



Finance and Measure I Oversight Committee Meeting

July 15, 2025
Willows City Hall
5:30 PM

Committee
Rick Thomas, Vice Mayor
Matt Busby, Councilmember

City Manager
Marti Brown

Finance Director
Joanne Moore

City Clerk
Karleen Price

201 North Lassen Street
Willows, CA 95988
(530) 934-7041

Agenda

Watch online via Zoom: <https://us06web.zoom.us/j/87336824394>

Remote viewing of the Finance and Measure I Oversight Committee meeting for members of the public is provided for convenience only. In the event that the remote viewing connection malfunctions for any reason, the Finance and Measure Oversight Committee reserves the right to conduct the meeting without remote viewing.

If you have any documentation that you would like distributed to the Committee, please mail it to the City Clerk at 201 North Lassen Street, Willows, CA 95988 or email it to: cityclerk@cityofwillows.org.

1. CALL TO ORDER

2. PLEDGE OF ALLEGIANCE

3. ROLL CALL

4. PUBLIC COMMENT & CONSENT

Individuals wishing to address the Committee regarding Consent items or matters not on the agenda are asked to complete a Speaker Card and submit it to the City Clerk. All remarks shall be directed to the Committee Members and are limited to three minutes. By law, the Committee cannot discuss or take action on items not listed on the posted agenda.

a. Minutes Approval

Recommended Action: Approve the April 15, 2025, meeting minutes.

Contact: Karleen Price, City Clerk, kprice@cityofwillows.org

5. DISCUSSION & ACTION

All matters on the Discussion & Action calendar will be discussed and acted on individually. Individuals wishing to speak on these items are asked to complete a Speaker Card and submit it to the City Clerk. Comments should be directed to the Committee Members and are limited to three minutes. By law, the Committee cannot discuss or take action on items not listed on the posted agenda.

a. **Finance Policies**

Recommended Action: Review and discuss the city’s various finance policies, recommend amendments as necessary, and present any updates and/or recommended changes to the full Council within the month.

Contact: Marti Brown, City Manager, mbrown@cityofwillows.org

b. **Other Financial Updates**

Recommended Action: Discuss, clarify objectives, and direct staff to prepare additional information for the October FMIOC meeting regarding the following topics:

- i. Status of Measure I revenues and expenditures and how they’re allocated in the current budget, as well as any updates on Measure I revenues received.
- ii. Revisit FY 2024-25 versus FY 2025-26 revenues and expenditures (e.g., Measure I versus no Measure I), as well as surplus revenue versus deficits.
- iii. Update on current and pending projects from a financial perspective, as well as estimated completion dates.
- iv. Status update on Apparatus Replacement Fund.
- v. Review Bank Statements and Investments.

Contact: Marti Brown, City Manager, mbrown@cityofwillows.org

Contact: Joanne Moore, Finance Director, jmoore@cityofwillows.org

6. ADJOURNMENT

This agenda was posted on July 11, 2025.

Karleen Price, City Clerk

A complete agenda packet, including staff reports and back-up information, is available for public inspection during normal work hours at City Hall or the Willows Public Library at 201 North Lassen Street in Willows or on the City’s website at www.cityofwillows.org.

In compliance with the Americans with Disabilities Act, the City of Willows will make available to members of the public any special assistance necessary to participate in this meeting. If requested, the agenda shall be made available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132). The public should contact the City Clerk’s office at 934-7041 to make such a request. Notification 72 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.

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PUBLIC COMMENT & CONSENT CALENDAR FORUM



Finance and Measure I Oversight Committee Town Hall Meeting Action Minutes

Committee
Rick Thomas, Vice Mayor
Matt Busby, Council Member

City Manager
Marti Brown

Finance Director
Joanne Moore

City Clerk
Karleen Price

201 North Lassen Street
Willows, CA 95988
(530) 934-7041

April 15, 2025
Willows City Hall

1. **CALL TO ORDER – 5:30 PM**

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL**

Councilmembers Present: Vice Mayor Thomas and Councilmembers Busby

Councilmembers Absent: None

1. **PUBLIC COMMENT & CONSENT**

a. **Minutes Approval**

Action: Approved the January 14, 2025, meeting minutes.

Moved/Seconded: Councilmember Busby/Vice Mayor Thomas

Yes: Councilmember Busby, Vice Mayor Thomas

No: None

Absent: None

Abstain: None

4. **TOWNHALL MEETING & DISCUSSION**

a. **City Budget Status, Measure I Revenues, and Expenditures**

Action: Staff provided a budget presentation and Committee Members facilitated public comment and discussion.

Public Comment

- Public Comment # 1: Dan Gupton, President of the Library Board
- Public Comment #2: Doug Ross, Resident of Willows
- Public Comment #3: David Vodden, Retired
- Public Comment #4: Doug Ross, Resident of Willows
- Public Comment #5: Jim Yoder, Glenn County Supervisor, District 4

- Public Comment #6: Doug Ross, Resident of Willows

9. ADJOURNMENT – 6:18 PM

Karleen Price, City Clerk



DISCUSSION & ACTION CALENDAR



Date: July 15, 2025
To: Finance & Measure I Oversight Committee
From: Marti Brown, City Manager
Joanne Moore, Finance Director
Subject: Finance Policies

Recommendation:

Review and discuss the city’s various finance policies, recommend amendments as necessary, and present any updates and/or recommended changes to the full Council within the month.

Rationale for Recommendation:

As outlined in the Finance and Measure I Oversight Committee (FMIOC) Bylaws, the July meeting of FMIOC is required to:

Review the City’s finance policies for any needed updates and/or changes. Recommend any changes to the full Council within one month of the July meeting.

Background:

As outlined in the FMIOC Bylaws, there are four quarterly FMIOC meetings per year. Each meeting focuses on different areas of the City’s budget and financial management. The July meeting focuses on reviewing the City’s financial policies. The complete [FMIOC Bylaws](#) can be found on the City’s website.

Discussion & Analysis:

The City has four Council adopted financial policies including, a General Fund Reserve Policy (Attachment 1), an Investment Policy (Attachment 2), a Debt Management Policy (Attachment 3) and a Pension Funding Policy (Attachment 4). The General Fund Reserve Policy was adopted April 13, 2021. The Investment Policy was last reviewed and updated July 28, 2020. The Debt Management Policy was adopted by the Council on September 8, 2020. The Pension Funding Policy was adopted by the Council on January 26, 2021.

Consistency with Council Priorities and Goals:

The recommended objective is consistent with the Council’s Strategic Priority: Financial Stability.

Fiscal Impact:

There is no fiscal impact.

Attachments:

- Attachment 1: General Fund Reserve Policy
- Attachment 2: Investment Policy
- Attachment 3: Debt Management Policy
- Attachment 4: Pension Funding Policy

City of Willows

Administrative Procedure & Policy Manual

Subject: General Fund Reserve Policy		Number: ____ - ____
Department(s) Affected: FINANCE		Effective Date: April 13, 2021
		Supersedes: 2-1 Fund – Working Reserve (Adopted 6-12-1979)
File Reference(s):	Authority: Resolution:	
	Approved: CITY COUNCIL 04/13/2021	

1. Introduction:

This General Fund Reserve Policy (the “Reserve Policy”) of the CITY OF WILLOWS (the “City”) was approved by the City Council of the City (the “Council”) on April 13, 2021. The General Fund Reserve Policy may be amended by Council as it deems appropriate from time to time in the prudent management of the finances of the City.

2. Background:

General Fund reserves are classified into two categories: Restricted and Designated. Restricted reserves are those that are not considered available due to financial, accounting, or legal restrictions. Designated reserves are established by Council policy for an intended purpose and are available for use per Council direction.

In addition, the Governmental Accounting Standards Board (GASB) Statement 54 Fund Reporting and Governmental Fund Type Definitions requires that the City categorize fund balances according to the following components:

- Non-spendable fund balance (inherently non-spendable)
- Restricted fund balance (externally enforceable limitations on use)
- Committed fund balance (self-imposed limitations on use)
- Assigned fund balance (limitation resulting from intended use)
- Unassigned fund balance (residual net resources)

3. Guiding Principles:

Following sound financial practices and adhering to the Government Finance Officers’ of American (GFOA) recommendations, the City’s designated reserves include reserves for known and unknown contingencies, which take into consideration the:

- Diversity of revenue base
- Cyclical nature of revenue
- Changes in community priorities
- Frequency of budget surpluses/deficits
- Cash flow management practices

City of Willows

Administrative Procedure & Policy Manual

4. Policy – Reserve Levels:

The City will set aside funds into two designated reserves to address unforeseen emergencies or disasters, significant changes in the economic environment, and key infrastructure and capital projects. These include the Catastrophic Reserve, and Budget Stabilization Reserve, the City may also set aside Capital and Special Projects Reserves as part of those projects or Capital Improvement Plan Policies.

The City commits to maintaining these reserves at a minimum of 25% of General Fund annual operating expenditures (minus one-time expenditures), equally divided between the Catastrophic Reserve (15%) and Budget Stabilization Reserve (10%), excluding any Capital and Special Projects Reserves. The Reserve Policy is reviewed by the City Council as part of the annual operating budget review and adoption process. Appropriations of any General Fund reserves require formal Council authorization.

Should a catastrophic disaster or loss of a significant source of the City's sales tax revenue occur, the required reserve level should be adequate to meet the City's immediate financial needs. For example, in the event of natural disaster, the Catastrophic Reserve would provide necessary coverage for basic operating expenses for approximately 90 days, including salary and benefits for safety and non-safety City employees, while still meeting debt service obligations. This time frame would enable the City to explore other available cash alternatives, including the use of internal service funds. Likewise, should the City experience a loss of a primary sales tax contributor, the reserve level in the Budget Stabilization Fund would provide for a transition period, giving the City adequate time to realign its operating costs with available resources, while minimizing service impacts.

Key General Fund Designated Reserves

Catastrophic Reserve: Funds reserved under this category shall be used to mitigate costs associated with unforeseen emergencies, including natural disasters or catastrophic events. Should unforeseen and unavoidable events occur that require the expenditure of City resources beyond those provided for in the annual budget, the City Manager or designee shall have authority to approve Catastrophic Reserve appropriations. The City Manager or designee shall then present to the City Council a budget amendment confirming the nature of the emergency and authorizing the appropriation of reserve funds.

Budget Stabilization Reserve: Funds reserved under this category shall be used to mitigate, should they occur, annual budget revenue shortfalls (actual revenues less than projected revenues) due to changes in the economic environment and/or one-time expenditures that will result in future efficiencies and/or budgetary savings. Examples of "economic triggers" and one-time uses include, but are not limited to:

- Significant decrease in property or sales tax, or other economically sensitive revenues;
- Loss of businesses considered to be significant sales tax generators;
- Reductions in revenue due to actions by the state/federal government;
- Workflow/technical system improvements to reduce ongoing, personnel costs and enhance customer service;
- One-time maintenance of service levels due to significant economic/budget constraints; and

City of Willows

Administrative Procedure & Policy Manual

- One-time transitional costs associated with organizational restructuring to secure long-term personnel cost savings.

Capital and Special Projects Reserve: Funds reserved under these categories are designated for key infrastructure and capital/special projects as identified in the City's Capital Improvement Plan, as there is no ongoing funding source to support the City's capital needs.

5. Policy – Replenishment of Reserves:

In keeping with the principles discussed in this Reserve Policy, when either fund is used or below the policy-directed reserve level(s), the City Council will develop a 1 to 5 year reserve replenishment plan to meet the minimum threshold of 25% of General Fund ongoing, operating expenditures, excluding one-time expenditures.

6. Policy – Excess Reserves:

At the end of each fiscal year, the Administrative Services Director or designee reports on the audited year-end budgetary fiscal results. Should actual General Fund revenues exceed expenditures and encumbrances, a year-end operating surplus shall be reported. Any year-end surplus that results in the General Fund, fund balance exceeding the level required by the Reserve Policy shall be available for allocation for the following, subject to Council approval:

- Offset projected future deficits
- Anticipated intergovernmental fiscal impacts
- One-time funding, non-recurring needs

Upon funding of the above, any remaining surplus balances shall be divided equally between the Budget Stabilization Reserve and Capital and Special Projects Reserve for appropriation within the Capital Improvement Program budget.

CITY OF WILLOWS
STATEMENT OF INVESTMENT POLICY

1. Introduction

The purpose of this document is to identify various policies that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment-related activities. Related activities that compose good cash management include accurate cash projections, expeditious collection of revenue, control of disbursements, and cost effective banking relations.

2. Scope

The investment policy covers all funds and investment activities under the direct authority of the City of Willows.

3. Objective

- A. **Safety:** Safety of principal is the foremost objective of the investment program. Investments of the City of Willows shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
- B. **Liquidity:** An adequate percentage of the portfolio will be maintained in the liquid, short-term securities which can be converted to cash if necessary to meet disbursement requirements. Since all cash requirements cannot be anticipated, investments in securities with active secondary or resale markets is highly recommended. Emphasis will be on low sensitivity to market risk.
- C. **Yield:** Yield becomes a consideration only after the basic requirements of safety and liquidity have been met.
- D. **Market-Average Rate of Return:** The investment portfolio shall be designed to attain a market average rate of return throughout budgetary and economic cycles, taking into account the City's risk constraints, the cash flow characteristics of the portfolio, and State and local laws, ordinances.
- E. **Diversification:** The investment portfolio will be diversified to avoid incurring unreasonable and avoidable risks regarding either specific security types or individual financial instruments.
- F. **Prudence:** The City of Willows adheres to the guidance provided by the "Prudent Man Rule" (Civil Code Section No. 2261), which obligates a fiduciary to ensure that:

"...investment shall be made with the exercise of that degree of judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation but for investment considering the probable safety of their capital as well as the probable income to be derived."

G. Public Trust: All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust.

4. Declaration of Authority

The City Treasurer (Absent a named City Treasurer, the City of Willows assigns this duty to the Administrative Services Director) has the authority to invest funds in certain eligible securities (Government Code Section 53635).

5. Reporting

The City Treasurer, or other designee, may submit a quarterly investment report to the City Council, which shall include all the elements of the report as prescribed by Government Code Section 53646.

6. Investment Instruments

Investments for the City of Willows are to be made in one or more of the following:

Investment Instrument	Maximum Percentage or Amount	Maximum Maturity
A. Certificates of Deposit	Unlimited	5 years
B. Negotiable Certificates of Deposit	30%	5 years
C. Local Agency Investment Fund	\$40MM	n/a
D. Passbook Savings Account	Unlimited	n/a
E. Securities of the U.S. Government Or Agencies Thereof	Unlimited	5 years
F. Bankers Acceptances	40%	270 days
G. Commercial Paper	30%	180 days
H. Medium Term Corporate Notes	30%	5 years

7. Internal Controls

A system of internal controls shall be established to prevent losses of public funds arising from fraud, employee error, misrepresentation of their parties, unanticipated changes in financial markets, and imprudent actions by employees and officers of the City.

8. Maturities

Security purchases and holdings shall be maintained within statutory limits imposed by Government Code.

9. Banks and Securities Dealers

The Administrative Services Director, in selecting financial institutions for deposits and investments of the City funds, shall consider the creditworthiness of such institutions. The Administrative Services Director shall continue to monitor financial institutions' credit characteristics and financial history throughout the period in which City funds are either deposited or invested.

10. Risk Tolerance

The City of Willows recognizes that investment risk can result from issuer defaults, market price changes, or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to control risk. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio. The Administrative Services Director shall periodically establish guidelines and strategies to control risk of default, market price changes, and illiquidity. A review of available investments, when practical, will be used to place all investments.

11. Statement of Investment Policy

This statement of Investment Policy shall be reviewed and submitted annually to the City Council.

07/28/20
Date

/S/ Tim Sailsbery
Tim Sailsbery
Administrative Services Director

EXHIBIT A

DEBT MANAGEMENT POLICY

This Debt Management Policy (the “Debt Policy”) of the CITY OF WILLOWS (the “City”) was approved by the City Council of the City (the “Council”) on September 8, 2020. The Debt Policy may be amended by Council as it deems appropriate from time to time in the prudent management of the debt of the City.

This Debt Policy will also apply to any debt issued by any public agency for which the Council acts as its legislative body.

The Debt Policy has been developed to provide guidance in the issuance and management of debt by the City or its related entities and is intended to comply with section 8855(i) of the California Government Code effective on January 1, 2017. The main objectives are to establish conditions for the use of debt; to ensure that debt capacity and affordability are adequately considered; to minimize the City’s interest and issuance costs; to maintain the highest possible credit rating; to provide complete financial disclosure and reporting; and to maintain financial flexibility for the City.

Debt, properly issued and managed, is a critical element in any financial management program. It assists in the City’s effort to allocate limited resources to provide the highest quality of service to the public. The City understands that poor debt management can have ripple effects that hurt other areas of the City. On the other hand, a properly managed debt program promotes economic growth and enhances the vitality of the City for its residents and businesses.

1. Findings

This Debt Policy shall govern all debt undertaken by the City. The City hereby recognizes that a fiscally prudent debt policy is required in order to:

- Maintain the City’s sound financial position.
- Ensure the City has the flexibility to respond to changes in future service priorities, revenue levels, and operating expenses.
- Protect the City’s credit-worthiness.
- Ensure that all debt is structured in order to protect both current and future taxpayers, ratepayers and constituents of the City.
- Ensure that the City’s debt is consistent with the City’s planning goals and objectives and capital improvement program or budget, as applicable.

- Encourage those that benefit from a facility/improvement to pay the cost of that facility/improvement without the need for the expenditure of limited general fund resources.

2. Policies

A. Purposes For Which Debt May Be Issued

The City will consider the use of debt financing primarily for capital improvement projects (CIP) when the project's useful life will equal or exceed the term of the financing and when resources are identified sufficient to fund the debt service requirements. An exception to this CIP driven focus is the issuance of short-term instruments such as tax and revenue anticipation notes, which are to be used for prudent cash management purposes and conduit financing, as described below. Bonded debt should not be issued for projects with minimal public benefit or support, or to finance normal operating expenses.

If a department has any project which is expected to use debt financing, the department director is responsible for expeditiously providing the City Manager and the Administrative Services Director with reasonable cost estimates, including specific revenue accounts that will provide payment for the debt service. This will allow an analysis of the project's potential impact on the City's debt capacity and limitations. The department director shall also provide an estimate of any incremental operating and/or additional maintenance costs associated with the project and identify sources of revenue, if any, to pay for such incremental costs.

(i) Long-Term Debt. Long-term debt may be issued to finance or refinance the construction, acquisition, and rehabilitation of capital improvements and facilities, equipment and land to be owned and/or operated by the City.

(a) Long-term debt financings are appropriate when the following conditions exist:

- When the project to be financed is necessary to provide basic services.
- When the project to be financed will provide benefit to constituents over multiple years.
- When total debt does not constitute an unreasonable burden to the City and its taxpayers and ratepayers.
- When the debt is used to refinance outstanding debt or other obligations in order to produce debt service savings or to realize the benefits of a debt restructuring.

(b) Long-term debt financings will not generally be considered appropriate for current operating expenses and routine maintenance expenses.

(c) The City may use long-term debt financings subject to the following conditions:

- The project to be financed has been or will be approved by the Council.

- The weighted average maturity of the debt (or the portion of the debt allocated to the project) will not exceed the average useful life of the project to be financed unless specific conditions exist that would mitigate the extension of time to repay the debt and it would not cause the City to violate any covenants to maintain the tax-exempt status of such debt, if applicable.
- The City estimates that sufficient income or revenues will be available to service the debt through its maturity.
- The City determines that the issuance of the debt will comply with the applicable requirements of state and federal law.
- The City considers the improvement/facility to be of vital, time-sensitive need of the community and there are no plausible alternative financing sources

(d) Periodic reviews of outstanding long-term debt will be undertaken to identify refunding opportunities. Refunding will be considered (within federal tax law constraints, if applicable) if and when there is a net economic benefit of the refunding. Refundings which are non-economic may be undertaken to achieve City objectives relating to changes in covenants, call provisions, operational flexibility, tax status of the issuer, or the debt service profile.

In general, refundings which produce a net present value savings of at least three (3) percent of the refunded debt will be considered economically viable. Refundings which produce a net present value savings of less than three (3) percent or negative savings will be considered on a case-by-case basis, and are subject to Council approval.

(ii) Short-term debt. Short-term borrowing may be issued to generate funding for cash flow needs in the form of Tax and Revenue Anticipation Notes (TRAN).

Short-term borrowing, such as commercial paper, and lines of credit, will be considered as an interim source of funding in anticipation of long-term borrowing. Short-term debt may be issued for any purpose for which long-term debt may be issued, including capitalized interest and other financing-related costs. Prior to issuance of the short-term debt, a reliable revenue source shall be identified to secure repayment of the debt. The final maturity of the debt issued to finance the project shall be consistent with the economic or useful life of the project and, unless the Council determines that extraordinary circumstances exist, must not exceed seven (7) years.

Short-term debt may also be used to finance short-lived capital projects; for example, the City may undertake lease-purchase financing for equipment, and such equipment leases may be longer than seven (7) years.

(iii) Financings on Behalf of Other Entities. The City may also find it beneficial to issue debt on behalf of other governmental agencies or private third parties in order to further the public

purposes of City. In such cases, the City shall take reasonable steps to confirm the financial feasibility of the project to be financed and the financial solvency of any borrower and that the issuance of such debt is consistent with the policies set forth herein. In no event will the City incur any liability or assume responsibility for payment of debt service on such debt.

B. Types of Debt

In order to maximize the financial options available to benefit the public, it is the policy of the City of Willows to allow for the consideration of issuing all generally accepted types of debt, including, but not exclusive to the following:

- General Obligation (GO) Bonds: General Obligation Bonds are suitable for use in the construction or acquisition of improvements to real property that benefit the public at large. Examples of projects include libraries, parks, and public safety facilities. All GO bonds shall be authorized by the requisite number of voters in order to pass.
- Revenue Bonds: Revenue Bonds are limited-liability obligations tied to a specific enterprise or special fund revenue stream where the projects financed clearly benefit or relate to the enterprise or are otherwise permissible uses of the special revenue. An example of projects that would be financed by a Revenue Bond would be improvements to a water system, which would be paid back with money raised from the rates and charges to water users. Generally, no voter approval is required to issue this type of obligation but in some cases, the City must comply with proposition 218 regarding rate adjustments.
- Lease-Backed Debt/Certificates of Participation (COP/Lease Revenue Bonds): Issuance of Lease-backed debt is a commonly used form of debt that allows a City to finance projects where the debt service is secured via a lease agreement and where the payments are budgeted in the annual budget appropriation by the City from the general fund. Lease-Backed debt does not constitute indebtedness under the state or the City's constitutional debt limit and does not require voter approval.
- Special Assessment/Special District Debt: The City will consider requests from developers for the use of debt financing secured by property based assessments or special taxes in order to provide for necessary infrastructure for new development only under strict guidelines adopted by the Council, which may include minimum value-to-lien ratios and maximum tax burdens. Examples of this type of debt are Assessment Districts (AD) and Community Facilities Districts (CFD) or more commonly known as Mello-Roos Districts. In order to protect bondholders as well as the City's credit rating, the City will also comply with all State guidelines regarding the issuance of special district or special assessment debt, as well as any policy required to be adopted under Government Code Section 53312.7.

The City may from time to time find that other forms of debt would be beneficial to further its public purposes and may approve such debt without an amendment of this Debt Policy.

To maintain a predictable debt service burden, the City will give preference to debt that carries a fixed interest rate. An alternative to the use of fixed rate debt is variable rate debt. The City may choose to issue securities that pay a rate of interest that varies according to a pre-determined formula or results from a periodic remarketing of securities. When making the determination to issue bonds in a variable rate mode, consideration will be given in regard to the useful life of the project or facility being financed or the term of the project requiring the funding, market conditions, credit risk and third party risk analysis, and the overall debt portfolio structure when issuing variable rate debt for any purpose. The maximum amount of variable-rate debt should be limited to no more than 20 percent of the total debt portfolio.

The City will not employ derivatives, such as interest rate swaps, in its debt program. A derivative product is a financial instrument which derives its own value from the value of another instrument, usually an underlying asset such as a stock, bond, or an underlying reference such as an interest rate. Derivatives are commonly used as hedging devices in managing interest rate risk and thereby reducing borrowing costs. However, these products bear certain risks not associated with standard debt instruments.

C. Relationship of Debt to Capital Improvement Program and Budget

The City intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the City's capital budget and the capital improvement plan.

The City shall strive to fund the upkeep and maintenance of its infrastructure and facilities due to normal wear and tear through the expenditure of available operating revenues. The City shall seek to avoid the use of debt to fund infrastructure and facilities improvements that are the result of normal wear and tear, unless a specific revenue source has been identified for this purpose, such as Gas Tax funds.

The City shall integrate its debt issuances with the goals of its capital improvement program by timing the issuance of debt to ensure that projects are available when needed in furtherance of the City's public purposes.

The City shall seek to issue debt in a timely manner to avoid having to make unplanned expenditures for capital improvements or equipment from its general fund.

D. Policy Goals Related to Planning Goals and Objectives

The City is committed to financial planning, maintaining appropriate reserves levels and employing prudent practices in governance, management and budget administration. The City intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the City's annual operating budget.

It is a policy goal of the City to protect taxpayers, ratepayers and constituents by utilizing conservative financing methods and techniques so as to obtain the highest practical credit ratings (if applicable) and the lowest practical borrowing costs.

The City will comply with applicable state and federal law as it pertains to the maximum term of debt and the procedures for levying and imposing any related taxes, assessments, rates and charges.

Except as described in Section 2.A., when refinancing debt, it shall be the policy goal of the City to realize, whenever possible, and subject to any overriding non-financial policy considerations minimum net present value debt service savings equal to or greater than 3% of the refunded principal amount.

E. Internal Control Procedures

When issuing debt, in addition to complying with the terms of this Debt Policy, the City shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds.

The City will periodically review the requirements of and will remain in compliance with the following:

- any continuing disclosure undertakings under SEC Rule 15c2-12,
- any federal tax compliance requirements, including without limitation arbitrage and rebate compliance, related to any prior bond issues, and
- the City's investment policies as they relate to the investment of bond proceeds.

Whenever reasonably possible, proceeds of debt will be held by a third-party trustee and the City will submit written requisitions for such proceeds. The City will submit a requisition only after obtaining the signature of the City Manager or the Administrative Services Director.

F. Method of Sale

For the sale of any City-issued debt, the City Manager or the Administrative Services Director or designee shall recommend the method of sale with the potential to achieve the lowest financing cost and/or to generate other benefits to the City. Potential methods of sale include:

- A competitive bidding process through which the award is based on, among other factors, the lowest offered true interest cost
- Negotiated sale, subject to approval by the City to ensure that interest costs are in accordance with comparable market interest rates
- Private placement sale, when the financing can or must be structured for a single or limited number of purchasers or where the terms of the private placement are more beneficial to the City than either a negotiated or competitive sale

G. Waivers of Debt Policy

There may be circumstances from time to time when strict adherence to a provision of this Debt Policy is not possible or in the best interests of the City and the failure of a debt financing to comply with one or more provisions of this Debt Policy shall in no way affect the validity of any debt issued by the City in accordance with applicable laws.

EXHIBIT B

DISCLOSURE PROCEDURES FOR PUBLIC DEBT ISSUANCES

These Disclosure Procedures for Public Debt Issuances and Related Disclosure Obligations (the “Procedures”) of the CITY OF WILLOWS (the “City”) were approved by the City Council of the City (the “Council”) on September 8, 2020. The Policies may be amended by Council as it deems appropriate from time to time in the prudent management of the debt of the City.

The Policies will also apply to any debt issued by any public agency for which the Council acts as its legislative body.

I. INTRODUCTION

A. Purpose

The procedures are intended to (1) ensure that the City’s Initial Disclosure Documents and Continuing Disclosure Documents (as such terms are defined in Section II A.2 below) are accurate and comply with all applicable federal and state securities laws, and (2) promote best practices regarding the preparation of the City’s Initial Disclosure Documents and Continuing Disclosure Documents.

II. KEY PARTICIPANTS

A. Disclosure Practices Working Group

1. *Composition.* A Disclosure Practices Working Group (the “Disclosure Working Group”) will have general oversight over the entire initial and continuing disclosure process. Members of the Disclosure Working Group shall be appointed from time to time by the City Manager (in consultation with the Administrative Services Director) and shall consist of persons relevant to the disclosure process. The initial Disclosure Working Group shall include the following persons:

- (a) the Administrative Services Director;
- (b) the Disclosure Coordinator (as described below);
- (c) the City Attorney; and
- (d) and any other individuals appointed by the City Manager.

The Disclosure Working Group shall consult with finance team members for each applicable City debt obligation, or other interested parties as the Administrative Services Director or any

other member of the Disclosure Working Group determines is advisable, related to disclosure issues and practices. 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 all Initial Disclosure Documents, and making recommendations to the City Council or appropriate governing board for their approval of Initial Disclosure Documents;

(b) reviewing all continuing disclosure obligations as contained in Initial Disclosure Documents before such documents are released to the prospective investors, and making recommendations to the City Council or appropriate governing board for their approval of such continuing disclosure obligations;

(c) reviewing annually the City's status and compliance with continuing disclosure obligations, including filings of Continuing Disclosure Documents, compliance with these Procedures and the annual report prepared by the Disclosure Consultant as described in Section II (C) below;

(d) reviewing any items referred to the Disclosure Working Group; and

(e) evaluating the effectiveness of these Procedures and approving changes to these Procedures.

For purposes of these Procedures, "Initial Disclosure Documents" means disclosure documents describing City indebtedness for use in connection with the offering and sale of the indebtedness or interests therein, including Official Statements (as defined in the next sentence); and "Continuing Disclosure Documents" means (i) annual continuing disclosure reports filed with the Municipal Securities Rulemaking Board ("MSRB"), and (ii) event notices and any other filings with the MSRB. As used in these Procedures, the term "Official Statements" means preliminary and final official statements, private placement memoranda and remarketing memoranda relating to the City's debt obligations, together with any supplements, for debt obligations for which a continuing disclosure obligation is required.

B. Disclosure Coordinator

1. *Appointment.* The Administrative Services Director, in consultation with the other members of the Disclosure Working Group, shall select and appoint a Disclosure Coordinator. The Administrative Services Director may serve as the Disclosure Coordinator.

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

(a) serving as a "point person" for personnel to communicate issues or information that should be or may need to be included in any Initial Disclosure Document or Continuing Disclosure Document;

(b) in preparing Initial Disclosure Documents and in anticipation of preparing Continuing Disclosure Documents, soliciting "material" information (as defined in Securities and Exchange Rule 10b-5) from City departments and other relevant City Staff;

(c) following up with others, including management of outside consultants assisting the City, in the preparation and dissemination of Initial Disclosure Documents and Continuing Disclosure Documents to make sure that assigned tasks have been completed on a timely basis and making sure that the Continuing Disclosure Documents are filed on a timely basis and are accurate;

(d) In cooperation with the attorney or attorneys, or financial advisor, preparing any Initial Disclosure Document, and with other City or public agency Staff members with knowledge of the subject matter of the respective debt obligation, (i) reviewing each Initial Disclosure Document with the Disclosure Working Group and (ii) presenting the Initial Disclosure Document to the City Council on or before the second regularly scheduled City Council meeting in February each year and before any other appropriate governing board for approval, before it is disseminated to the public or prospective purchasers of the related debt obligation, all in order to ensure that all disclosure contained therein and not otherwise attributable to sources other than the City is accurate and does not omit to state information required to be stated therein in order to make the statements therein not misleading in any material respect;

(e) preparing and filing the required Continuing Disclosure Documents, to the extent such filings are not prepared and filed by the Disclosure Consultant;

(f) monitoring compliance by the City with these Procedures, including timely dissemination of annual report and event filings as described in Sections III (B) and (C) below;

(g) recommending changes to these Procedures to the Disclosure Working Group as necessary or appropriate;

(h) together with the Administrative Services Director (if other than the Disclosure Coordinator), coordinating the timely provision of information to the Disclosure Consultant as needed to fulfill its responsibilities to the City;

(i) maintaining records documenting the City's compliance with these Procedures;

(j) reviewing compliance with and providing appropriate certifications in connection with the various covenants in documents for debt obligations; and the Disclosure Coordinator shall review the documents for debt obligations to determine which covenants require an annual or regular certification and maintain a list of those with the Disclosure Coordinator (the Disclosure Coordinator may delegate such compliance requirements to the Disclosure Consultant); and

(k) ensuring that members of the Disclosure Working Group and the City Council or other applicable governing board approving Initial Disclosure Documents or Continuing Disclosure Documents receive periodic training regarding disclosure responsibilities and practices.

3. *Consultation.* The Disclosure Coordinator shall consult with the disclosure counsel for a respective debt obligation to the extent the Disclosure Coordinator considers appropriate to perform the Disclosure Consultant's responsibilities.

C. Disclosure Consultant

1. *Appointment.* The Administrative Services Director shall designate or hire, as applicable, a Disclosure Consultant (who may be a City Staff member, an attorney retained as disclosure counsel, a financial advisor or other appropriate consultant) in consultation with the Disclosure Working Group. 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 Initial Disclosure Documents, Continuing Disclosure Documents and other relevant information, consulting with appropriate City staff or interested parties needed to confirm that the City is meeting its disclosure obligations; and

(b) from time to time, making recommendations to the Disclosure Working Group regarding ways the City may improve these Procedures and methods of meeting City continuing disclosure obligations.

D. Others With Responsibility for Initial Disclosure Documents.

1. *Responsibilities of City Attorney.* The City Attorney (or a designee) shall review Initial Disclosure Documents and shall draft for Initial Disclosure Documents descriptions of (a) any material current, pending or threatened litigation, (b) any material settlements or court orders and (c) any other legal issues that are material information for purposes of any respective Initial Disclosure Document.

2. *Responsibilities of Administrative Services Director.* The Administrative Services Director shall review each Initial Disclosure Document, identify any material difference in presentation of financial information from the City's most recent financial statements and ensure there are no misstatements or omissions of material information in any sections that contain descriptions of information prepared by the Administrative Services Director (or the Administrative Services Director's staff) or of relevance to the finances of the City. In addition, the Administrative Services Director shall determine whether the City's then-available financial statements are appropriate to be included in the respective Initial Disclosure Document and whether to seek the consent of the City's auditor to including financing statements in the respective Initial Disclosure Document.

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's") Electronic Municipal Market Access ("EMMA") system in accordance with such undertakings 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, the City's audited financial statements and other information material to investors.

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 commences as required to satisfy the filing requirements 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 the Disclosure Consultant, whether a filing is required or is otherwise desirable.

D. Uncertainty

The Administrative Services Director may direct questions regarding the disclosure to the Disclosure Consultant, disclosure counsel, bond counsel or the City Attorney or such other counsel or consultant he/she deems appropriate.

IV. CONTINUING DISCLOSURE DOCUMENTS TO BE RETAINED

The Disclosure Coordinator shall be responsible for retaining records demonstrating compliance with the Continuing Disclosure Document requirements of these Procedures. The Disclosure Coordinator shall retain an electronic or paper file ("Disclosure File") for each continuing disclosure annual report that the City completes. Each Disclosure File shall include the final version of the applicable Initial Disclosure Document and all related Continuing Disclosure Documents; 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 Disclosure 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 Administrative Services Director shall ensure that the Disclosure Coordinator and the members of the Disclosure Working Group 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, attendance at conferences, or other appropriate methods identified by the Administrative Services Director.

EXHIBIT A

PENSION FUNDING POLICY

I. PURPOSE

The City's Pension Funding Policy documents the method the City will use to determine its actuarially determined contributions to fund the long-term cost of benefits to the plan participants and annuitants. The policy also:

- Provides guidance in making annual budget decisions;
- Demonstrates prudent financial management practices;
- Create sustainable and affordable budgets for pensions;
- Reassures bond rating agencies; and
- Shows employees and the public how pensions will be funded.

II. BACKGROUND

The City provides defined benefit retirement benefits through the California Public Employees' Retirement System (CalPERS). CalPERS is a multiple-employer public employee defined benefit pension plan.

All full-time and certain part-time City employees are eligible to participate in CalPERS. CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and their beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute.

The financial objective of a defined benefit pension plan is to fund the long-term cost of benefits provided to the plan participants. In order to assure that the plan is financially sustainable, the plan should accumulate adequate resources in a systematic and disciplined manner over the active service life of benefitting employees. This funding policy outlines the method the City will utilize to determine its actuarially determined contributions to fund the long-term cost of benefits to the plan participants and annuitants.

Pension Funding: A Guide for Elected Officials, issued by eleven national groups including the U.S. Conference of Mayors, the International City/County Management Association, and the Government Finance Officers Association, established the following five general policy objectives for a pension funding policy:

- **Actuarially Determined Contributions.** A pension funding plan should be based upon an actuarially determined contribution

(ADC) that incorporates both the cost of benefits in the current year and the amortization of the plan's unfunded actuarial accrued liability.

- **Funding Discipline.** A commitment to make timely, actuarially determined contributions to the retirement system is needed to ensure that sufficient assets are available for all current and future retirees.
- **Intergenerational equity.** Annual contributions should be reasonably related to the expected and actual cost of each year of service so that the cost of employee benefits is paid by the generation of taxpayers who receives services from those employees.
- **Contributions as a stable percentage of payroll.** Contributions should be managed so that employer costs remain consistent as a percentage of payroll over time.
- **Accountability and transparency.** Clear reporting of pension funding should include an assessment of whether, how, and when the plan sponsor will ensure sufficient assets are available for all current and future retirees.

III. POLICY

- A. Actuarially Determined Contribution (ADC).** CalPERS actuaries will determine the City's ADC to CalPERS based on annual actuarial valuations. The ADC will include the normal cost for current service and amortization of any under-funded amount. The normal cost will be calculated using the entry age normal cost method using economic and non-economic assumptions approved by the CalPERS Board of Administration.

The City will review the CalPERS annual actuarial valuations to validate the completeness and accuracy of the member census data and the reasonableness of the actuarial assumptions.

- B. Additional Discretionary Payment (ADP) Contribution.** The City will consider making ADP contributions with one-time General Fund resources, with the objectives of increasing the plan's funded status, by reducing the unfunded actuarially accrued liability, and reducing ongoing pension costs.
- C. Pension Obligations Bonds.** The City will consider pension obligation bonds if such bonds have expected savings using borrowing costs and CalPERS'

discount rate.

The City and its advisors will discuss and consider the risks of any potential pension obligation bonds.

Any pension obligation bonds, or refundings of pension obligation bonds, must be voted upon by the City Council.

- D. Contributions as a Manageable Budget Expense.** The City will always make its required annual contributions to CalPERS. Contributions should be stable and a manageable portion of revenue. The City may:
- Make additional discretionary contributions directly to CalPERS.
 - Consider establishing a pension stabilization trust, subject to approval by the Council.
 - Issue, call, or refund pension obligation bonds.
- E. Transparency and Reporting.** Funding of the City's pension plans should be transparent to vested parties including plan participants, annuitants, the City Council, and residents. In order to achieve this transparency, the following information shall be available:
- Copies of the annual actuarial valuations for the City's CalPERS plans shall be made available to the City Council.
 - The City's Comprehensive Annual Financial Report shall be published on its website. This report includes information on the City's annual contributions to the pension systems and their funded status.
 - The City's annual operating budget shall include the City's contributions to CalPERS.
- F. Review of Funding Policy.** Funding a defined benefit pension plan requires a long-term horizon. As such, the City will review this policy at least every two years.