

**CITY OF SACRAMENTO
DEBT-MANAGEMENT POLICY
Supplemental Policy on Disclosure**

Adopted by the City Council on June 30, 2020

1. Introduction

1.1 This Supplemental Policy on Disclosure governs the City's discharge of its disclosure obligations related to municipal securities issued by the City or by related entities such as the Sacramento City Financing Authority, the Sacramento Public Financing Authority, and the Redevelopment Agency Successor Agency.

(A) The City and its related entities issue obligations in the municipal-bond market from time to time. When bonds are issued, the City, whether acting for itself or for a related entity, is obligated to disclose all material information in compliance with federal securities laws, including the Securities Act of 1933, the Securities and Exchange Act of 1934, Rule 10b-5 of the Securities and Exchange Commission (the "**SEC**"), and Rule 15c2-12 of the SEC as amended. California Governmental Code section 8855 requires certain disclosures to the California Debt and Investment Advisory Commission.

(B) Incomplete, inaccurate, or misleading disclosure might have material financial consequences for the City and City officers and employees. For example:

- The SEC could bring civil actions charging that disclosure was negligent, reckless, or intentionally fraudulent; in addition, the SEC could refer cases to U.S. Department of Justice for criminal prosecution.
- The SEC could impose cumbersome procedures and oversight on the City as conditions for settling civil actions.
- The City could suffer adverse publicity, which might reduce market access.
- The credit ratings on the City's municipal securities could be downgraded, resulting in increased costs in future issuances.
- City officials could face personal fines for violations of securities laws.

(C) Sound disclosure practices can provide both tangible and intangible benefits, including the following:

- Enhanced credibility in the municipal-bond marketplace.

- Transparency with rating agencies, investors, and prospective investors.
 - Improved decision making for prospective investors.
 - Increased numbers and types of investors who purchase bonds.
 - Improved liquidity for bonds.
 - Demonstrated City commitment to providing timely disclosure to investors, credit-rating agencies, and other stakeholders.
 - The potential for a lower overall cost of borrowing.
- 1.2 Scope of Policy. This policy applies to City information and documents, including the following, that investors are reasonably expected to be used when deciding whether to invest in the City's bonds:
- (A) Initial-disclosure documents, i.e., preliminary and final official statements.
 - (B) Continuing-disclosure documents, i.e., annual financial information, required event notices, and voluntary notices.
 - (C) In certain circumstances, other information such as presentations in investor conferences.

2. Governing Authority and Responsibility

- 2.1 Authority. Either the City Treasurer or the Debt Manager within the City Treasurer's Office (the "**Debt Manager**") shall manage the City's disclosure program in conformance with federal, state, and local requirements, including the Sacramento City Code and the City's Debt-Management Policy.
- 2.2 Point of Contact. Either the City Treasurer or the Debt Manager shall be the City's point of contact for disclosure, primarily responsible not only for developing and distributing information but also for determining the materiality of information.
- 2.3 Responsibility.
- (A) The City Treasurer or the Debt Manager shall oversee all aspects of disclosure. As such, the City Treasurer or the Debt Manager shall review the form and content of the City's documents and materials prepared, issued, or distributed in connection with the City's disclosure obligations relating to its municipal securities. Those documents and materials include preliminary and final official statements; annual financial information and event notices (see Exhibits A and B) filed with Electronic Municipal Market Access ("**EMMA**"), the Municipal Securities Rulemaking Board's disclosure portal;

voluntary filings with EMMA; and other communications that investors are reasonably expected to use in making investment decisions.

- (B) Along with the City Treasurer and his or her staff, the City Attorney and City Manager shall serve as integral members of the financing team, each responsible, as appropriate, for ensuring and certifying to the accuracy of information released to the municipal-bond market.
- (C) The City is responsible for the content of its disclosure documents. The City Treasurer, City Attorney, and City Manager shall ensure that the use of outside professionals for their respective areas of expertise is appropriate and that reliance upon outside professionals is reasonable and not excessive. The City Treasurer's Office is responsible for the accuracy and completeness of information filed with EMMA.
- (D) The City Treasurer or the Debt Manager shall ensure that subject-matter experts, including City staff with relevant knowledge or expertise, are involved in developing and periodically reviewing and updating disclosure documents. For example, when obligations are secured by particular revenues such as water or wastewater fees, City staff who are knowledgeable about the relevant utility must be involved.
- (E) The City Treasurer or the Debt Manager, in collaboration with the City Attorney, shall arrange for the engagement of disclosure counsel to assist the City in complying with disclosure requirements. The City Treasurer or the Debt Manager shall also arrange for the periodic training of City officers and employees regarding their disclosure obligations under federal securities laws.
- (F) City officers and employees serving as financing-team members are responsible for reviewing and commenting on draft documents. As part of their review, they must determine whether all material information—including confidential or politically sensitive information—has been included and is both accurate and relevant.
- (G) City officers and employees and the officers and employees of related entities shall promptly provide all information, assurances, and certifications the City Treasurer requests, in his or her sole discretion, for compliance with federal securities laws. The City Manager and City Attorney shall require prompt and full responses to those requests.

3. Certifications

- 3.1 In connection with the City Council's approval of preliminary or final official statements for publicly issued municipal securities, an appropriate City officer or employee shall certify in writing, to the best of his or her knowledge, that the documents do not make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.
- 3.2 The City Treasurer or the Debt Manager shall provide offering documents such as preliminary official statements to appropriate City officials (which may include the Mayor and City Council, City Manager, City Attorney, and other City officers and employees) in such a manner as to allow timely, informed decisions regarding disclosure.

Exhibit A

Events Requiring the Filing of Notice with EMMA Debt Issued before February 27, 2019

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or material events affecting the tax status of the security.
7. Modifications to rights of security holders, if material.
8. Bond calls, if material, and tender offers.
9. Defeasances.
10. Release, substitution, or sale of property securing repayment of the securities, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the obligated person.
13. 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 such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Exhibit B

Events Requiring the Filing of Notice with EMMA Debt Issued on or after February 27, 2019

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or material events affecting the tax status of the security.
7. Modifications to rights of security holders, if material.
8. Bond calls, if material, and tender offers.
9. Defeasances.
10. Release, substitution, or sale of property securing repayment of the securities, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the obligated person.
13. 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 such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.
 - capital leases for property, facilities, or equipment
 - certificates of participation
 - notes
 - commercial paper
 - lines of credit
 - agreements that guarantee a third party's payment or performance obligations

The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with Rule 15c2-12.

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

Note: Under SEC Rule 15c2-12, the term “financial obligation” in Events 15 and 16 means a (1) debt obligation; (2) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (3) guarantee of (1) or (2).

Examples of “financial obligations” include—

- bonds
- bank loans or other obligations that are privately placed