

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 Document and Retain Records for the Expenditure of Bond Proceeds](#)

POLICY AND PROCEDURES TO DOCUMENT AND RETAIN RECORDS FOR EXPENDITURE OF BOND PROCEEDS

CITY OF SAN DIEGO, CALIFORNIA

SUBJECT: POLICY AND PROCEDURES TO DOCUMENT AND RETAIN RECORDS FOR EXPENDITURE OF BOND PROCEEDS

EFFECTIVE DATE: November 1, 2023

PURPOSE:

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

This policy also applies to other debt instruments such as loans and notes.

POLICY:

Bond requisitions should be prepared on a monthly basis and submitted to the bond trustee (or City Treasurer, or other lender, as applicable) in a timely manner. All bond requisitions must be accompanied by supporting documentation, signed by Authorized Representatives, and submitted securely.

Bond requisitions are subject to internal and external audits and must remain on file for the life of the bond plus six years.

DEFINITIONS:

“Authorized Representative” is the Chief Financial Officer (or additional officers identified in the authorizing ordinance), or any other officer or employee who has been designated in writing by the Chief Financial Officer. This typically takes the form of a letter to a bond trustee or lender that indicates applicable debt issuance, employee’s name, title and signature, and the Chief Financial Officer’s signature. The letter can also indicate employees to be removed. The letter can be issued from time to time, as needed.

“Bond 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 as acquisition funds or improvement funds. This can also include Cost of Issuance funds. The cash is either held externally with a bond trustee 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 funds. The Coordinating Department (herein defined) prepares these documents and submits them along with supporting documentation to the Reviewing Department (herein defined) for review and approval. The BPR is then submitted for disbursement from Bond Funds.

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“Capital Improvement Program - (CIP) Projects”: Projects that have a useful life in excess of one year, extend the initial estimated useful life of the capital asset or increase its usable capacity, or improve the functionality of the capital asset.

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

“Coordinating Department” is a department tasked with oversight of the spending of all or a portion of the Bond Funds. The department is responsible for preparing 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 Engineering & Capital Projects and/or Stormwater Department for lease revenue bonds.

“Debt Management” is the division within the Department of Finance tasked with planning, structuring and issuance activities for all City financings. The division also monitors outstanding debt and performs or coordinates certain post issuance administrative functions using the Formal Centralized Monitoring Program (“FCMP”), including coordination of arbitrage rebate and yield restriction calculations for outstanding tax-exempt debt.

“Project List” is a list of projects established during the bond issuance process that was reviewed by tax counsel to meet useful life requirements and any private use limits. It may be amended from time to time, amendments must follow bond document requirements.

“Reviewing Department” is the Debt Section (or the Enterprise Section in certain cases) within the Department of Finance tasked with the review of the BPR and supporting documentation, and ensuring that the Coordinating Department is compliant with certain applicable bond regulations.

A. GENERAL RESPONSIBILITIES

1. Coordinating Departments are responsible for compliance with established Internal Control Process Narratives (PN) related to labor entries, payments, bond requisition preparation:
 - [PN-0010](#) Process Non-Purchase Order Invoices and Credit Memos
 - [PN-0026](#) Process Purchase Order Invoices and Credit Memos
 - [PN-0401](#) How to approve labor time entered in SAP
 - [PN-0395](#) Prepare Bond Payment Requisitions
2. It is the responsibility of the Coordinating Department to obtain all necessary budgetary approvals for all eligible CIP Projects in addition to obtaining legislative approvals, when needed, for budgetary modifications.
3. A Project List is established at the time of the bond issuance. If a Coordinating Department seeks to subsequently modify the Project List, the Coordinating Department will provide any proposed changes to Debt Management for review. A revised Project List is established only after Debt Management confirms that the changes comply with the bond documents.

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4. Debt Management will inform Coordinating Departments and the Reviewing Department the acceptable timeframe for prior expenditures that may be reimbursed.
5. If there are changes to the Authorized Representatives that will sign BPRs, Debt Management will prepare the necessary documentation.
6. Coordinating Departments will prepare BPR(s) for each month, at the end of each Accounting Period (exception for other interval [e.g. bimonthly, quarterly, as needed] BPRs if agreed upon by Coordinating Department, Reviewing Department, and Debt Management). The Coordinating Department's preparation of the BPR is discussed further in [PN-0395](#).
7. The Reviewing Department will review BPRs promptly. The review process is discussed in:
 - [PN-0038](#) Review Bond Obligation Payment Requisitions
8. Submission of signed BPRs must be done securely; methods include an encrypted email or through the trustee's secure portal. The Reviewing Department will submit the signed BPR or may have Debt Management or the Coordinating Department assist in submission.
9. Submission of signed BPRs may occur immediately (monthly), or quarterly, or until a certain pre-determined dollar amount threshold is reached (if agreed upon by Coordinating Department, Reviewing Department, and Debt Management).

B. RECORDS RETENTION

1. The City will retain bond expenditure records through the final maturity of the obligation (or related refunding obligation) plus six years.
 - a. Coordinating Departments are responsible for compiling and organizing the supporting documentation (invoices, labor detail) and storing such electronic files in the Department of Finance's network ("Shared Drive").
 - b. The Reviewing Department is responsible for storing and organizing the final (electronic) signed BPR in the Shared Drive.
 - See [PN-0200](#) Bond Obligation Records Retention
 - c. Any hard copy versions of the items described above that have not been digitized will be retained by the Coordinating Departments (see a.) and/or Reviewing Departments (see b.) for the period described above (see 1.).
2. 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 (see [PN-0395](#) for details), will ensure that it remains accessible for the required records retention duration, and take any necessary action to update the format to whatever current format is needed, if the existing format becomes obsolete.

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3. This Policy does not cover Public Works Contracts, which are also required to be retained per tax-exempt bond regulations, and it is the responsibility of Engineering and Capital Projects to ensure all Public Works Contracts are being retained by the City Clerk. This is confirmed annually by Debt Management.
4. 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 Debt Management.
 - <https://citynet.sandiego.gov/rm>
 - <https://citynet.sandiego.gov/debtmanagement/>

C. COMPLIANCE REVIEW

1. Department of Finance is responsible for reviewing annual compliance with these procedures. All the City departments and divisions of Department of Finance that are subject to bond spending and records retention requirements will receive annual notifications from the Debt Management division to confirm compliance. Debt Management division will report the compliance status annually to the Chief Financial Officer.