

# Rollins College

## Bond Compliance Policies

### Arbitrage Policy and Procedural Guidelines

The purpose of the Arbitrage Policy and Procedural Guidelines is to assure that proceeds of tax exempt bonds comply with arbitrage, investment, spending and rebate rules.

#### Responsible Persons:

The Treasurer and Assistant Treasurer of Rollins College will administer and oversee tax exempt bond compliance.

#### Compliance coordinator:

The Assistant Treasurer and Tax Manager of Rollins College will determine each discrete compliance task and be responsible for coordinating the duties of other College personnel and third party consultants involved with arbitrage compliance to assure that;

1. With respect to investment of bond proceeds:
  - a. Original investments acquired with bond proceeds meet 'fair market value' requirements and
  - b. Bond counsel confirms that investments acquired with bond proceeds after the issue date will be treated as being acquired at fair market value and comply with applicable yield restriction requirements;

2. With respect to permissible spending requirements:
  - a. Such expenditures satisfy the “120 percent rule” regarding expected useful lives of the projects with the weighted average maturity of the bonds,
  - b. No more than 2% of the proceeds are spent on costs of issuance and
  - c. Any reimbursement for expenditures made before the issue date of the bonds satisfies the detailed reimbursement rules (Sec. 1.150-2); and
3. With respect to Rebate requirements if spending exceptions are not met:
  - a. Rebate will be computed and paid to the IRS at prescribed intervals during the term of the bond issue and on retirement of the issue.

The foregoing are intended to assure that proceeds are invested and spent in a manner consistent with the requirements of the tax certificate/tax regulatory agreement, official statement and other documents prepared at the time of the bond issuance and, to the extent that a spending exception is not met, rebate will be calculated and paid to the IRS.

The College has retained the services of Integrity Public Finance Consulting (Integrity), 111 Riverside Avenue, Suite 200, Jacksonville, FL 32202, to calculate rebate on bond issues. The Compliance Coordinator provides Integrity with all documents from the transcript and records of expenditures and earnings necessary to prepare the calculations. The Responsible

persons or Compliance Coordinators keep track of deadlines for calculating rebate to assure that Integrity performs its duties timely.

## **Private Business Use Policy and Procedural Guidelines**

The purpose of the **Private Business Use Policy and Procedural Guidelines** is to assure that use of facilities financed with tax exempt bond proceeds are related to/consistent with the tax exempt purpose of Rollins College and, to the extent that such use is unrelated, assure that the aggregate of such so-called 'private business use' (PBU) does not exceed the permissible limit.

### Responsible Persons:

The Treasurer and Assistant Treasurer of Rollins College will administer and oversee tax exempt bond compliance.

### Compliance coordinator:

The Assistant Treasurer and Tax Manager of Rollins College will determine each discrete compliance task and coordinate the activities of all other persons involved with the day-to-day tracking of activities within bond-financed facilities that could give rise to PBU. The College currently uses an Event Management System (EMS) for managing and tracking 3<sup>rd</sup> party and certain internal College events/activities.

The Assistant Treasurer and Tax Manager review activities to identify PBU with respect to:

- Leases and management contracts
- Research agreements
- Unrelated trade or business activities

#### Calculation of Private Business Use:

For each bond issue, the College maintains a series of spreadsheets that calculates the PBU percentage of each project financed by the particular issue. The calculations are made using relative square footage used by 3<sup>rd</sup> parties or relative time of usage (if more appropriate, other measurement approaches will be used such as relative fair market rental values or revenues). The spreadsheets aggregate PBU percentages for the individual projects (weighted on the basis of bond proceeds applied to each) and add cost of issuance if applicable to determine overall PBU percentage for the issue. The College has retained the services of Digital Assurance Certification LLC (DAC), 390 North Orange Avenue, Suite 1750, Orlando, FL 32801 to facilitate tracking of private business use, calculation of private use percentages and other information necessary to facilitate Form 990, Schedule K compliance. In addition, the DAC investor relations platform enables the College to post vital information pertaining to its bonds for easy access to bond investors.

If PBU percentages are not comfortably below allowed levels, analyses of alternatives including the following will be made by the compliance coordinator and appropriate actions taken:

1. For part equity/part bond financed projects shifting use to the equity-financed areas if feasible or to another non-bond-financed facility altogether;
2. Reducing PBU in future years such that blended use over the life of the bonds will be below allowed levels;
3. Reconsidering positions taken in determining PBU: analyze calculations that may have been too conservative or could be calculated more precisely with additional information pertinent to the use;
4. For new issues, considering whether proceeds can be reallocated away from projects subject to higher PBU in favor of less subject projects;
5. Considering whether the “private payment or security” test may be applied; OR
6. If 1 – 5 fail, consider entering into a closing agreement with IRS.

Conduct annual follow-up reviews:

After conducting the initial PBU review for each issue, at the end of each fiscal year or more frequently if circumstances such as issuance of a new bond so warrant, conduct follow-up reviews. During annual reviews:

1. Determine if any new PBU arrangements have begun or prior arrangements have been renegotiated or terminated and
2. Remind responsible persons of their compliance responsibilities.

All Hands on Deck:

Apprise all department personnel who enter into, renew or effect any change to existing contractual agreements, whether written or verbal, formal or informal and regardless of duration, for use of College facilities that they must work with responsible bond compliance personnel to screen such arrangements in advance for PBU if they relate to bond-financed projects. Arrangements that should be screened include, but are not limited to:

1. Leases;
2. Management or service contracts (includes food services and book store contracts, agreements with physician groups, parking garage management agreements and conference center management agreements);
3. Sponsored research agreements;
4. Potential unrelated trade or business arrangements;
5. Arrangements transferring ownership of bond-financed property, whether by sale or long-term lease;
6. Joint venture, partnership or limited liability company agreements; and
7. Naming rights agreements.

Identify responsible persons for identifying any of these types of arrangements.

If the responsible person determines with the compliance coordinator that there may be PBU with a proposed arrangement, consider:

1. Modifying the contract to eliminate PBU;
2. Determining (with counsel if needed) whether any equity or taxable debt was applied to the facility that can be allocated to the PBU;

3. Calculating the amount of PBU that would be produced under the arrangement to determine if such percentages would exceed allowable limits; or
4. For a recent money issue, consider whether proceeds could be reallocated away from the project subject to the PBU agreement.

If none of those options is feasible, consider remedial action (usually done via redemption or defeasance of that portion of the bond issue allocable to the arrangement) within allowed deadlines.

### **Record Retention Policy and Procedural Guidelines**

The purpose of the **Record Retention Policy and Procedural Guidelines** is to assure that records providing evidence of post-issuance bond compliance for all bond issues of the College are maintained.

The Treasurer and Assistant Treasurer of Rollins College will administer and oversee tax exempt bond compliance.

Compliance coordinator:

The Assistant Treasurer and Tax Manager of Rollins College will determine each discrete compliance task and be responsible for tracking expenditures for bond projects.

The following records will be retained by the Finance Department of Rollins College:

1. The entire bond transcript including tax-focused documents such as: the tax certificate or tax regulatory agreement, Form 8038, verification report and certifications of the underwriter and other parties;
2. Documents that establish the expenditures of bond proceeds such as requisitions or draws;
3. Documents that establish the expenditure of taxable debt or equity, if relevant;
4. Records showing the acquisition and disposition of, and earnings from investments of bond proceeds;
5. Records that establish that the investments of bond proceeds were acquired in compliance with the fair market value rules;
6. Documents that reflect compliance with the rebate requirements such as Integrity Public Finance Consulting's rebate reports;
7. Documents that evidence uses of bond-financed facilities such as management and service contracts, research agreements, leases and records related to unrelated trades or businesses;
8. Documents prepared during the initial private business use review and annual follow-up reviews such as questionnaire responses and PBU compliance of the bond issue such as records relating to any SWAP entered into regarding the issue, and records related to remedial action taken, if any.

Such records should be retained in hard copy and/or electronically (the latter subject to the requirements of Rev. Proc. 97-22, attached), generally for the



life of the bond issue plus three years. If bonds are refunded, records should be retained for the life of the combined bond issues plus three years.

The Assistant Treasurer and the Tax Manager will be responsible for retaining such documents. The College currently engages the firm of Integrity Public Finance Consulting to perform expense exception and rebate calculations and related reports. The College currently engages the firm of Digital Assurance Certification LLC to facilitate private business use calculations and disclosure requirements.

### **Continuing Education**

Personnel responsible with maintain College Bond Compliance will maintain their understanding and knowledge base of Bond Compliance Requirements through continuing education. Individuals are required to earn no less than 10 CPE credits over each two-year period, specifically in the area of bond compliance and taxation.