

California Debt and Investment Advisory Commission (CDIAC) Reporting/Debt Policy Requirements

Effective January 1, 2017, Government Code Section 8855 was amended to require reporting to CDIAC before and after the issuance of debt issued by or on behalf of local governments, including the City. Section 8855 also requires local governments to have internal control policies to ensure that the proceeds of the proposed debt issuance will be directed to the intended use. In addition to the City's Formal Centralized Monitoring Program (FCMP) to coordinate, monitor, and report ongoing compliance requirements, the City's Policy and Procedures to Document and Retain Records for the Expenditure of Bond Proceeds (Bond Proceeds Expenditure Policy) meets this requirement. [City's policy established guidelines to appropriately expend, and report bond proceeds including records of such expenditures are maintained.](#)

Follow the link below to continue on to the City's Bond Proceeds Expenditure Policy:
[Policy And Procedures To Process Bond Construction Payment Requisitions And To Document and Retain Records For Expenditures Of Bond Proceeds](#)

POLICY AND PROCEDURES TO PROCESS BOND CONSTRUCTION PAYMENT REQUISITIONS AND TO DOCUMENT AND RETAIN RECORDS FOR EXPENDITURES OF BOND PROCEEDS

CITY OF SAN DIEGO, CALIFORNIA

SUBJECT: BOND SPENDING AND RECORDS RETENTION REQUIREMENTS

EFFECTIVE DATE: April 8, 2019

BACKGROUND:

There is a need to maintain a consistent and uniform approach in preparing and submitting Bond Payment Requisitions (BPR) to the bond trustee or City Treasurer for drawing down on construction bond proceeds. In addition, there is a need to ensure that the related records evidencing the use of the funds are properly retained in a consistent and organized manner. [See the Commercial Paper Notes Staff Administration Procedure Manual for process to obtain Commercial Paper funds on CityNet.](#)

PURPOSE:

To establish City-wide requirements and procedures for bond proceeds spending and related records retention; and to identify the various departmental responsibilities necessary for timely and proper implementation.

POLICY:

Definitions:

“Accounting Period” is an established range of time during which accounting functions are performed, aggregated, and analyzed. The City’s financial accounting period closing dates are established by the Department of Finance. Closing dates are generally monthly but may vary by period and are dependent on the completion of certain essential functions including final payroll run, accounts payable (A/P) and deposit/journal entry document processing and period closing operations. A closing schedule can be obtained from the Department of Finance website.

“Bond Construction or Project Funds” are funds established to track bond proceeds and interest earnings on bond proceeds, established individually for each new money bond issuance. The bond indenture can also refer to these funds using other names such as acquisition or improvement fund(s). The cash is either held externally with a trustee bank or invested internally by the Chief Investment Officer of the Office of the City Treasurer.

“Bond Payment Requisition (BPR)” is a document evidencing the expenditures of the bond proceeds, including all proceeds used to pay for costs of issuance or construction or acquisition of projects or improvements. The Coordinating Department prepares these documents and submits them along with supporting backup to the Department of Finance for review and approval. The BPR is then forwarded to the bond trustee bank for disbursement of funds or is held internally by the City when the construction or acquisitions funds are invested by the City Treasurer.

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“City Clerk” is the department tasked with establishing a City-Wide Records Management Program and assisting departments with records retention.

“Coordinating Department” is the department tasked with oversight of the spending of the Bond Construction or Project Funds. The department is responsible for preparing and submitting the BPR and gathering of all supporting documentation. This has typically included, but is not limited to, the Public Utilities Department for water or sewer bonds and Public Works for capital improvement bonds.

“Debt Management Department” is the department tasked with planning, structuring and issuance activities for all City financings. The department also monitors outstanding debt and performs or coordinates certain post issuance administrative functions using the Formal Centralized Monitoring Program (FCMP).

“Department of Finance” is the department tasked with the review of the BPR and supporting documentation, coordination of arbitrage rebate and yield restriction calculations for outstanding tax-exempt debt and ensuring that the Coordinating Department is compliant with certain applicable bond regulations.

A. GENERAL RESPONSIBILITIES

1. All City departments are responsible for compliance with established guidelines and procedures related to labor review by the employee’s Supervisor per existing policy and procedures as documented by Process Narrative [\(PN\) -0401](#). All City departments are also responsible for ensuring the accuracy of invoice payments established per [PN-0010](#) for Non-Purchase Order Invoice payments and [PN-0026](#) for Purchase Order Invoice Payments. The Coordinating Department assumes that costs are billed consistent with these established procedures when preparing the BPR for projects eligible for Bond Construction or Project Fund spending. The CityNet link to the Internal Control Process Narrative site, where all currently posted narratives are listed sequentially, can be accessed using the following link: <https://citynet.sandiego.gov/know/process-documentation>
2. It is the responsibility of the Coordinating Department to obtain all necessary budgetary approvals to spend directly from the bond funds for all eligible Capital Improvement Program projects in addition to obtaining legislative approvals, when needed, for budgetary modifications.
3. The Coordinating Department will include the Project List that is established at the time of a debt issuance, or as modified thereafter (Revised Project List) along with the BRP submitted to the Department of Finance. Prior to making changes to the Project List, the Coordinating Department will provide any proposed changes to Debt Management for review. A Revised

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Project List is established only after Debt Management confirms that the changes are in compliance with the bond documents.

4. Coordinating Departments will generate BPR(s) at the end of each Accounting Period, at a minimum, to restore the cash to the bond fund since expenditures applied to the fund directly will cause the cash to go negative. The accuracy of BPR(s) submitted assumes that all City departments are regularly reviewing labor billed and any corrections are being handled on a timely basis. This will allow the Coordinating Department to submit updated BPR(s), if needed, while the Bond Construction or Project Funds are still available and actively spending. Any corrections of prior period costs will be captured in the period of the correction for bond spending purposes and assumes that all corrections are handled consistently with established procedures for labor as well as non-labor corrections. If needed, the Coordinating department is also responsible for preparing journals with established Internal Orders to post expenditures in the Bond Fund. The Coordinating Department's preparation of the BPR is discussed further in [PN-0395](#).
5. It is the responsibility of the Department of Finance to ensure that the Coordinating Department procedures used to prepare and submit BPR(s) comply with certain applicable bond regulations. An example of the types of regulations imposed by the Internal Revenue Service (IRS) dealing with timing of allocations of costs against Bond Construction or Project Funds include expenditures incurred prior to the bond issuance may not be billed against that bond fund unless a reimbursement resolution has been adopted stating that intent at the time of issuance. Another example is that the amounts that are withheld for retention may not be bond reimbursed until the time that the retention amount is paid to the contractor/vendor. The Department of Finance is committed to a one-week period to review BPRs, from date of receipt. Once reviewed, the Department of Finance will either send the completed BPR to the trustee or to the Chief Investment Officer if invested with the City Treasurer, or return the BPR to the Coordinating Department, for any corrections or adjustments needed to the BPR submitted. The Department of Finance review of the BPR is discussed further in [PN-0038](#).

B. RECORDS RETENTION

1. IRS regulations require that all bond spending records or BPR be maintained for the life of the obligation plus three years. IRS information can be accessed using the following link: <https://www.irs.gov/tax-exempt-bonds>. The City standard and as formally established in the bond tax certificate of tax-exempt bonds, for the retention of the spending records is six years after the final maturity of the obligation or related refunding obligation, whichever is longer.
2. All BPR(s) and supporting documentation will be compiled and scanned by the Coordinating Department. The hard copy of the form of payment request or the cover letter with the required authorized signatures along with a summary schedule of costs to be reimbursed will be sent to the Department of Finance. All of the supporting information detailing costs,

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- including all labor detail and invoices will be scanned and saved into the shared drive that will be accessible by the Department of Finance along with the Coordinating Department.
3. The Department of Finance's records disposition schedule states that the Department of Finance will be responsible for annually reviewing the electronic media format that is used to create the supporting information of the BPR, the Department of Finance will ensure that it remains accessible for the required IRS records retention duration and take any necessary action to update the format to whatever current format is needed if the existing format becomes obsolete.
 4. The BPR(s) and supporting documentation discussed in this policy does not include public works contracts, which are also required to be retained per regulations related to tax-exempt bond spending and is the responsibility of Public Works Contracting to ensure all public works contracts are being retained by the City Clerk.
 5. Throughout the construction of a bond financed project and even after completion of spending of all Bond Construction or Project Funds, all historical records of bond spending or BPR that are available as a hard copy (for items provided as hard copy, including the form of the payment request with signature along with the summary schedule or items that were previously provided) or items scanned and saved to the shared drive, will be retained by the Department of Finance for the duration of the related bond or refunding bond obligation plus six years, whichever is longer.
 6. Where appropriate, all BPR(s) and supporting documentation should be referenced in a formal departmental records disposition schedule approved by the City Clerk, City Attorney, and City Council per established the [City Clerk Administrative Guidelines](#). Additional information on records retention requirements can be located through CityNet, under the City Clerk's site (below) and the Post Issuance Administration site (below), administered by the Debt Management Department. <https://citynet.sandiego.gov/know/records-retention><https://citynet.sandiego.gov/debtmanagement/postbond>

C. COMPLIANCE REVIEW

1. The Debt Management Department is responsible for reviewing annual compliance with these procedures through the Formal Centralized Monitoring Program (FCMP). All the City departments that are subject to the bond spending and records retention requirements will receive annual noticing to confirm necessary documentation is maintained in accordance with the established bond record retention procedures. Compliance reporting from all the departments to these notices will be consolidated and reported annually to the Chief Financial Officer by Debt Management.

Dated: 4/8/2019

/s/ Rolando Charvel

Rolando Charvel