

RESOLUTION NUMBER 5889

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
PERRIS APPROVING AN AMENDED DEBT ISSUANCE
AND MANAGEMENT POLICY WHICH INCLUDES
CHANGES RELATED TO MELLO-ROOS COMMUNITY
FACILITIES DISTRICTS PERMITTED IN THE CITY**

WHEREAS, the City of Perris (the “City”) has previously adopted a “Debt Issuance and Management Policy” (the “Policy”) which policy describes in part, the City’s policies related to community facilities districts pursuant to the Mello-Roos Community Facilities Act of 1982, commencing with Section 53311 of the Government Code of the State of California (the “Mello-Roos Act”); and

WHEREAS, the City desires to update the Policy to provide for the ability to form a community facilities district for industrial projects and revise certain provisions of its policies for financing pursuant to the Mello-Roos Act; and

WHEREAS, the City Council desires to adopt the amended policy entitled “Debt Issuance and Management Policy” (the “New Policy”) attached hereto as Exhibit A and by this reference incorporated herein; and

NOW THEREFORE, BE IT RESOLVED, by the City Council of the City of Perris, California, as follows:

Section 1. That the recitals set forth hereinabove are true and correct in all respects.

Section 2. That the New Policy in the form attached hereto as Exhibit A is hereby approved.

Section 3. That the City Manager or Finance Director of the City is hereby authorized and directed to implement the New Policy for and on behalf of the City.

ADOPTED, SIGNED and APPROVED this 30th day of November, 2021

Mayor, Michael M. Vargas

ATTEST:

City Clerk, Nancy Salazar

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE) §
CITY OF PERRIS)

I, Nancy Salazar, CITY CLERK OF THE CITY OF PERRIS, CALIFORNIA, DO HEREBY CERTIFY that the foregoing Resolution Number 5889 was duly and regularly adopted by the City Council of the City of Perris at a regular meeting held on the 30th day of November 2021, and that it was so adopted by the following vote:

AYES: CORONA, RABB, ROGERS, NAVA, VARGAS

NOES: NONE

ABSENT: NONE

ABSTAIN: NONE

By: _____
City Clerk, Nancy Salazar

EXHIBIT A

CITY OF PERRIS

AMENDED AND RESTATED DEBT ISSUANCE AND MANAGEMENT POLICY



Debt Issuance and Management Policy

City of Perris

Introduction

The Debt Issuance and Management Policy (the “Policy”) provides written guidelines for issuing debt and managing outstanding debt and provides guidance to policy makers regarding the timing and purposes for which debt may be issued, types and amounts of permissible debt, and method of sale that may be used in satisfaction of the requirements of SB 1029, codified as part of Government Code Section 8855. Adherence to a debt policy helps to ensure the City’s debt is issued and managed prudently in order to maintain a sound financial position and optimal credit ratings.

Purpose

The purpose of this Policy is to provide functional tools for debt management, capital planning, and cash flow management in a conservative and prudent manner. The City’s most appropriate use of debt financing is for the purchase or construction of major capital facilities that will serve as a long-term community asset. The policies outlined below are not intended to serve as a list of rules to be applied to the City’s debt issuance process, but rather to serve as a set of guidelines to promote sound financial management.

The Policy as described herein is in accordance with current legislation and incorporates industry best practices. It has been devised to serve as a public representation of City objectives in relation to its use of any debt obligation. The Policy is further intended to memorialize guiding directives from the City Council (“Council”) to management and staff for decisions and recommendations related to the financial profile of the City.

The policy may be applied to any related entities to the City to the extent that entity does not have a separate policy.

Position

The Council intends that the City establish and maintain a framework for public finance borrowings such as general obligation bonds (“GO Bonds”), lease revenue bonds (“LRBs”), and certificates of participation (“COPs”) issued or delivered by the City, including community facilities districts bonds (“CFDs”), Assessment Districts bonds (“ADs”), and other forms of indebtedness by the City.

1. Legal City debt or obligations, as the case may be, will be incurred mostly for major capital projects, not for any recurring purpose such as current operating and maintenance expenditures. For betterment and repair and replacement projects, debt financing may be used to better match the anticipated need and costs with available funds on hand. Smaller projects should be funded on a “pay-as-you-go” basis from current revenues. The City shall not construct or acquire a facility if it is unable to adequately provide for the subsequent annual operation and maintenance costs of the facility throughout its expected life. The weighted average useful life of the asset(s) or project financed through debt issuance shall exceed the payout schedule of any debt the City assumes.
2. Careful and consistent monitoring of such debt issuance is required to preserve the City’s credit strength, budget and financial flexibility.
3. This policy shall be applicable for debt financing for the payment of facilities and special tax financing for facilities and services, as guidelines to assist concerned parties in following the City's approach to Community Facilities District financing. It is the City's goal to support projects which address a public need and provide a public benefit. Proposed projects requesting Community Facility District debt financing or other financing will be evaluated to determine if such financing is financially viable and in the best interest of the City and current and future City and project residents.

The City will consider applications requesting the formation of community facilities districts to finance facilities and services and the issuance of bonds to finance eligible public facilities pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the "Mello Roos Act"). The City reserves the right to request any additional reports, information or studies reasonably necessary in evaluating these applications.

All City and any consultant costs incurred in evaluating applications requesting the establishment of Districts will be paid by the applicant(s) by advance deposit increments or as otherwise agreed in writing by the City. The City shall not incur any non-reimbursable expense for processing such applications. Expenses not chargeable to the district shall be borne by the applicant.

4. POLICY

- i. In following this Policy, the City shall pursue the following debt management goals.
 - a. When funding capital improvements, the City will review all funding sources and determine the best source based on need and use of items being financed. For capital projects, the City will review the capital improvement program to

determine if debt issuance is the best source of funding given the overall capital improvement program and budget.

- b. For publicly offered debt, the City shall endeavor to attain the best possible credit strategy for each debt issue (with or without credit enhancement) in order to reduce interest costs, within the context of preserving financial flexibility and meeting capital funding requirements.
- c. The City shall remain mindful of debt limits in relation to assessed value changes within the City and the tax burden needed to meet long-term capital requirements.
- d. The City shall consider market conditions and City cash flows when timing the issuance of debt.
- e. The City shall determine the amortization (maturity) schedule which will best fit with the overall debt structure of the City at the time new debt is issued.
- f. The City shall give consideration to matching the term of the debt issue to the useful lives of related assets whenever practical, while considering repair and replacement costs of those assets to be incurred in future years as an offset to the useful lives, and the related length of time in the payout structure.

5. AUTHORIZATION AND TYPES OF DEBT AUTHORIZED TO BE ISSUED

- i. Authority and Purpose of the Issuance of Debt – The City is organized as a general law city, duly organized and validly existing under the laws of the State of California. The laws of the State of California authorize the issuance of debt of the City, and/or confer upon it the power and authority to make lease payments, contract debt, borrow money, and issue bonds for public improvement projects. Under these provisions, the City may contract debt to pay for the cost of acquiring, constructing, reconstructing, rehabilitating, replacing, improving, extending, enlarging and equipping City projects and or facilities, or to refund existing debt of the City.
- ii. New Debt
 - a. Debt issues may be used to finance capital facilities, projects and certain capital equipment where it is appropriate to spread the cost of the projects over more than one fiscal year.
 - b. Projects which are not appropriate for spreading costs over future years shall not be debt financed.
 - c. Long-term debt shall, under no circumstances, be used to fund City operations.
 - d. The City may issue long-term debt which may include, but is not limited to, GO Bonds, LRBs, COPs, CFDs, ADs and/or other capital lease-purchase

structures for capital facilities and projects, including fees which fund capital facilities.

iii. Land-Based Financings – Residential

- a. Public Purpose. There will be a clearly articulated public purpose in forming an assessment or special tax district in financing public infrastructure improvements. Council approval must be obtained to use this form of financing and it is Council's discretion whether the proposed project is categorized as "industrial", "residential", "commercial" or other for purposes of this policy.

The City shall have final determination as to any facility's eligibility for financing, as well as the prioritization of facilities to be included within a district. The City shall evaluate the priority of such items on a project by project basis. The City may also require applicants to commit significant equity to projects for which public financing assistance is requested. The City shall also require the payment of a capital facilities fee of not less than \$1,000 per unit for Residential CFDs and \$0.0825 per Industrial building per square foot to finance facilities described in the resolution of intention to form the district or similar resolution relating to changes or annexations to the district.

- b. Eligible Improvements. Except as otherwise determined by the Council when proceedings for district formation are commenced, preference in financing public improvements through a special tax district will be given for those public improvements that help achieve clearly identified community facility and infrastructure goals in accordance with adopted facility and infrastructure plans as set forth in key policy documents such as the General Plan, Specific Plan, Facility or Infrastructure Master Plans, or Capital Improvement Plan.

Such improvements include study, design, construction and/or acquisition of:

1. Public safety facilities;
2. Streets, highways, and bridges;
3. Flood control facilities;
4. Street lighting;
5. Libraries;
6. Traffic signal and safety lighting;
7. Public utilities;
8. Park facilities, open space;

9. Recreational facilities;
10. Storm drain facilities;
11. Sanitary sewer facilities measures involving land acquisition, dedication, and revegetation;
12. Biological mitigation;
13. Potable and reclaimed water facilities;
14. Sewer facilities and water facilities;
15. School facilities;
16. Facilities authorized pursuant to development agreements, impact fee programs, capital improvement programs and capital facility fee programs of the City and other public agencies;
17. Other governmental facilities and improvements such as offices, information technology systems and telecommunication systems.
18. Other facilities authorized pursuant to the Mello-Roos Act, as such act may be amended from time to time.

The list of public services eligible to be financed are:

1. Fire protection and suppression services, and ambulance and paramedic services including all furnishings, equipment and supplies related thereto; and
2. Police protection services, including but not limited to criminal justice services, including all furnishings, equipment and supplies related thereto; and
3. Park, parkways and open space maintenance services, including all furnishings, equipment and supplies related thereto; and
4. Flood and storm protection services; and
5. Such other services and related facilities permitted by the Mello-Roos Act which the City determines necessary to fund pursuant to a resolution.

The City shall determine and evaluate the priority of services and the eligibility to fund services on a district by district basis.

- c. Active Role. Even though land-based financings may be a limited obligation of the City, we will play an active role in managing the district. This means that the City will select and retain the financing team, including the financial advisor, bond counsel, trustee, appraiser, disclosure counsel, special tax consultant, assessment engineer and underwriter. Any costs incurred by the City in retaining these services will generally be the responsibility of the property owners or developer, and will be advanced via a deposit when an application is filed; or will be paid on a contingency fee basis from the proceeds from the bonds or as provided by fee agreement.
- d. Credit Quality. When a developer requests a district, the City will carefully evaluate the applicant's financial plan and ability to carry the project, including the payment of assessments and special taxes during build-out. This may include detailed background, credit and lender checks, and the preparation of independent appraisal reports and market absorption studies. For districts where one property owner accounts for more than 25% of the annual debt service obligation, a letter of credit further securing the financing may be required. The City's independent financial advisor/consultant must review the proposed issuance of the bonds for viability.
- e. Reserve Fund. A reserve fund should be established in the lesser amount of: the maximum annual debt service; 125% of the annual average debt service; or 10% of the bond proceeds.
- f. Value-to-Debt Ratios. The minimum value- to-debt ratio should generally be 4:1. This means the value of the property in the district, with the public improvements, should be at least four times the amount of the assessment or special tax debt. In special circumstances, after conferring and receiving the concurrence of the City's financial advisor and bond counsel that a lower value-to-debt ratio is financially prudent under the circumstances; the City may consider allowing a value-to-debt ratio of 3:1.
- g. Appraisal Methodology. Determination of value of property in the district will be based upon the full cash value as shown on the ad valorem assessment roll or upon an appraisal by an independent, impartial, and qualified appraiser. The definitions, standards and assumptions to be used for appraisals will be determined by the City on a case-by-case basis, with input from City consultants and district applicants, and by reference to relevant materials and information promulgated by the State of California, including the Appraisal Standards for Land Secured Financings prepared by the California Debt and Investment Advisory Commission (CDIAC).
- h. Capitalized Interest During Construction. Decisions to capitalize interest will be made on case-by-case basis, with the intent that if allowed, it should improve the credit quality of the bonds and reduce borrowing costs, benefiting both current and future property owners.

- i. Maximum Burden. Annual assessments (or special taxes in the case of Mello-Roos or similar districts) should generally not exceed 1% of the sales price of the property; and total property taxes, special assessments and special taxes payments collected on the tax roll (all “overlapping” debt burden) should generally not exceed 2%. At formation and/or bond issuance, this 2% will be based on median home price.
- j. Benefit Apportionment. Assessments and special taxes will be apportioned according to a formula that is clear, understandable, equitable and reasonably related to the benefit received by, or burden attributed to, each parcel with respect to its financed improvement. An annual escalation factor of 2% may be permitted for residential districts.
- k. Special Tax District Administration. In the case of Mello-Roos or similar special tax districts, the total maximum annual tax should not exceed 110% of annual debt service. The rate and method of apportionment should include a back-up tax in the event of significant changes from the initial development plan, and should include procedures for prepayments. Neither the City nor the Community Facilities District shall be obligated to pay for the cost of determining the prepayment amount, which is to be paid by the applicant.
- l. Foreclosure Covenants. In managing administrative costs, the City will establish minimum delinquency amounts per owner, and for the district as a whole, on a case-by-case basis before initiating foreclosure proceedings.
- m. Disclosure to Bondholders. In general, each property owner who accounts for more than 20% of the annual debt service or bonded indebtedness must provide ongoing disclosure information annually as described under SEC Rule 15(c)-12.
- n. Disclosure to Prospective Purchasers. Full disclosure about outstanding balances and annual payments should be made by the seller to prospective buyers at the time that the buyer bids on the property. It should not be deferred to after the buyer has made the decision to purchase. When appropriate, applicants or property owners may be required to provide the City with a disclosure plan. Such plan may include home buyer notifications requiring signature prior to home purchases, as well as methods to notify subsequent home purchasers. The City may require that Developers offer residential buyers the option of having all special taxes prepaid upon close of escrow, with a corresponding increase in the purchase price of the residence.

The City shall use all reasonable means to ensure compliance with applicable federal securities laws in connection with the issuance of debt and the provision of annual information regarding any District established by the City with respect to which Bonds have been issued, including requiring any developer in a District who is material to the Bond issue to transmit

appropriate information to the City or its designee for disclosure to Bond investors.

iv. Land-Based Financings – Industrial or Commercial CFDs.

- a. Purpose. There will be a clearly articulated public purpose in forming an assessment or special tax district to finance industrial or commercial development. The proposed project will need to bring development and public benefit to the area in which the project is located. The public improvements related to the Project must be significant and necessary to provide services to develop a previously undeveloped or underdeveloped area of the City. Council approval must be obtained to use this form of financing and it is Council's discretion whether the proposed project is categorized as "industrial", "residential", "commercial" or other for purposes of this policy.
- b. Eligible Project. Projects will not be eligible for consideration until they meet or exceed \$7,000,000 of improvements to be funded. The developer will provide the City evidence of the value of the improvements prior to City Council approval.
- c. Eligible Developer. The developer must be experienced with industrial and/or commercial projects, including rental projects. As detailed below, the developer must provide evidence of experience and financial stability to the City. Developer must provide all financial and development information requested by City related to developer and/or any affiliates or related parties, including any past or current projects, financial stress and/or bankruptcies. City is entitled to request any financial information a financial institution may request in providing financing to a party. A significant additional deposit or contribution may be necessary from the Developer for the City to hire consultants to analyze the financial viability of the Developer, tenants and the project.
- d. Credit Quality. When a developer requests the formation of a district, the City will carefully evaluate the applicant's financial plan and ability to carry out the project, including the payment of assessments and special taxes during build-out. Prior to formation of a district, the following requirements must be met:
 1. The developer will provide a description of the tenants under negotiation and forms of potential leases to the City. All of the potential tenants must have formally acknowledged the taxes and lien on the property. The developer will identify any other debt payable on the project area. The developer shall provide the City their financials and the financials of the potential tenants over the last three years. In addition, the Developer will provide any information requested under subsection (b) above.
 2. The developer will provide the City proof of a successful track record of warehousing/industrial and/or commercial development and ownership and management of similar projects. The developer shall

provide information on at least three recent projects, any long-term projects and any information on failed projects in the last 20 years.

3. The developer shall be a public company and its name shall be the owner of the land. If the property owner is not the developer and is a single entity LLC or other entity, the developer shall provide a financial guaranty or letter of credit in a form satisfactory to the City's Bond Counsel or City Attorney to secure payment of special taxes, if the City deems it necessary.

e. Letter of Credit. Property Owner/Developer must be willing to provide a letter of credit or other potential security at bond issuance. Letter of credits may be requested on a case by case basis. Letters of credit may be required in various potential ways:

1. letter of credit securing the bonds;
2. letter of credit securing three years of debt service and will be replenished annually back to three years;
3. letter of credit securing undeveloped property (potentially in addition to 2); or
4. letter of credit or guaranty for such other amount or term as determined by the City.

Letters of credit may be warranted for the following reasons at the sole discretion of the City:

1. to minimize special tax defaults or foreclosure risk;
2. because of the percentage of the project leased, the type of tenants, percentage of tenants, property owner, uses, debt related to the property or other reasons.
3. as otherwise provided by these policies or determined by the city.
4. based on a recommendation of the City's financial consultant or financial advisor.

The determination to request a letter of credit shall be made prior to bond issuance. The City may provide indications of the necessity for a letter of credit and the type of letter of credit at formation. The letter of credit may be provided as security for the bond issue or potentially to the City for an agreement for special taxes, as determined by city. Prior to debt issuance of a district, the following requirements must be met:

1. The City's independent financial advisor/consultant must review the financials of the developer and tenants and the forms of the leases for viability. Based on the review, the City's financial advisor/consultant shall provide a recommendation for a letter of credit if necessary or other security.
2. All current tenants must acknowledge, in a form satisfactory to the City's Bond Counsel, that the property they are leasing is subject to annual special tax payments and secured by a special tax lien recorded against the property. All future tenants must provide such acknowledgement prior to or concurrently with entering their lease.

Tenants must acknowledge that their lien is subordinate to the special taxes and has the potential to be wiped out upon foreclosure.

3. Confirmation that at least 75% of the project is leased. Leases should span the term of bonds. The proposed majority tenants shall be well known companies with strong track records. Financial information on potential tenants shall be provided to City upon request. Terms of leases and tenants are significant in evaluating the viability of a project.
4. Build out of the project should be substantially complete.
5. Letters of credit may need to be provided as determined by these policies.

f. Tax Burden. The developer shall certify that the total tax burden on its tenants shall not be significantly burdensome on its tenants based on the rental charges, other taxes and charges due.

g. Other Provisions. Unless stated otherwise or in conflict with the provisions of this section, the requirements from Section 5 (iii) (c)-(n) of this policy apply to industrial and commercial land-based financings.

- v. Exceptions - The City Council may waive certain requirements of the residential/commercial and/or industrial policies not required by law where it determines to do so or finds such exceptions are in the public interest. The City may remove the tax lien should the provisions of the CFD not be met within five years of formation and the City determines to do so.

6. STRUCTURE OF DEBT ISSUES

- i. Relation of Debt to City Budget – The City shall review and consider its existing capital improvement/facilities plan when issuing debt. Each debt issuance should be evaluated on an individual basis within the context of the City’s overall financing objectives, integration with the City’s capital improvement program, and current market conditions.
- ii. Maturity of Debt – The City shall structure debt to mature in compliance with the provisions of the Internal Revenue Code (or any successor thereto) and ensure that the term of the debt issuance does not exceed the expected useful life of the capital project permitted by the Internal Revenue Service.
- iii. Debt Service Structure – The City shall design the financing schedule and repayment of debt so as to take best advantage of market conditions, provide flexibility, and, as practical, to recapture or achieve its best credit rating for future use. The City will evaluate alternative debt structures (and timing considerations) to ensure the most cost-efficient financing under prevailing market conditions. Annual debt service payments shall generally be amortized on a level basis. An internal analysis will be conducted for each proposed long-term financing which analyzes the impact on current and future budgets for debt service and operations. This analysis will also address the reliability of revenues to support debt service. No new debt will be

undertaken without consulting appropriate external financial advisors and bond counsel. Financial advisors and bond counsel will be selected in a manner consistent with the City's customary practice of hiring professional services.

- iv. Call Provisions – The City may provide for the call and redemption of bonds before their maturity at times and prices and upon any other terms as it specifies, based upon analysis from the underwriters and financial advisors of the economics of callable versus non-callable features.
- v. Credit Enhancement – The City may enter into credit enhancement agreements such as municipal bond insurance, reserve sureties, and letters of credit with commercial banks, municipal bond insurance companies, or other financial entities when such enhancement results in lower borrowing costs, eliminates restrictive covenants, or has a net economic benefit to the debt issuance. The City shall use a competitive process to select providers of such credit enhancements to the extent applicable.

7. SALE OF SECURITIES

The City will determine on a case-by-case basis whether to sell its bonds through a public sale or a private placement.

- i. Public Sale – There are two methods of public sale of debt, competitive and negotiated. Preference shall be given to competitive sales. However, both methods of sale shall be considered for all issuance of debt to the extent allowed by law, as each method has the potential to achieve the lowest financing cost given the right conditions.
 - a. Competitive Sale – When a competitive bidding process is deemed the most advantageous method of sale for the City, award shall be based upon, among other factors, the lowest offered True Interest Cost (“TIC”), as long as the bid adheres to requirements set forth in the official notice of sale.
 - b. Negotiated Sale – The City recognizes that some securities are best sold through negotiation. When a negotiated sale process is deemed the most advantageous method of sale for the City, selection shall be based upon, among other factors, qualifications, experience, pricing ability, and fees.
- ii. Private Placement – From time to time the City may elect to issue debt on a private placement basis. While not used as frequently as negotiated or competitive public sale methods, a private placement sale may be appropriate when the financing can or must be structured for a single or limited number of purchasers. Such method of sale shall be considered if it is demonstrated to result in cost savings or provide other advantages relative to other methods of debt issuance, or if it is determined that access to the public market in unavailable and timing considerations require that a financing be completed.

8. CREDIT RATING AGENCIES

- i. In public issuance of debt, the City shall endeavor to attain the best possible credit rating for each debt issue (with or without credit enhancement).
- ii. In private placement, the City will consider the debt issuance on its overall credit rating.
- iii. The City shall endeavor to maintain effective relations with credit rating agencies.
- iv. The City and its financial advisor shall meet with, make presentations to, or otherwise communicate with the credit rating agencies on a regular basis in order to keep the credit rating agencies informed concerning the City's capital project plans, debt issuance program, debt management activities, and other appropriate financial information.

9. REFUNDING AND RESTRUCTURING OUTSTANDING DEBT

- i. Whenever deemed to be in the best interest of the City, the City may consider refunding or restructuring outstanding debt. The primary considerations for refunding or restructuring outstanding debt shall be financially advantageous or beneficial structuring.
- ii. The financial advantages of refunding outstanding debt shall be based upon a review of a net present value analysis of any proposed refunding in order to make a determination regarding the cost-effectiveness of the proposed refunding.
 - a. Generally, the City may initiate a refunding when three (3.00%) percent net present value or greater savings as a percentage of the refunded aggregate principal amount can be achieved.
 - b. The target net present value savings as a percentage of the refunded aggregate principal amount shall be no less than three (3.00%) percent at the time of sale. This figure should serve only as a guideline; the City must evaluate each refunding opportunity on a case-by-case basis and must take into consideration: time to maturity; size of the issues; current interest rate environment; annual cash flow savings; and the value of the call option. The City Manager or his designee shall have the discretion to designate a lower percentage savings if applicable.

10. INTERNAL CONTROLS

The City shall be vigilant in using bond proceeds in accordance with the stated purposes at the time such debt was incurred.

- i. All debt transactions must be approved by the Council or applicable governing board. The proceeds of bond sales will be invested until used for the intended project(s) in

order to maximize utilization of the public funds. The investments will be made to obtain the highest level of 1) safety, 2) liquidity, and 3) yield, and may be held as cash. The City's investment guidelines and bond indentures will govern objectives and criteria for investment of bond proceeds. The City Manager or designate will oversee the investment of bond proceeds in a manner to avoid, *if possible*, and minimize any potential negative arbitrage over the life of the bond issuance, while complying with arbitrage and tax provisions.

- ii. Bond proceeds will be deposited and recorded in separate accounts to ensure funds are not comingled with other forms of City funds. The City's Trustee or Fiscal Agent will administer the disbursement of bond proceeds pursuant to each certain Indenture of Trust or Fiscal Agent Agreement, respectively. To ensure proceeds from bond sales are used in accordance with legal requirements, invoices submitted need to be approved by the City Manager or designated alternate for payment. Requisition for the disbursement of bond funds will be approved by the City Manager or designated alternate. Responsibility for general ledger reconciliations and records is segregated from the invoice processing, cash receipting, and cash disbursement functions.
- iii. The City Manager or designate will be tasked with monitoring the expenditure of bond proceeds to ensure they are used only for the purpose and authority for which the bonds were issued and exercising best efforts to spend bond proceeds in such a manner that the City will meet one of the spend-down exemptions from arbitrage rebate. Tax-exempt bonds will not be issued unless it can be demonstrated that 85% of the proceeds can reasonably be expected to be expended within the three-year temporary period.

11. SB 1029 COMPLIANCE

Senate Bill 1029 ("SB 1029"), signed by Governor Brown on September 12, 2016, requires issuers to adopt debt policies addressing each of the five items below. The City believes this Policy is in compliance with SB 1029.

- i. *The purposes for which the debt proceeds may be used.*
 - a. Section 4 (Authorization And Types Of Debt Authorized To Be Issued) of this Policy provides information regarding the purposes for which the City may spend debt proceeds.
- ii. *The types of debt that may be issued.*
 - a. Section 4 (Authorization And Types Of Debt Authorized To Be Issued) of this Policy provides information regarding the types of debt the City may issue.
- iii. *The relationship of the debt to, and integration with, the issuer's capital improvement program or budget, if applicable.*

- a. Section 3 (Policy) and Section 5 (Structure of Debt Issues) of this Policy provide information regarding the relationship between the City's debt and Capital Improvement Program.
- iv. *Policy goals related to the issuer's planning goals and objectives.*
 - a. Section 3 (Policy) of this Policy describes the City's planning goals and objectives.
- v. *The internal control procedures that the issuer has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use.*
 - a. Section 9 (Internal Controls) of this Policy provides information regarding the City's internal control procedures designed to ensure that the proceeds of a debt issuance are spent as intended.
 - b.

12. MISCELLANEOUS

- i. The Policy was drafted with the intent of providing Council-approved guiding directives to management and staff for decisions and recommendations related to the financial profile of the City, and is intended to support the City's debt obligations to present and future generations of customers. The Policy is intended to be revisited and updated periodically if there is a material change in the risk exposures or conditions.
- ii. The City acknowledges that the capital marketplace fluctuates, municipal finance products change from time to time, and that issuer and investor supply and demand vary. These fluctuations may produce situations that are not anticipated or covered by this policy. As such, the Council may make exceptions or modifications to this policy to achieve the debt management goals outlined above. Management flexibility is appropriate and necessary in such situations, provided specific authorization is granted by the Council.
- iii. Waiver. The City Council or governing board may waive any provision of the policy if it determines that the waiver is appropriate for a particular issue or in the public interest.

Comprehensive Debt Policy

Adopted on May 9, 2017

Amended on November 30, 2021