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**Title:** SEVENTH SEMI-ANNUAL REPORT ON POST-ISSUANCE COMPLIANCE FOR TAX ADVANTAGED BONDS

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Date	Ver.	Action By	Action	Result
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**CITY COUNCIL STAFF REPORT**  
**MEETING DATE: DECEMBER 14, 2016**

PREPARED BY: Harjot Sangha, Accounting Manager/Administrative Services  
APPROVED BY: City Manager

**SEVENTH SEMI-ANNUAL REPORT ON POST-ISSUANCE COMPLIANCE FOR TAX ADVANTAGED BONDS**

**RECOMMENDATION(S)**  
Receive report.

**COUNCIL PRIORITIES, GOALS & STRATEGIES:**

**Ongoing Priorities**

Maintaining fiscal responsibility  
Preserving and cultivating public trust

**2016 Focus Areas**

Improving Our Communication

**REPORT NARRATIVE:**

At its regular meeting on April 17, 2013, the City Council adopted procedures for Finance staff to follow in administering tax-exempt bonds in accordance with the internal revenue code. This report, Post-Issuance Compliance Report, is called for by Section 2C of those procedures. Post-Issuance compliance procedures include monitoring of tax-exempt bonds to ensure:

- Proceeds are used for qualified purposes
- Proceeds are spent in a timely manner, as allowed by the IRS

- Proceeds are investment within the allowable yield restrictions
- There is appropriate record keeping of the expenditures and;
- All required disclosures and qualified significant events are reported on the Electronic Municipal Market Access (EMMA) website, ultimately available to the investors.

During the past six months, City staff has executed the post-issuance compliance procedures, notably as such:

- Continued to emphasize, throughout the City organization, the importance of having a plan based on reasonable expectations at the time of issuance (and then actually following through post issuance) to spend tax-advantaged bond proceeds in the time frame as required by the internal revenue code.
- Engaged consultant to complete the final arbitrage rebate calculations for the refunded Lease Revenue Bonds (Public Library, series 2006, and Police Facility, series 2004) and the assessment district bonds (1998 Morgan Hill Ranch and 2005 Madrone Business Park). The results of the rebate calculation reports will be shared in the next semi-annual report.
- Successfully engaged consultant to prepare the annual continuing disclosure report for the Refunding Revenue Bonds for the Former Redevelopment Agency, series 2013A and 2013B.
- Successfully engaged consultant to prepare and file the annual continuing disclosure report for the two refinanced Assessment Districts (Morgan Hill Ranch and Madrone Business Park), series 2015.
- Prepared and filed continuing disclosure reports for the Refinanced Lease Revenue Bonds, Public Library and Police Facility, series 2015, and Wastewater Bonds, series 2015.

The City Manager and the Public Works staff continue to ensure the City has a plan with a reasonable expectation to spend the 85% of the tax-advantaged bond proceeds within 3 years of issuance, and 100% within 5 years. These spending plans are illustrated in the Capital Improvement Program Budget.

#### **COMMUNITY ENGAGEMENT: Inform**

This is an informational report, which assures the City staff has executed the post-issuance compliance procedures in the past six months. Staff expects the next semi-annual report to be issued in June 2017.

#### **ALTERNATIVE ACTIONS:**

There are no alternative actions recommended, as this is an information only report.

#### **PRIOR CITY COUNCIL AND COMMISSION ACTIONS:**

On April 17, 2013, the City Council adopted procedures for Finance staff to follow in administering tax-exempt bonds in accordance with the internal revenue code.

The City Council previously received such reports, in order, at the following meetings:

- 1st report: October 16, 2013
- 2nd report: April 16, 2014
- 3rd report: October 1, 2014
- 4th report: July 08, 2015

- 5th report: December 16, 2015
- 6th report: June 15, 2016

**FISCAL AND RESOURCE IMPACT:**

None for this report; carrying out post-issuance compliance procedures is part of the Finance work program each fiscal year.

**CEQA (California Environmental Quality Act):**

Not a Project

**LINKS/ATTACHMENTS:**

None