

**RESOLUTION NO. 1570**

**A Resolution Identifying Post Issuance Compliance Policies and Procedures  
for Public Utility District No. 1 of Okanogan County**

**WHEREAS**, it is necessary and in the best interest of the District that there be guidance in meeting obligations under applicable statutes and regulations; and

**WHEREAS**, these obligations may arise as a result of federal tax law and securities laws or as a result of contractual commitments; and

**WHEREAS**, the Auditor / Director of Accounting, Finance and Administration, or his or her designee, will be responsible for ensuring that the policy is followed and checklists and records maintained; and

**WHEREAS**, the District will provide educational opportunities for the parties identified in this policy with responsibilities for post-issuance compliance in order to perform these obligations;

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Commissioners of Public Utility District No. 1 of Okanogan County hereby adopts the attached Post Issuance Compliance Policy.

Dated this 27th day of August, 2013.



David A. Womack, President



Steve Houston, Vice President

ATTEST:



Ernest J. Bolz, Secretary

APPROVED as to form:



Michael D. Howe, Legal Counsel

**PUBLIC UTILITY DISTRICT NO. 1 OF  
OKANOGAN COUNTY, WASHINGTON  
POST ISSUANCE COMPLIANCE POLICY**

This policy is intended to guide Public Utility District No. 1 of Okanogan County, Washington (the "District") in meeting its obligations under applicable statutes, regulations and documentation associated with publicly offered and privately placed securities of the District. This policy addresses obligations of the District that arise and will continue following the issuance of securities. These obligations may arise as a result of federal tax law (with respect to tax-exempt or other tax-advantaged securities) and securities laws (with respect to ongoing disclosure) or as a result of contractual commitments made by the District. This policy outlines obligations that may be applicable to each issue of securities and identifies the party to be responsible for monitoring compliance. In the District, the Director of Finance/Auditor, or his or her designee, will be responsible for ensuring that the policy is followed and checklists and records maintained. The Director of Finance/Auditor, or his or her designee, may delegate responsibility to employees and outside agents for developing records, maintaining records and checklists. The District will provide educational opportunities (opportunities to attend educational programs/seminars on the topic) for the parties identified in this policy with responsibilities for post-issuance compliance in order to facilitate their performance of these obligations.

A. Transcripts.

1. The District's bond counsel shall provide the District with a full transcript related to the issuance of securities (for each issue). It is expected that the transcript will include a full record of the proceedings related to the issuance of securities, including proof of filing an IRS Form 8038, 8038-G, 8038-GC or 8038-B, if applicable.

2. Bond transcripts will be retained in the finance department within the District.

B. Federal Tax Law Requirements (Applicable only if the securities are issued as a) "tax-exempt" securities or b) taxable securities and the federal government will provide a credit or payment equal to a portion of the interest ("Tax-Advantaged Securities")).

1. *Use of Proceeds.*

a. Unless another accounting methodology is set forth in a tax certificate for an issue of Tax-Advantaged Securities, or is approved by an opinion of nationally recognized bond counsel, the following accounting methodologies shall apply.

i. If a project(s) is to be financed with proceeds of only one issue of Tax-Advantaged Securities, the District will adopt an accounting methodology to account for the expenditure of proceeds of that issue of Tax-Advantaged Securities.

ii. If the project(s) to be financed with the proceeds of an issue of Tax-Advantaged Securities will be funded in part from other sources of funds, unless otherwise provided in a tax certificate, the District will adopt an accounting methodology

that maintains each source of funding separately and monitors the actual expenditure of proceeds of the issue of Tax-Advantaged Securities

b. Records of expenditures of the proceeds of securities will be maintained by the Director of Finance/Auditor, or his or her designee.

c. Records of interest earnings on the proceeds of each issue of Tax-Advantaged Securities will be maintained by the Director of Finance/Auditor, or his or her designee, or bond trustee. Unless otherwise provided for in the applicable resolution or transaction documents for a specific issue of Tax-Advantaged Securities, interest earnings on proceeds of each issue of Tax-Advantaged Securities will be deposited in the fund in which the proceeds of that issue of Tax-Advantaged Securities were deposited (if not, then the plan for use of interest earnings will be discussed with the District's bond counsel).

d. Records of interest earnings on reserve funds maintained for the securities will be maintained by the Director of Finance/Auditor, or his or her designee, or bond trustee.

2. *Arbitrage Rebate.* The Director of Finance/Auditor, or his or her designee, of the District ("Rebate Monitor") will monitor compliance with the arbitrage rebate obligations of the District for each issue of Tax-Advantaged Securities. Alternatively, whenever necessary or appropriate, the District shall engage expert advisors (each a "Rebate Service Provider") to assist in the calculation of arbitrage rebate payable in respect of the investment of proceeds of an issue of Tax-Advantaged Securities. The District will provide educational opportunities (opportunities to attend educational programs/seminars on the topic) for the Director of Finance/Auditor, or his or her designee, in order to facilitate his or her performance of these obligations.

Unless a tax certificate documents that tax counsel has advised that arbitrage rebate will not be applicable to an issue of Tax-Advantaged Securities:

a. The District shall engage the services of a Rebate Service Provider, and the District or the bond trustee shall deliver periodic statements concerning the investment of proceeds of the Tax-Advantaged Securities to the Rebate Service Provider on a prompt basis;

b. Upon request, the Director of Finance/Auditor, or his or her designee, and other appropriate District personnel shall provide to the Rebate Service Provider additional documents and information reasonably requested by the Rebate Service Provider;

c. The Director of Finance/Auditor, or his or her designee, and other appropriate District personnel shall monitor efforts of the Rebate Service Provider and assure payment of required rebate amounts, if any, no later than 60 days after each 5-year anniversary of the issue date of each issue of Tax-Advantaged Securities, and no later than 60 days after the last bond of each issue is redeemed; and

d. During the construction period of each capital project financed in whole or in part by Tax-Advantaged Securities, the Director of Finance/Auditor, or his or

her designee, and other appropriate District personnel shall monitor the investment and expenditure of Bond proceeds and shall 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, 18 months or 24 months, as applicable, following the issue date of the Tax-Advantaged Securities.

3. *Use of the facilities financed with proceeds.* In order to maintain the favored tax status of Tax-Advantaged Securities, the financed facilities (projects) generally are required to be used for governmental purposes during the life of the issue. The Director of Finance/Auditor, or his or her designee, of the District will monitor and maintain records regarding any private use of the projects financed with proceeds of Tax-Advantaged Securities. The Internal Revenue Code and Treasury Regulations prohibit private business use (generally use by private parties (including nonprofit organizations and the federal government)) of financed facilities beyond permitted *de minimus* amounts unless cured by a prescribed remedial action. Private use may arise as a result of:

- a. Sale of the facilities;
- b. Lease of the facilities (including leases, easements or use arrangements for areas outside the four walls, e.g. hosting of cell phone towers); and
- c. Management contracts (in which the District authorizes a third party to operate a facility).

If the Director of Finance/Auditor, or his or her designee, identifies private use of facilities financed in whole or in part by Tax-Advantaged Securities, the Director of Finance/Auditor, or his or her designee, will consult with the District's bond counsel and/or tax counsel to determine whether private use will adversely affect the tax-advantaged status of the issue and if so, what remedial action is appropriate.

If the District issues Tax-Advantaged Securities for which private business use of the financed facilities is allowed (for example, qualified private activity bonds), the Director of Finance/Auditor, or his or her designee, of the District will monitor and maintain records regarding compliance with any tax requirements specific to that particular type of Tax-Advantaged Securities.

4. *Records Retention.*

a. Records with respect to matters described in this subsection will be retained by the District for the life of the securities issue (and any issue that refunds the securities issue) and for a period of three years thereafter.

b. Records to be retained for each issue of Tax-Advantaged Securities, if applicable, shall include:

- i. The transcripts;
- ii. Arbitrage rebate reports prepared by outside consultants;
- iii. Work papers that were provided to the rebate consultants;

iv. If no rebate report was prepared, then records of expenditures and investment receipts (showing timing of expenditure and the object code of the expenditure and in the case of investment, timing of receipt of interest earnings). (Maintenance of underlying invoices should not be required; however, if those documents are maintained as a matter of policy in electronic form, then continue to maintain those records in accordance with this policy);

v. Copies of all certificates and returns filed with the IRS (e.g., for payment of arbitrage rebate); and

vi. Copies of all leases, user agreements for use of the financed property (agreements that provide for the use of the property for periods longer than 30 days), whether or not the use was within the four walls, e.g., use of the roof of the facility for a cell phone tower.

C. Ongoing Disclosure. Under the provisions of SEC Rule 15c2-12 (the "Rule"), underwriters are required to obtain an agreement for ongoing disclosure in connection with the public offering of securities. Unless the District is exempt from compliance with the Rule as a result of certain permitted exemptions, the transcript for each issue will include an undertaking by the District to comply with the Rule. The Director of Finance/Auditor, or his or her designee, of the District will monitor compliance by the District with its undertakings. These undertakings may include the requirement for an annual filing of operating and financial information and will include a requirement to file notices of listed "material events." For some types of material events (early bond calls), the Bond trustee has undertaken the responsibility of filing notice of the applicable material event.

D. Other Notice Requirements. In some instances, the proceedings authorizing the issuance of securities will require the District to file information periodically with other parties, e.g., bond insurers, banks, rating agencies. The types of information required to be filed may include (1) budgets, (2) annual financial reports, (3) issuance of additional debt obligations, and (4) amendments to financing documents. The Director of Finance/Auditor, or his or her designee, of the District will maintain a listing of those requirements and monitor compliance by the District.