



City of Aliso Viejo

COUNCIL POLICY

SUBJECT	RES. NO.	POLICY NO.	EFF. DATE	PAGE
POST-ISSUANCE AND CONTINUING DISCLOSURE POLICY	2019- 012	300-11	06/19/2019	1 of 8

PURPOSE

The purpose of this Post-Issuance and Continuing Disclosure Policy ("Policy") is to set forth specific procedures and administration guidelines of the City of Aliso Viejo (the "City") designed to comply with the applicable post-issuance provisions of the Internal Revenue Code of 1986, as amended ("Code") and the continuing disclosure compliance regulations of the Securities Exchange Commission (SEC) Rule 15c2-12 ("Rule"). Post-issuance and continuing disclosure compliance is an integral part of the proper administration of debt of the City. This due diligence will improve the City's ability to identify non-compliance and prevent violations from occurring, or correct identified violations on a timely basis.

DEFINITIONS

For purposes of this Policy, the City shall mean all entities for which the City Council acts as legislative body. When used in this Policy, "debt" or "bonds" refers to all indebtedness and financing lease obligations of the City.

This Policy applies to all Tax-Exempt and Taxable Bonds of the City, except conduit bond financings as the City is not in a position to directly monitor compliance with certain arbitrage and qualified use requirements and the information and control of those activities lies with the private borrower. The City's policy is to require that the bond documents in such financings impose on the borrower (or other applicable party) responsibility to monitor compliance with arbitrage and qualified use rules and other federal tax requirements and to take necessary action if remediation of nonqualified bonds is required.

COMPLIANCE OFFICER

The City Manager designates the Director of Financial Services (or his or her designee) as the Bond Compliance Officer (the "Compliance Officer") to be responsible for monitoring post-issuance and continuing disclosure compliance issues and overseeing the fulfillment of this Policy. The following duties of the Compliance Officer include, but are not limited to:

- Consulting with bond counsel, disclosure counsel, the City attorney, accountants, tax return preparers, dissemination agents, and other outside experts to the extent necessary to carry out the purposes of this Policy.



COUNCIL POLICY

SUBJECT	RES. NO.	POLICY NO.	EFF. DATE	PAGE
POST-ISSUANCE AND CONTINUING DISCLOSURE POLICY	2019-012	300-11	06/19/2019	2 of 8

- Coordinating procedures for record retention and review of such records. All documents and other records relating to bonds issued by the City and records evidencing required filings shall be maintained by or at the direction of the Compliance Officer.
- Ensuring that all necessary financial information, operating data and other data required for the Annual Reports and Material Event notices is filed by the filing dates in the required manner.
- Monitoring compliance violations and taking such corrective action when necessary and appropriate.
- Reviewing the City's compliance procedures, systems, and Annual Reports each year.
- Maintaining a compilation of the City's current Continuing Disclosure Agreements and obligations.

The Compliance Officer may coordinate with City staff, and may engage a dissemination agent, counsel, and/or other professionals to assist in completing the Compliance Officer's duties under this Policy, as deemed necessary.

ANNUAL COMPLIANCE CHECKLISTS

The Compliance Officer will work with bond counsel, disclosure counsel and/or other legal counsel to the City and cause Annual Compliance Checklists to be completed for all outstanding applicable bonds. Each Annual Compliance Checklist will be designed and completed for the purpose of identifying potential noncompliance with the terms of the bond documents or this Policy (such as investment records, arbitrage calculations, or qualified management contracts).

CORRECTION OF PRIOR POST-ISSUANCE COMPLIANCE DEFICIENCIES

The Compliance Officer shall, upon the determination or identification of any non-compliance with, or violation of, the Code with respect to any issue of applicable bonds, and upon consultation with bond counsel and the City's legal counsel, cause corrective or remedial action to be taken by the City in accordance with applicable regulations under the Code and the Tax-Exempt Bonds Voluntary Closing Agreement Program of the Internal Revenue Service.



COUNCIL POLICY

SUBJECT	RES. NO.	POLICY NO.	EFF. DATE	PAGE
POST-ISSUANCE AND CONTINUING DISCLOSURE POLICY	2019- 012	300-11	06/19/2019	3 of 8

ARBITRAGE AND REBATE COMPLIANCE

The City shall follow a policy of full compliance with all applicable use, arbitrage and rebate requirements of the federal tax code and Internal Revenue Service (IRS) regulations. Due to the complexity of the Federal arbitrage rebate regulations and the severity of penalties for non-compliance, the City will retain a Tax Compliance Consultant (“Consultant”) in connection with its outstanding bonds and may solicit related legal and tax advice from its bond counsel and legal counsel. The Compliance Officer will ensure the preparation of the rebate or yield reduction computations are completed on time. All necessary rebates will be filed and paid when due. In addition, the Consultant shall be responsible for the following:

- The periodic calculation of any accrued arbitrage rebate liability and of any rebate payments due under and in accordance with the federal tax code and the related rebate regulations.
- Advice regarding strategies for minimizing arbitrage rebate liability.
- The preparation and filing of periodic forms and information required to be submitted to the IRS.
- The preparation and filing of requests for reimbursement of any prior overpayments.
- Other related matters as requested by the City.

USE OF BOND PROCEEDS

The Compliance Officer will monitor the qualified use of project funds financed with bond proceeds and the investment of funds to assure compliance with the provisions of the applicable bond documents. The Compliance Officer and other appropriate City personnel shall:

- Monitor the use of debt proceeds and the use of bond-financed assets throughout the term of the debt, or beyond the term of the debt when necessary, to ensure compliance with covenants and restrictions set forth in the bond documents.
- Consult with bond counsel and other professional experts in the review of any contracts or arrangements involving use of bond-financed facilities to ensure compliance with all covenants and restrictions set forth in the bond documents.
- Employ appropriate internal controls to ensure all approved contracts and expenditures are consistent with the terms of the bond documents.



COUNCIL POLICY

SUBJECT	RES. NO.	POLICY NO.	EFF. DATE	PAGE
POST-ISSUANCE AND CONTINUING DISCLOSURE POLICY	2019-012	300-11	06/19/2019	4 of 8

- Meet at least annually with personnel responsible for bond-financed assets to identify and discuss any existing or planned use of bond-financed assets to ensure that those uses are compliant with all covenants and restrictions set forth in the bond documents.

INVESTMENT OF BOND PROCEEDS

The Director of Financial Services (or his or her designee) shall invest bond proceeds and reserve funds in accordance with each issue's applicable indenture or trust agreement. All investments will be made in compliance with the City's Investment Policy, however, each issue's indenture or trust agreement will dictate the specific permitted investments.

Unspent bond proceeds shall be held by the bank trustee. The trustee will be responsible for recording all investments and transactions relating to the proceeds and providing monthly statements regarding the investments and transactions.

The Director of Financial Services (or his or her designee) will review all invoices and will direct the payment of each reviewed invoice.

CONTINUING DISCLOSURE COMPLIANCE

Pursuant to the Rule, obligated issuers of bonded debt are required to provide financial and operating information on an annual basis to the Municipal Securities Rulemaking Board (the "MSRB"). In accordance with the Rule, the Compliance Officer will undertake the following tasks:

A. Compilation of Currently Effective Continuing Disclosure Agreements

The Compliance Officer shall compile and maintain a set of the entire City's Currently Effective Continuing Disclosure Agreements. For purposes of this Policy, Continuing Disclosure Agreements are deemed to be "currently effective" for as long as the respective bonds are outstanding. The Compliance Officer shall remove the related Continuing Disclosure Agreements from the set of Currently Effective Continuing Disclosure Agreements as the bonds are completely repaid or redeemed.

For each fiscal year, the Compliance Officer shall maintain a list of the City's current outstanding bonds, comprised of the name, original par amount, date of issuance and CUSIP numbers for each such issue, the dates by which the Annual Reports are required



COUNCIL POLICY

SUBJECT	RES. NO.	POLICY NO.	EFF. DATE	PAGE
POST-ISSUANCE AND CONTINUING DISCLOSURE POLICY	2019- 012	300-11	06/19/2019	5 of 8

to be submitted to the MSRB using Electronic Municipal Market Access (EMMA), and the current contact information for the dissemination agent, if any.

B. Annual Reporting

The Compliance Officer shall be knowledgeable and familiar with the provisions of each Continuing Disclosure undertaking as to the timing, format and content of the financial and operating information required for each Annual Report.

On or before the submission date established under each Continuing Disclosure undertaking, the Compliance Officer shall submit the Annual Report together with any other required information to the MSRB using EMMA. If the Audited Financial Statements are not then available, unaudited financial information shall be filed by the Compliance Officer and the Audited Financial Statements shall be filed by the Compliance Officer within 10 business days of their receipt and acceptance by the City Council.

C. Annual Review of Prior Filings

Annually, the Compliance Officer shall review prior filings made within the past five years. The Compliance Officer, upon determination of any late or missing filing and upon consultation with the City's dissemination agent, counsel or other agents, as necessary, shall remedy such prior failures by ensuring that the missing information is filed subsequent to filing a Failure to File Notice.

D. Monitoring of Material Events

The Compliance Officer shall monitor the occurrence of any of the following events and/or other events set forth in the Currently Effective Continuing Disclosure Agreements and shall provide notice of the event in the required manner within 10 days of the occurrence:

- Principal and interest payment delinquencies;
- Non-payment related defaults, if material;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers, or their failure to perform;
- Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices



COUNCIL POLICY

SUBJECT	RES. NO.	POLICY NO.	EFF. DATE	PAGE
POST-ISSUANCE AND CONTINUING DISCLOSURE POLICY	2019-012	300-11	06/19/2019	6 of 8

- or determinations with respect to the tax status of the City's bonds, or other material events affecting the tax status of the City's bonds;
- Modification to rights of holders of the City's bonds, if material;
 - Calls of the City's bonds, if material, and tender offers;
 - Defeasances of the City's bonds;
 - Release, substitution or sale of property securing repayment of the City's bonds, if material;
 - Rating changes;
 - Bankruptcy, insolvency, receivership or similar event of the City;
 - The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
 - Appointment of a successor or additional trustee or the change of name of a trustee, if material.
 - Financial obligation incurrence or agreement, if material
 - Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

E. Review of Official Statements

The Compliance Officer shall review drafts of any Official Statement for a new offering of bonds, with assistance from its dissemination agent, counsel or other agents of the City as necessary, and shall determine if the Official Statement accurately and completely describes the City's continuing disclosure compliance history within the five years prior to the date of the respective Official Statement.

RETENTION OF RECORDS

A copy of all relevant documents and records, in paper or electronic format, will be maintained by the Financial Services Department or the City Clerk for the term of the bonds (including refunding bonds,



COUNCIL POLICY

SUBJECT	RES. NO.	POLICY NO.	EFF. DATE	PAGE
POST-ISSUANCE AND CONTINUING DISCLOSURE POLICY	2019- 012	300-11	06/19/2019	7 of 8

if any) plus three years. Relevant documents and records will include sufficient documentation to support the requirements relating to the tax-exempt status, if applicable, including the following:

- Bond transcripts, Official Statements and other offering documents (including without limitation Tax Certificate and Agreement and Form 8038G).
- All documents relating to capital expenditures financed by bond proceeds. Such documents will include construction contracts, purchase orders, invoices and payment records.
- Records identifying the assets or portion of assets that are financed with bond proceeds.
- All reports, contracts and arrangements involving private use of the bond-financed assets.
- All records of investments, investment agreements, arbitrage reports, return filings with the IRS and underlying documents, trustee statements, rating correspondence, and continuing disclosure.
- Documentation evidencing the City's annual reviews.
- Documentation evidencing the City's reviews of Official Statements.
- Documentation evidencing filings with the MSRB using EMMA showing the dates and nature or contents of all filings for each issue of obligations of the City outstanding during each fiscal year.

TRAINING

The Compliance Officer shall ensure that the members of the City staff involved in the post-issuance or continuing disclosure process and the City Council are properly trained to understand and perform their responsibilities.

The training process shall be conducted at least annually, or on an as-needed basis, and shall encompass a review of the EMMA submission process, post-issuance tax compliance process, and an understanding of the timing requirements necessary for full compliance. Such training may include training sessions conducted by consultants with expertise in municipal securities disclosure, attendance at conferences, programs offered by the IRS, or other appropriate methods identified by the Compliance Officer.

OTHER FILINGS

Delineated below are certain other disclosures or reports that may be required to be filed.



City of Aliso Viejo

COUNCIL POLICY

SUBJECT	RES. NO.	POLICY NO.	EFF. DATE	PAGE
POST-ISSUANCE AND CONTINUING DISCLOSURE POLICY	2019- 012	300-11	06/19/2019	8 of 8

- A. California Debt and Investment Advisory Commission (CDIAC). The City, and/or its Financing Team, will comply with all CDIAC filing requirements. These include, but are not limited to:
- Filing a Report of Proposed Debt Issuance
 - Filing a Report of Final Sale
 - Annual filing of Fiscal Year Status Reports for all Mello-Roos and Marks-Roos bond issues
 - Reporting of any draw on reserves or defaults
 - Annual Report on all outstanding debt required pursuant to SB 1029.
- B. Landowner/Conduit Debt Disclosure. The Compliance Officer will check, semi-annually, that Landowner and/or Conduit Borrowers have filed the reports required by the Continuing Disclosure Certificate.
- C. The bond documents may also require that financial records, budgets, or other information be periodically filed with the Trustee, Rating Agency, Bond Insurer, or Credit Enhancer. The Compliance Officer will be responsible for such reporting as they relate to applicable bonds.