

**City Manager's Report****February 27, 2018, City Council Meeting****Prepared by: Dave Warren, Director of Finance****Item #: 8.4****Subject:** Adopt a Resolution approving the City's debt management policy as presented.

Purpose: To establish a sound written policy for the management of the City's debt as prescribed by Government Code Section 8855(i)(1).

Background:

The City has maintained a sound unwritten policy for the management of its debt over the past several years. Tonight, staff is requesting the City Council to memorialize the policy by approving the proposed written debt management policy for Fiscal Year 2017/2018 as presented.

Discussion:

Government Code 8855(i)(1) requires any issuer of public debt to provide a Report of Proposed Debt Issuance to the California Debt Investment and Advisory Commission (CDIAC) no later than 30 days before the sale of such debt. Effective January 1, 2017 (per State Senate Bill 1029 approved on September 12, 2016), the Report of Proposed Debt Issuance requires certification that the issuer has adopted a policy regarding the use of the debt and the proposed debt issuance is consistent with the policy. The debt management policy must include the following five items:

1. The purposes for which the debt proceeds may be used
2. The types of debt that may be issued
3. The debt's relationship to and integration with the issuer's capital improvement program or budget, if applicable
4. Policy goals related to the issuer's planning goals and objectives
5. 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

The City is in the process of refinancing its 2006 Wastewater Revenue Bonds and applying for a Clean Water State Revolving Fund (CWSRF) loan to construct a photo voltaic (solar electricity) system at the Water Reclamation Facility. Pursuant to Government Code 8855(i)(1) and the requirements of the CWSRF loan program, the City must have an adopted debt management policy in order to fulfill these endeavors. The proposed debt management policy has all five of the necessary items listed above and does not authorize staff to enter into any new financing.

The proposed policy will be reviewed by the Director of Finance at least annually. If the policy needs revisions in the future, staff will bring the revised policy to the City Council for further review and approval.

Options:

1. Adopt the debt management policy as presented.
2. Adopt a revised debt management policy.
3. Adopt another debt management policy.

Cost:

Other than a minimal amount of staff time maintaining the policy, there are no costs associated with the recommended action.

Budget Impact:

The ongoing costs for administering the City's existing debt issues are incorporated in the City's work plan and the adopted Fiscal Year 2017/2018 Operating Budget.

Recommendation:

Adopt a Resolution approving the City's debt management policy as presented.



M. Cleve Morris, City Manager



Dave Warren, Director of Finance