

# POLICY AND PROCEDURES TO DOCUMENT AND RETAIN RECORDS FOR EXPENDITURES OF BOND PROCEEDS

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CITY OF SAN DIEGO, CALIFORNIA

## **POLICY AND PROCEDURES TO DOCUMENT AND RETAIN RECORDS FOR EXPENDITURES OF BOND PROCEEDS**

### BACKGROUND:

There is a need to establish 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.

### PURPOSE:

To establish City-wide requirements and procedures for records retention of documents relating to bond proceed expenditures, and to identify the various departmental responsibilities necessary for timely and proper implementation.

### POLICY:

#### Definitions:

“Bond Construction or Project Funds” are funds established to track proceeds and interest earnings on 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.

“City Clerk” is the department tasked with establishing a City-wide records management program and assisting departments with records retention.

“Comptroller’s Office” is the department tasked with the review of BPRs 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 applicable bond regulations.

“Coordinating Department” is the department tasked with oversight of the spending of the Bond Construction or Project Funds. The Coordinating Department is responsible for preparing and submitting the BPRs and gathering all supporting documentation. The Coordinating Departments are primarily Public Utilities for water or sewer bonds, and Public Works for deferred capital bonds, but are not limited to these departments.

“Debt Management Department” is the department tasked with planning, structuring and issuance activities for all City financings. The department also monitors outstanding debt and

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performs or coordinates certain post issuance administrative functions using the Formal Centralized Monitoring Program (FCMP).

## A. GENERAL RESPONSIBILITIES

1. All City departments are responsible for compliance with established guidelines and procedures related to labor review by employees' supervisors, per existing policy and procedures as documented by Process Narrative (PN) [PN-0401](#). All City departments also are 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 relies upon and assumes that costs are billed consistent with these established procedures when preparing BPRs for projects eligible for Bond Construction or Project Fund spending.
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. Coordinating Departments will also submit BPRs on a monthly basis, at a minimum, to restore cash to the bond fund since expenditures applied to the fund directly will cause the cash to go negative. The accuracy of submitted BPRs relies on all City departments regularly reviewing billed labor reports and correcting errors on a timely basis. This will allow the Coordinating Department to submit updated BPRs, 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 reimbursement purposes and assumes that all corrections are handled consistently with established procedures for labor as well as non-labor corrections. The Coordinating Department's preparation of BPRs is discussed further in [PN-395](#), which has been submitted to our Internal Control section for review.
4. It is the responsibility of the Comptroller's Office to ensure that the procedures used by the Coordinating Departments to prepare and submit BPRs comply with applicable bond regulations. (Examples of the regulations imposed by the Internal Revenue Service (IRS) regarding the timing of allocations of costs against bond construction funds include: 1) 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; 2) amounts withheld for retention may not be bond reimbursed until the time that the retention amount is actually paid to the contractor/vendor.)
5. The Comptroller's Office will review BPRs within one week of submission and will send all properly completed BPRs to the trustee, or return BPRs to the Coordinating Department for modifications, if any corrections or adjustments are required. The process of reviewing BPRs by the Comptroller's Office is further discussed in [PN-0038](#).

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## B. RECORDS RETENTION

1. IRS regulations state that material records (which include bond spending records) should generally be kept for as long as the bonds are outstanding, plus three years after the final redemption date of the bonds. The City standard 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 BPRs and supporting documentation will be compiled and scanned by the Coordinating Department. A 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 Comptroller's Office. All of the supporting information detailing costs, including all labor detail and invoices, will be scanned and saved into the shared drive that will be accessible by the Comptroller's Office and the relevant Coordinating Department.
3. Where appropriate, all BPRs 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 [Council Policy 000-25](#).
4. The Office of the City Comptroller's records disposition schedule will state that the Office of the City Comptroller will be responsible for annually reviewing the electronic media format that is used to create the supporting information of BPRs that are stored in the shared drive to ensure that they remain accessible for the required IRS records retention duration. The Comptroller will take any necessary action to update the format to maintain the accessibility of the data.
5. The BPRs and supporting documentation discussed in this policy do not include vendor contracts, which also are required to be retained, per regulations related to tax-exempt bond spending, since they are the responsibility of the Coordinating Departments. The contracts will be added by the Coordinating Department to the shared drive and this step will be included as part of the Coordinating Department's procedures.
6. Throughout the construction of a bond financed project and after completion of spending of all bond construction funds, all historical records of bond spending or BPR that are available in hard copy and have been provided to the Comptroller's Office, and any records scanned and saved to the shared drive, will be retained by the Comptroller's Office for the duration of the related bond or refunding bond obligation plus six years, whichever is longer.
7. Additional information on records retention requirements can be located at the [City Clerk's](#) site and at the [Post Bond Issuance Administration](#) site, on Citynet. The Post Bond Issuance site is administered by the Debt Management Department.

## C. COMPLIANCE REVIEW

The Debt Management Department is responsible for reviewing annual compliance with these procedures through the Formal Centralized Monitoring Program (FCMP). All of the City departments that are subject to the bond spending and records retention requirements will receive

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annual noticing to confirm necessary documentation is maintained in accordance with the established bond record retention procedures. Compliance reporting from all of the departments to these notices will be consolidated and reported annually to the Chief Financial Officer by Debt Management.

Dated: \_\_\_\_\_

*December 4, 2014*

*Mary Lewis*  
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Mary Lewis  
Chief Financial Officer