

TAXING AND BORROWING

Code **DC-R** Revised **12/12**

TAX-ADVANTAGED BOND PROCEDURES

These procedures are organized with reference to the applicable lettered paragraphs in the Procedures.

Certain of these Procedures assign responsibilities to named officials of the District. The capitalized terms used for such officials are defined as follows:

Chief Executive Officer	Superintendent
Chief Financial Officer	Business Manager
Facilities Officer	Assistant Business Manager and/or Facilities Director
Purchasing Officer	Superintendent

The named officials may delegate certain assigned responsibilities but shall remain responsible for compliance with these Procedures. The official with ultimate responsibility for compliance with the Policies and Procedures will be the Superintendent.

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

Procedure A - Investment and Expenditure of Bond Proceeds

1. The Chief Financial Officer shall charge capital expenditures that are financed by debt to the corresponding capital projects fund. Each project shall have a specific fund number used to track that project, and discrete expenditures shall be further categorized by project location (by street address or name of facility) and functional description of financed improvement.
2. The Purchasing Officer shall enter purchase orders and the Chief Financial Officer shall pay and capture such purchase orders in the general ledger by the specific account code.
3. The Purchasing Officer shall 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 shall analyze each project for expenditures and shall summarize such expenditures on a spreadsheet showing the year-to-date expenditures for that project and shall identify facilities or equipment financed or refinanced by Tax-Advantaged Bonds (Bond Financed Facilities). A copy of the Issuer's transaction activity report and/or summary report by account code generated from the general ledger shall be used to back up this spreadsheet and filed with that spreadsheet.
5. The Chief Financial Officer shall ensure that the investment of all proceeds of Tax-Advantaged Bonds is tracked by fund or account (e.g., debt service fund, debt service reserve fund, project or construction fund, etc.) and investment yield.

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Procedure B – Bond-Financed Facilities

1. The Facilities Officer will meet at least quarterly and coordinate with the Chief Executive Officer to review and evaluate existing or pending sales, leases, management contracts, research contracts, or other special legal entitlements that relate to the Issuer's real or personal property (collectively, "Use Arrangements").
2. The Facilities Officer will be responsible for determining whether any use Arrangement relates to Bond Financed Facilities. If so, the Facilities Officer will consult with counsel to the District (District Counsel) 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 Facilities Officer and District Counsel shall also consult Bond Counsel for advice prior to execution of the Use Arrangement.
3. The Purchasing Director shall notify the Chief Executive Officer upon receipt of any use Arrangements submitted for approval for any Bond Financed Facilities.

Procedure C – Periodic Review

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 Tax-Advantaged Bonds (the "Initial Evaluation"). Upon the completion of the Initial Evaluation, the Chief Financial Officer shall prepare a report to the Chief Executive Officer on the results of the Initial Evaluation (the "Initial Report") which shall identify all Tax-Advantaged Bonds then outstanding and the Bond Financed Facilities allocable to each such issue of Tax-Advantaged Bonds. The Initial Report shall express the findings of the Chief Financial Officer whether each outstanding issue of Tax-Advantaged Bonds satisfies the requirements of the Policy and shall contain (A) a spreadsheet setting forth any Use Arrangement with respect any Bond Financed Facilities and the Tax-Advantaged 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 shall cause a follow-up evaluation of tax compliance to be undertaken for each outstanding issue of Tax-Advantaged Bonds (the "Annual Evaluation") with the same objectives and scope as the Initial Evaluation and will provide to the Chief Executive Officer a report (the "Annual Report") of the findings of the annual Evaluation and an updated spreadsheet concerning private business use for each issue of Tax-Advantaged Bonds. Such allocation may be conducted in connection with the preparation of the District'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 shall make and retain a final allocation of the expenditure of proceeds of Tax-Advantaged Bonds and other amounts used to finance such improvements.

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Procedure D – Potential Noncompliance

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

Procedure E – Retention of Professionals; Rebate Analyst

1. As needed, the District shall engage an arbitrage rebate computation agent (the “Rebate Analyst”). The Chief Financial Officer will ensure that records of investment and expenditure of the proceeds of Tax-Advantaged Bonds are timely delivered to the Rebate Analyst and that the Rebate Analyst prepares annual computation reports that advise the District 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 and any rebatable arbitrage are timely paid to the United States as required under Section 148(f)(4) of the Code.

Procedure F – Purchase of Investments

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

Procedure G – Credit Enhancement Transactions

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 Tax-Advantaged Bonds (including, without limitation, bond insurance policies, letters of credit, guaranteed investment contracts, interest rate swaps, and market hedges), the Chief Financial Officer shall consult with Bond Counsel.

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Procedure H – Subsidy Payments

1. See Procedure A above.

Procedure I – Post-Issuance Modifications

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

Procedure J – Records Retention

1. Retention Period – Records material to Tax-Advantaged Bond shall be retained by the Issuer for a period equal to the maturity of such Tax-Advantaged Bonds plus 3 years. In the event any Tax-Advantaged Bonds are refunded, records of the original Tax-Advantaged Bonds will be retained until the maturity of the refunding Tax-Advantaged Bonds, plus 3 years.
2. Records to be Retained:
 - a. Records regarding the issuance and sale of the Tax-Advantaged Bonds (bond transcript and closing documents), the investment and expenditure of the original proceeds of the Tax-Advantaged 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 Bonds: leases, naming rights agreements, title retention agreements, management contracts, sponsored research contracts, capacity reservation agreements, agreements regarding rates or changes for use of Bond Financed Facilities, incentive payment service contracts, requirements contracts of “take” contracts or “take or pay” contracts.
 - d. The Chief Financial Officer shall be custodian of the foregoing records.

Summary of Responsibility Assignments

Chief Executive Officer

1. Ensure overall compliance with Policies and Procedures; monitor responsibility assignments and periodically review Procedures; periodically revise Procedures as necessary.
2. Meet quarterly with Facilities Officer to evaluation use of bond financed facilities. (Procedure B)
3. Ensure preparation of and review Initial Report and annual Reports. (Procedure C)
4. Report potential non-compliance to Bond Counsel. (Procedure D)

Chief Financial Officer

1. Monitor, record, and allocate expenditure of bond proceeds by project location and functional description. (Procedure A)
2. Until final allocation of bond proceeds, prepare a monthly report of project expenditures. (Procedure A)
3. Prepare and retain separate records for investment performance of bond proceeds. (Procedure A)
4. Prepare Initial Report and Annual Reports. (Procedure C)
5. Make and record final allocations of expenditures of proceeds of Tax-Advantaged Bonds. (Procedure A)
6. Retain and manage relationship with Rebate Analyst. (Procedure E)
7. Consult with Bond Counsel before (a) purchasing guaranteed investment contracts or non-publicly traded certificates of deposit with proceeds of, (b) entering into credit enhance transactions with respect to, or (c) modifying the terms of, Tax-Advantaged Bonds. (Procedures F and G)
8. Ensure compliance with retention policies and act as custodian of retained records. (Procedure J)

Facilities Officer

1. Meet quarterly with Chief Executive Officer to evaluate use of bond financed facilities. (Procedure B)
2. Monitor Use Arrangements and consult with counsel prior to entering into new Use Arrangements. (Procedure B)

Purchasing Officer

1. Coordinate with Chief Financial Officer on purchase orders and expenditures with respect to Bond Financed Facilities. (Procedure A)
2. Scan and file all purchase orders and invoices with respect to Bond Financed Facilities. (Procedure A)
3. Notify Chief Executive Officer of any Use Arrangements submitted for approval that relate to Bond Financed Facilities. (Procedure A)