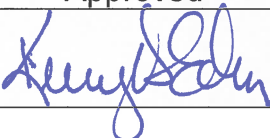





Administrative Policy

Title: City Bond Compliance				
Administered By: Administrative Services (Finance)				
New Policy No.	Issue Date (Last Revised)	Renumber Date	Department Head Approved	City Manager Approved
01200.802	07-23-12 (N/A)	01-03-17		

This Policy had been numbered Policy 300.22. Effective on the Renumber Date noted above, this Policy is hereby renumbered as the Policy Number noted above.

The latest version of the Policy is attached hereto and incorporated herein by reference.

Attachment: Policy 300.22
 Issued: 07-23-12
 Revised: N/A



ADMINISTRATIVE POLICY

Policy: City Bond Compliance					
Responsible Department: Finance Department					
Section No.	Policy No.	Issue Date	Revision Date	Dept. Head Approved	City Manager Approved
300	22	7-23-2012	N/A	<i>Ken Eder</i>	<i>[Signature]</i>

PURPOSE

The City may, from time to time, finance its capital improvements and operations through the issuance of debt obligations that are eligible for tax benefits under federal and California law. Such obligations may include tax exempt bonds and/or bonds eligible for tax credits (direct subsidies to the City or tax credits to bond owners).

All such obligations are referred to herein as “City Bonds,” whether in the form of general obligation bonds, revenue bonds, bond anticipation notes, tax anticipation notes, lease-purchase obligations, installment-purchase obligations, tax increment bonds or otherwise.

The purpose of these policies and procedures is to ensure that the requirements of the federal and California law necessary to preserve the tax advantages of City Bonds are continuously complied with for the requisite periods.

This document contains two primary components:

- The City Bond Compliance Policies (the “Policies”), which are general statements of the goals of the City with respect to compliance with the federal and California law applicable to City Bonds; and
- The City Bond Compliance Procedures (the “Procedures”), which are specific operational procedures by which the City intends to ensure, on a continuing basis, that its issuance, payment of debt service on, and expenditure and investment of the proceeds of City Bonds are and remain in compliance with the federal and California law applicable to City Bonds.

POLICY

The Policies may be modified, expanded, abridged, or otherwise amended only by the City Manager of the City upon consultation with the City Attorney and the City's bond counsel ("Bond Counsel").

The Finance Director will be responsible for ensuring that City Bonds comply with federal and California law applicable to City Bonds and will develop and implement the Procedures and that City Bonds are issued in compliance with the City of Corona Debt Policy and Procedures. The Procedures may be modified, expanded, abridged, or otherwise amended by the Finance Director in consultation with Bond Counsel, in order to: (a) ensure efficiency of administration; (b) establish and maintain appropriate assignments of staff responsibility; (c) reflect changes in the City's system of accounting, financial controls, procurement practices, or other internal procedures and practices; (d) respond to changes in law or interpretation that may, from time to time, be reported to the City by Bond Counsel; or (e) otherwise ensure compliance with the Policies in the most efficient and effective manner.

PART I: CITY BOND COMPLIANCE POLICIES

- A. Investment and Expenditure of Bond Proceeds. The City's internal controls procedures and accounting system will be capable of tracking the investment and expenditure of proceeds of City Bonds and other amounts subject to special requirements, and the allocation of such proceeds and other amounts to City facilities. Appropriate coding will be developed to identify City facilities (or portions thereof) financed or refinanced by City Bonds. Such procedures will ensure that such proceeds are expended only for the purposes authorized by the resolution, indenture, trust agreement, fiscal agent agreement or similar instrument, pursuant to which such bonds were issued and in compliance with the Tax Certificate and Agreement relating to the City Bonds or other instructions of Bond Counsel.
- B. Bond-Financed Facilities. The City will track the use of facilities (or portions thereof) financed or refinanced by City Bonds in the private trades or businesses of non-governmental persons. Arrangements for the sale, disposition, lease, management or other use of substantial portions (more than 1%) of facilities financed or refinanced by City Bonds with a term of (i) less than 200 days will be subject to prior review and approval by the Finance Director, and (ii) equal to or greater than 200 days will be subject to prior review and approval by the Finance Director and Bond Counsel. The Finance Director will track the aggregate annual private use (if any) of facilities provided by City Bonds.
- C. Periodic Review. The City will periodically review compliance with the requirements of the federal and California law necessary to preserve the tax advantages of such City Bonds. Such reviews should include final allocations of proceeds not later than 18 months after completion of bond-financed facilities

and annual reviews to ensure private business use of bond financed facilities does not exceed allowable levels. Such annual review should be conducted in connection with the preparation of the City's audited financial statements.

- D. Potential Non-Compliance. Should the Finance Director, upon any annual review or otherwise, discover non-compliance with any requirements of federal or California law necessary to preserve the tax advantages of such City Bonds, such Procedures will include steps to be taken, in concert with Bond Counsel, to remedy any such non-compliance.
- E. Retention of Professionals; Rebate Analyst. The City will engage such professionals or consultants as are necessary, in the judgment of the Finance Director, to ensure that the requirements of federal and California law necessary to preserve the tax advantages of such City Bonds are timely met, including, without limitation, the requirement to compute and pay rebatable arbitrage to the federal government or to confirm an exception thereto. The Finance Director will ensure that all information reports or other returns or filings with the United States Department of Treasury or Internal Revenue Service will be filed timely on behalf of the City.
- F. Purchase of Investments. All investments of the proceeds of City Bonds will conform to the City of Corona Investment Policy and will be purchased at Fair Market Value, as defined in the federal tax laws, and will comply with the requirements of federal tax law relating to yield restriction as advised by Bond Counsel.
- G. Credit Enhancement Transactions. The Finance Director will consult with Bond Counsel prior to engaging in any post-issuance credit enhancement transactions (i.e., bond insurance or letters of credit) or hedging transactions (i.e., interest rate swaps) relating to any City Bonds.
- H. Subsidy Payments. The Finance Director will implement proper procedures to ensure that any federal subsidy payable in respect of any direct-pay tax credit bonds is timely transmitted to the appropriate account of the City including the timely filing of any required return or other documentation.
- I. Post-Issuance Modifications. The Finance Director will consult with Bond Counsel prior to any modification of the interest rate, maturity date, or other material terms of any outstanding City Bonds.
- J. Records Retention. The City will retain records sufficient to demonstrate compliance with the requirements of federal and California law necessary to preserve the tax advantages of such City Bonds for the period required by law, presently understood to be the life of the debt obligations or any succeeding refunding obligations plus three years, which is consistent to the City's Record Retention Policy.

PROCEDURES

These Procedures are organized with reference to the applicable lettered paragraphs in the Policies. Certain of these Procedures assign responsibilities to named officials of the City. The named officials may delegate certain assigned responsibilities but will remain responsible for compliance with these Procedures. The official with ultimate responsibility for compliance with the Policies and Procedures will be the City Manager.

PART II: CITY BOND COMPLIANCE POLICIES

POLICY A

INVESTMENT AND EXPENDITURE OF BOND PROCEEDS

Procedures:

1. The Finance Manager will charge capital expenditures that are financed by debt to the corresponding capital projects fund. Each project will have a specific job ledger number used to track that project, and discrete expenditures will be further referenced by project location (by street address or name of facility) and functional description of financed improvement in the City's accounting system.
2. Purchase orders will be entered and the Finance Director will pay and capture such purchase orders in the general ledger by the specific account code.
3. The Project Manager will electronically scan, file and retain all purchase orders and invoices by vendor, check number, check date, and purchase order number, if applicable.
4. Until final allocation of bond proceeds, on a monthly basis, at a minimum, the Finance Manager will analyze each project for expenditures and will summarize such expenditures on a spreadsheet showing the year-to-date expenditures for that project and will identify facilities or equipment financed or refinanced by City Bonds ("Bond Financed Facilities"). A copy of the City's transaction activity report and/or summary report by account code generated from the general ledger will be used to back up this spreadsheet and filed with that spreadsheet.
5. The Finance Manager will ensure that the investment of all proceeds of City Bonds is tracked by fund or account (e.g., debt service fund, debt service reserve fund, project or construction fund, etc.) and investment yield.

POLICY B

BOND-FINANCED FACILITIES

Procedures:

1. The Finance Director will meet at least annually and coordinate with the City Manager to review and evaluate existing or pending sales, leases, management

- contracts, research contracts, or other special legal entitlements that relate to the City's real or personal property (collectively, "Use Arrangements").
2. The Finance Director will be responsible for determining whether any Use Arrangement relates to Bond Financed Facilities. If so, the Finance Director will consult with the City Attorney and solicit advice concerning the Use Arrangement. If the term of the Use Arrangement relating to any Bond Financed Facilities (with any extensions at the sole option of the counterparty) exceeds 200 days, the Finance Director and the City Attorney will also consult Bond Counsel for advice prior to execution of the Use Arrangement.
 3. The Assistant Finance Director will notify the Finance Director upon receipt of any Use Arrangements submitted for approval for any Bond Financed Facilities.

POLICY C
PERIODIC REVIEW
Procedures:

1. Promptly after the adoption of the Policy, the Finance Director will cause an evaluation of tax compliance to be undertaken for each outstanding issue of City Bonds (the "Initial Evaluation"). Upon the completion of the Initial Evaluation, the Finance Director will prepare a report to the City Manager on the results of the Initial Evaluation (the "Initial Report") which will identify all City Bonds then outstanding and the Bond Financed Facilities allocable to each such issue of City Bonds. The Initial Report will express the findings of the Finance Director whether each outstanding issue of City Bonds satisfies the requirements of the Policy and will contain (A) a spreadsheet setting forth any Use Arrangement with respect to any Bond Financed Facilities and the City Bonds to which they relate, and (B) a statement that any arbitrage rebate then due has properly been paid or that an exception or exemption from such payment is available.
2. The Finance Director annually will cause a follow-up evaluation of tax compliance to be undertaken for each outstanding issue of City Bonds (the "Annual Evaluation") with the same objectives and scope as the Initial Evaluation and will provide to the City Manager a report (the "Annual Report") of the findings of the Annual Evaluation and an updated spreadsheet concerning private business use for each issue of City Bonds. Such allocation may be conducted in connection with the preparation of the City's audited financial statements for the fiscal year in which the final expenditure was made.
3. Not later than 18 months after completion of any Bond Financed Facilities, the Finance Manager will make and retain a final allocation of the expenditure of proceeds of City Bonds and other amounts used to finance such improvements.

POLICY D
POTENTIAL NONCOMPLIANCE
Procedures:

1. If the Initial Evaluation or any Annual Evaluation discloses potential non-compliance with the tax requirements applicable to any issue of outstanding City Bonds, the Finance Director will promptly consult with the City Attorney and Bond Counsel. Such consultation will consider whether the evaluations were properly performed and whether any amendments to Use Arrangements, adjustments to allocation methodologies, mixed financing sources, or other accounting techniques may avoid non-compliance.
2. If the City determines after consultation with counsel that non-compliance has occurred, the Finance Director will promptly consult Bond Counsel concerning the ability of the City to remedy the non-compliance under applicable IRS regulations or to seek a voluntary closing agreement.

POLICY E
RETENTION OF PROFESSIONALS; REBATE ANALYST
Procedures:

1. If the City determines that any of its outstanding City Bonds are not exempt from rebate, the City will engage an arbitrage rebate firm as its arbitrage rebate computation agent (the "Rebate Analyst"). The Finance Manager will ensure that records of investment and expenditure of the proceeds of City Bonds are timely delivered to the Rebate Analyst and that the Rebate Analyst prepares annual computation reports that advise the City of any rebatable arbitrage accrued with respect to any such bonds.
2. The Finance Manger will ensure that the Rebate Analyst timely prepares returns relating to payment of arbitrage rebate (currently on IRS Form 8038-T) and that such forms are timely filed with and any rebatable arbitrage are timely paid to the United States as required under Section 148(f)(4) of the Code.

POLICY F
PURCHASE OF INVESTMENTS
Procedures:

1. All investments of the proceeds of City Bonds will be made by the City at the direction of the Finance Director, who will ensure that such proceeds are invested in compliance with federal tax requirements and that all such investments are made at Fair Market Value. The Finance Director will consult with Bond Counsel prior to investing any proceeds of City Bonds in guaranteed investment contracts or certificates of deposit not publicly traded on any investment exchange.

**POLICY G
CREDIT ENHANCEMENT TRANSACTIONS**

Procedures:

Prior to bidding for, purchasing, entering into, or otherwise engaging in any post-issuance credit enhancement transactions relating to the proceeds of or debt service on City Bonds (including, without limitation, bond insurance policies, letters of credit, guaranteed investment contracts, interest rate swaps, and market hedges), the Finance Director will consult with Bond Counsel.

**POLICY H
SUBSIDY PAYMENTS**

Procedures:

See the implementing procedures of Policy A, above.

**POLICY I
POST-ISSUANCE MODIFICATIONS**

Procedures:

Prior to entering into any modification of the terms of any outstanding City Bonds (including, without limitation, changes in maturity date, interest rate, call provisions, financial or earnings covenants, or use of proceeds), the Finance Director will consult with Bond Counsel.

**POLICY J
RECORDS RETENTION**

Procedures:

1. Retention Period: Records material to City Bonds will be retained by the City for a period equal to the maturity of such City Bonds, plus three years. In the event any City Bonds are refunded, records of the original City Bonds will be retained until the maturity of the refunding City Bonds, plus three years, which is consistent to the City's Record Retention Policy.
2. Records to be Retained:
 - A. Records regarding the issuance and sale of the City Bonds (bond transcript and closing documents), the investment and expenditure of the original proceeds of the City Bonds and any investment earnings, including requisitions, trust or investment statements, bidding certificates for guaranteed investment contracts, rebate computations, credit enhancement contracts, swap or other derivative contracts, certifications relating to any of the foregoing, rebate computations, any filings with the IRS, any correspondence with the IRS, and architectural or construction drawings and documents of the bond financed or refinanced facilities.

- B. Elections regarding accounting methods, rebate matters, or application of regulatory provisions.
- C. Copies of any Use Arrangements, including, without limitation, the following arrangements involving the use of any facilities financed by the Bonds: leases, naming rights agreements, title retention agreements, management contracts, sponsored research contracts, capacity reservation agreements, agreements regarding rates or charges for use of Bond Financed Facilities, incentive payment service contracts, requirements contracts or "take" contracts or "take or pay" contracts.
- D. The Finance Director and the Project Manager will be custodian of the foregoing records.

EXHIBIT A
SUMMARY OF RESPONSIBILITY ASSIGNMENTS

City Manager

1. Ensure overall compliance with Policies and Procedures; monitor responsibility assignments and periodically review Procedures; periodically revise Policies as necessary.
2. Meet at least annually with the Finance Director to evaluate use of bond financed facilities. (Policy B)

Finance Director

1. Periodically revise Procedures as necessary.
2. Meet at least annually with the City Manager to evaluate use of bond financed facilities. (Policy B)
3. Report potential non-compliance to Bond Counsel. (Policy D)
4. Consult with Bond Counsel before (a) purchasing guaranteed investment contracts or non-publicly traded certificates of deposit with proceeds of, (b) entering into credit enhancement transactions with respect to, or (c) modifying the terms of, City Bonds. (Policies F and G)

Assistant Finance Director

1. Monitor Use Arrangements and consult with counsel prior to entering into new Use Arrangements. (Policy B)

Finance Manager

1. Coordinate with the Finance Director on purchase orders and expenditures with respect to Bond Financed Facilities. (Policy A)
2. Notify the Finance Director of any Use Arrangements submitted for approval that relate to Bond Financed Facilities. (Policy B).
3. Monitor Use Arrangements and consult with counsel prior to entering into new Use Arrangements. (Policy B)
4. Monitor, record, and allocate expenditure of bond proceeds by project location and functional description. (Policy A)
5. Ensure preparation of and review Initial Report and Annual Reports. (Policy C)
6. Until final allocation of bond proceeds, prepare a monthly report of project expenditures. (Policy A)
7. Prepare and retain separate records for investment performance of bond proceeds. (Policy A)
8. Prepare Initial Report and Annual Reports. (Policy C)
9. Make and record final allocations of expenditures of proceeds of City Bonds. (Policy A)
10. Retain and manage relationship with Rebate Analyst. (Policy E)
11. Ensure compliance with retention policies and act as custodian of retained records. (Policy J)

Project Manager

1. Scan and file all purchase orders and invoices with respect to Bond Financed Facilities. (Policy A)
2. Ensure compliance with retention policies and act as custodian of retained records. (Policy J)