

CITY OF WEST SACRAMENTO

ADMINISTRATIVE POLICY

NUMBER: IV-A-2

DATE: September 8, 1993

Revised: February 1, 2006

July 18, 2007

July 15, 2009

**SUBJECT: BUDGET POLICY
2009-10 & 2010-11**

AUTHORITY: City Council

PURPOSE:

Section 2.08.050.G of the Municipal Code provides that the City Manager, as one power and duty, shall prepare and submit a budget to the City Council for its approval. A two year budget with an annual review with adjustments is provided to the City Council.

The purpose of this policy is to provide the policies and procedures necessary to accomplish this duty in a manner consistent with responsible and sound management of public revenues.

POLICY:

There are certain basic tenets for responsible budget management. However, the City Council recognizes that general economic conditions may affect the approach and policy decisions concerning the budget for a limited period of time. Therefore, the Budget Policy will be reviewed and amended, if necessary, prior to the preparation of each two year budget. The Policy will then serve as one of the guides for the preparation of the budget.

GENERAL REVENUE MANAGEMENT

- A. The City will seek to maintain a diversified and stable revenue base to protect it from short-term fluctuations in any one revenue source.
- B. The City will seek to ensure that annual expenditures do not exceed projected annual revenues, avoiding procedures that balance budgets by postponing needed expenditures, accruing future revenues, or rolling over short-term debt. The Council recognizes that exceptional circumstances may require temporary deviation from this approach.
- C. The Community Development Fund operates as an Enterprise Fund. In addition to fees and charges, it relies on the General and Redevelopment Funds for on-going support. These Funds will provide up to 15% of the revenue for the Community Development Fund.

ENTERPRISE FUND FEES AND RATES

- A. The City will set fees and rates at levels that fully cover total direct and indirect costs, replacement of infrastructure, regular maintenance, and debt service, for all Enterprise programs
- B. The City will review and adjust enterprise fees and rates on a regular basis. If the Council determines that it is not appropriate to charge fees and rates that are sufficient to cover the costs noted in Paragraph A of this section, the Council will identify another source of revenue to cover the difference.

CITY MANAGER INNOVATION AND SPECIAL EXPENSE FUND

The City Council wants to encourage innovation, realize opportunities or address problems that were not anticipated in the budget. Therefore, the City Manager Innovation and Special Expense Fund was established. The Fund is budgeted at \$100,000. The City Manager is to administer the money, awarding it to programs or projects within the municipal structure (the money is not to be made available to outside groups or agencies). Generally, employees propose expenditures that could save the City money or improve the delivery of services. The City Manager will evaluate the proposal based on the likelihood of a positive return on the "investment," the availability of matching money from the Department, and the advantage of immediate action.

CAPITAL FINANCING AND DEBT MANAGEMENT

Capital Financing

- A. The City will consider the use of debt financing for capital improvement projects and after due consideration of the following factors:
 - 1. when the project's useful life will exceed the term of the financing; and
 - 2. when project revenues or specific resources will be sufficient to service the long-term debt.
- B. Debt financing will not be considered appropriate for any recurring purpose such as current operating and maintenance expenditures. The issuance of short-term instruments such as revenue, tax, or bond anticipation notes is excluded from this limitation.

- C. Capital improvements, including replacement of infrastructure, will be financed primarily through impact fees when appropriate, user fees, service charges, assessments or special taxes. When benefits can be specifically attributed to users of the facility, a development agreement may be utilized to determine how needed capital improvements will be provided.
- D. The City will use the following criteria to evaluate pay-as-you-go versus long-term financing for capital improvement funding:

Factors that Favor Pay-As-You -Go

1. when current revenues and adequate fund balances are available or when project phasing can be accomplished;
2. when increasing debt levels would adversely affect the City's credit rating;
3. when market conditions are unstable or present difficulties in marketing;

Factors that Favor Long-term Financing

1. when revenues available for debt service are deemed to be sufficient and reliable so that long-term financing can be marketed with investment grade credit ratings;
2. when the project securing the financing is of the type which will support an investment grade credit rating BAA/BB or greater;
3. when market conditions present favorable interest rates for City financing;
4. when a project is mandated by state or federal requirements and current revenues and available fund balances are insufficient;
5. when the project is immediately required to meet or relieve capacity needs;
6. when the life of the project or asset financed is 10 years or longer.

Debt Management (Does Not Apply to Special District Financings)

- A. The City will not obligate the General Fund to secure long-term financing except when marketability can be significantly enhanced.

- B. Direct debt, collateralized by property taxes, will not exceed 5% of assessed valuation.
- C. An internal feasibility analysis will be prepared for each long-term financing activity that 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.
- D. The City will generally conduct financing on a competitive basis. However, negotiated financing may be used when it is advantages to the City such as when the market is volatile or when there is an unusual or complex financing or security structure.
- E. The City will seek an investment grade rating (BAA/BBB or greater) on any direct debt and will consider credit enhancements, such as letters of credit or insurance, when necessary for marketing purposes, availability, and cost-effectiveness.
- F. The City will annually monitor all forms of debt, coincident with the City's yearend audit procedures, and report concerns and remedies, if needed, to the Council.
- G. The City will diligently monitor its compliance with bond covenants and ensure its adherence to federal arbitrage regulations.
- H. The City will maintain good communications with bond rating agencies regarding its financial condition. The City will follow a policy of full disclosure on every financing report and bond prospectus.

RESERVES AND SPECIAL PURPOSE FUNDS

- A. General Reserve Fund. The City will seek to maintain a cash reserve for the General Fund equal to between 10% and 20% of annual revenues. It is the goal of the City to increase the General Reserves to 20% of annual revenues. This will be accomplished incrementally by transferring 10% of any annual fund balance to the General Reserve, after replenishing the General Equipment Replacement Fund in accordance with this policy.
- B. General Equipment Replacement Fund. The City will seek to maintain a cash reserve of \$6.0 million. It is the goal of the City to only use interest earnings to replace equipment for departments in the General, General Support and Community Development Funds. There may be times when more than the interest earnings will be needed to replace equipment.

- C. General Facilities Fund. Funding for the General Facilities Fund comes from surplus general taxes, one-time general revenues and interest earned on the annual operating fund balance after the required contributions are made to the General Reserve, and General Equipment Fund. The reserve may be used for the following purposes only:
1. to provide working capital to finance expenditures from the beginning of the budget year until other revenue sources are collected;
 2. to provide resources to meet requirements in the event of a disaster, such as fire, flood or earthquake;
 3. to cover a pending year-end excess of expenditures over revenues from unavoidable shortfalls in revenues;
 4. to advance funding for capital improvements; and, finally,
 5. to finance general-purpose buildings, improvements and equipment.
- D. General Long-Term Debt Fund. This fund is used to pay for liabilities for such programs as paid employee leave and unemployment insurance. If it is known at the time of budget preparation that an employee will be retiring, the Department will budget for the anticipated leave payoff. If an employee decides to leave after the budget has been prepared, or if the employee is given a severance package or incentivized retirement, consideration for payment will first be given to the respective cost center housing the employee. The Long-Term Debt Fund may be used for these purposes if there is no other funding source. It is intended that the interest earnings be used to fund these programs and that any excess earnings shall be transferred to the General Facilities Fund.
- E. Capital Reserve. This account accumulates savings identified in each capital project. These are savings found after delivery of the capital project and can be generated from unused contingency, remaining budget at the completion of a project, or a revision in scope of the project. When savings are identified, the budget for the capital project will be reduced by the amount of savings, and the established capital reserve will increase by the same amount. These savings will be segregated according to the fund of origin.

Expenditures from capital reserves will be used for capital projects as determined by the City Council. In the first quarter of each calendar year or the City Council will receive a report on capital reserves and recommendations

for use of the capital reserves. Once determined by the City Council, capital reserve funds will be placed into capital project budgets.

FUNDING FOR RETIREE HEALTH BENEFITS

Periodically, the City has an actuarial study completed to determine its funding liability for retiree health benefits. Based on the results of this study, the City annually budgets in each respective fund the liability for retired employees who were paid from that fund.

REVENUE SHORTFALL PLAN

- A. This City's budget is based on realistic projections of revenues. However, year to year, and in the course of a budget year, circumstances can change, resulting in an unanticipated severe shortfall of actual revenues relative to projected revenues. Additionally, unforeseen expenses can push budgets out of balance. Therefore, the City has a plan, including definitions, and policies and procedures, to address financial conditions that could result in a net shortfall of resources as compared to requirements. The plan is divided into the following three components.

Indicators serve as warnings that potential budgetary impacts are increasing in probability. The City will monitor key revenues sources such as sales tax, property tax, building activity, as well as inflation factors and national and state trends. Anticipated grant or other program revenues will also be monitored.

Phases will serve to classify and communicate the severity of the situation, as well as identify the actions to be taken at the given phase. The phases will be based on the anticipated reduction in key revenues for a given fund

Actions are the preplanned steps to be taken in order to prudently address and counteract the anticipated shortfall. Additionally, the City Manager can accelerate any of the programmed actions if early indicators imply a deeper or long-term problem.

- B. The plan and classification of the severity of the economic downturn will be used in conjunction with the City's policy regarding the importance of maintaining reserves to address economic uncertainties. If any condition reduces the City's key revenues and/or reserves, corrective action will be taken in proportion to the condition present.

- C. The Guiding Principles in the December 2008 Financial Downturn Plan will frame implementation of the actions. Maintaining the safety of the community and basic service levels will be two of the highest priorities and are specified in the Guiding Principles.

Following is a summary of the phase classifications and the corresponding actions to be taken:

EXPENDITURE DEFERRAL PHASE: This phase occurs when the city learns of recessionary economic forecasts, declines in revenue collections, unanticipated costs, or federal or state actions that could adversely affect the city's budget.

ACTION:

1. Implement administrative controls on budgeted positions and authorized expenditures until such time as the potential negative impact on revenues can be assessed.

ALERT PHASE: This phase occurs when there is an anticipated reduction in any key revenue for a fund that results in a decrease 1% to 5% in total revenue for that fund,

ACTION:

1. Each department will be responsible for monitoring its individual budgets to ensure only essential expenditures are made. Departments will delay expenditures where reasonably possible, while maintaining the same level of service.
2. Inform employees and labor representatives of the situation.
3. Consider a hiring "chill" and implement if deemed appropriate.
4. Discuss situation with the City Council.

CAUTION PHASE: This phase occurs when there is an actual or anticipated reduction in any key revenue for a fund that results in a decrease of 5% to 10% in total revenue for that fund.

ACTION:

1. Intensify the review process for large items, such as contract services, consulting services, and capital expenditures, including capital improvements and defer where possible.

2. Reduce CIP appropriations from the affected fund, if possible.
3. Implement a hiring “chill” wherein no position is recruited for or filled without review by the Director of Human Resources and Labor Relations and approval of the City Manager.
4. Closely monitor and reduce expenditures for travel, seminars, retreats, and pay for performance.
5. Consider ways and means to reduce personnel expenditures to include, but not be limited to, incentivized retirements, reduced work schedules, extra time off without pay, benefit reductions, and wage freezes. The City will ensure the appropriate meet and confer processes with the organized labor groups takes place.
6. Discuss and review actions with City Council.

CRISIS PHASE: This phase is when there is an actual or anticipated reduction in any key revenue for a fund that results in a decrease of more than 10% in total revenue for that fund.

ACTION:

1. Institute a hiring freeze.
 2. Reduce the temporary work force.
 3. Defer merit wage increases for unrepresented employees and discuss other possible wage and benefit discussions with them.
 4. Discuss possible wage and benefit concessions with organized labor groups.
 5. Further reduce capital expenditures.
 6. Prepare and implement a strategy for reduction in force.
 7. Eliminate non-vital programs;
 8. Discuss and review actions with City Council.
- C. If an economic uncertainty is expected to last for more than one year, the cumulative effect of the projected reduction in key revenues will be used to determine the appropriate phase and corresponding actions.

- D. Municipal Code Section 2.008.050 (c) allows the City Manager to grant severance packages in an amount authorized by the City Council. The maximum authority granted to the City Manager by the City Council is the dollar equivalent of six months salary and benefits.

RECOVERY

As the economic situation improves, prior to salary increases, consideration will first be given to modifying provisions for extra time off without pay and unfreezing merit increases. The City will seek to implement these actions in a manner that prioritizes public safety and basic services. Such changes are subject to the meet and confer process with the organized labor groups.

PROCEDURE:

DIRECTIVE

Two-Year Budgets

The City will use a two-year financial planning cycle and adopt a two-year budget. In March, following adoption of the two-year budget in the previous year, the City Manager will report to the Council revenues, expenditures and any plans to adjust the second year of the budget. If revenues are significantly less than estimated, the Revenue Shortfall policy will govern action. If at the end of the first year of the budget, revenues meet or exceed projections (by fund) and expenditures are less than authorization, department heads may request, and the City Manager may approve, any unused appropriation for roll-over to the following year. As a general rule, unused appropriations for fiscal year 2009-10 will not be rolled over unless there are extenuating circumstances that warrant such roll-over. All roll-over requests will be reviewed by the Director of Finance with final approval by the City Manager.

Transfers

It is recognized that the budget is a living document which, to be useful, must be amended from time to time to meet changing circumstances. Accordingly, budget adjustments are provided for either as appropriation transfers or as supplemental appropriations. Approval shall come only after review and recommendation by the Director of Finance. Any budget adjustment shall be consistent with the following guidelines:

- A. Transfers shall be made no less than three times during the fiscal year from completed budget transfer forms on file:
- November 30
 - February 28
 - April 28

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- B. The Director of Finance may set a minimum level for transfers.
- C. Transfers between different funds shall be approved by the City Council.
- D. Transfers between budget units in the same fund shall be approved by the City Manager.
- E. Transfers from capital object codes or substitution of approved capital items for other capital items shall be approved by the City Manager.
- F. Transfers to or from Personnel Services shall be approved by the City Manager.
- G. Transfers of operation and maintenance expense accounts in the same department shall be approved by the Director of Finance.
- H. Any use of the City Manager's Innovation and Special Expense Fund contingency shall be approved by the City Manager.
- I. Any use of reserve funds other than the City Manager's Innovation and Special Expense Fund shall be approved by the City Council.
- J. Carryover of appropriations from prior year shall be reviewed by the Director of Finance with final approval given by the City Manager.

ATTACHMENT
Budget Adjustment Form

CITY OF WEST SACRAMENTO Budget Adjustment Form

- APPROPRIATION TRANSFER (including use of Manager's Contingency)**
An Appropriation Transfer is the movement of an already approved appropriation (authority to spend) from one budget unit to another.

- SUPPLEMENTAL APPROPRIATION**
A Supplemental Appropriation provides additional spending authority, beyond that which has already been approved.

A. ACCOUNTS IMPACTED:

If Appropriation Transfer, from Budget Unit (_____): _____
Name Fund/SF/Dept./Activity

<u>Object Number</u>	<u>Description of Item</u>	<u>Amount</u>
		\$

If Supplemental Appropriation, from New Revenue/Reserve:

<u>Fund</u>	<u>Description of Source</u>	<u>Amount</u>
		\$

To Budget Unit (_____): _____
Name Fund/SF/Dept./Activity

<u>Object Number</u>	<u>Description of Item</u>	<u>Amount</u>
		\$

B. REASON FOR APPROPRIATION TRANSFER/SUPPLEMENTAL APPROPRIATION:

C. REVIEW BY FINANCE DIRECTOR:

RECOMMENDED NOT RECOMMENDED

Signature Date

D. APPROVALS:

Signature Date Department Head

Signature Date City Manager

Agenda Date City Council (required for all Supplemental Appropriations and Transfers between Funds)

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CITY OF WEST SACRAMENTO

ADMINISTRATIVE POLICY

NUMBER: IV-F-1

DATE: December 13, 1995

Revised: February 1, 2004

**SUBJECT: USE OF MELLO-ROOS
COMMUNITY FACILITIES DISTRICTS**

AUTHORITY: City Manager

PURPOSE: The following polices and procedures for the use of Mello-Roos Community Facilities Districts (CFDs) are established under provisions of Government Code 53312.7. These policies and procedures outline the allowable uses for, and the City requirements in establishing and using a Mello-Roos CFD for any publicly owned facility or the provision of allowable services. For purposes hereof, the committee appointed by the City Council, appointed to review proposed Mello-Roos financing, is referred to as the "Mello-Roos Committee."

POLICY: I. Priority Of Facilities To Be Financed

The Mello-Roos Community Facilities Act (herein, the "Act") may be used for the purchase, construction, expansion, rehabilitation or acquisition of public improvements, or the provision of public services subject to the provisions of this document and any subsequent amendments. It is the City's intent to use Mello-Roos CFDs to provide for the financing of City-owned and operated infrastructure and services. Priority in using Mello-Roos CFD funding shall be given to the funding of capital projects that are regional in nature and have the broadest possible benefit to the land uses included in the CFD. Projects of a regional nature may include facilities to be owned and operated by other public agencies.

II. Credit Quality To Be Required Of Bond Issues

1. *Debt Service.* Except for commercial or industrial property financings with no residential components, debt service shall be substantially level throughout the life of the bond issue. Phased bond issuance shall not result in increased debt service to existing residential homeowners. Unless determined to be specifically required, debt service shall not exceed twenty-five (25) years from the date of bond issuance.

2. *Bond Redemptions.* Maximum redemption premiums shall not exceed three percent (3%). No call provisions shall exceed ten (10) years and no provision shall be made to restrict the ability of the City to refund any bond issue. Provision shall be

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Use of Mello-Roos
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made to allow redemption of bonds at par (without premium) with surplus construction funds. Provision shall be made to allow the City to purchase bonds on the open market at par plus accrued interest, in lieu of redemption of bonds.

3. *Reserve Funds.* A reserve fund shall be required (unless specifically exempted for cause) for every land-secured financing. The reserve fund will be sized by the City with the advice of the financing team, and, for tax-exempt financings, will not exceed maximums prescribed by applicable federal tax law. Reserve fund earnings beyond maximum reserve fund size should be used to credit debt service and may be used to pay applicable rebate obligations under federal tax law.
4. *Capitalized Interest.* The City, with the advice of the financing team, will determine, on a case-by-case basis, the amount of capitalized interest for a particular financing. The amount of such interest will be determined based on factors such as the length of the construction period, the earliest date upon which tax roll collection may commence and the amount such interest will add to the total amount of the financing, taking into account the restrictions on value to lien expressed herein and the ability of the owner(s) to defray the debt service.
5. *Foreclosure Covenants.* Every land-secured financing bond issuance document shall provide for the judicial foreclosure of delinquent payments of assessments or special taxes. Such covenants may vary with the particular financings, but shall at the minimum provide for the institution of foreclosure not more than 150 days from April 10 of a calendar year and shall authorize the City Attorney or delegate thereof to commence foreclosure without further Council action upon notification of a delinquency. Provision may be made to allow deferral of foreclosure in the event the City advances funds to the reserve fund to maintain any specific reserve requirement.
6. *Discounts.* In competitive bond sales, the amount of discount shall be determined by the City with the advice of its financial advisor. In negotiated sales, it shall be the burden on the underwriter to justify its discount as competitive and such justification must take into account any other compensation being paid to the underwriter. Original issue discount will be allowed only if the City determines that it results in a lower true interest cost and will not adversely affect the ability to construct the public improvements.

III. Information To Property Owners

1. *Prospective Purchasers.* The Director of Finance shall be responsible for providing notice of special tax to prospective

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Use of Mello-Roos
(continued)

property owners pursuant to Section 53340.2 of the Act and, upon request of a subdivider, or its agent or representative, information in order for such subdivider, agent or representative to comply with Section 53341.5 of the Act.

2. *Existing Lenders.* The City may require the consent of the existing deed of trust holders in any District to be formed by landowner (rather than registered voter) approval.

IV. Criteria For Evaluating The Equity Of The Special Tax Formula

With regard to CFDs, the proposed rate and method of apportionment shall comply with the following criteria:

1. The rate and method of apportionment generally shall not provide for an annual increase in the maximum special tax for any classification. However, under limited circumstances an increase in the maximum special tax will be permitted, not to exceed two percent (2%) annually. As a general rule, escalation of the maximum annual special tax will be allowed when bonds are to be sold in several series over an extended period of time.
2. The total projected annual special tax revenues, less estimated annual administrative expenses, must exceed the projected annual gross debt service on the bonds by ten percent (10%). In structuring the special tax, projected annual interest earnings at current passbook savings rates on bond reserve funds may also be included as revenue for the purpose of this calculation. Reserve fund interest earnings credit in excess of the foregoing will only be permitted if an investment agreement, satisfactory to the City, is secured at the time any bonds are sold and delivered.
3. The projected annual tax revenues shall include reasonable annual administrative expenses and other direct costs to the CFD.
4. All property not otherwise statutorily exempted or owned (or to be owned) by a public entity and to be benefited shall bear its appropriate share of the special tax liability.
5. The special tax shall be allocated and apportioned on the basis of reasonableness to all categories and classes of property receiving general or specific benefit within the CFD.
6. A formula to prepay the special tax shall be considered.
7. The projected *ad valorem* property tax and other direct and overlapping debt for the proposed CFD (including estimated

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Use of Mello-Roos
(continued)

CFD charges, projected benefit assessments, levies for authorized, but unissued debt, and any other anticipated municipal charges which may be included on a property owner's annual tax bill), including the proposed maximum special tax, should not exceed two percent (2%) of the anticipated assessed value of each improved parcel upon completion of the public and private improvements. Any deviations from the foregoing will not be permitted unless specifically recommended by the Mello-Roos Committee and approved by the City Council.

8. The special tax formula shall be structured to produce sufficient annual special tax revenue to pay annual debt service, administrative expenses, and "pay as you go" programs funded by the CFD special tax. To the extent a special tax is to be levied to pay for services, it should be separate from the special tax to pay for facilities.
 - a. The special tax formula shall be such that once the total special tax need is known, and the status of all properties within the financing district relative to that formula are known, the special tax on each parcel is determined purely by the application of the formula without the exercise of discretion on the part of any person.

V. Criteria For The Sale Of Bonds

In order to ensure the long-term security of any bonds sold as the result of the formation of a Mello-Roos CFD, the following policies shall be followed:

1. The ratio of the appraised value of the land to the value of the proposed bond issue, and any other overlapping debt, shall not be lower than 3-to-1 unless authorized by the City Council with specific finding of need.
2. Market absorption studies may be required at the City's discretion to determine if the financing of the infrastructure and public facilities is appropriate given the projected level and pace of development. The study may also be required by the appraiser for use in the appraisal process. The City will employ any market-absorption consultant.
3. All terms and conditions for the sale of bonds shall be established by the City.

VI. Appraisal Requirements

1. *Value of Land.* There must be evidence that the bulk value of the land that will secure the bond issue is at least three times the amount of bonds to be sold and any overlapping special assessment and/or community facilities bonded debt on the property as of the anticipated date of sale of the bonds under the Application. The evidence may consist of:
 - a. Full cash value as shown on the most current *ad valorem* assessment roll for the property; or
 - b. An appraisal performed by an appraiser retained by the City and consistent with the Bulk Land Value criteria described in Attachment A hereto.
2. *Absorption Study.* An absorption study may also be required by the City.

VII. Mello-Roos CFD Formation Procedures

1. Petitions to the City Council shall be prepared by bond counsel. No petition to initiate the formation of a land-secured financing will be considered valid without the payment of a fee to compensate the City for all costs incurred to perform its analysis of the proposal and to pay for the costs of conducting the proceedings.

The property owners requesting preparation of a petition shall designate a spokesperson for the property owners.

The City shall retain the provision of professional and specialized services of bond counsel, financial advisor, assessment engineer or special tax consultant, appraiser, economist/ absorption specialists, etc.)

Property owner's spokesperson shall be responsible for the following:

- a. Advising all property owners to contact him or her for answers to their questions concerning CFD matters.
- b. Contacting appropriate City representatives to obtain answers to such questions as he or she is unable to answer. The appropriate City representatives are the members of the Mello-Roos Committee and City consultants as specified by the Committee.

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(continued)

- c. Informing property owners that any estimated cost figures supplied to them prior to the estimate contained in the engineer's report, as preliminarily approved by the City Council, must not be relied upon as necessarily precise.
2. It is the policy of the City that owners of properties improved through CFD proceedings pay all City and associated costs of such proceedings and other costs incurred in advance of any bonds being sold. Therefore, on all developer-initiated applications, if actual City costs exceed the amounts estimated below, the developer will be required to advance additional money to pay all costs incurred or to be incurred. Any failure to do so within ten (10) days of demand by the City will be grounds for termination of all activities by the City and by the consultants retained for the purpose of the financing.

When bonds are sold, bond proceeds may be used to reimburse those advancing such funds for these expenditures. The form of reimbursement agreement will be prepared by the City or bond counsel.

If bonds are not sold, any balance remaining in this trust account and not encumbered shall be returned to those advancing such funds.

VIII. Continuing Disclosure

By being allowed to participate for a Mello-Roos proceeding, each owner of land therein must be willing to provide information deemed by the City and its financing team to be needed in order for the City and the underwriter to comply with applicable Federal and State securities laws, including continuing disclosure requirements imposed by SEC. Rule 15c2-12.

ATTACHMENT "A"

CRITERIA FOR APPRAISALS

A. *Definition of Appraisal:* An appraisal is a written statement independently and impartially prepared by a qualified appraiser setting forth an opinion of defined value of an adequately described property as of a specific date, supported by the presentation and analysis of relevant market information.

B. *Standards of Appraisal:* The format and level of documentation for an appraisal depend on the complexity of the appraisal problem. A detailed appraisal shall be prepared for complex appraisal problems. A detailed appraisal shall reflect nationally recognized appraisal standards, including, to the extent appropriate, the Uniform Appraisal Standards for Federal Land Acquisition. An appraisal must contain sufficient documentation, including valuation data and the appraiser's analysis of the data, to support his or her opinion of value. At a minimum, the appraisal shall contain the following items.

1. The purpose and/or the function of the appraisal, a definition of the estate being appraised, and a statement of the assumptions and limiting conditions affecting the appraisal.
2. An adequate description of the physical characteristics of the property being appraised, location, zoning, present use, an analysis of highest and best use.
3. All relevant and reliable approaches to value consistent with commonly accepted professional appraisal practices. If a discounted cash flow analysis is used, it should be supported with at least one other valuation method, such as a market approach using sales that are at the same stage of land development. If more than one approach is utilized, there shall be an analysis and reconciliation of approaches to value that are sufficient to support the appraiser's opinion of value.
4. A description of comparable sales, including a description of all relevant physical, legal and economic factors, such as parties to the transaction, source and method of financing, and verification by a party involved in the transaction.
5. A statement of the value of the real property.
6. The effective date of valuation, date of appraisal, signature and certification of the appraiser.

C. *Conflict of Interest:* No appraiser or review appraiser shall have any interest direct or indirect in the real property being appraised for the city that would in any way conflict with the preparation or review of the appraisal. Compensation for making an appraisal shall not be based on the amount of valuation.

D. *Community Facilities District Appraisal Premises.* The valuation of proposed CFDs should be based on the following three premises:

1. Raw Land Value (Premise #1). The total land within the project is valued “as is,”
 - (a) With any existing infrastructure
 - (b) Without proposed infrastructure being financed
 - (c) With existing parcel configuration
 - (d) Considering planned densities allowed by the specific plan of the project

This is a typical type of land valuation.

2. Project Buildout Value (Premise #2). The total land within the project is valued under projected conditions.
 - (a) With all proposed infrastructure being financed completed. Evidence must be provided that all financing is in place prior to any bonds sold.
 - (b) At the planned densities allowed by the specific plan.
 - (c) Land development is at the stage of being marketed to merchant builders or tentative tract maps ready to be filed.

This is a projected value based on project plan predicated on market conditions continuing as projected and discounted to today’s market values.

3. Bulk Land Value (Premise #3). The total land within the project is valued under projected conditions.
 - (a) With proposed infrastructure being financed completed.
 - (b) With existing parcel configuration.
 - (c) Considering planned densities allowed by the specific plan of the project.

This premise should consider a discounted or “quick sale” valuation considering time, costs and the possibility of a per unit value based on the total size of the project.

RESOLUTION 16-29

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WEST SACRAMENTO
ADOPTING POST-ISSUANCE TAX COMPLIANCE PROCEDURES

WHEREAS, the City of West Sacramento (the "City"), relies on the issuance of tax-exempt and tax-advantaged bonds to obtain lower-cost financing for capital projects; and

WHEREAS, Internal Revenue Service (IRS) regulations require ongoing compliance after tax-advantaged bonds are sold into the municipal bond market; and

WHEREAS, the City desires to maintain full compliance with such regulations to ensure continued access to capital markets, protect the tax-exemption for investors on bonds outstanding;

NOW, THEREFORE BE IT RESOLVED by the City Council of the City of West Sacramento as follows:

Section 1. The City Council hereby finds and determines that the matters set forth in the preambles to this Resolution are true and correct.

Section 2. The City Council hereby adopts the Post-Issuance Tax Compliance Procedures attached hereto.

Section 3. The Mayor, City Manager, Deputy City Manager, City Clerk, City Attorney and other appropriate officers and agents of the City are hereby authorized and directed to take such action, expend such funds and execute such documents, certificates and instruments as may be necessary or desirable to carry out and comply with the intent of this Resolution and the provisions of the Post-Issuance Tax Compliance Procedures.

Section 4. This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED this 20th day of April 2016, by the following vote:

AYES: Johannessen, Kristoff, Ledesma, Sandeen, Cabaldon.

NOES: None.

ABSENT: None.

ABSTAIN: None.




Christopher L. Cabaldon, Mayor

ATTEST:



Kryss Rankin, City Clerk

I hereby certify that, if bearing the seal of the City of West Sacramento (or Redevelopment Agency), this document is a full, true and correct copy of the original on file in this office.
ATTEST: 

City Clerk

**CITY OF WEST SACRAMENTO
POST-ISSUANCE COMPLIANCE PROCEDURES
FOR TAX-EXEMPT AND TAX-ADVANTAGED BONDS**

April 20, 2016

The purpose of these Post-Issuance Compliance Procedures is to establish policies and procedures in connection with tax-exempt bonds and other tax-advantaged bonds, such as Build America Bonds or tax credit bonds (“Bonds”), issued or which may hereafter be issued by the City of West Sacramento and the West Sacramento Financing Authority (together, the “City”) so as to ensure that (1) the City complies with all applicable post-issuance requirements of federal income tax law needed to preserve the tax-exempt or tax-advantaged bond status of the Bonds, and (2) the City complies with its continuing disclosure undertakings.

General

Ultimate responsibility for all matters relating to City financings and refinancings rests with the City’s Public Finance Manager (the “PFM”).

Post-Issuance Tax Compliance Requirements

External Advisors / Documentation - The PFM and other appropriate City personnel shall consult with bond counsel and other legal counsel and advisors, as needed, throughout the Bond issuance process to identify requirements and to establish procedures necessary or appropriate so that the Bonds will continue to qualify for the appropriate tax status. Those requirements and procedures shall be documented in a City resolution(s), Tax Certificate(s) and/or other documents finalized at or before issuance of the Bonds. Those requirements and procedures shall include future compliance with applicable arbitrage rebate requirements, restrictions on the use of bond proceeds and bond financed facilities, and all other applicable post-issuance requirements of federal tax law throughout (and in some cases beyond) the term of the Bonds.

The PFM and other appropriate City personnel also shall consult with bond counsel and other legal counsel and advisors, as needed, following issuance of the Bonds to ensure that all applicable post-issuance requirements in fact are met. This shall include, without limitation, consultation in connection with future contracts with respect to the use of Bond-financed assets and future contracts with respect to the use of output or throughput of Bond-financed assets.

Whenever necessary or appropriate, the City shall engage expert advisors (each a “Rebate Service Provider”) to assist in the calculation of arbitrage rebate payable in respect of the investment of Bond proceeds.

Role of the City as Bond Issuer - Unless otherwise provided by City resolutions, unexpended Bond proceeds shall be held by the City and the investment of Bond proceeds shall be managed by the PFM. The PFM shall maintain records and shall prepare regular, periodic statements to the City regarding the investments and transactions involving Bond proceeds.

If a City resolution provides for Bond proceeds to be administered by a trustee, the trustee shall provide regular, periodic (monthly) statements regarding the investments and transactions involving Bond proceeds.

Arbitrage Rebate and Yield - Unless a Tax Certificate documents that bond counsel has advised that arbitrage rebate will not be applicable to an issue of Bonds:

- the City shall engage the services of a Rebate Service Provider, and the City or the Bond trustee shall deliver periodic statements concerning the investment of Bond proceeds to the Rebate Service Provider on a prompt basis;
- upon request, the PFM and other appropriate City personnel shall provide to the Rebate Service Provider additional documents and information reasonably requested by the Rebate Service Provider;
- the PFM and other appropriate City personnel shall monitor efforts of the Rebate Service Provider and assure payment of required rebate amounts, if any, no later than 60 days after each 5-year anniversary of the issue date of the Bonds, and no later than 60 days after the last Bond of each issue is retired; and
- during the construction period of each capital project financed in whole or in part by Bonds, the PFM and other appropriate City personnel shall monitor the investment and expenditure of Bond proceeds and shall consult with the Rebate Service Provider to determine compliance with any applicable exceptions from the arbitrage rebate requirements during each 6-month spending period up to 6 months, 18 months or 24 months, as applicable, following the issue date of the Bonds.

The City shall retain copies of all arbitrage reports and trustee statements as described below under "Record Keeping Requirements."

Use of Bond Proceeds - The PFM and other appropriate City personnel shall:

- monitor the use of Bond proceeds, the use of Bond-financed assets (e.g., facilities, furnishings or equipment) and the use of output or throughput of Bond-financed assets throughout the term of the Bonds (and in some cases beyond the term of the Bonds) to ensure compliance with covenants and restrictions set forth in applicable City resolutions and Tax Certificates;
- maintain records identifying the assets or portion of assets that are financed or refinanced with proceeds of each issue of Bonds;
- consult with Bond Counsel and other professional expert advisers in the review of any contracts or arrangements involving use of Bond-financed facilities to ensure compliance with all covenants and restrictions set forth in applicable City resolutions and Tax Certificates;
- maintain records for any contracts or arrangements involving the use of Bond-financed facilities as might be necessary or appropriate to document compliance with all covenants and restrictions set forth in applicable City resolutions and Tax Certificates;

- meet at least annually with personnel responsible for Bond-financed assets to identify and discuss any existing or planned use of Bond-financed, assets or output or throughput of Bond-financed assets, to ensure that those uses are consistent with all covenants and restrictions set forth in applicable City resolutions and Tax Certificates.

All relevant records and contracts shall be maintained as described below.

Record Keeping Requirements - Unless otherwise specified in applicable City resolutions or Tax Certificates, the City shall maintain the following documents for the term of each issue of Bonds (including refunding Bonds, if any) plus at least three years:

- a copy of the Bond closing transcript(s) and other relevant documentation delivered to the City at or in connection with closing of the issue of Bonds;
- a copy of all material documents relating to capital expenditures financed or refinanced by Bond proceeds, including (without limitation) construction contracts, purchase orders, invoices, trustee requisitions and payment records, as well as documents relating to costs reimbursed with Bond proceeds and records identifying the assets or portion of assets that are financed or refinanced with Bond proceeds;
- a copy of all contracts and arrangements involving private use of Bond-financed assets or for the private use of output or throughput of Bond-financed assets; and
- copies of all records of investments, investment agreements, arbitrage reports and underlying documents, including trustee statements.

Continuing Disclosure Compliance

The City of West Sacramento (the “City”), the West Sacramento Financing Authority (the “Authority”) and the Successor Agency to the West Sacramento Redevelopment Agency (the “Agency,” and collectively with the City and the Authority, the “Obligors”) are issuers in the public debt markets, and have undertaken and will undertake in the future to enter into agreements to provide annual reports and certain material event notices pursuant to continuing disclosure agreements and/or certificates executed at the time of each issuance of securities (each, a “CDA”) pursuant to Securities Exchange Commission Rule 15c2-12 (the “Rule”). A list of the currently effective CDAs is attached as Exhibit A. These Policies and Procedures are intended to provide a framework for consistent and accurate compliance by the Obligors with the CDAs.

Compliance Officer - The Obligors hereby designate the Public Finance Manager of the City (the “PFM”) as the officer responsible for compliance with continuing disclosure obligations under the CDAs. The PFM may from time to time delegate tasks and specific responsibilities under these Policies and Procedures to other staff members; however, the PFM shall remain responsible to ensure that all such delegated tasks and responsibilities are completed and fulfilled and the PFM shall monitor compliance by any such delegates. The PFM may convene a group of appropriate officials within the City, which may include the City Manager, Director of Administrative Services, City Attorney, Director of Public Works, Risk Manager and others to form an ad hoc disclosure compliance group to the extent that the PFM determines that input is needed from such officials to complete required disclosures under the CDAs. The PFM shall maintain minutes of any such meetings and be responsible to confirm that

group decisions and follow up tasks are implemented. The PFM may seek advice from legal counsel regarding issues that may arise in compliance with the requirements of a CDA, and shall consult with the City Attorney concerning retention of such counsel as needed.

CDAs - The PFM shall maintain a file containing all CDAs entered into by each Obligor and including copies of all Annual Reports, Material Event Notices and Voluntary Disclosure filings, if any. The PFM shall be responsible for understanding the requirements of each CDA and for reviewing any new CDA proposed to be entered into by any Obligor for appropriateness and consistency with prior CDAs Third Party Provider(s).

The Obligors shall retain the services of one or more third party providers to assist in the preparation and timely filing of annual reports and required notices under the CDAs. Currently, Willdan Financial Services has been retained for such purpose.

The PFM shall from time to time review the services of any third party provider and may determine to change firms and/or add a firm to provide such services. The third party provider(s) shall provide at least the following services:

- Maintain a tickler system to provide advance notice to the PFM of upcoming filing requirements.
- Monitor Bloomberg or a similar service for any rating changes or other events which may trigger the requirement for filing a material event notice, and so inform the Finance Director.
- Provide drafts of annual reports for review to the PFM no later than thirty days prior to the due date for filing and of any Material Event Notices no later than five days prior to the due date for filing.
- Upon review and approval by the PFM, complete the filing of such reports and notices on EMMA or any other required filing platform in compliance with the requirements of the Rule.
- In the event a required filing is late or otherwise not filed, file an appropriate Notice of Failure to File as required by the Rule.
- Provide an annual compliance report to the PFM showing all filings made for each fiscal year, no later than 300 days after the close of each fiscal year.
- Assist in setting up "tickler" systems with each trustee for the Obligors and with the EMMA system to notify the PFM of filing requirements

Calendar and Compliance Checks - The PFM shall ensure that each continuing disclosure filing deadline is appropriately calendared in the City's common calendaring system (currently, Outlook) and shall coordinate with the trustees' and the third party provider(s)' tickler systems so that there are to better ensure filings are not missed or late. The PFM shall independently check (by logging on to EMMA or other compliance platform, as appropriate) to ensure that required filings were actually made.

Training - The PFM shall work with legal counsel and the third party provider(s) to obtain appropriate training as necessary to keep up to date on continuing disclosure compliance requirements and practices. The PFM shall seek opportunities to participate in outside training sessions, webinars or other continuing education opportunities for such purpose, consistent with the City's budgetary constraints.

Interpretation; Amendments to Policies and Procedures - These Policies and Procedures are meant to provide guidance to the PFM in assuring compliance with the CDAs and the Rule. The PFM shall interpret these Policies and Procedures from time to time as required to achieve such compliance. These Policies and Procedures may be amended or supplemented from time to time as required to comply with changes in law or best practices for continuing disclosure compliance. The PFM may consult with the City Attorney, outside legal counsel, underwriters, financial advisors, third party providers and others concerning any such modifications and any such modifications shall be submitted to the governing boards of the Obligors for approval.

These Policies and Procedures shall be reviewed periodically (not less than once every 5 years) and updated as necessary or appropriate.