

## Debt Issuance and Management Policy

The City of Hayward has developed a comprehensive debt management policy. The following parameters are to be considered before debt issuance:

1. The purposes for which debt may be issued shall be approved by City Council.
2. Legal debt limitations or limitations established by policy, including limitations on the pledge of the issuer's general credit, shall be calculated.
  - The City is bound by a provision in state law limiting indebtedness for California cities to 15% of the assessed value of all real and personal property of the city. This statutory limitation applies to bonded indebtedness of the City payable from the proceeds of taxes levied on property.
3. Debt may be issued to finance the construction, acquisition, and rehabilitation of capital improvements and facilities, equipment, and land to be owned and/or operated by the City. Long-term debt financings are appropriate when any of the following conditions exist:
  - The project to be financed is necessary to provide basic municipal services;
  - The project to be financed will provide benefit to constituents over a duration of more than one year;
  - The total long-term debt financing would not impose an unreasonable burden on the City and its taxpayers/ratepayers, as applicable; or
  - The debt is used to refinance outstanding debt to produce an economic savings or to realize other benefits of a debt restructuring.
4. Types of debt permitted to be issued are:
  - short-term and long-term debt
  - general obligation and revenue debt
  - capital and variable rate debt
  - lease-backed debt, such as certificates of participation
  - special obligation debt such as assessment district debt
  - pension obligation bonds
  - conduit issues
  - State Revolving Loan Funds and Pools
  - inter-fund borrowing
  - taxable and non-taxable debt
5. Prior to the issuance of any debt, the funding source for the debt service is identified and designated. The level of debt to which the City obligates itself is managed within available resources and represents a minimal cost to general taxpayers.
6. Except in extreme conditions as defined by Council, the issuance of new debt should not in and by itself jeopardize or lower the City's bond ratings.
7. To the extent possible, the City plans the issuance of new debt to occur when resources are made available by the retirement of an existing obligation. By managing the timing of new debt, current City operations are not affected.
8. Authorized methods of sale shall be considered on a case by case basis, including competitive sale, negotiated sale, and private placement.
9. Method of selecting outside finance professionals shall be consistent with the City's procurement practices.

**10. Compliance with federal tax law provisions, such as arbitrage requirements.**

To be an effective management tool, the parameters of the debt issuance and management must be compatible with the City's goals pertaining to the capital improvement program and budget, the long-term financial plans, and the operating budget. Debt parameters should strike an appropriate balance between establishing limits on the debt program and providing sufficient flexibility to respond to unforeseen circumstances and new opportunities. In addition to complying with the terms of this Debt Policy, compliance with any other applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds. Without limiting the foregoing, the City will periodically review the requirements of and will remain in compliance with the Federal securities law, including any continuing disclosure undertakings entered into by the City in accordance with Securities and Exchange Commission Rule 15c2-12; Any federal tax compliance requirements, including, without limitation, arbitrage and rebate compliance; The City's investment policies as they relate to the use and investment of bond proceeds; Government Code section 8855(k) and the annual reporting requirements therein.

Proceeds of debt will be held either (a) by a third-party trustee or fiscal agent, which will disburse such proceeds to or upon the order of the City upon the submission of one or more written requisitions by the Assistant City Manager of the City (or his or her written designee), or (b) by the City, to be held and accounted for in a separate fund or account, the expenditure of which will be carefully documented by the City. It is the responsibility of the Director of Finance to monitor and ensure that the proceeds of all debt issuances will be directed to the intended use.

**Debt Disclosure Policy**

The City of Hayward intends to comply with all applicable federal and state securities laws. The following policy is establishing disclosure requirements for new debt issuance and continuing disclosure for ongoing debts. The Director of Finance will ensure compliance with any initial and periodic reporting requirements under state and federal law, including, but not limited to, filings required by the California Debt and Investment Advisory Commission pursuant to California Government Code section 8855.

**Disclosure Requirements for New Debt Issuance**

1. The Director of Finance will act as the City's Disclosure Coordinator and shall review any Official Statement prepared in connection with any debt issuance by the City to ensure there are no misstatements or omissions of material information in any sections that contain descriptions of information prepared by the City.
2. In connection with this review of the Official Statement, the Disclosure Coordinator shall consult with third parties, including outside professionals assisting the City, and all members of City staff, to the extent that the Disclosure Coordinator concludes they should be consulted so that the Official Statement will include all "material" information (as defined for purposes of federal securities law).
3. As part of the review process, the Disclosure Coordinator shall submit all Official Statements to the City Council for approval through a formal staff report.
4. The approval of an Official Statement by the City Council shall not be approved as a consent item. The City Council shall undertake such review 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.

### **Continuing Disclosure Requirements for Ongoing Debts**

1. Under the continuing disclosure undertakings that the City has entered into in connection with its debt offerings, the City is required each year to file annual reports with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system. Such annual reports are required to include updated financial and operating information, the City's audited financial statements and file notices of certain events in EMMA.
2. The Disclosure Coordinator is responsible for establishing a system by which:
  - the City will make the annual filings required by its continuing disclosure undertakings on a complete and timely basis, and
  - the City will file notices of enumerated events on a timely basis.

When 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, the City is obligated to ensure that such statements and information are complete, true, and accurate in all material respects.

The Disclosure Coordinator shall ensure that the members of the City staff involved in the initial or continuing disclosure process and the City Council are properly trained to understand and perform their responsibilities. This training and understanding shall include Disclosure Procedures, the City's disclosure obligations under applicable federal and state securities laws and the disclosure responsibilities and potential liabilities of members of the City's staff and members of the City Council.