MOUNTAINS RECREATION & CONSERVATION AUTHORITY
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MEMORANDUM

TO: The Governing Board

FROM: Joseph T. Edmiston, FAICP, Executive Officer

DATE: September 10, 2014

SUBJECT: **Agenda Item X: Consideration of resolution adopting Tax-Advantaged Bonds Post-Issuance Compliance Procedures.**

Staff Recommendation: That the Governing Board adopt the attached resolution authorizing adopting Tax-Advantaged Bonds Post-Issuance Compliance Procedures.

Background: Bonds, notes, or other indebtedness obligations ("Bonds") that are issued by municipalities to finance or refinance public capital improvements or, under certain prescribed circumstances, to provide short term operating cash flow, are generally provided preferential treatment under federal tax laws. Such Bonds include tax-exempt notes or bonds and tax credit notes or bonds and are commonly referred to by the Internal Revenue Service as "tax-advantaged bonds." These Bonds are subject to federal tax requirements both at the time the Bonds are issued and for as long as they remain outstanding. Failure by a municipality to comply with any applicable federal tax requirement with respect to tax-advantaged Bonds jeopardizes their preferential treatment and could subject the issuer of non-compliant bonds to IRS penalties or civil liability.

Recently, the IRS has placed new focus on the importance for issuers to establish and adopt written procedures to monitor post-issuance compliance of tax-advantaged Bonds, which focus is reflected in the recently amended IRS form to be filed upon the closing of a tax-exempt issue of Bonds.

The Authority has previously issued a $3 million secured promissory note, dated August 10, 2006 (the "$3M Note"), in favor of Zions First National Bank to secure a revolving line of credit in the same amount for the purpose of financing the Authority's acquisition of grant-funded land and construction projects. The modification and extension of this revolving line of credit and the $3M Note will be considered at a future meeting, and the $3M Note is an example of tax-exempt Bonds. In addition, the Authority's Open Space Preservation Assessment District

No. 1 and Open Space Preservation Assessment District No. 2 have previously issued limited obligation improvement bonds on a tax-exempt basis that are currently outstanding. In the future, the Authority or another related entity of the Authority (such as its assessment districts) may issue other tax-advantaged bonds to finance or refinance public capital improvements. Related entities of the Authority, such as its Open Space Preservation Assessment District No. 1 and Open Space Preservation Assessment District No. 2, are considered subordinate entities of the Authority for federal tax purposes.

Authority staff currently monitors post-issuance compliance with federal tax requirements of the $3M Note, the Authority's tax-exempt loans for vehicles, and the limited obligation improvements bonds of the assessment districts and refers questions on an as-needed basis to the Authority's financial advisor and bond counsel. In addition, the Authority has engaged at the applicable times a third party consultant to prepare and perform calculations concerning the tax-exemption requirements for yield restriction and rebate. Approval of this item would formalize and aid the Authority's monitoring process with written procedures that can be used as a checklist.

The attached post-issuance compliance procedures will help the Authority monitor compliance with applicable federal tax requirements as long as any tax-advantaged Bonds currently outstanding or to be issued in the future by the Authority or its related entities (such as its assessment districts) are outstanding. These procedures advance recent IRS objectives and serve as a measure of added internal controls to assist the Authority in preventing violations from occurring, or timely correcting identified violations, to ensure the continued tax-advantaged status of the Bonds.