

**CITY OF VACAVILLE**  
**DEBT MANAGEMENT AND DISCLOSURE POLICY**



CITY OF VACAVILLE  
FINANCE DEPARTMENT  
650 MERCHANT STREET  
VACAVILLE, CA 95688

*Adopted: April 28, 2020*

## **Debt Management Policy and Disclosure Policy**

### **Adopted:**

April 28, 2020

Resolution No. 2020-049; Resolution of the City Council of the City of Vacaville Approving the Debt Management Policy and Disclosure Policy

### **Amendments:**

**RESOLUTION NO. 2020-049**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF VACAVILLE APPROVING THE DEBT MANAGEMENT POLICY AND DISCLOSURE POLICY**

**WHEREAS**, pursuant to Senate Bill 1029 (“SB 1029”), which was signed by the California Governor on September 12, 2016, California public agencies that issue debt must adopt debt management policies that meet certain criteria; and

**WHEREAS**, the Securities and Exchange Commission (the “SEC”) recommends that issuers of municipal securities adopt policies and procedures to govern compliance and implement training with respect to their initial disclosure and continuing disclosure undertakings; and

**WHEREAS**, in response to SB 1029 and the SEC’s recommendations and in order to adhere to sound financial management practices, the City of Vacaville finds it desirable to adopt and maintain a debt management (the “Debt Policy”) and disclosure policy (the “Disclosure Policy”) in the forms presented at this meeting;

**NOW, THEREFORE, BE IT RESOLVED** as follows:

Section 1. Approval of Policies. The City Council hereby approves and adopts the Debt Policy and the Disclosure Policy as the debt management and disclosure policies for the City and any other local agencies for which the City Council serves as governing board.

Section 4. Effective Date. This resolution shall take effect upon its adoption.


**I HEREBY CERTIFY** that the foregoing resolution was introduced and passed at a regular meeting of the City Council of the City of Vacaville, held on the 28th day of April 2020, by the following vote:

AYES: Council members Harris, Mashburn, Sullivan, Vice Mayor Beaty and Mayor Rowlett

NOES: None

ABSENT: None

ATTEST:

  
Michelle Thornbrugh, City Clerk

## DEBT MANAGEMENT POLICY

This Debt Management Policy (the “Debt Policy”) of the City of Vacaville (the “City”) was approved by the City’s City Council on April 28, 2020. The Debt Policy may be amended by the City Council as it deems appropriate from time to time in the prudent management of the debt of the City. This Debt Policy applies to the City and all subordinate entities of the City for which the City Council serves as the governing board.

### 1. Findings

This Debt Policy is intended to comply with Government Code Section 8855(i), effective on January 1, 2017, and shall govern all debt undertaken by the City.

The City hereby recognizes that a fiscally prudent debt policy is required in order to:

- Maintain the City’s sound financial position.
- Ensure the City has the flexibility to respond to changes in future service priorities, revenue levels, and operating expenses.
- Protect the City’s credit-worthiness.
- Ensure that all debt is structured in order to protect both current and future taxpayers, ratepayers, and constituents of the City.
- Ensure that the City’s debt is consistent with the City’s planning goals and objectives and capital improvement program or budget, as applicable.

### 2. Policies

#### A. Purposes For Which Debt May Be Issued

(i) Long-Term Debt. Long-term debt may be issued to finance the construction, acquisition, and rehabilitation of capital improvements and facilities, equipment, and land to be owned and operated by the City.

(a) Long-term debt financings are appropriate when the following conditions exist:

- When the project to be financed is necessary to provide basic services.
- When the project to be financed will provide benefit to constituents over multiple years.
- When total debt does not constitute an unreasonable burden to the City and its taxpayers and ratepayers.
- When the debt is used to refinance outstanding debt in order to produce debt service savings or to realize the benefits of a debt restructuring.

(b) Long-term debt financings will not generally be considered appropriate for current operating expenses and routine maintenance expenses.

(c) The City may use long-term debt financings subject to the following conditions:

- The project to be financed must be approved by the City Council.
- The weighted average maturity of the debt (or the portion of the debt allocated to the project) will not exceed the average useful life of the project to be financed by more than 20%.
- The City estimates that sufficient revenues will be available to service the debt through its maturity.
- The City determines that the issuance of the debt will comply with the applicable state and federal law.

(ii) Short-term debt. Short-term debt may be issued to provide financing for the City's operational cash flows in order to maintain a steady and even cash flow balance. Short-term debt may also be used to finance short-lived capital projects; for example, the City may undertake lease-purchase financing for equipment.

(iii) Financings on Behalf of Other Entities. The City may also find it beneficial to issue debt on behalf of other governmental agencies or private third parties in order to further the public purposes of City. In such cases, the City shall take reasonable steps to confirm the financial feasibility of the project to be financed and the financial solvency of any borrower and that the issuance of such debt is consistent with the policies set forth herein.

## **B. Types of Debt**

The following types of debt are allowable under this Debt Policy:

- general obligation bonds
- bond or grant anticipation notes
- lease revenue bonds, certificates of participation and lease-purchase transactions
- other revenue bonds and certificates of participation
- tax and revenue anticipation notes
- land-secured financings, such as special tax revenue bonds issued under the Mello-Roos Community Facilities Act of 1982, as amended, and limited obligation bonds issued under applicable assessment statutes
- tax increment financing to the extent permitted under state law
- conduit financings, such as financings for affordable rental housing and qualified 501c3 organizations

The City may, from time to time, find that other forms of debt would be beneficial to further its public purposes and may approve such debt without an amendment of this Debt Policy.

Debt shall be issued as fixed-rate debt unless the City makes a specific determination as to why a variable rate issue would be beneficial to the City in a specific circumstance.

### **C. Relationship of Debt to Capital Improvement Program and Budget**

The City is committed to long-term capital planning. The City intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the City's capital budget and the capital improvement plan.

The City shall strive to fund the upkeep and maintenance of its infrastructure and facilities due to normal wear and tear through the expenditure of available operating revenues. The City shall seek to avoid the use of debt to fund infrastructure and facilities improvements that are the result of normal wear and tear.

The City shall integrate its debt issuances with the goals of its capital improvement program by timing the issuance of debt to ensure that projects are available when needed in furtherance of the City's public purposes.

The City shall seek to avoid the use of debt to fund infrastructure and facilities improvements in circumstances when the sole purpose of such debt financing is to reduce annual budgetary expenditures.

The City shall seek to issue debt in a timely manner to avoid having to make unplanned expenditures for capital improvements or equipment from its general fund.

### **D. Policy Goals Related to Planning Goals and Objectives**

The City is committed to long-term financial planning, maintaining appropriate reserves levels, and employing prudent practices in governance, management, and budget administration. The City intends to issue debt for the purposes stated in this Policy and to implement policy decisions incorporated in the City's annual operations budget.

It is a policy goal of the City to protect taxpayers, ratepayers, and constituents by utilizing conservative financing methods and techniques so as to obtain the highest practical credit ratings (if applicable) and the lowest practical borrowing costs.

The City will comply with applicable state and federal law as it pertains to the maximum term of debt and the procedures for levying and imposing any related taxes, assessments, rates, and charges.

When refinancing debt, it shall be the policy goal of the City to realize, whenever possible, and subject to any overriding non-financial policy considerations, (i) minimum net present value debt service savings equal to or greater than 3.0% of the refunded principal amount, and (ii) present value debt service savings equal to or greater than 100% of any escrow fund negative arbitrage.

### **E. Internal Control Procedures**

When issuing debt, in addition to complying with the terms of this Debt Policy, the City shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds.

The City will periodically review the requirements of and will remain in compliance with the following:

- any continuing disclosure undertakings under SEC Rule 15c2-12,
- any federal tax compliance requirements, including without limitation arbitrage and rebate compliance, related to any prior bond issues, and
- the City's investment policies as they relate to the investment of bond proceeds.

Proceeds of debt will be held either (a) by a third-party trustee, which will disburse such proceeds to the City upon the submission of one or more written requisitions, or (b) by the City, to be held and accounted for in a separate fund or account, the expenditure of which will be carefully documented by the City.

## DISCLOSURE POLICY

This Disclosure Policy (the “Disclosure Policy”) of the City of Vacaville (the “City”) was approved by the City Council on April 28, 2020. The Disclosure Policy may be amended by the City Council as it deems appropriate from time to time in the prudent management of the debt of the City. This Disclosure Policy applies to the City and all subordinate entities of the City for which the City Council serves as the governing board.

### 1. General

This Disclosure Policy is intended to ensure that the City is in compliance with all applicable federal and state securities laws.

The chief financial officer of the City shall be the disclosure coordinator of the City (the “Disclosure Coordinator”).

### 2. Review and Approval of Official Statements

The Disclosure Coordinator of the City shall review any Official Statement prepared in connection with any debt issuance by the City in order to ensure there are no misstatements or omissions of material information in any sections that contain descriptions of information prepared by the City.

In connection with its review of the Official Statement, the Disclosure Coordinator shall consult with third parties, including outside professionals assisting the City, and all members of City staff, to the extent that the Disclosure Coordinator concludes they should be consulted so that the Official Statement will include all “material” information (as defined for purposes of federal securities law).

As part of the review process, the Disclosure Coordinator shall submit all Official Statements to the City Council for approval. The cover letter used by the Disclosure Coordinator to submit the Official Statements shall include the information substantially in Exhibit A.

The approval of an Official Statement by the City Council shall be docketed as a new business matter and shall not be approved as a consent item. The City Council shall undertake such review as deemed necessary by the City Council, following consultation with the Disclosure Coordinator, to fulfill the City Council’s responsibilities under applicable federal and state securities laws. In this regard, the Disclosure Coordinator shall consult with the City’s disclosure counsel to the extent the Disclosure Coordinator considers appropriate.

### 3. Continuing Disclosure Filings

Under the continuing disclosure undertakings that the City has entered into in connection with its debt offerings, the City is required each year to file annual reports with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system in accordance with such undertakings. Such annual reports are required to include certain updated financial and operating information and the City’s audited financial statements.

The City is also required under its continuing disclosure undertakings to file notices of certain events with EMMA.

The Disclosure Coordinator is responsible for establishing a system (which may involve the retention or one or more consultants) by which:



(i) the City will make the annual filings required by its continuing disclosure undertakings on a complete and timely basis, and

(ii) the City will file notices of enumerated events on a timely basis.

#### **4. Public Statements Regarding Financial Information**

Whenever the City makes statements or releases information relating to its finances to the public that is reasonably expected to reach investors and the trading markets, the City is obligated to ensure that such statements and information are complete, true, and accurate in all material respects.

#### **5. Training**

The Disclosure Coordinator shall ensure that the members of the City staff involved in the initial or continuing disclosure process and the City Council are properly trained to understand and perform their responsibilities.

The Disclosure Coordinator shall arrange for disclosure training sessions conducted by the City's disclosure counsel. Such training sessions shall include education on these Disclosure Procedures, the City's disclosure obligations under applicable federal and state securities laws, and the disclosure responsibilities and potential liabilities of members of the City's staff and members of the City Council. Such training sessions may be conducted using a recorded presentation.

**EXHIBIT A**  
**Information for Inclusion in Staff Report**

The attached Preliminary Official Statement has been reviewed and approved for transmittal to the City Council by the City's financing team. The distribution of the Preliminary Official Statement by the City is subject to federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require the Preliminary Official Statement to include all facts that would be material to an investor in the Obligations. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the Obligations. If the City Council concludes that the Preliminary Official Statement includes all facts that would be material to an investor, it must adopt a resolution that authorizes staff to execute a certificate to the effect that the Preliminary Official Statement has been "deemed final."

The Securities and Exchange Commission (the "SEC"), the agency with regulatory authority over the City's compliance with the federal securities laws, has issued guidance as to the duties of the City Council with respect to its approval of the Preliminary Official Statement. In its "Report of Investigation in the Matter of County of Orange, California as it Relates to the Conduct of the Members of the Board of Supervisors" (Release No. 36761 / January 24, 1996), the SEC indicated that, if a member of the City Council has knowledge of any facts or circumstances that an investor would want to know about prior to investing in the Obligations, whether relating to their repayment, tax-exempt status, undisclosed conflicts of interest with interested parties, or otherwise, he or she should endeavor to discover whether such facts are adequately disclosed in the Preliminary Official Statement. Steps that a member of the City Council could take include becoming familiar with the Preliminary Official Statement and questioning staff and consultants about the disclosure of such facts.