

**POST-ISSUANCE COMPLIANCE PROCEDURES FOR
TAX-EXEMPT QUALIFIED OBLIGATIONS**

I. PURPOSE:

Federal tax requirements require on-going monitoring after the issuance of tax-exempt bonds. The following guideline establishes policies and procedures for rules governing the on-going monitoring after issuance of tax-exempt bonds. For purposes of the procedures set forth herein, "bonds" shall include all interest bearing obligations including particularly, without limitation, bonds, notes and financing leases.

II. RESPONSIBILITY:

- A. Monitoring over the life of the bonds to determine whether use of proceeds and financed property are qualified uses or unqualified uses. Determine the percentage of nonqualified uses.
- B. Monitoring over the life of the bonds to determine whether both the yield on investments acquired with bond proceeds are properly restricted and whether the issuer must file Form 8038-T to pay a yield reduction payment and/or rebate payment.

III. POLICY:

The City will conduct on-going monitoring of tax-exempt bonds, as required by Federal tax requirements, to improve the City's ability to identify noncompliance and to prevent noncompliance from occurring or to correct noncompliance issues in a timely manner to ensure the continued tax-exempt status of the bonds.

IV. PROCEDURE:

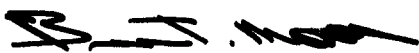
A. Use of Bond Proceeds:

1. Monitoring:

- a) The Debt Accountant shall monitor the use of bond proceeds throughout the life of the bonds to ensure compliance with covenants and restrictions set forth in the documents or ordinances pertaining thereto ("Bond Documents").
- b) The Debt Accountant shall review all invoices prior to submission to Accounts Payable for payment.
- c) If necessary, the Debt Accountant should consult with the bond counsel in reviewing any contracts involving the use of

- the Bond assets to ensure compliance with all covenants and restrictions set forth in the Bond Documents.
- d) If non compliance has occurred, the Debt Accountant shall follow up with the bond counsel and/or legal counsel to determine the necessary actions.
2. Record Keeping: The City shall be responsible for maintaining the following documents for the term of each bond issue plus at least four (4) years:
- a) A copy of all relevant documentation in connection with the closing of the bond issue.
 - b) A copy of all documents relating to capital expenditures financed by the bond proceeds, including, but not limited to, purchase orders, invoices, contracts and payment records.
 - c) A copy of all arbitrage reports and their supporting documentation.
3. Arbitrage Rebate and Yield:
- a) The City shall engage in the services of a Certified Public Accounting Firm (the Firm) that specializes in arbitrage calculations to perform the calculations on behalf of the City.
 - b) The City shall provide the Firm with all necessary documents to complete the arbitrage calculation.
 - c) If a rebate is required, the City shall make the payment no later than sixty (60) days after each five (5)-year anniversary of the issue date of the bonds.
 - d) During the construction period of the capital projects, the investments and expenditures shall be monitored and the Treasury Manager shall consult with the Firm to determine compliance with any applicable exceptions from the arbitrage rebate requirements.
4. The Voluntary Closing Agreement Program of the IRS provides issuers of tax-exempt bonds with a vehicle to resolve violations of the Internal Revenue Code and related regulations. Information about the Voluntary Closing Agreement Program is available on the Tax-Exempt Bond Community page at www.irs.gov. The Debt Accountant shall annually review this information. If the Authority identifies a violation of federal tax law with respect to the bonds, the Debt Accountant will notify bond counsel and/or legal counsel.

Approved:



Bruce T. Moore
City Manager