

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF THE COUNCIL OF THE CITY OF SANTA BARBARA APPROVING CERTAIN INFORMATION FOR INCLUSION IN AN OFFICIAL STATEMENT RELATING TO THE CENTRAL COAST WATER AUTHORITY REFUNDING REVENUE BONDS, SERIES 2016A (STATE WATER PROJECT REGIONAL FACILITIES), AND APPROVING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH, SUBJECT TO APPROVAL AS TO FORM BY THE CITY ATTORNEY

WHEREAS, the City of Santa Barbara (the "Member") is a member of the Central Coast Water Authority (the "Authority");

WHEREAS, in September 2006, in order to provide funds to refinance the acquisition and construction of certain water system transmission facilities and improvements (the "Project"), the Authority issued its Central Coast Water Authority Refunding Revenue Bonds, Series 2006A;

WHEREAS, the Authority has approved the issuance of its Central Coast Water Authority Refunding Revenue Bonds, Series 2016A (the "Bonds"), in order to (i) refinance the Project by refunding all of the outstanding 2006 Bonds, (ii) fund a debt service reserve fund for the Bonds and (iii) pay the costs of issuance for the Bonds; and

WHEREAS, the Member wishes to approve of the use of certain information with respect to the Member contained in the Preliminary Official Statement relating to the Bonds (the "Preliminary Official Statement").

NOW THEREFORE, the Member finds, determines, declares and resolves as follows:

1. The Continuing Disclosure Policies and Procedures, in substantially the form attached hereto as Exhibit A, made a part hereof as though set forth in full herein, are hereby approved and adopted.
2. Appendix C of the Preliminary Official Statement, in the form on file with the Member (the "Member Information"), is hereby approved. The Finance Director, City Administrator, or the designee thereof (each an "Authorized Officer") is hereby authorized to sign a certificate pursuant to Rule 15c2-12, promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"), relating to the Member Information with respect to the Preliminary Official Statement. Each Authorized Officer is individually authorized and directed to approve, deliver and certify to the Member Information for the Official Statement for the Bonds (the "Official Statement") in substantially the form provided for the Preliminary Official Statement, with such changes, insertions and omissions, including such changes as may be necessary to update certain financial information as adopted by Member's City Council after the date hereof, as may be approved by such Authorized Officer. Each Authorized Officer is authorized and directed to execute and deliver a certificate to the

Authority pursuant to Rule 10b-5 promulgated under the Exchange Act, with respect to the Member Information with respect to the Official Statement.

3. Each Authorized Officer of the Member, acting singly, is hereby authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this Resolution. Any and all acts and things previously done by any officer of the Member which are necessary or proper for carrying out the transactions contemplated by this Resolution are hereby ratified.

4. This Resolution shall take effect immediately.

## EXHIBIT A

**CITY OF SANTA BARBARA**  
**DISCLOSURE PROCEDURES**

**PURPOSE**

The purpose of these Disclosure Procedures (the “Procedures”) is to memorialize and communicate procedures in connection with obligations, including notes, bonds and certificates of participation, issued by or on behalf of the City of Santa Barbara (the “City”) so as to ensure that the City continues to comply with all applicable disclosure obligations and requirements under the federal securities laws.

**BACKGROUND**

The City from time to time issues revenue bonds, notes or other obligations or causes certificates of participation to be executed and delivered (collectively, “Obligations”) in order to fund or refund capital investments, other long-term programs and working capital needs. In offering Obligations to the public, and at other times when the City makes certain reports, the City must comply with the “anti-fraud rules” of federal securities laws. (“Anti-fraud rules” refers to Section 17 of the Securities Act of 1933 and Section 10(b) of the Securities and Exchange Act of 1934, and regulations adopted by the Securities and Exchange Commission under those Acts, particularly “Rule 10b-5” under the 1934 Act.)

The core requirement of these rules is that potential investors in Obligations must be provided with all “material” information relating to the offered Obligations. The information provided to investors must not contain any material misstatements, and the City must not omit material information which would be necessary to provide to investors a complete and transparent description of the Obligations and the City’s financial condition. In the context of the sale of securities, a fact is generally considered to be “material” if there is a substantial likelihood that a reasonable investor would consider it to be important in determining whether or not to purchase the securities being offered.

When Obligations are offered, the two central disclosure documents which are prepared are a preliminary official statement (“POS”) and a final official statement (“OS”, and collectively with the POS, “Official Statement”). The Official Statement generally consists of (i) the forepart (which describes the specific transaction including maturity dates, interest rates, redemption provisions, the specific type of financing, the leased premises (in certificate of participation financings) and other matters particular to the financing, (ii) a section which provides information on the City, including its financial condition as well as certain operating information with respect to its general fund, enterprise funds or other City revenues, as applicable (“City Section”), and (iii) various other appendices, including the City’s audited financial report, form of the proposed legal opinion, and form of continuing disclosure undertaking. Investors use the Official Statement as one of their primary resources for making informed investment decisions regarding the Obligations.

**DISCLOSURE PROCESS**

When the City determines to issue Obligations directly, the Finance Director requests the involved departments to commence preparation of the portions of the Official Statement (including particularly the City Section) for which they are responsible. While the general format and content of the Official Statement may not normally change substantially from offering to offering, except as necessary to reflect major events, the Finance Director and other relevant staff are responsible for reviewing and preparing or updating certain portions of the City Section which are within their particular areas of knowledge. Once the draft POS has been substantially updated, the entire draft POS is shared with the

City Administrator for review and input. Additionally, all participants in the disclosure process are separately responsible for reviewing the entire draft POS.

Members of the financing team, including the Bond Counsel and a financial advisor, if one is engaged with respect to the Obligations (the “Financial Advisor”), assist staff in determining the materiality of any particular item, and in the development of specific language in the City Section. Members of the financing team also assist the City in the development of a “big picture” overview of the City’s financial condition, included in the City section. This overview highlights particular areas of concern. Bond Counsel has a confidential, attorney-client relationship with officials and staff of the City.

The Finance Director or a member of the financing team at the direction thereof schedules one or more meetings or conference calls of the financing team (which includes City officials, Legal Counsel, Bond Counsel and the City’s Financial Advisor (and the underwriters of the Obligations, and the underwriters’ counsel, if the proposed financing is being undertaken as a negotiated transaction)), and new drafts of the forepart of the draft POS and the City Section are circulated and discussed. Such communications may occur via electronic means rather than by meetings or conference calls. During this part of the process, there is substantial contact among City staff and other members of the financing team to discuss issues which may arise, determine the materiality of particular items and ascertain the prominence in which the items should be disclosed.

Prior to distributing a POS to potential investors, there is typically a formal conference call which includes City officials involved in the preparation of the POS and members of the financing team (and the underwriters and the underwriters’ counsel, if the financing is a negotiated transaction) during which the POS is reviewed in its entirety to obtain final comments and to allow the underwriters, if any, to ask questions of the City’s senior officials. This is referred to as a “due diligence” meeting.

A substantially final form of the POS is provided to the City Council in advance of approval to afford such City Council an opportunity to review the POS, ask questions and make comments. The substantially final form of the POS is approved by the City Council which generally authorizes certain senior staff to make additional corrections, changes and updates to the POS in consultation with Legal Counsel and Bond Counsel.

At the time the POS is posted for review by potential investors, senior City officials execute certificates deeming certain portions of the POS complete (except for certain pricing terms) as required by SEC Rule 15c2-12.

Between the posting of the POS for review by potential investors and delivery of the final OS to the underwriter for redelivery to actual investors in the Obligations, any changes and developments will have been incorporated into the POS, including particularly the City Section, if required. If necessary to reflect developments following publication of the POS or OS, as applicable, supplements will be prepared and published.

In connection with the closing of the transaction, one or more senior City officials execute certificates stating that certain portions of the OS, as of the date of each OS and as of the date of closing, does not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements contained in the Official Statement in light of the circumstances under which they were made, not misleading. Legal Counsel also provides an opinion letter (generally addressed to the underwriters) advising that information contained in the City Section of the OS (or specified portions thereof) as of its date did not, and as of the date of the closing, does not contain any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Legal Counsel does not opine to

the underwriters or to other third parties as to any financial, statistical, economic or demographic data or forecasts, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, and certain other customary matters.

## **CITY SECTION**

The information contained in the City Section is developed by personnel under the direction of the Finance Director, with the assistance of the financing team. The Finance Director coordinates with the appropriate City officials and staff depending on whether the financing relates to the City's general fund, an enterprise fund or other City revenues. In certain circumstances, additional officials will be involved, as necessary. The following principles govern the work of the respective staffs that contribute information to the City Section:

- City staff involved in the disclosure process are responsible for being familiar with its responsibilities under federal securities laws as described above.
- City staff involved in the disclosure process should err on the side of raising issues when preparing or reviewing information for disclosure. Officials and staff are encouraged to consult Legal Counsel, Bond Counsel or members of the financing team if there are questions regarding whether an issue is material or not.
- Care should be taken not to shortcut or eliminate any steps outlined in the Procedures on an ad hoc basis. However, the Procedures are not necessarily intended to be a rigid list of procedural requirements, but instead to provide guidelines for disclosure review. If warranted, based on experience during financings or because of additional SEC pronouncements or other reasons, the City should consider revisions to the Procedures.
- The process of updating the City Section from transaction to transaction should not be viewed as being limited to updating tables and numerical information. While it is not anticipated that there will be major changes in the form and content of the City Section at the time of each update, everyone involved in the process should consider the need for revisions in the form, content and tone of the sections for which they are responsible at the time of each update.
- The City must make sure that the staff involved in the disclosure process is of sufficient seniority such that it is reasonable to believe that, collectively, they are in possession of material information relating to the City, its operations and its finances.

## **JOINT POWERS AGENCY FINANCINGS**

The City is a member of various joint powers agencies. These joint powers agencies finance or refinance facilities from time to time. In connections with such financings and refinancings, these joint powers agencies may prepare offering documents which include information provided by the City which constitutes a City Section as discussed above. These Procedures apply to City Sections prepared in connection with such joint powers agency financings and refinancing.

## **TRAINING**

Periodic training for the staff involved in the preparation of the Official Statement (including the City Section) is coordinated by the finance team and the Finance Director. These training sessions are provided to assist staff members involved in identifying relevant disclosure information to be included in the City Section. The training sessions also provide an overview of federal laws relating to disclosure,

situations in which disclosure rules apply, the purpose of the Official Statement and the City Section, a description of previous SEC enforcement actions and a discussion of recent developments in the area of municipal disclosure. Attendees at the training sessions are provided the opportunity to ask questions of finance team members, including Bond Counsel concerning disclosure obligations and are encouraged to contact members of the finance team at any time if they have questions.

## **ANNUAL CONTINUING DISCLOSURE REQUIREMENTS**

In connection with the issuance or execution and delivery of Obligations, the City has entered into contractual agreements (“Continuing Disclosure Undertakings”) to provide annual reports related to its financial condition (including its audited financial statements) as well as notice of certain events relating to the Obligations specified in the Continuing Disclosure Undertakings. The City must comply with the specific requirements of each Continuing Disclosure Undertaking. The City’s Continuing Disclosure Undertakings will generally require that the annual reports be filed within 270 days after the end of the City’s fiscal year, and material event notices are generally required to be filed within 10 business days of their occurrence.

Specific events which require “material event” notices are set forth in each particular Continuing Disclosure Certificate.

The Finance Director shall be responsible for preparing and filing the annual reports and material event notices required pursuant to the Continuing Disclosure Undertakings. Particular care shall be paid to the timely filing of any changes in credit ratings on Obligations (including changes resulting from changes in the credit ratings of insurers of particular Obligations).