

# RESOLUTION # 401

## **RESOLUTION APPROVING A TAX-ADVANTAGED FINANCING COMPLIANCE POLICY AND PROCEDURE FOR THE CITY OF CHESTERFIELD, MISSOURI.**

**WHEREAS**, the Internal Revenue Service (the "IRS") has advised issuers of obligations, the interest on which is either (1) excludable from gross income for federal income tax purposes or (2) taxable to the bond owners, but is based on a lower rate due to the advantages of a federal program (such as Build America Bonds), to adopt separate written procedures for monitoring post-issuance federal tax requirements for such bonds; and

**WHEREAS**, in accordance with Rule 15c2-12 of the Securities and Exchange Commission (the "SEC"), issuers may also be required to provide disclosures of certain financial information and operating data and to file notices of certain material events to the marketplace to facilitate informed secondary market trading of bonds; and

**WHEREAS**, the City Council of the City of Chesterfield, Missouri (the "City") finds it is in the best interest of the City to adopt certain policies and procedures to comply with the IRS and SEC directives and to improve tax and securities law compliance and documentation with respect to the City's outstanding bonds;

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF CHESTERFIELD, MISSOURI, AS FOLLOWS:**

**Section 1. Approval of Tax-Advantaged Financing Compliance Policy and Procedure.** The Tax-Advantaged Financing Compliance Policy and Procedure in substantially the form attached hereto as **Exhibit A** is hereby approved.

**Section 2. Further Authority.** The City hereby authorizes and empowers the officers and representatives of the City to do all such acts and things and to execute, acknowledge and deliver all such documents as may in their discretion be deemed necessary or desirable in order to carry out or comply with the terms and provisions of this Resolution in connection with the approval of the Tax-Advantaged Financing Compliance Policy and Procedure. All of the acts and undertakings of such officers and representatives that are in conformity with the intent and purposes of this Resolution, whether heretofore or hereafter taken or done, shall be and the same are hereby in all respects, ratified, confirmed and approved.

**Section 3. Effective Date.** This Resolution shall be in full force and effect immediately upon its adoption.

**PASSED** by the City Council of the City of Chesterfield, Missouri, this 19<sup>th</sup> day of August, 2013.

(SEAL)

ATTEST:

Vickie Hass  
City Clerk

Bob Ratin  
Mayor

**EXHIBIT A**

**TAX-ADVANTAGED FINANCING COMPLIANCE POLICY AND PROCEDURE**

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**CITY OF CHESTERFIELD, MISSOURI**  
**TAX-ADVANTAGED FINANCING COMPLIANCE POLICY AND PROCEDURE**  
**Dated as of August 19, 2013**

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# TAX-ADVANTAGED FINANCING COMPLIANCE POLICY AND PROCEDURE

## ARTICLE I

### DEFINITIONS

**Section 1.1. Definitions.** Capitalized words and terms used in this Compliance Procedure have the following meanings:

**“Annual Compliance Checklist”** means a questionnaire and/or checklist described in **Section 6.1** hereof that is completed each year for a Tax-Advantaged Bond issue.

**“Annual Report”** means the Issuer’s audited financial statements (or unaudited financial statements as permitted by the Continuing Disclosure Undertaking for the Tax-Advantaged Bonds) and certain other financial information and operating data required to be filed annually with the MSRB for the Tax-Advantaged Bonds.

**“Bond Compliance Officer”** means the Issuer’s Finance Director or, if the position of Finance Director is vacant, the person filling the responsibilities of the Finance Director for the Issuer.

**“Bond Counsel”** means a law firm selected by the Issuer to provide a legal opinion regarding the tax status of interest on Tax-Advantaged Bonds as of the issue date or the law firm selected to advise the Issuer on matters referenced in this Compliance Procedure.

**“Bond Restricted Funds”** means the funds, accounts, and investments that are subject to arbitrage rebate and/or yield restriction rules that have been identified in the Tax Agreement for a Tax-Advantaged Bond issue.

**“Bond Transcript”** means the “transcript of proceedings” or other similar titled set of documents assembled by Bond Counsel following the issuance of Tax-Advantaged Bonds.

**“City Council”** means the City Council of the Issuer.

**“Code”** means the Internal Revenue Code of 1986, as amended.

**“Compliance Procedure”** means this Tax-Advantaged Financing Compliance Policy and Procedure.

**“Continuing Disclosure Undertaking”** means, collectively, the Omnibus Continuing Disclosure Agreement or other written certifications and agreements of the Issuer setting out covenants for satisfying the Issuer’s requirements for providing information to the MSRB pursuant to SEC Rule 15c2-12 on an ongoing basis for one or more Tax-Advantaged Bond issues.

**“Cost” or “Costs”** means all costs and expenses paid for the acquisition, design, construction, equipping or improvement of a Project or costs of issuing Tax-Advantaged Bonds.

**“EMMA”** means the Electronic Municipal Market Access system for municipal securities disclosures established and maintained by the MSRB, which can be accessed at [www.emma.msrb.org](http://www.emma.msrb.org).

**“Final Written Allocation”** means the Final Written Allocation of Tax-Advantaged Bond proceeds prepared pursuant to **Section 5.4** hereof.

**“Financed Assets”** means that part of a Project treated as financed with Tax-Advantaged Bond proceeds as reflected in a Final Written Allocation or, if no Final Written Allocation was prepared, the accounting records of the Issuer and the Tax Agreement for the Tax-Advantaged Bond issue.

**“Intent Resolution”** means a resolution of the City Council stating (a) the intent of the Issuer to finance all or a portion of the Project with proceeds of the Tax-Advantaged Bonds, (b) the expected maximum size of the Tax-Advantaged Bonds and (c) the intent of the Issuer to reimburse the Costs paid by the Issuer from proceeds of the Tax-Advantaged Bonds.

**“IRS”** means the Internal Revenue Service.

**“Issuer”** means the City of Chesterfield, Missouri.

**“MSRB”** means the Municipal Securities Rulemaking Board, or any successor repository designated as such by the Securities and Exchange Commission in accordance with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**“Placed In Service”** means that date (as determined by the Bond Compliance Officer) when the Project is substantially complete and in operation at substantially its designed level.

**“Project”** means all tangible or intangible property financed in whole or in part with Tax-Advantaged Bonds that is functionally related or integrated in use, that is located on the same physical site or proximate sites, and that is expected to be Placed In Service within a one-year period.

**“Rebate Analyst”** means the rebate analyst for the Tax-Advantaged Bonds selected pursuant to the Tax Agreement.

**“Tax-Advantaged Bond(s)”** means any bond, note, installment sale agreement, lease or certificate intended to be a debt obligation of the Issuer, the proceeds of which are to be loaned or otherwise made available to the Issuer, and the interest on which is excludable from gross income for federal income tax purposes. A list of all Tax-Advantaged Bonds outstanding or authorized and subject to this Compliance Procedure as of the date of this Compliance Procedure, is attached as **Exhibit A** hereto.

**“Tax-Advantaged Bond File”** means documents and records which may consist of paper and electronic medium, maintained for each Tax-Advantaged Bond. Each Tax-Advantaged Bond File will include the following information if applicable:

- (a) Intent Resolution.
- (b) Bond Transcript.
- (c) Final Written Allocation and/or all available accounting records related to the Project showing expenditures allocated to the proceeds of a Tax-Advantaged Bond and expenditures (if any) allocated to other sources of funds.

- (d) All rebate and yield reduction payment calculations performed by the Rebate Analyst and all investment records provided to the Rebate Analyst for purposes of preparing the calculation.
- (e) Forms 8038-T together with proof of filing and payment of rebate.
- (f) Investment agreement bid documents (unless included in the Bond Transcript) including:
  - (1) bid solicitation, bid responses, certificate of broker;
  - (2) written summary of reasons for deviations from the terms of the solicitation that are incorporated into the investment agreement; and
  - (3) copies of the investment agreement and any amendments.
- (g) Any item required to be maintained by the terms of the Tax Agreement involving the use of the Project or expenditures related to tax compliance for the Tax-Advantaged Bonds.
- (h) Any opinion of Bond Counsel regarding the Tax-Advantaged Bonds not included in the Bond Transcript.
- (i) Amendments, modifications or substitute agreements to any agreement contained in the Bond Transcript.
- (j) Any correspondence with the IRS relating to the Tax-Advantaged Bonds including all correspondence relating to an audit by the IRS of the Tax-Advantaged Bonds or any proceedings under the Tax-Advantaged Bonds Voluntary Closing Agreement Program (VCAP).
- (k) Any available questionnaires or correspondence substantiating the use of the Project in accordance with the terms of the Tax Agreement for the Tax-Advantaged Bond issue.
- (l) For refunding bond issues, the Tax-Advantaged Bond File for the refunded Tax-Advantaged Bonds.

**“Tax Agreement”** means the Federal Tax Certificate, Tax Compliance Agreement, Arbitrage Agreement, or other written certification or agreement of the Issuer setting out representations and covenants for satisfying the post-issuance tax compliance requirements for a Tax-Advantaged Bond issue.

## ARTICLE II

### PURPOSE AND SCOPE

#### **Section 2.1. Purpose of Compliance Procedure.**

(a) Issuer’s Use of Tax-Advantaged Financing. The Issuer finances various Projects and assets with proceeds of Tax-Advantaged Bonds. The Issuer understands that it receives favorable interest



rates and terms on Tax-Advantaged Bonds but that in exchange for the right to issue Tax-Advantaged Bonds, federal tax law imposes ongoing requirements on the Issuer that it must comply with in order for the favorable interest rates and terms to continue. These requirements focus on the investment, use and expenditure of proceeds of the Tax-Advantaged Bonds and related funds as well as restrictions on the use of the Project.

(b) IRS Recommends Separate Written Policies and Procedures; Purpose of Compliance Procedure. The Issuer recognizes that the IRS has stated all issuers of Tax-Advantaged Bonds should have a *separate* written policy and procedure regarding ongoing compliance with the federal tax requirements for Tax-Advantaged Bonds. The Issuer is committed to full compliance with IRS requirements for all of its outstanding and future tax-exempt or tax-advantaged financings. This Compliance Procedure is adopted by the City Council to comply with the IRS directive and to improve tax compliance and documentation.

(c) Continuing Disclosure Undertaking; Issuer Commitment. The Issuer is required under the Continuing Disclosure Undertaking to provide disclosures of certain financial information and operating data and to file notices of certain material events to the marketplace to facilitate informed secondary market trading in Tax-Advantaged Bonds issued by the Issuer. The Issuer is committed to full compliance with the federal tax and securities law requirements for all of its outstanding and future tax-exempt and tax-advantaged financings. This Compliance Procedure is adopted by the City Council to comply with the IRS and Securities and Exchange Commission directives and to improve tax and securities law compliance and documentation.

**Section 2.2. Scope of Compliance Procedure; Conflicts.** This Compliance Procedure applies to all Tax-Advantaged Bonds currently outstanding or authorized and all Tax-Advantaged Bonds issued in the future. If the provisions of this Compliance Procedure conflict with a Tax Agreement, the Continuing Disclosure Undertaking or any other specific written instructions of Bond Counsel, the terms of the Tax Agreement, the Continuing Disclosure Undertaking or specific written instructions of Bond Counsel will supersede and govern in lieu of this Compliance Procedure. Any exception to this Compliance Procedure required by Bond Counsel as part of a future issue of Tax-Advantaged Bonds will be incorporated in the Tax Agreement for the future issue. Any requirements imposed on the Issuer in the Tax Agreement will be noted by the Bond Compliance Officer and incorporated into the Annual Compliance Checklist. The Issuer acknowledges that the Continuing Disclosure Undertaking may also apply to one or more issues of taxable securities issued by the Issuer.

**Section 2.3. Amendments and Publication of Compliance Procedure.** This Compliance Procedure may be amended from time-to-time by the City Council. Copies of this Compliance Procedure and any amendments will be included in the permanent records of the Issuer.

### ARTICLE III

#### BOND COMPLIANCE OFFICER; TRAINING

**Section 3.1. Bond Compliance Officer Duties.** The Bond Compliance Officer is responsible for implementing this Compliance Procedure. The Bond Compliance Officer will work with other employees that use the Project to assist in implementing this Compliance Procedure. The Bond Compliance Officer will consult with Bond Counsel, legal counsel to the Issuer, accountants, tax return preparers and other outside experts to the extent necessary to carry out the purposes of this Compliance Procedure. The Bond Compliance Officer will report at least annually to the City Administrator, and to the City Council, as necessary, regarding (i) implementation of this Compliance Procedure, (ii) any

recommended changes or amendments to this Compliance Procedure, and (iii) results of the Annual Compliance Checklist, specifically whether any responses require further action, including those actions described in Section 4.4 hereof.

### **Section 3.2. Training.**

(a) **General.** Periodically, as individuals acting as the Issuer's Bond Compliance Officer pass the responsibilities for carrying out the provisions of this Compliance Procedure to another individual, the outgoing individual is responsible for training the incoming individual to ensure the Issuer's continued compliance with the provisions of this Compliance Procedure and all Tax Agreements for any outstanding Tax-Advantaged Bonds.

(b) **Training Opportunities.** Prior to each future issuance of Tax-Advantaged Bonds, the Bond Compliance Officer will discuss tax requirements related to such Tax-Advantaged Bonds with Bond Counsel. When appropriate, the Bond Compliance Officer will take advantage of training opportunities regarding tax-advantaged financing that are relevant to the Issuer such as:

- Subscribing for IRS Newswire updates related to tax-advantaged financing at <http://www.irs.gov/newsroom/article/0,,id=154805,00.html>
- Attending training programs offered by the IRS or other industry professionals
- Consulting Bond Counsel from time-to-time with questions regarding tax requirements applicable to the Issuer

## **ARTICLE IV**

### **TAX-ADVANTAGED BONDS CURRENTLY OUTSTANDING**

**Section 4.1. Tax-Advantaged Bonds Covered by Article IV Procedures.** This Article IV applies to all Tax-Advantaged Bonds issued or authorized prior to the date of this Compliance Procedure. These Tax-Advantaged Bonds are listed on Exhibit A hereto.

**Section 4.2. Tax-Advantaged Bond File.** As soon as practical, the Bond Compliance Officer will attempt to assemble as much of the Tax-Advantaged Bond File as is available for each Tax-Advantaged Bond that is listed on Exhibit A hereto.

**Section 4.3. Annual Compliance Checklists.** As soon as practical following the adoption of this Compliance Procedure, the Bond Compliance Officer will work with Bond Counsel and/or legal counsel to the Issuer and cause Annual Compliance Checklists to be completed for all outstanding Tax-Advantaged Bonds and will follow the procedures specified in Article VI hereof to complete the Annual Compliance Checklists and thereafter include each completed Annual Compliance Checklist in the Tax-Advantaged Bond File.

**Section 4.4. Correcting Prior Deficiencies in Compliance.** In the event the Bond Compliance Officer determines any deficiency in compliance with a Tax Agreement for an outstanding Tax-Advantaged Bond listed on Exhibit A hereto, the Bond Compliance Officer will consult with Bond Counsel and, as necessary, follow the procedures described in the Regulations or the Tax-Exempt Bonds Voluntary Closing Agreement Program (VCAP) to remediate the noncompliance. If remediation of the noncompliance requires the Issuer to submit a request under VCAP, the Bond Compliance Officer will undertake this step only after reporting the violation to the Governing Body and obtaining its approval.

## ARTICLE V

### COMPLIANCE PROCEDURE FOR NEW TAX-ADVANTAGED BOND ISSUES

**Section 5.1. Application.** This Article V applies to Tax-Advantaged Bond financings issued on or after the date of this Compliance Procedure.

#### **Section 5.2. Prior to Issuance of Tax-Advantaged Bonds.**

(a) Intent Resolution. The City Council will authorize and approve the issuance of Tax-Advantaged Bonds. Prior to or as a part of this authorizing resolution or ordinance, the City Council may adopt an Intent Resolution.

(b) Directions to Bond Counsel. The Bond Compliance Officer will provide a copy of this Compliance Procedure to Bond Counsel with directions for Bond Counsel to structure the documentation and procedural steps taken prior to issuing the Tax-Advantaged Bonds so that they conform to the requirements of this Compliance Procedure, except to the extent Bond Counsel determines that different procedures are required. The Bond Compliance Officer will consult with Bond Counsel so that appropriate provisions are made to fund or reimburse the Issuer's costs and expenses incurred to implement this Compliance Procedure.

(c) Tax Agreement. Each Tax-Advantaged Bond issue will include a Tax Agreement signed by the Bond Compliance Officer. The Tax Agreement will (1) describe the Project and the anticipated Financed Assets, (2) identify all Bond Restricted Funds and provide for arbitrage and rebate compliance, (3) for new money financings, require the Issuer to complete a Final Written Allocation and (4) contain a form of the Annual Compliance Checklist for the Tax-Advantaged Bond issue. The Bond Compliance Officer will confer with Bond Counsel and the Issuer's counsel regarding the meaning and scope of each representation and covenant contained in the Tax Agreement.

(d) Preliminary Cost Allocations. For new money financings, the Bond Compliance Officer, in consultation with Bond Counsel, will prepare a preliminary cost allocation plan for the Project. The preliminary cost allocation plan will identify the assets and expected costs for the Project, and, when necessary, will break-out the portions of Costs that the Issuer expects to finance with Tax-Advantaged Bonds from the portions expected to be financed from other sources.

(e) Tax Review with Bond Counsel. Prior to the sale of Tax-Advantaged Bonds, the Bond Compliance Officer and Bond Counsel will review this Compliance Procedure together with the draft Tax Agreement to ensure that any tax compliance issues in the new financing are adequately addressed by this Compliance Procedure and/or the Tax Agreement. If Bond Counsel determines that this Compliance Procedure conflicts with the draft Tax Agreement, or must be supplemented to account for special issues or requirements for the Tax-Advantaged Bonds, the Bond Compliance Officer will ask Bond Counsel to include the written modifications or additions in the final Tax Agreement. The Bond Compliance Officer will request Bond Counsel to prepare a form of Annual Compliance Checklist for use in monitoring the ongoing compliance requirements for the Tax-Advantaged Bond issue.

#### **Section 5.3. Accounting and Recordkeeping.**

(a) Accounting for New Money Projects. The Bond Compliance Officer will be responsible for accounting for the investment and allocation of proceeds of the Tax-Advantaged Bonds. The Bond Compliance Officer will establish separate accounts or subaccounts to record expenditures for Costs of the Project. Where appropriate, the Bond Compliance Officer may use accounts established as part of the

Issuer's financial records for this purpose. In recording Costs for the Project, the Bond Compliance Officer will ensure that the accounting system will include the following information: (1) identity of person or business paid, along with any other available narrative description of the purpose for the payment, (2) date of payment, (3) amount paid and (4) invoice number or other identifying reference.

(b) Accounting for Refunded Bonds and Related Refunded Bond Accounts. For Tax-Advantaged Bonds that refund prior issues, the Tax Agreement will set out special accounting and allocation procedures for the proceeds of the financing, and if necessary proceeds of the refinanced debt.

(c) Tax-Advantaged Bond File. The Bond Compliance Officer will be responsible for assembling and maintaining the Tax-Advantaged Bond File. The Annual Reports, other reports and notices of certain material events filed by the Issuer with the MSRB will be publicly available on EMMA and need not be separately maintained in the Tax-Advantaged Bond File.

#### **Section 5.4. Final Allocation of Bond Proceeds.**

(a) Bond Compliance Officer Responsible for Preparation of Final Written Allocation: Timing. The Bond Compliance Officer is responsible for making a written allocation of proceeds to expenditures and the identification of Financed Assets. This process will be memorialized in the Final Written Allocation. For a new money financing, the Bond Compliance Officer will commence this process as of the earliest of (1) the requisition of all Tax-Advantaged Bond proceeds from any segregated Tax-Advantaged Bond funded account, (2) the date the Project has been substantially completed or (3) four and one-half years following the issue date of the Tax-Advantaged Bonds. For Tax-Advantaged Bonds issued only to refund a prior issue of Tax-Advantaged Bonds, the Bond Compliance Officer will prepare and/or document the Final Written Allocation for the Project financed by the refunded Tax-Advantaged Bonds in accordance with the advice of Bond Counsel and include it in the Tax Agreement.

(b) Contents and Procedure. The Bond Compliance Officer will consult the Tax Agreement and, if necessary, contact Bond Counsel to seek advice regarding any special allocation of Tax-Advantaged Bond proceeds and other money of the Issuer to the Costs of the Project. If no special allocation is required or recommended, the Bond Compliance Officer will allocate Costs of the Project to the proceeds of the Tax-Advantaged Bonds in accordance with the Issuer's accounting records. Each Final Written Allocation will contain the following: (1) a reconciliation of the actual sources and uses to Costs of the Project, (2) the percentage of the cost of the Project financed with proceeds of the Tax-Advantaged Bonds (sale proceeds plus any investment earnings on those sale proceeds), (3) the Project's Placed in Service date, (4) the estimated economic useful life of the Project and (5) any special procedures to be followed in completing the Annual Compliance Checklist (e.g., limiting the Annual Compliance Checklist to specific areas of the Project that the Final Written Allocation or the Tax Agreement treats as having been financed by Tax-Advantaged Bonds).

(c) Finalize Annual Compliance Checklist. As part of the preparation of the Final Written Allocation, the Bond Compliance Officer will update the draft Annual Compliance Checklist contained in the Tax Agreement. The Bond Compliance Officer will include reminders for all subsequent arbitrage rebate computations required for the Tax-Advantaged Bonds in the Annual Compliance Checklist.

(d) Review of Final Written Allocation and Annual Compliance Checklist. Each Final Written Allocation and Annual Compliance Checklist will be reviewed by legal counsel to the Issuer or Bond Counsel for sufficiency and compliance with the Tax Agreement and this Compliance Procedure. Following the completion of the review, the Bond Compliance Officer will execute the Final Written Allocation.

## ARTICLE VI

### ONGOING MONITORING PROCEDURES

**Section 6.1. Annual Compliance Checklist.** An Annual Compliance Checklist will be completed by the Bond Compliance Officer each year following completion of the Final Written Allocation. Each Annual Compliance Checklist will be designed and completed for the purpose of identifying potential noncompliance with the terms of the Tax Agreement or this Compliance Procedure and obtaining documents (such as investment records, arbitrage calculations, or other documentation for the Project) that are required to be incorporated in the Tax-Advantaged Bond File. The Bond Compliance Officer will refer any responses indicating a violation of the terms of the Tax Agreement to legal counsel to the Issuer or Bond Counsel and, if recommended by counsel, will follow the procedure set out in Section 4.4 hereof to remediate the non-compliance.

**Section 6.2. Arbitrage and Rebate Compliance.** The Bond Compliance Officer will monitor the investment of Bond Restricted Funds and provide investment records to the Rebate Analyst on a timely basis. The Bond Compliance Officer will follow the directions of the Rebate Analyst with respect to the preparation of and the timing of rebate or yield reduction computations.

## ARTICLE VII

### CONTINUING DISCLOSURE

**Section 7.1. Annual Disclosure Filings.** For each issuance of Tax-Advantaged Bonds, the Bond Compliance Officer will review the Continuing Disclosure Undertaking to determine the financial information and operating data required to be included in the Annual Report to be filed by the Issuer with the MSRB on EMMA. The Bond Compliance Officer will cause the Annual Report to be filed with the MSRB on EMMA within the time limits provided in the Continuing Disclosure Undertaking for the Tax-Advantaged Bonds.

**Section 7.2. Material Event Disclosure Filings.** For each outstanding issue of Tax-Advantaged Bonds (or taxable bonds subject to a Continuing Disclosure Undertaking), the Bond Compliance Officer will review the Continuing Disclosure Undertaking to determine the "material events" that require prompt notice to be filed with the MSRB. Generally, the occurrence of any of the following events with respect to the Tax-Advantaged Bonds represents a "material event:"

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) 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 or determinations with respect to the tax status of the Tax-Advantaged

Bonds, or other material events affecting the tax status of the Tax-Advantaged Bonds;

- (7) modifications to rights of bondholders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Tax-Advantaged Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) the consummation of a merger, consolidation, or acquisition involving the obligated person or the sale of all or substantially all of the assets of the obligated person, 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
- (14) appointment of a successor or additional trustee or the change of name of the trustee, if material.

After obtaining actual knowledge of the occurrence of any event that the Bond Compliance Officer believes may constitute an event requiring disclosure, the Bond Compliance Officer will contact Bond Counsel to determine if notice of the event is required to be given to the MSRB under the Continuing Disclosure Undertaking. If it is determined that notice should be provided to the MSRB or is required to be provided to the MSRB by the Continuing Disclosure Undertaking, the Bond Compliance Officer will cause the appropriate notice to be filed with the MSRB on EMMA within 10 business days after the occurrence of the event or as otherwise directed by Bond Counsel.

**ADOPTED BY THE CITY COUNCIL OF THE CITY OF CHESTERFIELD, MISSOURI,  
THIS 19<sup>th</sup> DAY OF AUGUST, 2013**

**EXHIBIT A**

**LIST OF TAX-ADVANTAGED BONDS COVERED BY THIS COMPLIANCE PROCEDURE**

**General Obligation Bonds**

General Obligation Refunding Bonds, Series 2008

General Obligation Refunding Bonds, Series 2005

**Certificates of Participation**

Refunding Certificates of Participation (City of Chesterfield, Missouri, Lessee), Series 2013

Certificates of Participation (City of Chesterfield, Missouri, Lessee), Series 2009A

Taxable Certificates of Participation (City of Chesterfield, Missouri, Lessee) (Build America Bonds – Direct Payment to City), Series 2009B

Certificates of Participation (City of Chesterfield, Missouri, Lessee), Series 2008

Certificates of Participation (City of Chesterfield, Missouri, Lessee), Series 2005

Certificates of Participation (City of Chesterfield, Missouri, Lessee), Series 2004

Certificates of Participation (City of Chesterfield, Missouri, Lessee), Series 2002

## **RECOMMENDATIONS – FINANCE AND ADMINISTRATION COMMITTEE**

The members of the F&A Committee of City Council voted unanimously, at their June 24 meeting, to authorize/direct Staff to prepare all of the necessary documents to authorize a refinancing of the 2005 Certificates of Participation debt. The Committee voted unanimously to recommend that City Council approve the documents listed below, including giving both the **FIRST and SECOND READING APPROVAL** of the legislation described below, at Monday's meeting. Taking these actions will authorize/direct Staff to accomplish this refinancing, if/when circumstances warrant taking such action. **Please read the attached MEMO, prepared by Finance Director Brian Whittle, for further information/explanation:**

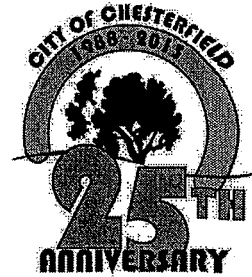
1. **RESOLUTION NO. 401** APPROVES A TAX-ADVANTAGED FINANCING COMPLIANCE POLICY AND PROCEDURE FOR THE CITY OF CHESTERFIELD, MISSOURI
  
2. **BILL NO. 2941** AUTHORIZES THE REFUNDING OF CITY OF CHESTERFIELD CERTIFICATES OF PARTICIPATION DEBT, SERIES 2005 (**FIRST AND SECOND READINGS**) [**Please note that the projected savings, resulting from this refinancing, will be realized by the Parks Sales Tax Fund.**]

Both Mr. Whittle and Michelle Bock, our Financial Advisor, will be in attendance, at Monday's meeting, to answer any questions you might have. In the meantime, please let me know if you have any questions or if you would like any additional information.



MEMORANDUM

DATE: August 7, 2013  
TO: Michael G. Herring, City Administrator  
FROM: Brian Whittle, Finance Director  
SUBJECT: Refinance of 2005 COP Bonds



At the June 24, F&A committee meeting, the Committee unanimously voted to recommend that the City Council authorize a refinancing the 2005 Certificate of Participation debt. The Committee stated that the refunding should only take place IF the savings from the refinancing met a \$750,000 threshold. The \$750,000 threshold is equivalent to 3% of the outstanding bond. The 3% threshold is recommended by our Financial Advisor, Michelle Bock, and is considered a 'best practice' by the Government Finance Officers Associations.

Furthermore, the Committee recommended that Staff and Council work together to expedite the process of the refunding so the City can act quickly if there is an opportunity to meet that 3% threshold. As such, the Committee, recommended that the Council hold two readings of the ordinance, authorizing this refinancing, at the same City Council meeting. At the August 19<sup>th</sup> meeting, the City Council will need to vote on a 'parameters ordinance' and a Resolution approving a Tax-Exempt Bond Compliance Policy.

The parameters ordinance authorizes all necessary action for the financing **only if the parameters established by the City Council** are met. The parameters are below:

- Principal Amount not to exceed \$23,600,000
- Final Maturity not later than the current issue – Dec. 1, 2025
- True Interest Cost not greater than 2.9%
- Net Present Value Savings of not less than 3% (\$750,000)

The Tax-Exempt Bond Compliance Policy is a new requirement established by the IRS. Now, when an information return is filed after the closing of a


tax-exempt bond, the City must attest to the fact that a written policy is in place for bond compliance. This resolution will allow the form to be filled out correctly. The City has always worked closely with Michelle Bock, our Financial Advisor and Gilmore & Bell, our Bond Counsel, to insure that the City is compliant with all regulations and, in effect, this policy formalizes that commitment. Furthermore this policy will be in effect for all current tax-exempt bonds and any future bonds refunded or issued.

Just as a reminder, if/when this refinancing actually occurs, the table below is an **example** of the savings to be realized by the City's Parks Sales Tax Fund, on an annual basis. Please note that the savings could be higher and the annual savings will most likely not be uniform every year. As the chart shows, the savings in terms of actual dollars will be much higher than \$750,000. However, those dollar savings must be discounted into their present day value because \$1 in 2025 is worth less than \$1 today.

	Current Debt Payment	Refunded Debt Payment	Annual Savings
2013	1,404,371	1,335,411	68,960
2014	1,934,678	1,865,718	68,960
2015	1,991,754	1,922,794	68,960
2016	2,054,574	1,985,614	68,960
2017	2,116,582	2,047,622	68,960
2018	2,177,918	2,108,958	68,960
2019	2,245,318	2,176,358	68,960
2020	2,312,718	2,243,758	68,960
2021	2,382,968	2,314,008	68,960
2022	2,450,468	2,381,508	68,960
2023	2,524,968	2,456,008	68,960
2024	2,600,718	2,531,758	68,960
2025	<u>2,677,218</u>	<u>2,608,258</u>	<u>68,960</u>
Totals	28,874,253	27,977,773	896,480
Present Value of the savings			750,000

SEE RESOLUTION # 401  
(ATTACHED) - AND,

BILL # 2941 - LEGISLATION

  
8/12/13