

**COUNTY OF SANTA CRUZ**  
**CONTINUING DISCLOSURE COMPLIANCE PROCEDURES**

**Title I – Finance and Accounting**

**850 – CONTINUING DISCLOSURE COMPLIANCE PROCEDURES**

**A. Introduction**

The U.S. Securities and Exchange Commission Rule 15c2-12 (“Rule 15c2-12”) requires certain information regarding an entity responsible for the repayment of a municipal security (an “Issuer”) be disclosed to the municipal marketplace. The Securities and Exchange Commission (“SEC”), in its most recent amendment to Rule 15c2-12, enhanced the disclosure requirements of Issuers in an effort to improve the quality and availability of information regarding outstanding municipal securities. In the adopting release accompanying the amendment, S.E.C. Rel. No. 34-62184, the SEC states that the amendment is consistent with its “mandate to adopt rules reasonably designed to prevent fraudulent, deceptive or manipulative acts or practices in the market for municipal securities.” The release reiterates the SEC’s position that material non-compliance by an Issuer with past continuing disclosure obligations may warrant, without corrective actions, an underwriter being prohibited from underwriting such an Issuer’s municipal securities, and thus would prevent the Issuer from accessing the municipal securities market.

The following procedures should be implemented to help ensure an Issuer’s compliance with Rule 15c2-12 and its continuing disclosure obligations established under the Continuing Disclosure Certificates entered into in connection with its outstanding obligations. Certain capitalized terms will have the respective meanings ascribed to them in the respective Continuing Disclosure Certificates.

**B. Selecting a Responsible Officer**

1. Selection of Responsible Officer

The Auditor-Controller-Treasurer-Tax Collector will designate the individual (“Responsible Officer”) within that department who will be responsible for compiling and filing Annual Reports and Event Notices, if necessary. The Auditor-Controller-Treasurer-Tax Collector will confirm any change in the Responsible Officer by notice to the County Administrative Officer, the Assistant County Administrative Officer and the Dissemination Agent.

## 2. EMMA

The Responsible Officer should familiarize themselves with the SEC's Electronic Municipal Market Access ("EMMA") website. The Responsible Officer should understand how to locate the Issuer's municipal securities on EMMA. If the Issuer is serving as its own Dissemination Agent, the Responsible Officer should establish a user identification and password for EMMA and should become familiar with uploading documents onto EMMA.

## **C. Identifying and Understanding Existing Continuing Disclosure Obligations**

### 1. Identifying Disclosure Requirements

The Responsible Officer should, for each separate issue of outstanding municipal securities to which Rule 15c2-12 applies, read the related Continuing Disclosure Certificate and identify the following:

- a. The date by which the Annual Report must be filed;
- b. The contents that need to be included in the Annual Report;
- c. The Event Notices that must be filed; and
- d. When Event Notices are required to be filed.

## **D. Preparing and Submitting the Annual Report**

### 1. Preparing Annual Audited Financial Statements

The Issuer should begin the process of completing its audited financial statements as soon as practicable after the close of each Fiscal Year. Such audited financial statements should be completed prior to the date the Annual Report must be filed.

### 2. Preparation of Tables and Other Information

The Responsible Officer should identify any information that is required to be included in the Annual Report but is not part of the Issuer's audited financial statements, and contact the sources necessary to compile such information as soon as possible after the close of each Fiscal Year. The Responsible Officer may contract with a consultant to assist in the preparation of the Annual Report. The Issuer should consider adding any information required by its Continuing Disclosure Certificates not included already in its audited financial statements into a supplementary information section of its audited financial statements.

### 3. Submission of Annual Report

Following the compilation of the information that is to be included in the Annual Report and prior to the date on which the Annual Report must be filed,

the Responsible Officer should submit the Annual Report to the Dissemination Agent identified in the Continuing Disclosure Certificates or to EMMA if the Issuer acts as its own Dissemination Agent.

4. Review of EMMA

Following the submission of the Annual Report to EMMA or the Dissemination Agent, as applicable, the Responsible Officer should review the EMMA website to confirm that the Annual Report has been posted. If the Annual Report has not been posted, the Dissemination Agent should be notified, or the Responsible Officer should file the Annual Report, as applicable.

## **E. Identifying and Reporting Listed Events**

1. Understanding the Listed Events

The Responsible Officer should be aware of the Listed Events (found in the Continuing Disclosure Certificate) necessitating the filing of an Event Notice. If clarification is required regarding what is meant by each such Listed Event, the Issuer's bond counsel should be contacted to clarify such meaning.

2. Filing Event Notices

Each such notice shall be filed by the Issuer, or by the Dissemination Agent, if any, on behalf of the Issuer, with EMMA.

3. Occurrence of a Listed Event

The Issuer should contact its bond counsel if it has any questions regarding the occurrence of a Listed Event, and whether such occurrence will require the filing of an Event Notice.

## **F. Record Retention**

1. Retention of Transcripts, Annual Reports, Event Notices and Source Materials

- a. The Issuer should retain the transcript containing the documents related to each issue of municipal securities of the Issuer.
- b. The Issuer should retain electronic copies of each Annual Report submitted to EMMA.
- c. The Issuer should retain electronic copies of each Listed Event Notice submitted to EMMA.
- d. The Issuer should retain all source data used to complete the Annual Report. For example, source material pertaining to assessed valuation, tax rates or other tables noted in the Continuing Disclosure Certificate that are required to be updated annually.

2. Creation of an Index

The Responsible Officer should create an index cataloging the aforementioned documents (the “retained documents”). Such index and documents should be stored at the main office of the Issuer. The Responsible Officer should be responsible for the maintenance and updating of such index. If the individual serving as Responsible Officer is replaced, the index, the retained documents and a copy of these procedures should be provided to the individual assuming the position of Responsible Officer.

3. Period of Retention

The retained documents identified in this Article should be retained for a period of at least six years following the maturity, prepayment or redemption of the related issue of municipal securities.

4. Additional Documents to be Retained by the Issuer

The Issuer, in its respective tax certificates, has covenanted to retain certain information relating to the use and proceeds of its municipal securities. While the specific information to be retained may vary by obligation, and in light of such variance, the relevant tax certificate (“Tax Certificate”) should be reviewed. The retention requirements are generally similar to those listed below. Certain capitalized terms appearing below shall have the meaning set forth in the Tax Certificate.

a. Rebate Requirement

The Issuer covenants that it will account for all gross proceeds of its municipal securities (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and will retain all records of accounting for at least six years after the day on which the final maturity of such municipal securities is discharged.

b. Application of Proceeds

The Issuer confirms that it has established and maintained (or will establish and maintain) until a date not earlier than six years following the final retirement of the municipal securities (and any obligations issued to refund or re-refund all or any portion of the municipal securities) detailed records sufficient to establish compliance with the Tax Certificate (and the expenditure and use of proceeds requirements, restrictions and limitations set forth in the Tax Certificate and under sections 103 and 141-148 of the Code) of: (i) the amount of each allocation of Gross Proceeds of the municipal securities to any capital or working capital expenditure (and, in the case of an allocation to working capital expenditures, evidence sufficient to establish that on the date of such working capital expenditure there existed no “available amounts” (as described above) in respect of that expenditure); (ii) the fact (e.g., cancelled check, evidence of wire transfer) of an actual payment corresponding to such allocation; (iii) the identification of the payee and documentary support (e.g., invoices,

contracts, legislative or other authorization) for such payment; (iv) the purpose of such expenditure; and (v) any other information that the Issuer believes may be necessary to such determination.

c. Prohibited Investments

The Issuer covenants that it will establish and maintain (or cause to be established and maintained) until a date not earlier than six years following the final retirement of the municipal securities (and of any notes or municipal securities issued to refund or re-refund all or any portion of the municipal securities) detailed records sufficient to establish compliance with this Section 5.4 (and with the arbitrage, arbitrage rebate, hedge bond or other investment-affected requirements, restrictions and limitations set forth in the Tax Certificate and under sections 103 and 141-148 of the Code) of the acquisition, disposition or other allocation of any Nonpurpose Investment to or away from Gross Proceeds of the municipal securities, including particularly: (i) the date of such allocation; (ii) the identity and terms of such investment (including, where appropriate, a copy of the instrument, contract, lease or other documentary manifestation of such Investment Property); (iii) the value (as determined in accordance with the provisions of section 1.148-5(d) of the Regulations) of such investment on the date of allocation (and on each other date on which valuation is necessary to assure compliance with the aforementioned provisions); (iv) the date and amount of each payment made for or pursuant to such investment and the source (by fund or account) of that payment; (v) the date and amount of each payment received directly or indirectly in respect of such investment; and (vi) any other information that the Issuer believes will be necessary to such demonstration.