

RESOLUTION 2017-059

ADOPTING CITY OF TRACY
DISCLOSURE POLICY AND PROCEDURES RELATING TO
MUNICIPAL BOND TRANSACTIONS

WHEREAS, The Securities and Exchange Commission (the "SEC") recommends that issuers of municipal bonds 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 the SEC's recommendations and in order to better monitor compliance with its disclosure undertakings, the City of Tracy finds it desirable to adopt and maintain disclosure policies and procedures; and

WHEREAS, There has been presented to this meeting a proposed form of disclosure policies and procedures (the "Procedures");

NOW, THEREFORE, BE IT RESOLVED:

Section 1. The City Council of the City of Tracy hereby approves and adopts the Disclosure Policy and Procedures, included as Attachment A, presented at the meeting at which this resolution is adopted,

Section 2. This resolution shall take effect from and after the date of its passage and adoption.

The foregoing Resolution No. 2017-059 was adopted by the City Council of the City of Tracy, on the 21st day of March, 2017, by the following vote:


AYES: COUNCIL MEMBERS: DEMENT, RANSOM, YOUNG, VARGAS, RICKMAN

NOES: COUNCIL MEMBERS: NONE

ABSTAIN: COUNCIL MEMBERS: NONE

ABSENT: COUNCIL MEMBERS: NONE


MAYOR

ATTEST:

CITY CLERK

ATTACHMENT A

City of Tracy Council Policy A-7

Disclosure Policy and Procedures

Effective:

Article I

General

Section 1.01 Purpose. These Disclosure Policies and Procedures (the “**Disclosure Procedures**”) of the City of Tracy (as further defined below, the “**City**”) are intended to ensure that the City’s Disclosure Documents (the “**Disclosure Documents**”), as listed on Exhibit A to these Disclosure Procedures are accurate and comply with all applicable federal and state securities laws.

Section 1.02 Definition of City. For purposes of these Disclosure Procedures, the “City” shall mean the City of Tracy and those independent agencies, joint power authorities, special districts, component units, or other entities created by the City Council or by State law for which the City Council serves as the governing or legislative body, or for which at least one City officer serves as a member of the governing or legislative body in his or her official capacity and the City has agreed to provide initial or continuing disclosure in connection with the issuance of securities.

Article II

Key Participants and Responsibilities

Section 2.01. Disclosure Working Group.

(A) *Composition*. By adoption of these Disclosure Procedures, the City hereby establishes a disclosure working group (the “**Disclosure Working Group**”). The members of the Disclosure Working Group shall be the following:

- i. City Manager;
- ii. Finance Director;
- iii. City Attorney; and
- iv. City Treasurer.

(B) *Responsibilities*. The Disclosure Working Group shall consult with the Financing Group (as defined in Section 2.04) or other interested parties as the Finance Director or any other member of the Disclosure Working Group determines is advisable related to disclosure issues and practices. The Disclosure Working Group shall meet as often as necessary to fulfill its obligations, but not less than once per calendar year. Members of the Disclosure Working Group may participate in meetings by telephone.

The Disclosure Working Group is an internal working group of City staff and not a decision-making or advisory body subject to the provisions of the Ralph M. Brown Act (Government Code Section 54950 et seq.).

The Disclosure Working Group is responsible for:

- i. Reviewing and approving all preliminary and final official statements, private placement memoranda and remarketing memoranda relating to the City's securities, together with any supplements, for which a continuing disclosure undertaking is required (each, an "**Official Statement**") as further described in Article III, before such documents are released;
- ii. Reviewing and approving the City's Financial Statements (as defined and further described in section 4.02 below);
- iii. Reviewing and approving any other Disclosure Documents before such documents are released;
- iv. Reviewing annually the City's status and compliance with continuing disclosure undertakings including filings of Disclosure Documents and compliance with these Disclosure Procedures and the annual report as described in Article IV below;
- v. Reviewing any other items referred to the Disclosure Working Group; and
- vi. Evaluating the effectiveness of these Disclosure Procedures and approving changes to these Disclosure Procedures.

(C) *Determination of Disclosure Document Status.* Whether or not a particular document or other communication is a Disclosure Document shall be determined by the Disclosure Working Group. At its initial meeting, the Disclosure Working Group shall establish a list of the City's recurring Disclosure Documents, which list shall be added to Exhibit A to these Disclosure Procedures to the extent such documents are not already contained therein. The Disclosure Working Group shall continue to update Exhibit A to these Disclosure Procedures when appropriate.

(D) *Review and Approval.* Following receipt of a Disclosure Document from a disclosure coordinator selected by the Financing Director (the "**Disclosure Coordinator**") or the Financing Group (as defined in Section 2.03 below), the Disclosure Working Group shall evaluate the Disclosure Document for accuracy and compliance with federal and state securities laws, and shall, if appropriate, ask questions of the Disclosure Coordinator. The Disclosure Working Group may send the Disclosure Document back to the Financing Group for revisions.

The Disclosure Coordinator shall consult with the City's disclosure counsel to the extent the Disclosure Coordinator considers appropriate to perform his responsibilities.

Section 2.02. Disclosure Coordinator.

(A) The Disclosure Coordinator shall be the City's Finance Department's lead staff member in special bond district formations and contract administration of the City's finance team of consultants for Special Tax Districts.

(B) *Responsibilities.* The Disclosure Coordinator is responsible for:

- i. Serving as a "point person" for personnel to communicate issues or information that should be or may need to be included in any Disclosure Document;
- ii. Monitoring compliance by the City with these Disclosure Procedures, including timely dissemination of the annual report and Listed Event filings;
- iii. Recommending changes to these Disclosure Procedures to the Disclosure Working Group as necessary or appropriate;
- iv. Communicating with third parties, including coordination with outside consultants assisting the City, in the preparation and dissemination of Disclosure Documents to make sure that assigned tasks have been completed on a timely basis and making sure that the filings are made on a timely basis and are accurate;
- v. In anticipation of preparing Disclosure Documents, soliciting "material" information (as defined for purposes of federal securities law) from City departments;
- vi. Maintaining records documenting the City's compliance with these Disclosure Procedures;
- vii. Determining when Disclosure Documents are final and ready for review by the Disclosure Working Group to the extent required by these Disclosure Procedures; and
- viii. Ensuring compliance with training procedures as described below.

The Disclosure Coordinator may file the following documents with the Municipal Securities Rulemaking Board (the "**MSRB**") without prior review and approval of the Disclosure Working Group: those Disclosure Documents that (i) the City is contractually obligated to file with the MSRB as a result of the occurrence of a Listed Event (as defined in Section 3.03) or as a result of the timely failure to file the required annual report and (ii) contain no discretionary content.

(C) *Training.* Separate training sessions shall be conducted by the City's disclosure counsel, with the assistance of the City Attorney, for the City Council members. At a minimum, each City Council member must participate in a disclosure training session as part of his or her new member orientation.

Section 2.03. Financing Group.

General. The Finance Director shall identify a Financing Group (the “**Financing Group**”) for each financing (the composition of which may differ for each financing), which shall include, at a minimum, the following individuals:

- i. City Attorney (or a deputy City Attorney designated by the City Attorney);
- ii. Finance Director;
- iii. The City’s Disclosure Coordinator
- iv. The City’s outside bond counsel and disclosure counsel;
- v. The City’s financial advisor (if any);
- vi. The City’s underwriter (if any); and
- vii. Such other members of the Disclosure Working Group as the Finance Director determines to be appropriate.

It is the City’s policy to establish continuing working relationships with professional advisors with expertise in the area of public finance and federal securities laws applicable to the issuance of securities by the City.

Article III
Review and Approval of Official Statements

Section 3.01. Responsibilities of Financing Group. The Financing Group shall prepare the Official Statement and transmit the Official Statement to the Disclosure Working Group. More specifically:

(i) The Financing Group shall be responsible for soliciting “material” information (as defined for purposes of federal securities law) from City departments. The Financing Group shall identify persons assigned to assist with the review or preparation of an Official Statement (“**Contributors**”) who (a) should prepare portions of the Official Statement, (b) may have information necessary to prepare portions of the Official Statement or (c) should review portions of the Official Statement.

(ii) The Finance Director shall contact the individuals and departments identified as Contributors as soon as possible in order to provide adequate time for them to perform their assigned tasks. At the time a Contributor is first contacted, he or she shall be informed by the Finance Director of the applicable requirements of federal securities law, including the standard established by Rule 10b-5, promulgated by the Securities and Exchange Commission.

(iii) The Financing Group shall transmit the Official Statement to the Disclosure Working Group, using the cover letter attached to these Disclosure Procedures as

Exhibit D to these Disclosure Procedures. In so doing, the Financing Group shall (a) confirm that the Official Statement accurately states all material information relating to the City and that all information relating to the City has been critically reviewed by an appropriate person, (b) confirm that all information in the Official Statement other than the information described in the previous clause (a) will be addressed by a closing certificate or opinion by an appropriate person, (c) report any significant disclosure issues and concerns to the Disclosure Working Group and (d) confirm that the Official Statement is in substantially final form and is in a form ready to be “deemed final” by the City Council pursuant to Rule 15c2-12, promulgated by the Securities and Exchange Commission.

(iv) The Financing Group shall have at least one all-hands meeting or conference call to review the Official Statement before transmitting it to the Disclosure Working Group.

Section 3.02. Responsibilities of Contributors. A Contributor shall assist in reviewing and preparing the Official Statement using his or her knowledge of the City and, if appropriate, by discussing the Official Statement with other members of the Contributor’s department, all for the purpose of ensuring the accuracy of the relevant portions of the Official Statement. The Financing Group shall identify all Contributors that participated in preparing the Official Statement in the cover letter it uses to transmit the Official Statement to the Disclosure Working Group (see Exhibit D to these Disclosure Procedures).

Section 3.03. Responsibilities of City Attorney. The City Attorney (or a designee) shall review the Official Statement and shall draft for the Official Statement descriptions of (i) any material current, pending or threatened litigation, (ii) any material settlements or court orders and (iii) any other legal issues that are material information for purposes of the Official Statement.

Section 3.04. Responsibilities of Finance Director. The Finance Director shall review the Official Statement, identify any material difference in presentation of financial information from the Financial Statements and ensure there are no misstatements or omissions of material information in any sections that contain descriptions of information prepared by the Finance Director (or the Finance Director’s staff) or of relevance to the finances of the City.

In addition, the Finance Director shall determine whether the City’s then-available Financial Statements are appropriate to be included in the Official Statement and whether to seek the consent of the City’s auditor to including the Financial Statements in the Official Statement.

Section 3.05. Review by Disclosure Working Group. Following receipt of the Official Statement from the Financing Group, the Disclosure Working Group shall critically evaluate the Official Statement for accuracy and compliance with federal and state securities laws, and shall, if appropriate, ask questions of the Financing Group and of any Contributor or other person who reviewed or drafted any section of the Official Statement. The Disclosure Working Group may send Official Statements back to the Financing Group for revisions and may instruct the Financing Group to solicit contributions from additional Contributors

Section 3.06. Approval by Disclosure Working Group. Upon approval of the Official Statement by the Disclosure Working Group, the Disclosure Working Group shall attach to the Official Statement a cover sheet in the form of Exhibit C to these Disclosure Procedures. Each

Official Statement and the attached cover sheet shall be retained in the files of the City Clerk for 5 years (or such longer period of time as may be required by state law).

Section 3.07. Submission of Official Statements to City Council for Approval. As part of the docketing process, the City Manager shall submit all Official Statements to the City Council for approval using a staff report that is similar in form and substance to the template attached as Exhibit E to these Disclosure Procedures. 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.

Article IV

Continuing Disclosure Filings

Section 4.01. Overview. Under the continuing disclosure undertakings the City has entered into in connection with its debt offerings, the City is required each year to file annual reports with the MSRB'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.

Section 4.02. Financial Statements. The Finance Director shall submit draft audited financial statements ("**Financial Statements**") meaning the City's Comprehensive Annual Financial Report (the "**CAFR**") or if the City does not prepare a CAFR, the City's audited financial statements, as they are available, to the Disclosure Working Group with a cover sheet in the form of Exhibit F to these Disclosure Procedures. The Disclosure Working Group shall review the draft audited Financial Statements according to these Disclosure Procedures and, when reviewed and approved for disclosure, shall transmit the draft audited Financial Statements to the City Council with a cover sheet in the form of Exhibit C to these Disclosure Procedures.

If the City does not have audited Financial Statements available, the Finance Director shall instead submit the City's unaudited financial statements.

Section 4.03. Annual Reports. The Disclosure Coordinator shall ensure that the preparation of the City's annual reports shall commence as required under each specific continuing disclosure undertaking. Before any report is submitted to EMMA, the Disclosure Coordinator shall confer with the Disclosure Working Group as needed regarding the content and accuracy of any such annual report.

Section 4.04. Disclosure of Listed Events. Pursuant to Rule 15c2-12(b)(5)(i)(C), the City is obligated to disclose to the MSRB notice of certain specified events with respect to the City's securities (a "**Listed Event**"). Each member of the Disclosure Working Group shall notify the other members of the Disclosure Working Group if he or she becomes aware of any of the Listed Events listed in the City's continuing disclosure undertakings. The Disclosure Working

Group may meet to discuss the event and to determine, in consultation with disclosure counsel to the extent determined by the Disclosure Coordinator, whether a filing is required or is otherwise desirable. If such a filing is deemed necessary, the Disclosure Coordinator shall cause a notice of the Listed Event (a "**Listed Event Notice**") that complies with Rule 15c2-12 to be prepared, and the Disclosure Coordinator shall file the Listed Event Notice as required by Rule 15c2-12. For securities issued after December 1, 2010, and variable rate demand obligations issued at any time but which convert from a mode exempted from Rule 15c2-12 to a mode not so exempted on or after December 1, 2010, such related continuing disclosure undertakings should contain Listed Events as listed in Exhibit B to these Disclosure Procedures.

Article V

Public Statements Regarding Financial Information

Section 5.01. Financial Information. Whenever the City makes statements or releases information relating to its finances to the public that are reasonably expected to reach investors and the trading markets (including, without limitation, all Listed Event Notices, statements in the audited Financial Statements, and other financial reports and statements of the City), the City is obligated to ensure that such statements and information are complete, true, and accurate in all material respects.

Article VI

Miscellaneous

Section 6.01. Documents to be Retained. The Disclosure Coordinator, working with the Records Management Department as needed, shall be responsible for retaining records demonstrating compliance with these Disclosure Procedures. The Disclosure Coordinator shall retain an electronic or paper file ("**Deal File**") for each continuing disclosure annual report that the City completes. Each Deal File shall include final versions of Disclosure Documents accompanied by the cover sheet attached as Exhibit C to these Disclosure Procedures; written confirmations, certifications, letters and legal opinions described herein; copies of these Disclosure Procedures and a list of individuals to whom they have been distributed and the dates of such distributions; and a written record of the dates of meetings of the Disclosure Working Group. The Deal File shall be maintained in a central depository for a period of five years from the later of the date of delivery of the securities referenced in the Disclosure Document, or the date the Disclosure Document is published, posted, or otherwise made publicly available, as applicable.

Section 6.02. Education and Training. The Disclosure Coordinator shall ensure that the Disclosure Working Group, all Contributors, and the City Council are properly trained to understand and perform their responsibilities.

The Disclosure Coordinator shall arrange for at least annual 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 City staff and members of the City Council. Such training sessions may be conducted using a recorded presentation.

Section 6.03. City's Website. The City shall maintain an investor information section of the City's website. Disclosure Documents that are material to the City's securities, and no other information, shall be posted to the investor information section of the City's website following

review and approval as set forth in this Section 6.03. The investor information of the City's website shall include the following statement:

"The only information on this Web site that is posted with the intention of reaching the investing public, including bondholders, rating analysts, investment advisors, or any other members of the investment community, is located on the investor information web pages. Other than the specific information presented in the investor information web pages, no other information on the City's website is intended to be the basis of or should be relied upon in making an investment decision. Because each security issued by the City or its related entities may involve different sources of payment and security, you should refer for additional information to the official statement and continuing disclosure filings for the particular security. The information posted in the investor information web pages speaks only as of its date."

Section 6.04. Amendments. Any provision of these Disclosure Procedures may be waived or amended at any time by written confirmation of the members of the Disclosure Working Group.

Adopted: March 21, 2017
Resolution No.:2017-059
Effective Date: March 21, 2017
Policy Reference: A-7

EXHIBIT A

LIST OF DISCLOSURE DOCUMENTS, TO BE AMENDED BY CITY AS NECESSARY

1. Preliminary and final official statements, private placement memoranda and remarketing memoranda relating to the City's securities, together with any supplements.
2. Financial Statements.
3. Filings made by the City with the MSRB, whether made pursuant to a continuing disclosure undertaking to which the City is a party or otherwise.
4. Press releases and other information distributed by the City for public dissemination to the extent that such releases are reasonably expected, in the determination of the Disclosure Working Group, to reach investors and the trading markets for municipal securities.
5. Rating agency presentations.
6. Postings on the investor information section of the City's website.
7. Such portions of the City's published adopted annual budget as the Disclosure Working Group determines to be appropriate, which shall at a minimum include the executive summary.
8. Any other communications that are reasonably expected, in the determination of the Disclosure Working Group, to reach investors and the trading markets for municipal securities.

EXHIBIT B
LISTED EVENTS

The Disclosure Coordinator should review this list at least once each week to determine whether any event has occurred that may require a filing with EMMA.

For securities (subject to Rule 15c2-12) issued on or after December 1, 2010, or for variable rate demand bonds that are converted from a mode currently exempted from rule 15c2-12 to a mode not so exempted on or after December 1, 2010, the following events automatically trigger a requirement to file on EMMA within ten (10) business days of their occurrence, without regards to the materiality of the event:

1. principal and interest payment delinquencies
2. unscheduled draws on debt service reserves reflecting financial difficulty
3. unscheduled draws on credit enhancements reflecting financial difficulty
4. substitution of credit or liquidity providers, or their failure to perform
5. adverse tax opinions or events affecting the tax-exempt status of the security
6. tender offers
7. defeasances
8. rating changes
9. bankruptcy, insolvency, receivership or similar event of the obligated person
10. failure to provide in a timely manner notice to provide required annual financial information by the date specified in any continuing disclosure undertaking

The following events trigger a requirement to file notice of their occurrence on EMMA within a reasonable period of time after their occurrence, once they are determined to be material by the Disclosure Working Group:

1. non-payment related defaults
2. modifications to the rights of security holders
3. bond calls
4. release, substitution or sale of property securing repayments of the securities
5. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms
6. appointment of a successor or additional trustee or the change of name of a trustee

EXHIBIT C

Cover Sheet Documenting Approval of Disclosure Document

The attached Disclosure Document has been reviewed and approved by the Disclosure Coordinator pursuant to the City's Disclosure Policies and Procedures.

Disclosure Coordinator

Date: _____

EXHIBIT D

Form of Cover Letter for
Transmittal of Official
Statement by Financing Group
to Disclosure Working Group

Disclosure Working Group:

With respect to the attached [Official Statement/Offering Memorandum/Remarketing Memorandum]:

(i) the Financing Group has performed its responsibilities set forth in subsection iii. of Section 3.01 of the Disclosure Policies and Procedures;

(ii) the members of the Financing Group and the Contributors to the [Official Statement/Offering Memorandum/Remarketing Memorandum] are listed below;

(iii) the [Official Statement/Offering Memorandum/Remarketing Memorandum] accurately reports all material information relating to the City, and all information relating to the City has been critically reviewed by an appropriate person; and

(iv) all information in the [Official Statement/Offering Memorandum/Remarketing Memorandum], other than the information described in the previous clause (iii) will be addressed by an appropriate person in a closing certificate or opinion and (iv) **[Option #1:** in our judgment, the [Official Statement/Offering Memorandum/Remarketing Memorandum] is in substantially final form and ready for review by the Disclosure Working Group] **[Option #2:** the following are significant disclosure issues or concerns identified by the Financing Group].

Finance Director

Members of Financing Group:

[to come]

Contributors:

[to come]

EXHIBIT E

Form of Staff Report Transmitting Official Statement by City Manager to City Council

To: Members of the City Council

From: City Manager

Date: _____

This Staff Report relates to the proposed issuance of _____ (the "Obligations") by the City. The City Council is asked to approve issuance of the Obligations and all related documents. The near-final versions of these documents are attached.

The attached Preliminary Official Statement has been reviewed and approved for transmittal to the City Council by the City's Disclosure Working Group. 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 in the Obligations, 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 "Release"), the SEC stated 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. In the Release, the SEC stated that the 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.

Section 1. Purpose of Financing.

Section 2. Documents for Approval; Security for the Obligations.

Section 3. Risks Relating to Repayment and Tax-Exempt Status of the Obligations.

Section 4. Requested Approvals.

EXHIBIT F

**Form of Cover Letter for
Transmittal of Financial Statements
to Disclosure Working Group**

Disclosure Working Group:

I attach the City's financial statements as of June 30, _____, along with an opinion of our independent auditor. I believe the financial statements present fairly, in all material respects, the financial position of the City as of June 30, _____ in accordance with accounting principles generally accepted in the United States of America and applicable laws and regulations of the State of California. In addition, the financial statements include a Management Statement and certain supplementary schedules that I conclude are true and accurate. These Financial Statements are ready for review by the Disclosure Working Group pursuant to Section 4.02 of the Disclosure Procedures.

Finance Director