
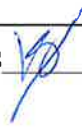



DATE SUBMITTED December 20, 2019  
 SUBMITTED BY Laura Gutierrez  
 DATE ACTION REQUIRED January 2, 2019

COUNCIL ACTION (x)  
 PUBLIC HEARING REQUIRED ( )  
 RESOLUTION ( )  
 ORDINANCE 1<sup>ST</sup> READING ( )  
 ORDINANCE 2<sup>ND</sup> READING ( )  
 CITY CLERK'S INITIALS 

**IMPERIAL CITY COUNCIL  
 AGENDA ITEM**

<b>SUBJECT:</b>	<p><b>DISCUSSION/ACTION – APPROVAL OF DEBT MANAGEMENT POLICY.</b></p> <p>APPROVE/DISAPPROVE OF DEBT MANAGEMENT POLICY TO ENSURE CITY DEBT IS ISSUED AND MANAGED TO EFFECTIVELY MAINTAIN A SOUND FISCAL POSIITON.</p>		
<b>DEPARTMENT INVOLVED:</b>	<b>FINANCE DEPARTMENT</b>		
<b>BACKGROUND/SUMMARY:</b>	<p>Government Code Section 8855(i) requires any issuer of public debt to submit an adopted Debt Management Policy to the California Debt and Investment Advisory Commission (CDIAC), no later than 30 days prior to the sale of any debt issue, a report of the proposed issuance. Effective January 1, 2017, issuers must certify on the Report of Proposed Debt Issuance that they have adopted local debt policies concerning the use of debt and that the proposed debt issuance is consistent with those policies. The issuer's local debt policies must include (A) the purpose for which the debt proceeds may be used, (B) the types of debt that may be issued, (C) the relationship of the debt to, and integration with, the issuer's capital improvement program or budget, if applicable, (D) policy goals related to the issue's planning goals and objectives, and (E) the internal control procedures that the issuer has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use.</p> <p>In addition to the requirement set forth by Government Code Section 8855(i), it is prudent financial management for the City to adopt a debt management policy that sets parameters for issuing debt, managing the City's debt portfolio and guiding decision makers. Adoption of the proposed Debt Management Policy will help ensure that City debt is issued and managed to effectively maintain a sound fiscal position. It also provides an important framework for protecting the City's credit rating. The attached Debt Management Policy incorporates all elements by CDIAC, as well as best management practices expected by the pertinent credit markets and municipal bond industry.</p>		
<b>FISCAL IMPACT:</b>	No fiscal impact.	<b>F.O. INITIALS</b>	
<b>STAFF RECOMMENDATION:</b>	<p>After the review and consideration by the Finance Department, it is recommended that the City Council approve the Debt Management Policy as presented.</p>		
<b>MANAGER'S RECOMMENDATION:</b>		<b>MANAGER'S INITIALS</b>	
<b>MOTION:</b>	<p>After the review and consideration by the City Manager, it is recommended that the City Council approve the Debt Management Policy.</p>		
<b>SECONDED:</b>	<b>APPROVED</b> ( )	<b>REJECTED</b> ( )	
<b>AYES:</b>	<b>DISAPPROVED</b> ( )	<b>DEFERRED</b> ( )	
<b>NAYES:</b>			
<b>ABSENT:</b>	<b>REFERRED TO:</b>		

POLICY NAME: DEBT MANAGEMENT POLICY	AUTHORITY: CITY OF IMPERIAL
APPLICATION: TO ENSURE CITY DEBT IS ISSUED AND MANAGED TO EFFECTIVELY MAINTAIN A SOUND FISCAL POSITION.	DATE APPROVED: January 2, 2019 (TENTATIVE)

## DEBT MANAGEMENT POLICY

### I. INTRODUCTION

The purpose of this Debt Management Policy (“Debt Policy”) is to organize and formalize debt issuance and management related policies and procedures for the City of Imperial, California. The debt policies of the City are subject to and limited by applicable provisions of state and federal law and to prudent debt management principles.

When used in the Policy, “debt” refers to all indebtedness and financing lease and installment purchase obligations.

### II. DEBT POLICY OBJECTIVE

The primary objectives of the City's debt and financing related activities are to

- Maintain cost-effective access to the capital markets through prudent fiscal management policies and practices;
- Minimize debt service commitments through effective planning and cash management;
- Ensure the City is in compliance with all applicable federal and state securities laws; and
- Achieve the highest practical credit ratings.

This Debt Policy is intended to comply with Government Code Section 8855(i), and is applicable to all entities for which the City Council acts as the legislative body. The term "City" shall refer to each of such entities.

### III. BACKGROUND/DISCUSSION

Government Code section 8855(i) requires any issuer of public debt to provide the California Debt and Investment Advisory Commission (CDIAC) no later than 30 days prior to the sale of any debt issue a report of the proposed issuance. Effective January 1, 2017, issuers must certify on the Report of Proposed Debt Issuance that they have adopted local debt policies concerning the use of debt and that the proposed issuance is consistent with those polices. The issuer's local debt policies must include the following:

#### A. Purposes for Which Debt May Be Used

Long-Term Debt. Long-term debt may be issued to finance the construction, acquisition, and rehabilitation of capital improvements and facilities, equipment and land to be owned and 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 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 must be approved by the City 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 by more than 20%.
  - The City estimates that sufficient 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 state and federal law.

Short-term debt. Short-term debt may be issued to provide financing for the City's operational cash flows in order to maintain a steady and even cash flow balance. Short-term debt may also be used to finance short-lived capital projects; for example, the City may undertake lease-purchase financing for equipment.

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 the 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.

## Types of Debt Issued

The following types of debt are allowable under this Debt Policy:

- general obligation and revenue bonds
- lease revenue bonds and lease-purchase transactions
- certificates of participation
- bank and direct private placement loans
- Commercial paper
- bond or grant anticipation notes
- tax and revenue anticipation notes
- land-secured financings, such as special tax revenue bonds issued under the Mello-Roos Community Facilities Act of 1982, as amended, and limited obligation bonds issued under applicable assessment statutes
- tax increment financing to the extent permitted under state law
- conduit financings, such as financings for affordable rental housing and qualified 501c3 organizations

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.

Debt shall be issued as fixed rate debt unless the City makes a specific determination as to why a variable rate issue would be beneficial to the City in a specific circumstance.

### **B. Relationship of Debt to Capital Improvement Program and Budget**

The City is committed to long-term capital planning. 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.

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 avoid the use of debt to fund infrastructure and facilities improvements in circumstances when the sole purpose of such debt financing is to reduce annual budgetary expenditures.

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.

### **C. Policy Goals Related to City's Planning Goals and Objectives**

The City is committed to long-term 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 Policy and to implement policy decisions incorporated in the City's annual operations 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.

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, (i) minimum net present value debt service savings equal to or greater than 3.0% of the refunded principal amount, and (ii) present value debt service savings equal to or greater than 100% of any escrow fund negative arbitrage.

### **E. Internal Control Procedures That the City Has Implemented or Will**

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 and the Finance Director/Treasurer of the City. In those cases, where it is not reasonably possible for the proceeds of debt to be held by a third-party trustee, the Finance Director/Treasurer of the City shall retain records of all expenditures of proceeds through the final payment date for the debt.