

# RESOLUTION No. 11-10

## ROLL CALL

VOTING	YES	NO
G. WAYNE ANDERSEN <i>Mayor (votes only in case of tie)</i>		
ROD DART <i>Council member</i>	X	
RICHARD M. DAVIS <i>Council member</i>	X	
STEVE LEIFSON <i>Council member</i>	X	
JENS P. NIELSON <i>Council member</i>	X	
KEIR A. SCUBES <i>Council member</i>	X	

I MOVE this ordinance be adopted: Council member Davis  
I SECOND the foregoing motion: Council member Scoubes

## RESOLUTION No. 11-10

### A RESOLUTION ADOPTING TAX COMPLIANCE PROCEDURES FOR TAX EXEMPT GOVERNMENTAL BONDS

WHEREAS, Spanish Fork City obtains tax exempt bonds from time to time in order to construct various projects; and

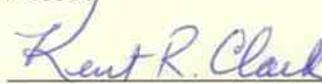
WHEREAS, new regulations from the federal government will require the City to adopt procedures in order to remain in compliance with the laws and regulations;

NOW THEREFORE, it is hereby resolved by the Spanish Fork City Council as follows:

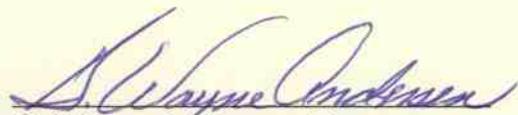
1. Spanish Fork City hereby adopts tax compliance procedures for tax exempt governmental bonds as set forth in the attached document.
2. The tax compliance procedures shall be effective immediately.

DATED this 6<sup>th</sup> day of December, 2011

Attest:

  
Kent R. Clark, City Recorder



  
G. Wayne Andersen, Mayor

## TAX COMPLIANCE PROCEDURES TAX EXEMPT GOVERNMENTAL BONDS

*The Issuer's CITY FINANCE DIRECTOR (the "Oversight Officer") will be responsible for overall administration and coordination of these procedures and policies.*

### 1. Purpose

Issuers of tax-exempt "governmental bonds" must comply with federal tax rules pertaining to expenditure of proceeds for qualified costs, rate of expenditure, use of bond-financed property, investment of proceeds in compliance with arbitrage rules, and retention of records. The following procedures and policies are intended to establish compliance by the issuer (the "Issuer") with these rules in connection with the issuance of tax-exempt governmental bonds. These Tax Compliance Procedures may also be used by the Issuer to ensure compliance with federal tax rules for its currently outstanding tax-exempt governmental bonds.

### 2. Delegation of Responsibility

To the extent that any of the responsibilities set forth in these Tax Compliance Procedures are delegated to any other party, the Issuer will keep a record of such delegations with respect to each bond issue.

### 3. Schedule of Reviews

The Issuer will establish routines for monitoring on-going compliance that are consistent with discovering any noncompliance in a timely manner so that it may be corrected. While specific review processes are described in detail below, timing for such reviews will be as follows:

- (a) Non-Exempt Use: All contracts, leases or other arrangements providing special legal entitlement to use of bond-financed facilities will be reviewed prior to execution to ensure that they will not cause private use limits to be exceeded with respect to any issue of bonds.
- (b) Arbitrage Compliance: With respect to each bond issue, the Issuer will ensure that it understands at the time of bond closing which funds and accounts containing bond proceeds may become subject to yield-restriction investment rules and will keep a record of the dates upon which such rules will begin to apply.
- (c) Rebate Compliance: While rebate calculations may be performed more often, the Issuer will ensure upon the fifth anniversary date of the issuance date of the bonds, every five years thereafter, and upon final retirement of the bonds, that either no rebate is owed or provision has been made for the payment of any rebate owed within 60 days.
- (d) Change in Use/Ownership: Prior to executing any contract, lease or other document which would materially change the use of the bond-financed project

or selling of any bond-financed property, the Issuer will (i) confirm that such change will not require a remedial action to be taken with respect to any bond issue, (ii) take a remedial action, if necessary, or (iii) discuss with bond counsel whether a voluntary closing agreement with the Internal Revenue Service is appropriate.

#### 4. Tax Requirements Associated with Sale and Issuance of Bonds

Review and retention of tax documents related to the sale and issuance of bonds will be supervised by the Oversight Officer.

- (a) Issue Price. The "issue price", as defined in the Internal Revenue Code of 1986, as amended (the "*Code*"), of the bonds will be documented at the time of issuance. Certifications of an underwriter, placement agent or purchaser and a final numbers package (if applicable) will establish "issue price" and will be reviewed and included in the bond transcript or other records maintained for the bond issue.
- (b) Weighted Average Maturity. The weighted average maturity (taking into account the various issue prices of the maturities of the bonds) will be documented at the time of issuance.
- (c) Economic Life of Financed Assets. As estimated average economic life of the expected bond-financed assets will be documented at the time of issuance.
- (d) Information Reporting. Form 8038-G will be reviewed and filed not later than the 15<sup>th</sup> day of the 2<sup>nd</sup> calendar month following the quarter in which the bonds were issued. Filing of the Form 8038-G will be confirmed with bond counsel.

#### 5. Expenditure of Proceeds for Qualified Costs

Expenditure of bond proceeds will be reviewed by the Oversight Officer.

- (a) Requisitions. The Oversight Officer will establish a form and procedures for preparation and review of requisitions of bond proceeds, and maintain records of the date, amount and purpose of the disbursement. Requisitions must identify the financed property in conformity with the Tax Certificate and Agreement executed by the Issuer at closing, including any certifications as to the location and character of the bond-financed property.
- (b) Investment Earnings. Investment earnings on sale proceeds of the bonds will be tracked and will be requisitioned only for appropriate expenditures.
- (c) Capital Expenditures. The Issuer will verify that all costs for which it requisitions bond proceeds are capital expenditures, except as otherwise permitted by the Tax Certificate and Agreement executed by the Issuer at closing.
- (d) Debt Service Reserve Funds. Bond-funded reserve funds cannot exceed the least of (i) 10% of the par amount of the bonds (or the issue price of the bonds,

if there is more than a de minimis amount of original issue discount or premium), (ii) maximum annual debt service, and (iii) 125% of average annual debt service. The initial funding of any reserve fund will be measured against this limit.

- (e) Reimbursement. Requisitions for costs that were paid prior to the issuance of the bonds are, in general, limited to costs paid subsequent to, or not more than 60 days prior to, the date a "declaration of intent" to reimburse the costs was adopted by the Issuer. If proceeds are used for reimbursement, a copy of the declaration will be obtained and included in the records for the bonds, if not already part of the bond transcript.
- (f) Final Allocation. Requisitions will be summarized in a "final allocation" of proceeds to uses not later than 18 months after the in-service date of the financed property (and in any event not later than 5 years and 60 days after the issuance of the bonds).
- (g) Timing of Expenditures. Expenditure of proceeds will be measured against the Issuer's expectations, as set forth in the Tax Certificate and Agreement executed in connection with the particular bond issue, to spend or commit 5% of net sale proceeds within 6 months, to spend 85% of net sale proceeds within 3 years, and to proceed with due diligence to complete the project and fully spend the net sale proceeds. Expected expenditure schedules, project timelines, and plans and specifications will be maintained to support expectations. Reasons for failure to meet the expected schedule will be documented and retained in the records for the bonds.
- (h) Rebate Spending Exceptions. Expenditure of proceeds will be monitored for compliance with spending exceptions to the rebate requirement, as follows:
  - (i) If the six-month spending exception applies, expenditure of gross proceeds will be monitored against the following schedule.
    - 100% within 6 months
  - (ii) If the 18-month spending exception applies, expenditure of gross proceeds will be monitored against the following schedule.
    - 15% within 6 months
    - 60% within 12 months
    - 100% within 18 months