

POST-ISSUANCE COMPLIANCE POLICY FOR  
TAX-EXEMPT OBLIGATIONS

1. This post-issuance compliance policy establishes procedures and guidelines to be followed with respect to the City of Auburn’s outstanding Tax-exempt Obligations and Tax Credit Obligations.

“Tax-exempt Obligations” means all tax-exempt bonds, notes and lease-purchase contracts and other evidences of indebtedness the income on which is excludable from the gross income of the holders thereof under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”).

“Tax Credit Obligations” means all tax credit bonds and direct pay bonds that provides a tax credit to the holders thereof or a direct pay bond issued under the Code, including but not limited to Section 54, 54A, 54AA, 1394, 1400U-2, 1400U-3 and 6431 or other similar provision of the Code.

2. Compliance Officer; Consultation and Training: The Finance Director (the “Compliance Officer”) shall be responsible for monitoring post-issuance compliance with respect to the City’s Tax-exempt and Tax Credit Obligations.

- a. Unless a shorter time-frame is specified below, the Compliance Officer shall annually review each of the City’s Tax-exempt and Tax Credit Obligations then outstanding to monitor for compliance with this Policy.
- b. The Compliance Officer shall consult with the City’s bond counsel and/or its financial advisor and a rebate consultant as necessary to meet the requirements of this Policy.
- c. The Compliance Officer will be trained to implement this Policy.

3. Closing Transcripts; Form 8038-G; Form 8038-TC. The Compliance Officer shall maintain a copy of the transcript of proceedings for each Tax-exempt and Tax-credit Obligation issued by the City.

If not included in the closing transcript, the Compliance Officer shall also maintain records required to be maintained to qualify for the safe harbor for investment contracts or defeasance escrows and to identify any qualified hedge contract on the City’s books and records.

The Compliance Officer shall confirm the proper filing of an 8038-G, 8038-TC or other applicable Form 8038 return for each Tax-exempt and Tax Credit Obligation issued by the City.

4. Deposit and Use of Proceeds; Arbitrage Compliance. The Compliance Officer shall:

- a. create appropriate funds and accounts to track the deposit and use of the sale proceeds and investment proceeds of each Tax-exempt and Tax Credit Obligation issued by the City;
- b. maintain records of all investments and expenditures from such funds and accounts;
- c. make a final allocation of the proceeds of any Tax-exempt and Tax Credit Obligation to expenditures by no later than (i) 18 months after the later of the date the expenditure was

made or (ii) the date the project being financed was placed in service. Notwithstanding the foregoing, the final allocation shall be made not later than the earlier of five years after the particular Tax-Exempt or Tax Credit Obligation was issued or 60 days after the issue is retired.

- d. determine whether each Tax-exempt or Tax Credit Obligation meets the requirements of any applicable exception to arbitrage rebate, including the “small issuer” exception to arbitrage rebate or the semi-annual target dates for the 6-month, 18-month, or 24-month spending exception to arbitrage rebate;
- e. consult with Bond Counsel to identify and monitor any proceeds of a Tax-exempt or Tax Credit Obligation that must be invested in yield restricted investments following the expiration of any applicable temporary period or spending period;
- f. in the event the City fails to meet the requirements of the applicable temporary period, spending period or exception to rebate:
  - i. arrange for the timely calculation and payment of any rebate liability or yield reduction payment, if available and as applicable;
  - ii. ensure that if rebate is due, the first rebate installment is paid by the fifth anniversary of the issue date of the particular Tax-Exempt or Tax Credit Obligation plus 60 days and each fifth anniversary thereafter until the final maturity date plus 60 days.

5. Proper Use of Bond Financed Property. The Compliance Officer shall:

- a. maintain a record of all bond financed property and the proceeds of any Tax-exempt or Tax Credit Obligation spent on each such bond financed property;
- b. monitor all non-public use of any property financed with the proceeds of any Tax-exempt or Tax Credit Obligation and confer with Bond Counsel as appropriate. Such non-public use may arise out of some of the following arrangements: non-qualified management or research contracts (refer to Rev. Procs. 97-13 and 97-14), leases (including leases to the Federal Government), naming rights, or the sale, disposition or other change in use of such property;
- c. maintain copies of any non-public use arrangement; and
- d. in the event the City takes an action which causes the private activity bond tests to be met, contact bond counsel and take all actions necessary to ensure timely remedial action under the applicable IRS Regulation.

6. Continuing Disclosure. The Compliance Officer shall file the annual financial statements and other financial information and operating data and shall provide notice of any material events as required by any continuing disclosure certificate delivered by the City with respect to any Tax-exempt or Tax Credit Obligation.

7. Significant modification. The Compliance Officer shall evaluate all modifications to any of the City’s Tax-Exempt or Tax Credit Obligations to determine whether such modifications result in a reissuance and, if such modifications do result in a reissuance, to take all actions necessary to maintain the tax-exempt status of the Tax-Exempt Obligation or the tax advantaged status of the Tax Credit Obligation.

8. Retention of Records. The closing transcript for each Tax-Exempt and Tax Credit Obligation and other records to be retained pursuant to this Policy shall be maintained until three (3) years after said Tax-exempt or Tax Credit Obligation (or obligations issued to refund such Tax-exempt or Tax Credit Obligation) has been retired.

If records and materials to be maintained under this Policy are kept in electronic format, the record system shall comply with the requirements of Rev. Proc. 97-22, as such may be amended, modified, superseded or replaced.