
City of Saint Paul, Minnesota

**POST-ISSUANCE COMPLIANCE PROCEDURE AND POLICY
FOR TAX-EXEMPT GOVERNMENTAL BONDS**

March 15, 2012

Post-Issuance Compliance Procedure and Policy for Tax-Exempt Governmental Bonds

The City of Saint Paul (the “City”) issues tax-exempt governmental bonds to finance capital improvements. As an issuer of tax-exempt governmental bonds, the City is required by the terms of Sections 103 and 141-150 of the Internal Revenue Code of 1986, as amended (the “Code”), and the Treasury Regulations promulgated thereunder (the “Treasury Regulations”), to take certain actions subsequent to the issuance of such bonds to ensure the continuing tax-exempt status of such bonds. In addition, Section 6001 of the Code and Section 1.6001-1(a) of the Treasury Regulations, impose record retention requirements on the City with respect to its tax-exempt governmental bonds. This Post-Issuance Compliance Procedure and Policy for Tax-Exempt Governmental Bonds (the “Policy”) ensures that the City complies with its post-issuance compliance obligations under applicable provisions of the Code and Treasury Regulations.

1. Effective Date and Term. The effective date of this Policy is March 15, 2012.

2. Responsible Parties. The City’s Director of Financial Services shall be the party primarily responsible for ensuring that the City successfully carries out its post-issuance compliance requirements under applicable provisions of the Code and Treasury Regulations. The Director of Financial Services will be assisted by the staff of the City’s Office of Financial Services and by other City staff and officials when appropriate. The Director of Financial Services will also be assisted in carrying out post-issuance compliance requirements by the following organizations:
 - (a) Bond Counsel (the law firm primarily responsible for providing bond counsel services for the City);
 - (b) Financial Advisor (the organization primarily responsible for providing financial advisor services to the City);
 - (c) Paying Agent (the person, organization, or City officer primarily responsible for providing paying agent services for the City); and
 - (d) Rebate Analyst (the organization primarily responsible for providing rebate analyst services for the City – whether done internally or contracted with a third party provider).

The Director of Financial Services shall be responsible for assigning post-issuance compliance responsibilities to staff of the Office of Financial Services, other staff of the City, Bond Counsel, Paying Agent, and Rebate Analyst. The Director of Financial Services shall utilize such other professional service organizations as are necessary to ensure compliance with the post-issuance compliance requirements of the City. The Director of Financial Services shall provide training and educational resources to City staff who are responsible for ensuring compliance with any portion of the post-issuance compliance requirements of this Policy.

3. Post-Issuance Compliance Actions. The Director of Financial Services shall take the following post-issuance compliance actions or shall verify that the following post-issuance compliance actions have been taken on behalf of the City with respect to each issue of tax-exempt governmental bonds issued by the City:
 - (a) The Director of Financial Services shall prepare a transcript of principal documents (this action will be the primary responsibility of Bond Counsel).

(b) The Director of Financial Services shall file with the Internal Revenue Service (the "IRS"), within the time limit imposed by Section 149(e) of the Code and applicable Treasury Regulations, an Information Return for Tax-Exempt Governmental Obligations, Form 8038-G (this action will be the primary responsibility of Bond Counsel).

(c) The Director of Financial Services shall prepare an "allocation memorandum" for each issue of tax-exempt governmental bonds in accordance with the provisions of Treasury Regulations, Section 1.148-6(d)(1), that accounts for the allocation of the proceeds of the tax-exempt bonds to expenditures not later than the earlier of:

(i) eighteen (18) months after the later of (A) the date the expenditure is paid, or (B) the date the project, if any, that is financed by the tax-exempt bond issue is placed in service; or

(ii) the date sixty (60) days after the earlier of (A) the fifth anniversary of the issue date of the tax-exempt bond issue, or (B) the date sixty (60) days after the retirement of the tax-exempt bond issue.

Preparation of the allocation memorandum will be the primary responsibility of the Director of Financial Services (in consultation with the Financial Advisor and Bond Counsel).

(d) The Director of Financial Services in coordination with staff and in consultation with Bond Counsel, shall identify proceeds of tax-exempt governmental bonds that must be yield-restricted and shall monitor the investments of any yield-restricted funds to ensure that the yield on such investments does not exceed the yield to which such investments are restricted.

(e) In consultation with Bond Counsel, the Director of Financial Services shall in coordination in staff determine whether the City is subject to the rebate requirements of Section 148(f) of the Code with respect to each issue of tax-exempt governmental bonds. In consultation with Bond Counsel, the Director of Financial Services shall determine, with respect to each issue of tax-exempt governmental bonds of the City, whether the City is eligible for any of the temporary periods for unrestricted investments and is eligible for any of the spending exceptions to the rebate requirements. The Director of Financial Services shall contact the Rebate Analyst (and, if appropriate, Bond Counsel) prior to the fifth anniversary of the date of issuance of each issue of tax-exempt governmental bonds of the City and each fifth anniversary thereafter to arrange for calculations of the rebate requirements with respect to such tax-exempt governmental bonds. If a rebate payment is required to be paid by the City, the Director of Financial Services shall prepare or cause to be prepared the Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, Form 8038-T, and submit such Form 8038-T to the IRS with the required rebate payment. If the City is authorized to recover a rebate payment previously paid, the Director of Financial Services shall prepare or cause to be prepared the Request for Recovery of Overpayments Under Arbitrage Rebate Provisions, Form 8038-R, with respect to such rebate recovery, and submit such Form 8038-R to the IRS.

4. Procedures for Monitoring, Verification, and Inspections. The Director of Financial Services shall institute such procedures as the Director of Financial Services shall deem necessary and appropriate to monitor the use of the proceeds of tax-exempt governmental bonds issued by the City, to verify that certain post-issuance compliance actions have been taken by the City, and to provide for the inspection of the facilities financed with the proceeds of such bonds. At a minimum, the Director of Financial Services shall establish the following procedures:

(a) The Director of Financial Services shall monitor the use of the proceeds of tax-exempt governmental bonds to: (i) ensure compliance with the expenditure and investment requirements under the temporary period provisions set forth in Treasury Regulations, Section 1.148-2(e); (ii) ensure compliance with the safe harbor restrictions on the acquisition of investments set forth in Treasury Regulations, Section 1.148-5(d); (iii) ensure that the investments of any yield-restricted funds do not exceed the yield to which such investments are restricted; and (iv) determine whether there has been compliance with the spend-down requirements under the spending exceptions to the rebate requirements set forth in Treasury Regulations, Section 1.148-7.

(b) The Director of Financial Services shall monitor, or shall delegate staff to monitor, the use of all bond-financed facilities in order to: (i) determine whether private business uses of bond-financed facilities have exceeded the *de minimus* limits set forth in Section 141(b) of the Code as a result of leases and subleases, licenses, management contracts, research contracts, naming rights agreements, or other arrangements that provide special legal entitlements to nongovernmental persons; and (ii) determine whether private security or payments that exceed the *de minimus* limits set forth in Section 141(b) of the Code have been provided by nongovernmental persons with respect to such bond-financed facilities. The Director of Financial Services shall provide training and educational resources to any City staff who have the primary responsibility for the operation, maintenance, or inspection of bond-financed facilities with regard to the limitations on the private business use of bond-financed facilities and as to the limitations on the private security or payments with respect to bond-financed facilities.

(c) The Director of Financial Services shall undertake, or delegate to staff, the following with respect to each outstanding issue of tax-exempt governmental bonds of the City: (i) an annual review of the books and records maintained by the City with respect to such bonds; and (ii) an annual physical inspection of the facilities financed with the proceeds of such bonds, conducted by the Director of Financial Services with the assistance with any City staff who have the primary responsibility for the operation, maintenance, or inspection of such bond-financed facilities.

5. Record Retention Requirements. The Director of Financial Services shall collect and retain the following records with respect to each issue of tax-exempt governmental bonds of the City and with respect to the facilities financed with the proceeds of such bonds: (i) audited financial statements of the City; (ii) appraisals, demand surveys, or feasibility studies with respect to the facilities to be financed with the proceeds of such bonds; (iii) publications, brochures, and newspaper articles related to the bond financing; (iv) trustee or paying agent statements; (v) records of all investments and the gains (or losses) from such investments; (vi) paying agent or trustee statements regarding investments and investment earnings; (vii) reimbursement resolutions and expenditures reimbursed with the proceeds of such bonds; (viii) allocations of proceeds to expenditures (including costs of issuance) and the dates and amounts of such expenditures (including requisitions, draw schedules, draw requests, invoices, bills, and cancelled checks with respect to such expenditures); (ix) contracts entered into for the construction, renovation, or purchase of bond-financed facilities; (x) an asset list or schedule of all bond-financed depreciable property and any depreciation schedules with respect to such assets or property; (xi) records of the purchases and sales of bond-financed assets; (xii) private business uses of bond-financed facilities that arise subsequent to the date of issue through leases and subleases, licenses, management contracts, research contracts, naming rights agreements, or other arrangements that provide special legal entitlements to nongovernmental persons and copies of any such agreements or instruments; (xiii) arbitrage rebate reports and records of rebate and yield reduction payments; (xiv) resolutions or other actions taken by the governing body subsequent to the date of issue with respect to such bonds;

(xv) formal elections authorized by the Code or Treasury Regulations that are taken with respect to such bonds; (xvi) relevant correspondence, including letters, faxes or emails, relating to such bonds; (xvii) documents related to guaranteed investment contracts or certificates of deposit, credit enhancement transactions, and financial derivatives entered into subsequent to the date of issue; (xviii) bidding of financial products for investment securities; (xix) copies of all Form 8038-Ts, Form 8038-Rs, and Form 8038-CPs filed with the IRS and any other forms or documents filed with the IRS; (xx) the transcript prepared with respect to such tax-exempt governmental bonds, including but not limited to (a) official statements, private placement documents, or other offering documents, (b) minutes and resolutions, orders, or ordinances or other similar authorization for the issuance of such bonds, and (c) certification of the issue price of such bonds; and (xxi) documents related to government grants associated with the construction, renovation, or purchase of bond-financed facilities.

The records collected by the Director of Financial Services shall be stored in any format deemed appropriate by the Director of Financial Services and shall be retained for a period equal to the life of the tax-exempt governmental bonds with respect to which the records are collected (which shall include the life of any bonds issued to refund any portion of such tax-exempt governmental bonds or to refund any refunding bonds) plus three (3) years. The Director of Financial Services shall also collect and retain reports of any IRS examination of the City or any of its bond financings.

6. Remedies. In consultation with Bond Counsel, the Director of Financial Services shall become acquainted with the remedial actions (including redemption or defeasance) under Treasury Regulations, Section 1.141-12, to be utilized in the event that private business use of bond-financed facilities exceeds the *de minimus* limits under Section 141(b)(1) of the Code. In consultation with Bond Counsel, the Director of Financial Services shall become acquainted with the Tax Exempt Bonds Voluntary Closing Agreement Program described in Notice 2008-31, 2008-11 I.R.B. 592, to be utilized as a means for an issuer to correct any post-issuance infractions of the Code and Treasury Regulations with respect to outstanding tax-exempt bonds.

7. Continuing Disclosure Obligations. In addition to its post-issuance compliance requirements under applicable provisions of the Code and Treasury Regulations, the City has agreed to provide continuing disclosure, such as annual financial information and material event notices, pursuant to a continuing disclosure certificate or similar document (the “Continuing Disclosure Document”) prepared by Bond Counsel and made a part of the transcript with respect to each issue of bonds of the City that is subject to such continuing disclosure requirements. The Continuing Disclosure Documents are executed by the City to assist the underwriters of the City’s bonds in meeting their obligations under Securities and Exchange Commission Regulation, 17 C.F.R. Section 240.15c2-12, as in effect and interpreted from time to time (“Rule 15c2-12”). The continuing disclosure obligations of the City are governed by the Continuing Disclosure Documents and by the terms of Rule 15c2-12. The Director of Financial Services is primarily responsible for undertaking such continuing disclosure obligations and to monitor compliance with such obligations.

8. Other Post-Issuance Actions. If, in consultation with Bond Counsel, Financial Advisor, Paying Agent, Rebate Analyst, the City Attorney, Mayor or City Council, the Director of Financial Services determines that any additional action not identified in this Policy must be taken by the Director of Financial Services to ensure the continuing tax-exempt status of any issue of governmental bonds of the City, the Director of Financial Services shall take such action if the Director of Financial Services has the authority to do so. If, after consultation with Bond Counsel, Financial Advisor, Paying Agent, Rebate Analyst, the City Attorney, Mayor or City Council, the Director of Financial Services may determine that this Policy must be amended or supplemented to ensure the continuing tax-exempt status of any issue of governmental bonds of the City, the Director of Financial Services shall recommend to the Mayor and City Council that this Policy be so amended or supplemented.

9. Taxable Governmental Bonds. Most of the provisions of this Policy, other than the provisions of Section 7, are not applicable to governmental bonds the interest on which is includable in gross income for federal income tax purposes. On the other hand, if an issue of taxable governmental bonds is later refunded with the proceeds of an issue of tax-exempt governmental refunding bonds, then the uses of the proceeds of the taxable governmental bonds and the uses of the facilities financed with the proceeds of the taxable governmental bonds will be relevant to the tax-exempt status of the governmental refunding bonds. Therefore, if there is any reasonable possibility that an issue of taxable governmental bonds may be refunded, in whole or in part, with the proceeds of an issue of tax-exempt governmental bonds then, for purposes of this Policy, the Director of Financial Services shall treat the issue of taxable governmental bonds as if such issue were an issue of tax-exempt governmental bonds and shall carry out and comply with the requirements of this Policy with respect to such taxable governmental bonds. The Director of Financial Services shall seek the advice of Bond Counsel as to whether there is any reasonable possibility of issuing tax-exempt governmental bonds to refund an issue of taxable governmental bonds.

10. Qualified 501(c)(3) Bonds. If the City issues bonds to finance a facility to be owned by the City but which may be used, in whole or in substantial part, by a nongovernmental organization that is exempt from federal income taxation under Section 501(a) of the Code as a result of the application of Section 501(c)(3) of the Code (a “501(c)(3) Organization”), the City may elect to issue the bonds as “qualified 501(c)(3) bonds” the interest on which is exempt from federal income taxation under Sections 103 and 145 of the Code and applicable Treasury Regulations. Although such qualified 501(c)(3) bonds are not governmental bonds, at the election of the Director of Financial Services, for purposes of this Policy, the Director of Financial Services shall treat such issue of qualified 501(c)(3) bonds as if such issue were an issue of tax-exempt governmental bonds and shall carry out and comply with the requirements of this Policy with respect to such qualified 501(c)(3) bonds.

11. Delegated Responsibility. The Finance Director may delegate all responsibilities on the Post-Issuance Compliance to the City Treasurer, Deputy Director or City Debt Manager.