OF BOND PROCEEDS**

Bond proceeds are to be used only for expenditures related to the capital project as detailed in the legal documentation and Tax Certificate pertaining to a bond issue.

1. The Treasurer or other appropriate County personnel shall:
  - monitor the use of Bond proceeds and the use of Bond-financed assets (e.g., facilities, furnishings or equipment) throughout the term of the Bonds (and in some cases beyond the term of the Bonds) to ensure compliance with covenants and restrictions set forth in applicable County resolutions and Tax Certificates;
  - maintain records identifying the assets or portion of assets that are financed or refinanced with proceeds of each issue of Bonds;

**COUNTY OF SANTA BARBARA  
DEBT MANAGEMENT POLICY**

**APPENDIX B: POST-ISSUANCE BOND COMPLIANCE AND RECORD  
RETENTION POLICY**

- consult with Bond Counsel and other professional expert advisers in the review of any contracts or arrangements involving use of Bond-financed facilities to ensure compliance with all covenants and restrictions set forth in applicable County resolutions and Tax Certificates;
  - maintain records for any contracts or arrangements involving the use of Bond financed facilities as might be necessary or appropriate to document compliance with all covenants and restrictions set forth in applicable County resolutions and Tax Certificates; and
  - meet periodically with personnel responsible for Bond-financed assets to identify and discuss any existing or planned use of Bond-financed assets and to ensure that those uses are consistent with all covenants and restrictions set forth in applicable County resolutions and Tax Certificates.
2. A form “Request of the County for Disbursement” (or other form that may be included in the Indenture of Trust or other bond documentation) must be submitted to the Treasurer’s office when requesting payment for project costs, and substantiating documentation must be submitted with each claim.
3. General Services or the department managing the capital project, will periodically report certain project related information to the DAC. The report should be detailed by project and should include the following information:
- a. Bond proceeds allocated for the project
  - b. Other project funding
  - c. Interest earned on the bond proceeds (if earmarked for the project)
  - d. Subtotal project funds available
  - e. Project costs to date
  - f. Remaining bond proceeds and other funds available for the project
  - g. A forecast of the date unspent bond proceeds will be completely drawn down and expected project completion date
  - h. Any major event which may affect project progress or completion.

**4. ARBITRAGE REBATE AND YIELD**

Unless a Tax Certificate documents that bond counsel has advised that arbitrage rebate will not be applicable to an issue of Bonds:

- The County shall engage the services of a Rebate Service Provider (Provider), to prepare the analysis, computation of rebate, and reports to be filed with the IRS;
- The County or the Bond trustee shall deliver periodic statements concerning the investment of Bond proceeds to the Provider on a prompt basis, and upon request, the Treasurer or other appropriate County personnel shall give to the Provider additional documents and information reasonably requested by the Provider;

**COUNTY OF SANTA BARBARA  
DEBT MANAGEMENT POLICY**

**APPENDIX B: POST-ISSUANCE BOND COMPLIANCE AND RECORD  
RETENTION POLICY**

- The Treasurer’s office shall monitor the efforts of the Provider and assure payment of required rebate amounts, if any, no later than 60 days after each 5-year anniversary of the issue date of the Bonds, and no later than 60 days after the last Bond of each issue is redeemed; and
- During the construction period of each capital project financed in whole or in part by Bonds, the Treasurer’s office shall monitor the investment and expenditure of Bond proceeds and shall consult with the Provider to determine compliance with any applicable exceptions from the arbitrage rebate requirements during each 6-month spending period up to 6 months, 18 months or 24 months, as applicable, following the issue date of the Bonds.

The County shall retain copies of all arbitrage reports and trustee statements as described below under “Record Keeping Requirements.”

**5. DEBT SERVICE**

- *Proper determination of interest payable on each interest date:* The bond Trustee will prepare an invoice indicating principal and interest due on each semi-annual or annual payment date, and submit it to the Treasurer’s office for review and payment consistent with the timing required by the bond documentation.
- *Timely filing of form 8038-CP return for Credit Payments to Issuers of Qualified Bonds (only for direct subsidy bonds):* The Treasurer’s office will prepare the IRS form 8038-CP. The form will be submitted at the earliest date allowed by the IRS. The refundable direct payment credit is to be made to the County Treasurer – Tax Collector, or wired directly into the County’s bank account.

**6. VIOLATIONS OF FEDERAL TAX REQUIREMENTS FOR TAX-EXEMPT BOND ISSUANCES**

1. Upon knowledge of an actual or suspected violation of any Federal tax requirement, the Treasurer’s office is to be immediately notified. The Treasurer will convene an emergency meeting of the DAC if she/he determines it is necessary.

Examples of a violation may include, but are not limited to, the following:

- a. Use of 10% of the project by a private business;
  - b. Use of proceeds for a non-qualified expenditure;
  - c. Inadvertent investment of escrow at materially higher yield than the arbitrage yield on the bond issue as detailed in the Tax Certificate.
2. Information provided regarding an actual or suspected violation should be documented in writing and should include the following:
    - a. A clear statement of the specific federal tax requirement which is the subject of the violation;

**COUNTY OF SANTA BARBARA  
DEBT MANAGEMENT POLICY**

**APPENDIX B: POST-ISSUANCE BOND COMPLIANCE AND RECORD  
RETENTION POLICY**

- b. A description of the violation, including its nature, when it occurred, and the facts and circumstances surrounding it; and
  - c. A statement as to when and how the violation was discovered.
3. If possible, identified violations will be resolved via a remedial action pursuant to Section 1.141-12 of the Treasury Regulations. If a remedial action is not available, resolution via the IRS Voluntary Closing Agreement Program will be sought.
4. Resolution of any identified violation will be documented.
5. The DAC will consider and update as necessary the County's debt policies and procedures to implement changes that would prevent the violation from recurring in any of the County's debt issuances.

**7. RECORD KEEPING REQUIREMENTS**

Unless otherwise specified in applicable County resolutions or Tax Certificates, the County shall maintain the following documents for the term of each issue of Bonds (including refunding Bonds, if any) plus at least three years:

- a copy of the Bond closing transcript(s) and other relevant documentation delivered to the County at or in connection with closing of the issue of Bonds;
- a copy of all material documents relating to capital expenditures financed or refinanced by Bond proceeds, including (without limitation) construction contracts, purchase orders, invoices, trustee requisitions and payment records, as well as documents relating to costs reimbursed with Bond proceeds and records identifying the assets or portion of assets that are financed or refinanced with Bond proceeds;
- a copy of all contracts and arrangements involving private business use of Bond financed assets; and
- copies of all records of investments, investment agreements, arbitrage reports and underlying documents, including trustee statements.