



Policy 8400 Post-Issuance Debt Compliance Policy

Version: 1.00

Effective Date: 06/24/2025

Board or Administrative: Board

Policy Statement

The Board of Commissioners (the “Board”) of Dakota County, Minnesota (the “County”) has chosen, by policy, to take steps to help ensure that all obligations will be in compliance with all applicable federal regulations. This policy may be amended, as necessary, in the future.

Definitions

- **Arbitrage Rebate:** A payment required by the IRS to be made to the U.S. Treasury, representing excess earnings on investments of bond proceeds above the bond yield.
- **Board:** The Board of Commissioners of Dakota County, Minnesota.
- **Bond Counsel:** An attorney or law firm specializing in public finance, typically providing a legal opinion on the validity and tax-exempt status of obligations at issuance.
- **CDA (Continuing Disclosure Agreement):** An agreement committing the issuer or obligated person to provide specific financial information and material event notices to the public on a continuing basis, as required by SEC Rule 15c2-12.
- **Code (Internal Revenue Code):** The Internal Revenue Code, which governs certain obligations and whose compliance is enforced by the IRS.
- **Conduit Bonds:** Tax-exempt obligations where proceeds are loaned to a qualified 501(c)(3) organization or another private entity to finance eligible activities.
- **Continuing Disclosure:** The ongoing obligation of an issuer or obligated person to provide financial and operating information and material event notices to the market after the initial issuance of municipal securities.
- **Finance Director:** The designated agent of the County responsible for post-issuance compliance obligations, as outlined in this policy.

- **IRS (Internal Revenue Service):** The federal agency responsible for enforcing compliance with the Internal Revenue Code and its regulations.
- **Material Event Disclosure:** Specific events, defined by SEC Rule 15c2-12 and CDAs, that require public disclosure by the issuer or obligated person.
- **Obligations:** All forms of debt subject to compliance, including bonds, notes, loans, lease purchase contracts, lines of credit, commercial paper, or any other form of debt that is subject to compliance.
- **Obligated Persons:** Issuers and borrowers of municipal securities who have continuing disclosure requirements.
- **Post-Issuance Debt Compliance Policy:** This policy developed by the County to monitor obligations and ensure compliance with the IRS Code, Treasury Regulations, and the SEC Rule.
- **Private Activity Bonds:** Tax-exempt obligations that finance a facility used by one or more qualified 501(c)(3) organizations, or are conduit bonds.
- **Private Business Use (PBU):** Use of bond-financed property or bond proceeds by a non-governmental entity in a trade or business, subject to federal tax law limits for tax-exempt bonds.
- **Qualified 501(c)(3) Organization:** A non-profit organization recognized by the IRS under Section 501(c)(3) of the Internal Revenue Code.
- **Recordkeeping:** The practice of maintaining complete and accurate documentation related to the issuance, expenditure, and ongoing compliance of obligations.
- **Rule (SEC Rule 15c2-12):** The Securities and Exchange Commission's Rule 15c2-12, setting forth obligations for underwriters, issuers, and broker-dealers regarding municipal securities.
- **SEC (Securities and Exchange Commission):** The federal agency responsible for enforcing compliance with its Rule 15c2-12.
- **Tax-Exempt Obligations:** Obligations whose interest is exempt from federal income tax.
- **Treasury Regulations:** Regulations promulgated under the Internal Revenue Code by the U.S. Department of the Treasury.

Source

SEC Rule 15c2-12 mandates that underwriters of municipal securities ensure issuers commit to ongoing public disclosure of financial information and material events, thereby enhancing market transparency for investors.

General

IRS Background

The Internal Revenue Service (“IRS”) is responsible for enforcing compliance with the Internal Revenue Code (the “Code”) and regulations promulgated thereunder (“Treasury Regulations”) governing certain obligations (for example: tax-exempt obligations, Build America Bonds, Recovery Zone Development Bonds and various “Tax Credit” Bonds). The IRS encourages issuers and beneficiaries of such obligations to adopt and implement a post-issuance debt compliance policy and procedures to safeguard against post-issuance violations.

SEC Background

The Securities and Exchange Commission (“SEC”) is responsible for enforcing compliance with its Rule 15c2-12 (the “Rule”) of the securities act. Issuers and borrowers of municipal securities (referred to as “obligated persons”) generally have a requirement to meet specific continuing disclosure standards set forth in continuing disclosure agreements (“CDA”). Unless the issuer, obligated person, or a specific obligation is exempt from compliance with CDAs, these agreements are entered into at the time of issuance to enable underwriter(s) to comply with the Rule. The Rule sets forth certain obligations of (i) underwriters to receive, review and disseminate official statements of most primary offerings of municipal securities, (ii) underwriters to obtain CDAs from issuers and other obligated persons to provide material event disclosures and annual financial information on a continuing basis, and (iii) broker-dealers to have access to such continuing disclosures in order to make recommendations of municipal securities transactions in the secondary market. The SEC encourages issuers and obligated persons adopt and implement a post-issuance debt compliance policy and procedures to safeguard against Rule violations.

When obligations are issued, the CDA commits the issuer or obligated person to provide certain financial and statistical information and material event notices to the public. Issuers and other obligated persons may also choose to provide periodic, voluntary financial information and filings to investors in addition to fulfilling the specific responsibilities delineated in CDAs. It is important to note that issuers and other obligated persons should not give any one investor certain information that is not readily available to all market participants by disseminating information to the marketplace, at large. Issuers and other obligated persons should be aware that any disclosure activities determined to be “communicating to the market” can be subject to regulatory scrutiny.

Post-Issuance Debt Compliance Policy Objective

The County desires to monitor these obligations to ensure compliance with the IRS Code, Treasury Regulations and the SEC Rule. To help ensure compliance, the County has developed the following policy (the “Post-Issuance Debt Compliance Policy”). The Post-Issuance Debt Compliance Policy shall apply to all obligations, including bonds, notes, loans, lease purchase contracts, lines of credit, commercial paper or any other form of debt that is subject to compliance.

Post-Issuance Debt Compliance Policy

The Finance Director of the County is designated as the County’s agent who is responsible for post-issuance compliance obligations.

The Finance Director shall assemble all relevant documentation, records and activities required to ensure post-issuance debt compliance as further detailed in corresponding procedures (the “Post-Issuance Debt Compliance Procedures”). At a minimum, the Post-Issuance Debt Compliance Procedures for each qualifying obligation will address the following:

1. General Post-Issuance Compliance
2. General Recordkeeping
3. Arbitrage Yield Restriction and Rebate Recordkeeping
4. Expenditure and Asset Documentation to be Assembled and Retained
5. Miscellaneous Documentation to be Assembled and Retained
6. Additional Undertakings and Activities that Support Sections 1 through 5 above
7. Continuing Disclosure Obligations
8. Compliance with Future Requirements

The Finance Director shall apply the Post-Issuance Debt Compliance Procedures to each qualifying obligation and maintain a record of the results. Further, the Finance Director will ensure that the Post-Issuance Debt Compliance Policy and Procedures are updated on a regular and as needed basis.

The Finance Director or any other individuals responsible for assisting the Finance Director in maintaining records needed to ensure post-issuance debt compliance, are authorized to expend funds as needed to attend training or secure use of other educational resources for ensuring compliance such as consulting, publications, and compliance assistance.

Most of the provisions of this Post-Issuance Debt Compliance Policy are not applicable to taxable governmental obligations unless there is a reasonable possibility that the County may refund their taxable governmental obligation, in whole or in part, with the proceeds of a tax-exempt governmental

obligation. If this refunding possibility exists, then the County shall treat the taxable governmental obligation as if such issue were an issue of tax-exempt governmental obligations and comply with the requirements of this Post-Issuance Debt Compliance Policy.

Private Activity Bonds

The County may issue tax-exempt obligations that are “private activity” bonds because either (1) the bonds finance a facility that is owned by the County but used by one or more qualified 501(c)(3) organizations, or (2) the bonds are so-called “conduit bonds”, where the proceeds are loaned to a qualified 501(c)(3) organization or another private entity that finances activities eligible for tax-exempt financing under federal law (such as certain manufacturing projects and certain affordable housing projects). Prior to the issuance of either of these types of bonds, the Finance Director shall take steps necessary to ensure that such obligations will remain in compliance with the requirements of this Post-Issuance Debt Compliance Policy.

In a case where compliance activities are reasonably within the control of a private party (i.e., a 501(c)(3) organization or conduit borrower), the Finance Director may determine that all or some portion of compliance responsibilities described in this Post-Issuance Debt Compliance Policy shall be assigned to the relevant party. In the case of conduit bonds, the conduit borrower will be assigned all compliance responsibilities other than those required to be undertaken by the County under federal law. In a case where the Finance Director is concerned about the compliance ability of a private party, the Finance Director may require that a trustee or other independent third party be retained to assist with record keeping for the obligation and/or that the trustee or such third party be responsible for all or some portion of the compliance responsibilities.

The Finance Director is additionally authorized to seek the advice, as necessary, of bond counsel, disclosure counsel, and/or its financial advisor to ensure the County is in compliance with this Post-Issuance Debt Compliance Policy.

Procedures

Procedures will be maintained by the Finance department.

History

Version	Revision Date
1.0	6-24-2025

Related Policies

None.

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Approval

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