**Post-Issuance Compliance Policy**  
**Tax Exempt Bond Financings**

Effective date: December 11, 2012

**Policy Statement**  
The University funds eligible capital projects through qualified 501(c)(3) tax-exempt bonds (“TEBs”) issued on its behalf as a conduit borrower by The Dormitory Authority of the State of New York (DASNY) or another state or local government agency. The interest paid to holders of TEBs is tax-exempt. TEBs retain their tax-exempt status throughout their life. The tax exemption is subject to compliance by the University with certain federal laws and regulations, including laws and regulations governing investment, expenditure and use of bond proceeds. This policy provides guidance and describes the University’s methodologies regarding TEB compliance.

**Reasons for Policy**  
This policy is to ensure compliance with all laws, regulations and contracts relating to the University’s TEBs.

**Primary Guidance to which this Policy Responds**  
This policy primarily responds to the provisions of the Internal Revenue Code and Treasury Regulations governing TEBs, as well as agreements the University has entered into with DASNY and other government agencies in connection with TEBs issued on behalf of the University.

**Responsible University Offices/Officers**  
Office of the Treasurer  
Office of the General Counsel (OGC)

**Revision History**  
None

**Who is Governed by This Policy**  
The Office of the Treasurer will notify the relevant schools and departments on an annual basis of their responsibilities under this policy.

This policy applies to all University employees, schools and departments involved in any stage or aspect of any TEB issuance on behalf of the University and/or management or use of TEB-financed facilities or projects, including but not limited to:

- Decision making prior to TEB issuance including with respect to identification of eligible projects and due diligence on environmental and tax aspects of projects
- Issuance of TEBs
- Use of TEB proceeds and timing of use
• Investing of TEB proceeds and arbitrage processes
• Use of property financed by TEBs
• Recording, reporting or documenting use of proceeds, arbitrage, return filings, private use and financial transactions

**Who Should Know this Policy**
All University employees described above should know this policy.

**Policy Text**
It is the policy of the University to comply with all laws, regulations and contracts applicable to TEBs issued on its behalf. Some specific compliance requirements and related procedures are set forth below:

**Roles and Responsibilities**
The Office of the Treasurer is primarily responsible for monitoring compliance with all issues relating to post-issuance TEB compliance. Other schools and departments have certain responsibilities with respect to ensuring compliance with this Policy and providing information to the Office of the Treasurer. The Office of the Treasurer will notify the relevant schools and departments on an annual basis of their responsibilities under this Policy.

**Project Eligibility**
All property financed by TEB proceeds must be owned or, under certain circumstances, leased by the University and the intended use must be consistent with the University’s tax-exempt purpose. Additional technical criteria will apply to determine eligibility of a project.

**Private Business Use**
General. Generally no more than 5% of the proceeds of a TEB issuance, or $15 million, whichever is less, may be used for private business use (PBU). The costs of issuance of the TEBs (which are limited to 2% of the proceeds) are applied against the limit. PBU occurs when private business users are given special entitlements to use TEB proceeds or bond-financed property. Private business users include for-profit entities, the federal government, tax-exempt organizations that are not 501(c)(3)s, and 501(c)(3) organizations if their use is an unrelated trade or business for either the 501(c)(3) or the University.

**Monitoring of PBU.** It is the policy of the University to monitor the use of TEB-financed projects from the time the projects are placed into service until three years after the bonds have been paid. The Office of the Treasurer will maintain a database of the University’s TEB-financed facilities. The University process for monitoring PBU includes the conduct of an annual review of TEB-financed spaces. The annual review will be coordinated by the Office of the Treasurer and will include a review of physical use of space as well as examination of the University’s UBIT tax filings, relevant leases, management and service contracts, research agreements and other relevant agreements. Some aspects of the annual review are described below:
Sponsored Research Agreements - All sponsored research agreements negotiated through Columbia Technology Ventures (CTV) and the Office of Sponsored Project Administration (SPA) must be in compliance with the private business use rules applicable to the University. OGC will provide guidelines to CTV and SPA, and will maintain an exceptions list that will be provided to the Treasury office on an annual basis.

Management and Service Contracts – Each year, the Office of the Treasurer will collect new and renewed leases and management and service contracts that allow use of TEB-financed space and will discuss with OGC a methodology for evaluating the leases and contracts. OGC will review contracts as necessary and provide guidance to the Office of the Treasurer.

Unrelated Trade of Business Activities – Each year the Office of the Controller will provide the Office of the Treasurer with a list departmental contacts and revenues from activities that may generate Unrelated Trade or Business Income (UBI) under Internal Revenue Code section 513. The Office of the Treasurer will request use information related to the UBI activity from the relevant departments.

Physical Use of Space – CU and CUMC Facilities units are responsible for tracking the physical use of Columbia space. Each year, the Office of the Treasurer will conduct meetings with space planners and property managers to review use of properties in their portfolios. The Office of the Treasurer will then update a survey template, populated by known physical uses, and send the template to the Facilities units. CU and CUMC Facilities will be responsible for confirming the information presented as updates.

If potential PBU is identified, it will be evaluated in accordance with procedures adopted with the approval of OGC, in consultation with the University’s bond counsel. If the use is found to be PBU, it will be included in the annual calculation described below.

Annual Calculation and IRS Reporting. Each year, the Office of the Treasurer will calculate, in accordance with the procedures approved by OGC in consultation with bond counsel, the annual percentage PBU of facilities financed under each outstanding TEB issuance. The calculation will be submitted to the Office of the Controller and used to prepare the Schedule K of the IRS Form 990.

Arbitrage Yield Restriction and Rebate Requirements
The Internal Revenue Code contains two sets of requirements relating to arbitrage: yield restriction requirements, which generally provide bond issue proceeds may not be invested at a yield in excess of the bond yield, and rebate requirements, which generally provide that when arbitrage is earned on an issue is in excess of permitted amounts, the excess earnings must be paid to the U.S. Department of Treasury. The Office of the Treasurer will coordinate with DASNY (or other applicable state or government agency) to ensure that the University is in compliance with the IRS’s arbitrage yield restriction requirements and rebate requirements, subject to spending exceptions.
Document Retention
As of the date of this policy, IRS guidelines require that TEB records be retained until three years after the final redemption date of the TEBs and, in the case of a TEB issue refunded by one or more subsequent issues, until three years after the final redemption of all such TEB issues. The Tax Exempt Bond Financings Records Retention Policy provides guidance on retention of TEB documents.

Contacts
Questions concerning implementation or compliance with this policy may be directed to: Roberta Edge, Deputy Treasurer, roberta.edge@columbia.edu, (212-854-9691), Jackie Aronson, Assistant Director, Bond Issuance and Compliance, jackie.aronson@columbia.edu, (212-851-9277) or Susan Rushing, Associate General Counsel, skr@gc.columbia.edu, (212-854-0779)

Cross References to Related Policies
Records Retention Policy – Tax Exempt Bond Financings

If any URL in this PDF document does not open into a webpage, please copy and paste the URL into another web browser window. You may also choose to save the PDF to your computer and open it with the most recent version of Adobe Acrobat: http://get.adobe.com/reader/. For further assistance, please call the CUIT Service Desk at 212-854-1919.