

# 6.6 POST-ISSUANCE TAX COMPLIANCE POLICIES FOR TAX-EXEMPT BONDS

Original Date of Issue: 9/17/14

Revised:

The purpose of these Post-Issuance Tax Compliance Procedures is to establish policies and procedures in connection with tax-exempt Bonds (the "Bonds") issued on behalf of Delaware County Community College (the "College") to maximize the likelihood that all applicable post-issuance requirements of federal income tax law needed to preserve the tax-exempt status of the Bonds are met. The College reserves the right to use its discretion as necessary and appropriate to make exceptions or request additional provisions as circumstances warrant. The College also reserves the right to change these policies and procedures as deemed necessary.

## General

The College now identifies post-issuance tax compliance procedures for all Bonds issued on its behalf.

## Post-Issuance Compliance Requirements External Advisors / Documentation

The College shall consult with bond counsel and other legal counsel and advisors, as needed, throughout the Bond issuance process to identify requirements and to establish procedures necessary or appropriate so that the Bonds will continue to qualify for tax-exempt status. The College also shall consult with bond counsel and other legal counsel and advisors, as needed, following issuance of the Bonds to ensure that all applicable post-issuance requirements in fact are met. This shall include, without limitation, consultation in connection with any potential changes in use of Bond-financed or refinanced assets.

The College shall be responsible to determine (or obtain expert advice to determine) whether arbitrage rebate calculations have to be made for the Bond issue. If it is determined that such calculations are or are likely to be required, the College shall engage expert advisors (each a "Rebate Service Provider") to assist in the calculation of arbitrage rebate payable in respect of the investment of Bond proceeds, or else shall ensure that it has adequate financial, accounting, and legal resources of its own to make such calculations. The College shall make any rebate payments required on a timely basis.

Unless otherwise provided by the indenture relating to the Bonds, unexpended Bond proceeds shall be held by a trustee or other financial institution, and the investment of Bond proceeds shall be managed by the College. The College shall prepare (or cause the trustee or other financial institution to prepare) regular, periodic statements regarding the investments and transactions involving Bond proceeds and such statements shall be delivered to the Bond issuer if it so requests.

## Arbitrage Rebate and Yield

The Treasurer & Vice-President for Administration shall be responsible for overseeing compliance with arbitrage rebate requirements under federal tax regulations:

1. If at the time of Bond issuance, based on reasonable expectations set forth in the Tax Certificate relating to the Bonds, it appears likely that the Bond issue will qualify for an exemption from the rebate requirement, the College may defer taking any of the actions set forth in the subsection (2). Not later than the time of completion of construction or acquisition of the Project, and depletion of all funds from the Project Fund, the College shall make a determination if expenditure of the Bond proceeds qualified for exemption from the rebate requirements based on spending within a 6 month or 18 month period after issuance. If rebate exemption is determined to be applicable, the College shall prepare and keep in the permanent records of the Bond issue a memorandum evidencing this conclusion together with records of expenditure to support such conclusion. If the transaction does not qualify for rebate exemption, the College shall initiate the steps set forth in (2) below.
2. If at the time of Bond issuance it appears likely that arbitrage rebate calculations will be required, or upon determination that calculations are required pursuant to (1) above, the College shall:

- engage the services of a Rebate Service Provider and, prior to each rebate calculation date, cause the trustee or other financial institution investing Bond proceeds to deliver periodic statements concerning the investment of Bond proceeds to the Rebate Service Provider;
- provide to the Rebate Service Provider additional documents and information reasonably requested by the Rebate Service Provider;
- monitor efforts of the Rebate Service Provider;
- assure payment of required rebate amounts, if any, no later than 60 days after each 5-year anniversary of the issue date of the Bonds, and no later than 60 days after the last Bond of each issue is redeemed;
- during the construction period of each capital project financed in whole or in part by Bonds, monitor the investment and expenditure of Bond proceeds and consult with the Rebate Service Provider to determine compliance with any applicable exceptions from the arbitrage rebate requirements during each 6-month spending period up to 6 months or 18 months, as applicable, following the issue date of the Bonds; and
- retain copies of all arbitrage reports and trustee statements as described below under "Record Keeping Requirements" and, upon request, provide such copies to the Bond issuer.

In lieu of engaging an outside Rebate Service Provider, the College may make a determination that it has sufficient capabilities using its own personnel, supported by its regular accounting and legal advisers, to be able to make the required rebate calculations. Such determination shall be evidenced in writing with specific reference to the personnel and advisers to carry out the calculations, and such written determination shall be maintained in the records of the Bond transaction.

## Use of Bond Proceeds and Bond-Financed or Refinanced Assets:

The Treasurer & Vice-President for Administration shall be responsible for:

- monitoring the use of Bond proceeds (including investment earnings and including reimbursement of expenditures made before Bond issuance) and the use of Bond-financed or refinanced assets (e.g., facilities, furnishings, or equipment) throughout the term of the Bonds to ensure compliance with covenants and restrictions set forth in the Tax Certificate relating to the Bonds;
  - maintaining records identifying the assets or portion of assets that are financed or refinanced with proceeds of each issue of Bonds (including investment earnings and including reimbursement of expenditures made before Bond issuance), including a final allocation of Bond proceeds as described below under "Record Keeping Requirements";
  - consulting with bond counsel and other legal counsel and advisers in the review of any change in use of Bond-financed or refinanced assets to ensure compliance with all covenants and restrictions set forth in the Tax Certificate relating to the Bonds;
  - conferring at least annually with personnel responsible for Bond-financed or refinanced assets to identify and discuss any existing or planned use of Bond-financed or refinanced assets, to ensure that those uses are consistent with all covenants and restrictions set forth in the Tax Certificate relating to the Bonds;
  - consulting with bond counsel and other legal counsel and advisers in the review of any use of any Bond-financed facilities by any party other than the College;
  - consulting with bond counsel and other legal counsel and advisers in the review of any management contract where any part of the operations of the College (e.g., cafeteria, bookstore) is managed by an entity that is not exempt from Federal taxation;
  - to the extent that the College discovers that any applicable tax restrictions regarding use of Bond proceeds and Bond-financed or refinanced assets will or may be violated, consulting promptly with bond counsel and other legal counsel and advisers to determine a course of action to remediate all nonqualified Bonds, if such counsel advises that a remedial action is necessary;
  - to the extent that Bond proceeds were used to acquire an existing building, confirming that qualified rehabilitation expenditures in an amount equal to at least 15% of the amount of such proceeds were made no later than 24 months after the later of (1) the date of issuance of the Bonds, or (2) the date of acquisition of the building; and
  - confirming that less than 25% of Bond proceeds were used to acquire land.
- orders, invoices, trustee requisitions, and payment records, as well as documents relating to costs reimbursed with Bond proceeds and records identifying the assets or portion of assets that are financed or refinanced with Bond proceeds, including a final allocation of Bond proceeds; and
- a copy of all records of investments, investment agreements, arbitrage reports and underlying documents, including trustee statements, in connection with any investment agreements, and copies of all bidding documents, if any.

All relevant records and contracts shall be maintained as described below.

## Record Keeping Requirement

The Treasurer & Vice-President for Administration shall be responsible for maintaining the following documents for the term of each issue of Bonds (including refunding Bonds, if any) plus at least three years:

- a copy of the Bond closing transcript(s) and other relevant documentation delivered to the College at or in connection with closing of the issue of Bonds;
- a copy of all material documents relating to capital expenditures financed or refinanced by Bond proceeds, including (without limitation) construction contracts, purchase