

RESOLUTION NO. 2015-41

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN JUAN BAUTISTA
APPROVING THE FORM OF OFFICIAL STATEMENT RELATING TO THE ISSUANCE
AND SALE OF SERIES 2015 ENTERPRISE REVENUE REFUNDING BONDS,
ESTABLISHING CERTAIN RELATED POLICIES AND PROCEDURES, AND APPROVING
CERTAIN OTHER MATTERS AND OFFICIAL ACTIONS RELATED THERETO**

WHEREAS, the City of San Juan Bautista (the “City”) and the California Municipal Finance Authority have heretofore entered into a Joint Exercise of Powers Agreement, dated as of March 17, 2015, establishing the San Juan Bautista Public Financing Authority (the “Authority”) for the purpose of, among other things, providing financing alternatives for public capital improvements within the City; and

WHEREAS, the City has heretofore provided for the issuance of its Series 2008 Water and Wastewater Revenue Certificates of Participation in the original amount of \$11,145,000 (the “2008 Bonds”); and

WHEREAS, the City Council (the “Council”) has heretofore expressed its desires to provide for the issuance of not greater than \$12,500,000 aggregate principal amount of its San Juan Bautista Public Financing Authority, Series 2015 Enterprise Revenue Refunding Bonds (the “2015 Bonds”), the proceeds of which will be used to refund (the “Refunding”) the City’s remaining outstanding principal balance of 2008 Bonds, and to finance the cost of the acquisition and construction of certain new public improvements (collectively, the “Financing”); and

WHEREAS, on May 19, 2015 the City adopted a resolution authorizing the issuance of the 2015 Bonds and approving the form and authorizing execution of the various documents prepared in connection therewith; and

WHEREAS, the City, with the assistance of its disclosure counsel, The Weist Law Firm, has prepared a draft of the Official Statement for the 2015 Bonds (the “Official Statement”), which contains, among other things, information regarding the 2015 Bonds, the City, the Authority, the Water Enterprise and the Wastewater Enterprise, the preliminary form of which is on file with the City Clerk; and

WHEREAS, the City, with the aid of its staff, has reviewed the Official Statement and wishes at this time to approve the form thereof and its distribution to prospective purchasers of the 2015 Bonds; and

WHEREAS, there has been presented to this meeting proposed Continuing Disclosure Policy and Procedures (the “Continuing Disclosure Policy and Procedures”); and

WHEREAS, there has been presented to this meeting proposed Post Issuance Tax Compliance Policy and Procedures (the “Tax Compliance Policy and Procedures”); and

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SAN JUAN BAUTISTA DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Recitals. The Recitals set forth above are true and correct and incorporated herein by reference.

Section 2. Authorized Representatives. The Mayor, Mayor Pro Tem, City Manager, City Treasurer, City Clerk, and any other person authorized by the Council to act on behalf of the City shall each be an “Authorized Representative” of the City for the purposes of structuring and providing for the issuance of the 2015 Bonds, and are hereby authorized, jointly and severally, for and in the name of and on behalf of the City, to execute and deliver any and all documents and certificates that may be required to be executed in connection with the Refunding and sale of the 2015 Bonds, and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which the Council has approved in this Resolution.

Section 3. Official Statement. The City hereby approves the preliminary Official Statement in substantially the form on file with the City Clerk. Distribution of the preliminary Official Statement by the City and Hilltop Securities Inc., as underwriter of the 2015 Bonds (the “Underwriter”) is hereby approved, and, prior to the distribution of the preliminary Official Statement, each Authorized Representative, acting alone, are authorized and directed, on behalf of the City, to deem the preliminary Official Statement “final” pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the “Rule”). The execution of the final Official Statement, which shall include such changes and additions thereto deemed advisable by the Authorized Representative executing the same, and such information permitted to be excluded from the preliminary Official Statement pursuant to the Rule, is hereby approved for delivery to the purchasers of the 2015 Bonds, and each Authorized Representative, acting alone, is authorized and directed to execute and deliver the final Official Statement for and on behalf of the City, to deliver to the Underwriter a certificate with respect to the information set forth therein and to deliver to the Underwriter a continuing disclosure undertaking substantially in the form appended to the final Official Statement.

Section 4. Continuing Disclosure Policy and Procedures. The form of the Continuing Disclosure Policy and Procedures attached hereto as Exhibit A (the “Continuing Disclosure Policy and Procedures”) are hereby approved, and any Authorized Representative, on behalf of the City, is hereby authorized and directed to make such changes thereto as are necessary in order to conform the same to actual or recommended City practices, to correct typographical or grammatical errors, to cure ambiguities and inconsistencies, and to conform to applicable law as advised by bond counsel or the City Attorney, and to execute the final form of the Continuing Disclosure Policy and Procedures on behalf of the City, and the execution thereof by an Authorized Representative shall be conclusive evidence of the approval of any such additions and changes.

Section 5. Post-Issuance Tax Compliance Policy and Procedures. The form of the Post-Issuance Tax Compliance Policy and Procedures attached hereto as Exhibit B (the “Post-Issuance Tax Compliance Policy and Procedures”) are hereby approved, and any Authorized Representative, on behalf of the City, is hereby authorized and directed to make such changes thereto as are necessary in order to conform the same to actual or recommended City practices, to correct typographical or grammatical errors, to cure ambiguities and inconsistencies, and to conform to applicable law as advised by bond counsel or the City Attorney, and to execute the final form of the Post-Issuance Tax Compliance Policy and Procedures on behalf of the City, and the execution thereof by an Authorized Representative shall be conclusive evidence of the approval of any such additions and changes.

Section 6. Official Actions. All actions heretofore taken by the officers and agents of the City with respect to the issuance of the 2015 Bonds are hereby approved, confirmed and ratified. Each Authorized Representative and any and all other officers of the City are hereby authorized and directed, for and in the name

and on behalf of the City, to do any and all things and take any and all actions, including execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents which they, or any of them, may deem necessary or advisable in furtherance of the intent of this Resolution.

Section 7. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

THE FOREGOING RESOLUTION WAS ADOPTED at a regular meeting of the San Juan Bautista City Council held on the 20th day of October, 2015, by the following vote:

AYES: Lund, Boch, Martorana, Edge

NOES: None

ABSENT: West

ABSTAIN: None

Robert Lund, Mayor

ATTEST:

Connie Schobert, City Clerk

EXHIBIT A

FORM OF CONTINUING DISCLOSURE POLICY AND PROCEDURES

CITY OF SAN JUAN BAUTISTA

DATED: October 1, 2015

I. PURPOSE

These continuing disclosure policy and procedures (“Continuing Disclosure Procedures” or “Procedures”) of the City of San Juan Bautista (the “City”) are intended to (a) ensure that the City’s Continuing Disclosure Documents (as defined below) are accurate and comply with all applicable federal and state securities laws, and (b) promote best practices regarding the preparation of the City’s Continuing Disclosure Documents.

II. KEY PARTICIPANTS

A. Disclosure Practices Working Group

1. *Composition.* The Disclosure Practices Working Group (the “Disclosure Working Group”) shall have general oversight over the entire continuing disclosure process. Membership in the Disclosure Working Group shall consist of the following:

- (a) City Manager;
- (b) the Treasurer;
- (c) the Disclosure Consultant (if deemed necessary; as defined below);
- (d) and any other individuals appointed by the City Manager.

The Disclosure Working Group shall consult with finance team members or other interested parties as the City Manager determines is advisable related to continuing disclosure issues and practices. All meetings of the Disclosure Working Group may be held telephonically.

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.).

2. *Responsibilities.* The Disclosure Working Group is responsible for:

- (a) reviewing and approving all continuing disclosure obligations as contained in City Official Statements before such documents are released;
- (b) reviewing annually the City’s status and compliance with continuing disclosure obligations including filings of Continuing Disclosure Documents and compliance with these Procedures, including timely dissemination of the annual report and event filings as described in Sections III B and C below;

- (c) reviewing any items referred to the Disclosure Working Group;
- (d) following up with others, including management of outside consultants assisting the City in the preparation and dissemination of Continuing 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;
- (e) coordinating the timely provision of information to the Disclosure Consultant as needed to fulfill its responsibilities to the City;
- (f) in anticipation of preparing Continuing Disclosure Documents, soliciting “material” information (as defined in Securities and Exchange Rule 10b-5) from City departments;
- (g) maintaining records documenting the City’s compliance with these Continuing Disclosure Procedures; and
- (h) evaluating the effectiveness of these Continuing Disclosure Procedures and approving changes to these Continuing Disclosure Procedures.

“Continuing Disclosure Documents” means (a) annual continuing disclosure reports filed with the MSRB, and (c) event notices and any other filings with the MSRB.

“Official Statements” means 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 obligation is required.

C. Disclosure Consultant (if deemed necessary)

1. *Appointment.* The City Manager shall hire the Disclosure Consultant (if deemed necessary) in consultation with the Disclosure Working Group and the approval of the City Council. The Disclosure Consultant shall have significant expertise and experience related to on-going disclosure requirements for municipal securities.

2. *Responsibilities.* The Disclosure Consultant is responsible for:

- (a) communicating to the Disclosure Working Group its information needs, reviewing Continuing Disclosure Documents and other relevant information, consulting with appropriate City staff or interested parties needed to confirm that the City is meeting its continuing disclosure obligations;
- (b) providing an annual report to the Disclosure Working Group regarding the City’s compliance with its ongoing continuing disclosure obligations; and
- (c) from time to time, making recommendations to the Disclosure Working Group regarding ways the City may improve these Procedures and methods of meeting its continuing disclosure obligations.

III. CONTINUING DISCLOSURE FILINGS

A. Overview of Continuing Disclosure Filings

Under the continuing disclosure undertakings it has entered into in connection with its debt offerings, the City is required to file annual reports with the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access ("EMMA") system in accordance with such agreements in each year. Such annual reports are required to include certain updated financial and operating information (or may refer to a publicly-available document), which varies among the different obligations issued by the City, and the City's audited financial statements.

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

B. 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 obligation. Before any annual report is submitted to EMMA, the Disclosure Coordinator shall confer with the Disclosure Working Group as needed regarding the content and accuracy of any annual report. Prior to each filing, the Disclosure Coordinator will review each report with the Disclosure Consultant, and the Disclosure Consultant will confirm in writing (which may be by email) that such report appears to comply with the requirements of the applicable continuing disclosure undertaking.

C. Event Filings

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 material events listed in any of the City's continuing disclosure undertakings. The Disclosure Working Group may meet to discuss the event and to determine, in consultation with Disclosure Counsel and the Disclosure Consultant to the extent determined by the Disclosure Coordinator, whether a filing is required or is otherwise desirable.

IV. DOCUMENTS TO BE RETAINED

The City Manager shall be responsible for retaining records demonstrating compliance with these Continuing Disclosure Procedures. The City Manager shall retain or cause to be retained 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 Continuing Disclosure Documents; written confirmations, certifications, letters and legal opinions described herein; copies of these Continuing 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 Continuing Disclosure Document, or the date the Continuing Disclosure Document is published, posted, or otherwise made publicly available, as applicable.

V. EDUCATION

The City Manager shall ensure that the Disclosure Working Group members are properly trained to understand and perform their responsibilities. Such training may include training sessions conducted by consultants with expertise in municipal securities disclosure or by the Disclosure Consultant, or other appropriate method identified by the City Manager.

VI. AMENDMENTS

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

EXHIBIT B

FORM OF POST-ISSUANCE TAX COMPLIANCE POLICY AND PROCEDURES

CITY OF SAN JUAN BAUTISTA

DATED: October 1, 2015

I. PURPOSE

Use of tax-exempt bond proceeds must comply with Federal tax rules pertaining to the expenditure of proceeds, use of bond financed property, investment of proceeds in compliance with arbitrage rules, and retention of records. The policy of the City of San Juan Bautista (the "City") for monitoring compliance of its bond issues with these rules is as follows:

The City will comply with the following procedures:

II. PROCEDURES

1. Expenditure of Proceeds

The City Manager of the City shall have the responsibility for allocating bond proceeds to particular investments, expenditures, and assets. The City Manager of the City may delegate this responsibility, but shall retain the primary responsibility for insuring that the following procedures are followed.

- a) **Proceeds of a bond issue must be identified.** The City Manager shall refer to the Tax Certificate and to bond counsel for help in identifying the amount of the proceeds of the bonds and for identification of funds holding bond proceeds.
- b) **Investments of bond proceeds must be tracked.** The City Manager shall ensure that all investments of bond proceeds are recorded, including identification of the investment, the purchase price of the investment, the date of the investment, the date of any receipts from the investment, and the date of repayment or sale of the investment. Earnings from investments of bond proceeds will be treated as additional bond proceeds and similarly tracked.
- c) **Proceeds must be tracked until they are allocated to expenditures.** Proceeds may be allocated to a capital expenditure by direct tracing or by another other reasonable method (such as treating an expenditure made from another source as having been made from bond proceeds if that source is reimbursed from bond proceeds).
 - i. If the City uses direct tracing of bond proceeds, the City Manager shall establish the form and procedure for preparation and review of requisitions of bond proceeds. Requisitions must identify the financed property in conformity with the Tax Certificate, including certifications as to the character and average economic life of the bond-financed property.
 - ii. If the City uses bond proceeds to reimburse costs that were paid prior to the issuance of the bonds, the City Manager shall document the use of bond proceeds to make such reimbursements and will only allow such reimbursements to the extent permitted in the Tax Certificate.

- iii. If the City uses any other method for allocating bond proceeds to expenditures, the City Manager shall prepare at least annually until all proceeds have been spent a written allocation of bond proceeds to expenditures, including the dates and amounts of such expenditures. The City Manager shall only allocate bond proceeds to expenditures if there is a reasonably concurrent actual outlay of cash by the City to a third party.
 - iv. The City Manager shall prepare a written “final allocation” of bond proceeds to expenditures no later than the earlier of 18 months after the in-service date of the financed property and the fifth anniversary date of the issue of the bonds. If not all bond proceeds are allocated to expenditures by that date, allocations thereafter may only be made using a tracing method.
- d) The City Manager shall compare the allocation of proceeds to expenditures of proceeds to the tax certificate expectation to spend or commit 5% of net sale proceeds within 6 months, to spend 85% of net sale proceeds within 3 years, and to proceed with due diligence to complete the project and fully spend the net sale proceeds. In the event that those expectations are not met, the City Manager shall consult with bond counsel to determine whether further action is necessary. Similarly, the City Manager shall compare to the allocation of proceeds to expenditures to the timetables set forth for the arbitrage rebate exceptions described in the tax certificate.
- e) As proceeds are allocated to expenditures for capital assets, the City Manager shall prepare and maintain a schedule of all capital assets treated as financed with the bonds. The City Manager shall maintain a separate schedule for each bond issue. If only a portion of a capital asset is treated as financed with a particular bond issue, the City Manager shall consult with bond counsel as to how to document the particular allocation.

2. Use of Bond-Financed Property

The City Manager of the City shall have the responsibility of periodically reviewing the continued ownership and use of all assets financed by the bond issue. The City Manager of the City may delegate this responsibility, but shall retain the primary responsibility for insuring that the following procedures are followed.

- a) At least annually, the City Manager shall conduct a review of the assets financed with the proceeds of the bonds in accordance with the schedule prepared under 1(e) above.
 - i. The City Manager shall contact the appropriate officers or employees of the City to determine whether the assets continue to be owned by the City. Ownership of bond financed facilities by entities other than governmental entities can give rise to tax issues.
 - ii. The City Manager shall contact the appropriate officers or employees of the City to determine whether the assets are used only by the City or by some other entities. Use of assets by any entities other than another governmental entity can give rise to tax issues. Use may arise through ownership, lease, management contract, sponsored research, purchase of output, or other arrangements that give rise to priority rights in bond-financed assets. Use as a member of the general public (such as through short-term rentals or use under a rate-scale arrangement) will not be treated as private use.

- b) If the City Manager learns of sale of assets or private use of bond financed assets, he or she shall consult with bond counsel concerning appropriate remedies, including remedial action or voluntary compliance agreements with the IRS.
- c) Ideally, the City Manager will try to learn in advance of any proposed sale, lease, or other use by a private entity of bond financed assets and will consult with bond counsel concerning appropriate remedial action or other action.

3. Investments

Investment of bond proceeds in compliance with the arbitrage bond rules and rebate of arbitrage will be supervised by the City Manager.

- a) Guaranteed investment contracts (“GIC”) will be purchased only using the three-bid “safe harbor” of applicable Treasury regulations, in compliance with fee limitations on GIC brokers in the regulations. Any exceptions to this rule must be discussed with the bond counsel.
- b) Other investments will be purchased only in market transactions.
- c) Calculations of rebate liability will be performed [annually] by [outside consultants].
- d) Rebate payments will be made with Form 8038-T no later than 60 days after (a) each fifth anniversary of the date of issuance and (b) the final retirement of the issue. Compliance with rebate requirements will be reported to the bond trustee and the City.
- e) The City Manager shall identify date for first rebate payment at time of issuance, in conjunction with bond counsel, and enter that date in the records for the issue.

4. Records

Management and retention of records related to tax exempt bond issues will be supervised by the City Manager.

- a) The City Manager shall retain records relating to investment, expenditures, and use of bond financed facilities for the life of the bonds plus any refunding bonds plus three years. Records may be in the form of documents or electronic copies of documents, appropriately indexed to specific bond issues and compliance functions.
 - i. Retainable records pertaining to bond issuance include transcript of documents executed in connection with the issuance of the bonds and any amendments, and copies of rebate calculations and records of payments including Forms 8038-T.
 - ii. Retainable records pertaining to expenditures of bond proceeds include requisitions, trustee statements and final allocation of proceeds.
 - iii. Retainable records pertaining to use of property include all agreements reviewed for nonexempt use and any reviewed documents relating to unrelated business activity.

- iv. Retainable records pertaining to investments include GIC documents under the Treasury regulations, records of purchase and sale of other investments, and records of investment activity sufficient to permit calculation of arbitrage rebate or demonstration that no rebate is due.
- v. Retainable records pertaining to any credit enhancement of the bonds during the entire term of the bonds, including bond insurance contracts, letters of credit and standby purchase agreements.
- vi. Retainable records pertaining to interest rate swaps, interest rate caps and other hedging contracts, including any ISDA agreements, fairness opinions, termination agreements and records of termination payments.

III. COMPLIANCE UNDER TAX CERTIFICATE

The City Manager shall also periodically, and at least annually, review and monitor comply with all provisions of the related Tax Certificate so long as the bonds are outstanding and will consult with bond counsel to take timely remedial actions under section 1.141-12 of the Treasury Regulations (or other remedial actions authorized by the Commissioner of the IRS under Section 1.141-12(h) of the Regulations) to prevent from being considered “deliberate actions” any actions of the City which cause the conditions of the private business tests or the private loan financing test to be met resulting in private activity bonds.

IV. TRAINING

The City Manager and any persons to who the City Manager specifically delegates any of the duties in these procedures will consult with bond or tax counsel at the time a new issue of bonds is issued to determine what further training may be needed to comply with these procedures. In addition, the City Manager shall also periodically, and at least annually, consult with bond or tax counsel to determine whether additional training is needed.

V. OVERALL RESPONSIBILITY

Overall administration and coordination of this policy is the responsibility of the City Manager of the City.