



AGENDA ITEM NO. 5

CITY OF HAWTHORNE City Council AGENDA BILL


For the meeting of September 24, 2024

Originating Department: City Manager/City Attorney

City Manager:


Vontray Norris

City Attorney:


Robert M. Kim

SUBJECT:

Resolution No. 8487, a Resolution of the City Council of the City of Hawthorne, California, Adopting Tax-Advantaged Bonds-Issuance Compliance Procedures

RECOMMENDED MOTION:

Adopt Resolution No. 8487 adopting and approving the Tax-Advantaged Bonds-Issuance Compliance Procedures (“Procedures”) and authorizing the City Manager, in consultation with Bond Counsel, to amend the Procedures from time to time as necessary or appropriate

DISCUSSION:

In consultation with bond counsel, City staff submits the attached written procedures that address three major issues related to the post issuance of tax-exempt bonds, which are:

1. Arbitrage rebate and yield;
2. Use of bond proceeds and bond-financed or refinanced assets (including remedial action, if necessary); and
3. Record keeping requirement;

If adopted by the City, the procedures will be documented in the Tax Certificate for the related Bonds, a document which the Issuer of the bonds signs in connection with a new issue of tax-exempt bonds and which historically memorializes these types of activities and responsibilities for the City and the Authority. The Tax Certificate is one of many documents that need to be executed for a bond issuance to close.

In addition, the IRS requires Form 8038G (Information Return for Tax-Exempt Governmental Obligations) to be completed and executed by any bond issuer in connection with a new issue of

tax-exempt bonds. The Form 8038G states “Check the box if the issuer has established written procedures to monitor the requirements of section 148.” Section 148 of the Internal Revenue Code is the statute defining arbitrage and how City and Authority must handle investments of bond proceeds. An arbitrage bond means “any bond issued as part of an issue any portion of the proceeds of which are reasonably expected (at the time of issuance of the bond) to be used directly or indirectly to acquire higher yielding investments or to replace funds which were used directly or indirectly to acquire higher yielding investments.”

Since the Authority will be issuing tax-exempt Bonds in the near future, it is recommended that the procedures attached herein be adopted as soon as practicable.

FISCAL IMPACT:

None.

NOTICING PROCEDURES:

72 hours posted notice pursuant to the Ralph M. Brown Act

ATTACHMENT(S):

1. Resolution No. 8487
2. Exhibit A: Post-Issuance Tax Compliance Procedures