

### 1.0 PURPOSE:

The Internal Revenue Service (IRS) is responsible for enforcing compliance with the Internal Revenue Code and most other regulations governing certain obligations (as example: tax-exempt obligations, Build America Bonds, Recovery Zone Development Bonds and various "Tax Credit" Bonds). The IRS expects issuers and beneficiaries of these obligations to adopt and implement a post-issuance debt compliance policy and procedures to safeguard against post-issuance violations.

The City of West Allis desires to monitor these obligations to ensure compliance with the IRS Code and all other regulations governing such obligations. To help ensure compliance, the Finance Division has developed a "Policy". The following Policy shall apply to these obligations including bonds, notes, loans, lease purchase contracts, lines of credit, commercial paper or any other form of debt that is subject to compliance.

### 2.0 ORGANIZATIONS AFFECTED:

This policy will apply to any indebtedness of the City of West Allis and related entities including the Community Development Authority (CDA) and West Allis Memorial Hospital. The Department of Administration and Finance will be responsible for ensuring these policies are followed.

### 3.0 POLICY:

The City will conscientiously monitor all debt obligations for post-issuance compliance with IRS regulations. The Comptroller is designated as the City's agent who is responsible for post-issuance compliance of these obligations.

The Comptroller, or other Finance staff as designated by the Comptroller, shall assemble all relevant documentation, records and activities required to ensure post-issuance debt compliance as further detailed in the "Post-Issuance Debt Compliance Procedures" below.

1. General Post-Issuance Compliance;
2. Proper and timely use of bond proceeds and bond-financed property;
3. Arbitrage yield restriction and rebate;
4. Timely filings and other general requirements;
5. Additional undertakings or activities that support points 1 through 4 above;
6. Other requirements that become necessary in the future.

### 4.0 REFERENCES:

IRS Rules and Regulations

## 5.0 PROCEDURES:

The Comptroller, or other Finance staff as designated by the Comptroller, shall assemble all relevant documentation, records and activities required to ensure post-issuance debt compliance.

The Comptroller (or appropriate designee) shall apply the Post-Issuance Debt Compliance Procedures to each qualifying obligation and maintain a record of the results. Further, the Comptroller will ensure that the Post-Issuance Debt Compliance Policy and Procedures are updated on a regular and as needed basis.

### 5.1 General Post-Issuance Compliance

All documentation of debt financings will be stored in the Finance Division.

The Comptroller will work with the City's financial advisors and bond counsel throughout the debt planning process to determine and ensure compliance with the following:

1. The costs of issuance, and whether such costs were financed by the issue, subject to 2% limit.
2. Compliance with De Minimis Premium limits for Direct Pay Bonds.

The Comptroller will work with the City's financial advisors and bond counsel in the month following the closing of debt to determine:

1. The calculation of Available Project Proceeds.
2. Filing Form 8038-G or 8038-B, as applicable, with the IRS.
3. Compliance with any other rules, regulations as required for bond issuance. The Comptroller shall refer to the Tax Certificate (or similar document), executed by the City in connection with the issuance of the bonds in order to identify such rules and regulations.
4. Compliance with the Post-Closing Compliance Checklist provided by bond counsel.

### 5.2 Proper and Timely Use of Bond Proceeds and Bond-Financed Property

The Comptroller or his designee shall monitor each bond obligation for proper and timely use of bond proceeds and bond-financed property based on the following procedure:

1. Project Numbers will be assigned for all expenses made from bond proceeds.
2. Project Numbers will identify the year of the debt issue.
3. At required intervals (6 months, 12 months, 18 months, 24 months), project expense transactions are downloaded from the General Ledger to Excel and totaled to document timely spend down of bond proceeds and compliance with proper use of bond proceeds (i.e. specifically capital expenses and eligible expenses for tax exempt obligations).
4. A final allocation of proceeds to expenditures will be made upon completion of the projects financed by the bonds.
5. Use of all bond-financed property will be monitored to assure compliance with restrictions on private business use of bond proceeds.

### 5.3 Arbitrage Yield Restriction and Rebate

The Comptroller or his designee shall plan debt issues annually to fund only those capital improvement projects that are reasonably certain to be undertaken within one year based on the City's Capital Improvement Planning process and Development activities. This helps to ensure the timely use of bond proceeds and reduces the risk of arbitrage rebate or arbitrage yield restriction issues.

If any arbitrage yield restriction or arbitrage rebate issues are identified during the City's monitoring procedure (see 5.2 above), further calculations of arbitrage rebate amounts will be made and the formal arbitrage reports (Form 8038-T) will be filed with the IRS as needed. The City may employ the services of a financial advisor, bond counsel, or other consultants with expertise in these issues to ensure compliance.

5.4 Timely Filing and Other General Requirements

The Comptroller or his designee is responsible for ensuring all principal and interest payments are made timely. Data from each debt issue, including principal and interest payment dates, is maintained by the Finance Division and the City's Financial Advisors. The Finance Division monitors upcoming principal and interest payments, verifies the amounts with Depository Trust Company (DTC) prior to payment dates and makes corrections as necessary. Wire Transfers are made to DTC as appropriate to ensure principal and interest payments are made by the appropriate date.

In the event the City issues Direct Pay Bonds, such as Build America Bonds or others, the City will use a third-party service to ensure all requests for refundable interest credits are made accurately and timely via Form 8038-CP or others as appropriate. A contract will be signed with the third-party service to minimize the risk to the City of inadvertently forfeiting these credits.

The Comptroller, or any other individuals responsible for assisting the Comptroller in maintaining records needed to ensure post-issuance compliance, are authorized to expend funds as needed to attend training or secure use of other educational resources for ensuring compliance such as consulting, publications, and compliance assistance.

The City of West Allis may in the future issue qualifying obligations for beneficiaries such as 501(c) 3 non-profit organizations or Industrial Revenue Bonds. The City of West Allis shall consider issuing qualifying obligations for beneficiaries only when the beneficiary has retained a Trustee and an independent arbitrage consultant for the term of the obligation and provisions to ensure compliance with the federal tax requirements applicable to the bonds have been incorporated into the Trust Indenture. The Trustee and the independent arbitrage consultant must be retained prior to issuance of the obligation.