

RESOLUTION NO. 7512

**CITY OF SOUTH GATE
LOS ANGELES COUNTY, CALIFORNIA**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY
OF SOUTH GATE ADOPTING POLICIES AND
GUIDELINES REGARDING POST-ISSUANCE
COMPLIANCE WITH FEDERAL TAX REQUIREMENTS
APPLICABLE TO TAX EXEMPT BONDS**

WHEREAS, in light of federal regulatory requirements, the City should adopt specific policies and guidelines required to be followed by the City to maintain the tax exempt nature of City-issued bonds; and

WHEREAS, such guidelines are intended to meet federal tax regulatory requirements and impose compliance obligations on the Finance Director and City Manager, with the assistance, if necessary, of bond and tax counsel and financial advisors; and

WHEREAS, many of the obligations imposed are already being followed by the City in the ordinary course of business but should be formalized; and

WHEREAS, the proposed policies and guidelines are essential to guide the City's compliance with federal regulatory requirements;

**NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF SOUTH GATE DOES
HEREBY RESOLVE AS FOLLOWS:**

SECTION 1. The City Council, including the City Manager and Director of Finance, consistent with the covenants of the City of South Gate contained in its bond documents, hereby reaffirm the City's commitment to monitoring compliance with the federal tax requirements applicable to its tax-exempt bonds and build America bonds.

SECTION 2. The City Council hereby directs its City Manager and Director of Finance with assistance, if necessary, from bond and tax counsel and financial advisors to monitor compliance with all applicable State and federal regulatory requirements and to retain the records relating to the City's tax-exempt bonds and build America bonds as described in the Policies and Guidelines Regarding Post-Issuance Compliance attached hereto as "Exhibit A".

SECTION 3. The City of South Gate will maintain a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of the federal tax code.

SECTION 4. The City Clerk shall certify to the adoption of this Resolution, which shall be effective upon its adoption.

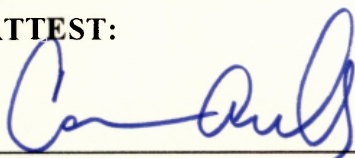
PASSED, APPROVED and ADOPTED this 14th day of August, 2012.

CITY OF SOUTH GATE:



W.H. (Bill) De Witt, Mayor


ATTEST:



Carmen Avalos, City Clerk

(Seal)

APPROVED AS TO FORM:



Raul F. Salinas, City Attorney

Exhibit A

Policies and Guidelines Regarding Post-Issuance Compliance with Federal Tax Requirements Applicable to Tax-Exempt Bonds

1. In General

This document contains policies and guidelines (the "*Policies and Guidelines*") of the City of South Gate (including any of its related entities, the "*Issuer*") regarding compliance with certain federal tax requirements applicable to the Issuer's bonds and other obligations the interest on which is excluded from gross income for federal income tax purposes ("*Tax-Exempt Bonds*") and certain build America bonds ("*BABs*") that entitle the Issuer to receive a federal tax credit payment. These Policies and Guidelines relate to requirements that must be met subsequent to the issuance of Tax-Exempt Bonds in order to maintain that exclusion or receive a federal tax credit payment including, without limitation, requirements relating to use of proceeds, arbitrage, private business use and record retention. These Policies and Guidelines supersede any post-issuance compliance policy previously adopted by the Issuer but do not supersede, limit or contravene any representations, statements or covenants of the Issuer contained in the bond documents (the "*Bond Documents*") for its Tax-Exempt Bonds or BABs.

2. Policy

It is the policy of the Issuer to adhere to all applicable tax requirements with respect to its Tax-Exempt Bonds and BABs as set forth in the Bond Documents including, but not limited to, requirements relating to the use of proceeds of Tax-Exempt Bonds and BABs and facilities financed and refinanced with Tax-Exempt Bonds and BABs (the "*Bond-Financed Facilities*"), arbitrage yield restrictions and rebate, timely return filings, and other general tax requirements set forth in the Bond Documents.

3. Compliance Monitoring

Consistent with the covenants of the Issuer contained in the Bond Documents, the Issuer will monitor compliance with the federal tax requirements applicable to its Tax-Exempt Bonds and BABs. The following officers or employees of the Issuer are responsible for monitoring compliance with those requirements: City Manager and Director of Finance, with assistance from Bond and Tax Counsel and Financial Advisors.

4. Record Retention

In accordance with Internal Revenue Service ("*IRS*") requirements, the Issuer will retain the following records with respect to its Tax-Exempt Bonds and BABs:

- Bond transcripts;
- Documentation showing the expenditure of proceeds of the Tax-Exempt Bonds and BABs for one or more Bond-Financed Facility;
- Documentation showing the use of the Bond-Financed Facilities;
- Documentation showing the sources of payment and security for the Tax-Exempt Bonds and BABs;

- Documentation related to the investment of proceeds of the Tax-Exempt Bonds and BABs, including the purchase and sale of securities, investment income received, yield calculations, and rebate calculations;
- All returns filed with the IRS for the Tax-Exempt Bonds (including, as applicable, IRS Forms 8038-G *Information Return for Tax-Exempt Governmental Obligations*, 8038-T *Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate*, and 8038-R *Request for Recovery of Overpayments under Arbitrage Rebate Provisions*) and for BABs (including IRS Forms 8038-B, *Information Return for Build America Bonds and Recovery Zone Economic Development Bonds*, and Forms 8038-CP, *Return for Credit Payments to Issuers of Qualified Bonds*), together with sufficient records to show that those returns are correct; and
- Any other documentation that is material to the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes or entitlement to federal tax credit payments for the BABs.

Except as otherwise set forth in the Bond Documents, the Issuer will retain the records described above in hard and/or electronic copy format for so long as the applicable Tax-Exempt Bonds and BABs remain outstanding and for a period of three years after final redemption of the applicable Tax-Exempt Bonds and BABs. With respect to Tax-Exempt Bonds that are refunding bonds, the Issuer will retain the above-described records for the refunding and refunded bonds (and any earlier issue in the case of a series of refundings).

The following officers or employees of the Issuer are responsible for retaining the records relating to the Issuer's Tax-Exempt Bonds and BABs: City Manager and Director of Finance.

5. Arbitrage Compliance

It is the policy of the Issuer to maintain a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of the federal tax code. If necessary, the Issuer will contract with an outside consultant to assist in the monitoring of the investment of bond proceeds, perform the required calculations to determine arbitrage rebate and yield restriction compliance, and file the required federal forms.

6. Remedial Action

If the Issuer in complying with the terms and provisions the policies or guidelines set forth herein or determines that the requirements of these policies and guidelines or the tax covenants or representations in the Bond Documents may have been violated, the Issuer will make final determinations, if necessary with the assistance of its Bond and Tax Counsel and Financial Advisors, and take appropriate actions related to such noncompliance including, if appropriate, any remedial action described under applicable Treasury Regulations or through the Tax Exempt Bonds Voluntary Closing Agreement Program.

7. Coordination with Bond Documents

In the event of any conflict between these Procedures and Guidelines and the Bond