

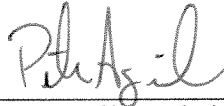
RESOLUTION NO. 2013-09

RESOLUTION OF THE GOVERNING BOARD OF THE REDLANDS FINANCING  
AUTHORITY AUTHORIZING THE APPROVAL OF POST ISSUANCE  
COMPLIANCE PROCEDURES FOR BONDS

BE IT RESOLVED by the Governing Board of the Redlands Financing Authority  
as follows:

Section 1. The Governing Board of the Redlands Financing Authority hereby  
adopts the Post Issuance Compliance Procedures for Bonds attached hereto as Exhibit "A."

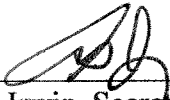
PASSED AND ADOPTED this 5<sup>th</sup> day of February, 2013.



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Pete Aguilar, Chairperson of the  
Redlands Financing Authority

ATTEST:



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Sam Irwin, Secretary of the  
Redlands Financing Authority

SECRETARY'S CERTIFICATE

I, Sam Irwin, Secretary of the Redlands Financing Authority, do hereby certify as follows:

The foregoing resolution is a full, true and correct copy of a resolution duly adopted by a vote of a majority of the members of the Governing Board of said Authority at a special meeting of the Governing Board of said Authority duly and legally held on February 5, 2013, of which meeting all of such members had due notice, as follows:

AYES: Members Harrison, Foster, Gilbreath, Chairperson Aguilar

NOES: None

ABSTAIN: None

ABSENT: Member Gardner

  
\_\_\_\_\_  
Sam Irwin, Secretary of the  
Redlands Financing Authority

## EXHIBIT 'A'

### REDLANDS FINANCING AUTHORITY BOND COMPLIANCE POLICIES AND PROCEDURES

These Bond Compliance Policies and Procedures have been initially approved by the Governing Board of the Redlands Financing Authority (the "**Authority**"), on \_\_\_\_\_, 2013.

#### Statement of Purpose; Summary

The Authority 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 Authority or tax credits to bond owners). All such obligations are referred to herein as "**Authority Bonds**," whether in the form of general obligation bonds, revenue bonds, bond anticipation notes, tax anticipation notes, lease-purchase obligations, installment-purchase obligations 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 Authority Bonds are continuously complied with for the requisite periods.

This document contains two primary components:

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

The Policies may be modified, expanded, abridged, or otherwise amended only by the Governing Board of the Authority upon consultation with the **Executive Director** and **General Counsel** to the Authority and the Authority's bond counsel ("**Bond Counsel**").

The **Chief Financial Officer** will be responsible for ensuring that Authority Bonds comply with federal and California law applicable to Authority Bonds and will develop and implement the Procedures. The Procedures may be modified, expanded, abridged, or otherwise amended by the **Chief Financial Officer** in consultation with Bond Counsel, in order to: (a) ensure efficiency of administration; (b) establish and maintain appropriate assignments and training of staff responsibility; (c) reflect changes in the Authority'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 Authority by Bond Counsel; or (e) otherwise ensure compliance with the Policies in the most efficient and effective manner.

## PART I: AUTHORITY BOND COMPLIANCE POLICIES

- A. Investment and Expenditure of Bond Proceeds. The Authority's system of internal controls and accounting will be capable of tracking the investment and expenditure of proceeds of Authority Bonds and other amounts subject to special requirements, and the allocation of such proceeds and other amounts to Authority facilities. Appropriate coding will be developed to identify Authority facilities (or portions thereof) financed or refinanced by Authority Bonds. Such procedures will ensure that such proceeds are expended only for the purposes authorized by the ordinance and, as applicable, indenture, pursuant to which such bonds were issued and in compliance with the Tax Certificate relating to the Authority Bonds or other instructions of Bond Counsel.
- B. Bond-Financed Facilities. The Authority will track the use of facilities (or portions thereof) financed or refinanced by Authority 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 Authority Bonds with a term of (i) less than 200 days will be subject to prior review and approval by the **Chief Financial Officer**, and (ii) equal to or greater than 200 days will be subject to prior review and approval by the **Chief Financial Officer** and Bond Counsel. The **Chief Financial Officer** will track the aggregate annual private use (if any) of facilities provided by Authority Bonds.
- C. Periodic Review. The Authority will periodically review compliance with the requirements of the federal and California law necessary to preserve the tax advantages of such Authority 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 Authority's audited financial statements.
- D. Potential Non-Compliance. Should the **Chief Financial Officer**, 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 Authority Bonds, the **Chief Financial Officer** will identify Procedures which will include steps to be taken, in concert with Bond Counsel, to remedy any such non-compliance.
- E. Retention of Professionals; Rebate Analyst. The Authority will engage such professionals or consultants as are necessary, in the judgment of the **Chief Financial Officer**, to ensure that the requirements of federal and California law necessary to preserve the tax advantages of such Authority Bonds are timely met, including, without limitation, the requirement to compute and pay rebatable arbitrage to the United States government or to confirm an exception thereto. The **Chief Financial Officer** will ensure that all information reports or other returns or filings with the United States Department of Treasury or Internal Revenue Service timely will be filed on behalf of the Authority.
- F. Purchase of Investments. All investments of the proceeds of Authority Bonds 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 **Chief Financial Officer** 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 Authority Bonds.
- H. Subsidy Payments. The **Chief Financial Officer** 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 Authority including the timely filing of any required return or other documentation.

- I. Post-Issuance Modifications. The **Chief Financial Officer** will consult with **Bond Counsel** prior to any modification of the interest rate, maturity date, or other material terms of any outstanding Authority Bonds.
- J. Records Retention. The Authority will retain records sufficient to demonstrate compliance with the requirements of federal and California law necessary to preserve the tax advantages of such Authority Bonds for the period required by law, presently understood to be the life of the debt obligations or any succeeding refunding obligations plus 3 years.

The Foregoing Policies were adopted on \_\_\_\_\_, 2013.

Executive Director  
Redlands Financing Authority

## AUTHORITY BOND 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 Authority. The named officials may delegate certain assigned responsibilities but will remain responsible for compliance with these Procedures and assurance of adequate training of Authority personnel assigned responsibilities hereunder. The official with ultimate responsibility for compliance with the Policies and Procedures will be the Executive Director.

A summary of the initial responsibility assignments appears as *Exhibit A* to these Procedures.

### **Policy A: Investment and Expenditure of Bond Proceeds.**

#### **Implementing Procedures:**

1. The Chief Financial Officer will charge capital expenditures that are financed by debt to the corresponding capital projects fund. Each project will have a specific fund number used to track that project, and discrete expenditures will be further categorized by project location (by street address or name of facility) and functional description of financed improvement.
2. The Purchasing Services Manager will enter purchase orders and the Chief Financial Officer will pay and capture such purchase orders in the general ledger by the specific account code.
3. The Purchasing Services 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 Chief Financial Officer 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 Authority Bonds ("*Bond Financed Facilities*"). A copy of the Authority'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 Chief Financial Officer will ensure that the investment of all proceeds of Authority 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.**

#### **Implementing Procedures:**

1. The Chief Financial Officer will meet at least annually and coordinate with the Executive Director to review and evaluate existing or pending sales, leases, management contracts, research contracts, or other special legal entitlements that relate to the Authority's real or personal property (collectively, "*Use Arrangements*").
2. The Chief Financial Officer will be responsible for determining whether any Use Arrangement relates to Bond Financed Facilities. If so, the Chief Financial Officer will

consult with the **General Counsel** to the Authority 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 **Chief Financial Officer** and the **General Counsel** to the Authority will also consult Bond Counsel for advice prior to execution of the Use Arrangement.

3. The **General Counsel** to the Authority will notify the **Chief Financial Officer** upon receipt of any Use Arrangements submitted for approval for any Bond Financed Facilities.

**Policy C: Periodic Review.**

**Implementing Procedures:**

1. Promptly after the adoption of the Policy, the **Chief Financial Officer** will cause an evaluation of tax compliance to be undertaken for each outstanding issue of Authority Bonds (the "**Initial Evaluation**"). Upon the completion of the Initial Evaluation, the **Chief Financial Officer** will prepare a report to the **Executive Director** on the results of the Initial Evaluation (the "**Initial Report**") which will identify all Authority Bonds then outstanding and the Bond Financed Facilities allocable to each such issue of Authority Bonds. The Initial Report will express the findings of the **Chief Financial Officer** whether each outstanding issue of Authority 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 Authority 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 **Chief Financial Officer** annually will cause a follow-up evaluation of tax compliance to be undertaken for each outstanding issue of Authority Bonds (the "**Annual Evaluation**") with the same objectives and scope as the Initial Evaluation and will provide to the **Executive Director** a report (the "**Annual Report**") of the findings of the Annual Evaluation and an updated spreadsheet concerning private business use for each issue of Authority Bonds. Such allocation may be conducted in connection with the preparation of the Authority'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 **Chief Financial Officer** will make and retain a final allocation of the expenditure of proceeds of Authority Bonds and other amounts used to finance such improvements.

**Policy D: Potential Noncompliance.**

**Implementing Procedures:**

1. If the Initial Evaluation or any Annual Evaluation discloses potential non-compliance with the tax requirements applicable to any issue of outstanding Authority Bonds, the **Chief Financial Officer** will promptly consult with the **General Counsel** to the Authority 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 Authority determines after consultation with counsel that non-compliance has occurred, the **Chief Financial Officer** will promptly consult Bond Counsel concerning the ability of the Authority to remedy the non-compliance under applicable IRS regulations or to seek a voluntary closing agreement.

**Policy E: Retention of Professionals; Rebate Analyst.**

**Implementing Procedures:**

1. If the Authority determines that any of its outstanding Authority Bonds are not exempt from rebate, the Authority will engage an arbitrage rebate firm as its arbitrage rebate computation agent (the "**Rebate Analyst**"). The **Chief Financial Officer** will ensure that records of investment and expenditure of the proceeds of Authority Bonds are timely delivered to the Rebate Analyst and that the Rebate Analyst prepares annual computation reports that advise the Authority of any rebatable arbitrage accrued with respect to any such bonds.
2. The **Chief Financial Officer** 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.**

**Implementing Procedures:**

1. All investments of the proceeds of Authority Bonds will be made by the Authority at the direction of the **Chief Financial Officer**, 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 **Chief Financial Officer** will consult with Bond Counsel prior to investing any proceeds of Authority Bonds in guaranteed investment contracts or certificates of deposit not publicly traded on any investment exchange.

**Policy G: Credit Enhancement Transactions.**

**Implementing Procedures:**

1. 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 Authority Bonds (including, without limitation, bond insurance policies, letters of credit, guaranteed investment contracts, interest rate swaps, and market hedges), the **Chief Financial Officer** will consult with Bond Counsel.

**Policy H: Subsidy Payments.**

**Implementing Procedures:**

1. See the implementing procedures of Policy A, above.



**Policy I: Post-Issuance Modifications.**

**Implementing Procedures:**

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

**Policy J: Records Retention.**

**Implementing Procedures:**

1. **Retention Period:** Records material to Authority Bonds will be retained by the Authority for a period equal to the maturity of such Authority Bonds plus 3 years. In the event any Authority Bonds are refunded, records of the original Authority Bonds will be retained until the maturity of the refunding Authority Bonds, plus 3 years.
2. **Records to be Retained:**
  - A. Records regarding the issuance and sale of the Authority Bonds (bond transcript and closing documents), the investment and expenditure of the original proceeds of the Authority 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 Authority 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 **Chief Financial Officer** will be custodian of the foregoing records.

The Foregoing Procedures were adopted on \_\_\_\_\_, 2013.

Chief Financial Officer  
Redlands Financing Authority

**Summary of Responsibility Assignments**

**Executive Director**

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 Chief Financial Officer to evaluate use of bond financed facilities. (Policy B)

**Chief Financial Officer**

1. Periodically revise Procedures as necessary.
2. Meet at least annually with the Executive Director 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, Authority Bonds. (Policies F and G)
5. Monitor Use Arrangements and consult with counsel prior to entering into new Use Arrangements. (Policy B)
6. Monitor, record, and allocate expenditure of bond proceeds by project location and functional description. (Policy A)
7. Ensure preparation of and review Initial Report and Annual Reports. (Policy C)
8. Until final allocation of bond proceeds, prepare a monthly report of project expenditures. (Policy A)
9. Prepare and retain separate records for investment performance of bond proceeds. (Policy A)
10. Prepare Initial Report and Annual Reports. (Policy C)
11. Make and record final allocations of expenditures of proceeds of Authority Bonds. (Policy A)
12. Retain and manage relationship with Rebate Analyst. (Policy E)
13. Ensure compliance with retention policies and act as custodian of retained records. (Policy J)

**Purchasing Services Manager**

1. Coordinate with the Chief Financial Officer on purchase orders and expenditures with respect to Bond Financed Facilities. (Policy A)
2. Scan and file all purchase orders and invoices with respect to Bond Financed Facilities. (Policy A)

**General Counsel**

1. Notify the Chief Financial Officer of any Use Arrangements submitted for approval that relate to Bond Financed Facilities. (Policy B).