RESOLUTION NO _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PLACERVILLE, APPROVING THE DEBT MANAGEMENT POLICY

WHEREAS, the City has maintained a sound unwritten debt management policy for the past several years; and

WHEREAS, 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; and

WHEREAS, 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; and

WHEREAS, the City is in the process of refinancing its 2006 Wastewater Revenue Bonds and applying for a Clean Water State Revolving Fund loan to construct a photo voltaic system at the Water Reclamation Facility; and

WHEREAS, the City needs to adopt a written debt management policy in order to achieve these endeavors.

NOW, THEREFORE, BE IT RESOLVED, the City Council of the City of Placerville hereby approves the City's debt management policy as presented in Attachment "A."

The foregoing Resolution was introduced at a regular meeting of the City Council of the City of Placerville held on February 27, 2018, by Councilmember ______________________ who moved its adoption. The motion was seconded by Councilmember ______________________. The motion was passed by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

____
Mayor Wendy Thomas

ATTEST:

____
City Clerk, Regina O'Connell

Attachment "A"

CITY OF PLACERVILLE
Debt Management Policy

Purpose

The City recognizes that the foundation of a well-managed debt program is a comprehensive debt policy that guides the issuance of debt, management of the debt portfolio, and adherence to relevant laws and regulations.

The purpose of this policy is to improve the quality of decisions, articulate policy goals, provide guidelines for the structure of debt issuance, and demonstrate a commitment to long-term capital and financial planning.

This debt policy sets forth comprehensive guidelines for financing capital expenditures, as well as for addressing short-term cash flow needs. The objectives of this policy are to:

1. Obtain financing only when necessary.
2. Use any type of debt financing allowed by California law (e.g., general obligation bonds, revenue bonds, special tax bonds, California Energy Commission loans, certificates of participation, lease-purchase financings, tax and revenue anticipation notes, State Revolving Fund loans, etc.), so long as the financing meets the standards for appropriateness and efficiency described below.
3. Use a process for identifying the most appropriate and efficient timing, amount and structure of debt. Factors to consider when determining the appropriateness of debt are to include the following:
   - Pay as you go versus debt issuance options
   - Annual debt service and debt administration costs
   - The City's overall financial condition
   - The City's tax base
   - Repayment source(s), including the amount available and its reliability
   - Legal constraints resulting from the debt (e.g., prepayment terms, reporting requirements, etc.)
   - Additional future capital needs
   - Type of debt instrument
   - Factors to consider when determining efficiency are to include the following:
     - Up-front cost plus long-term costs
     - Future financial flexibility
4. Operate with extreme caution, and thoroughly investigate all possible conflicts of interest
5. Ensure that any required initial and periodic reporting to investors, credit rating agencies, trustees, and Federal and State agencies are timely and accurate

The Director of Finance will review this policy at least annually and update it as needed. Such a review will include a review of the then-current Government Finance Officers Association's (GFOA's) best practices on debt management policy. Any proposed changes to the policy will be brought to the City Council for further review and approval.

Short-Term Operating Debt Policy

The expenditures associated with the City's day-to-day operations will be covered by current revenues. However, the City may experience temporary cash shortages from time to time. To finance these temporary cash shortfalls, the City may incur short-term operating debt, such as tax and revenue anticipation notes (TRANS). The City will base the amount of the short-term operating debt on cash flow projections for the fiscal year and will comply with applicable Federal and State regulations. The City will pledge operating revenues to repay the short-term debt in one year or less. The City will minimize the cost of the short-term borrowing to the greatest extent possible. As allowed by law, the City should first consider using interfund transfers before pursuing external borrowing.

Long-Term Capital Debt Policy

The following will apply to the issuance of long-term debt:

1. Use long-term obligations for capital projects only, and not for operating purposes
2. The term of the long-term obligations will not exceed the useful life of the asset(s) financed
3. Strive to minimize increases in debt service from year to year.
4. Make findings as to the repayment source(s) and the sufficiency of the repayment source(s) until the debt is fully repaid when any long-term debt is issued by the City Council

Internal Interim Financing

When sufficient funds are available, the City will consider appropriating them to provide interim financing until long-term financing can be completed, usually within the fiscal year. When the long-term debt obligation is subsequently issued, the loaned funds will be repaid. Use of this strategy requires specific advance approval by the City Council.

Responsibilities of the Director of Finance

The Director of Finance or designee will have the primary responsibility for developing financing recommendations and ensuring implementation of the debt management policy.

1. The Director of Finance will review the operating cash flow monthly to determine the need for internal borrowing to maintain progress on the capital improvement program.
2. The Director of Finance will review the City's capital improvement program at least annually, including the need for financing to maintain the progress on the capital improvement program. This review will be presented to the City Council annually. Best practice is to do so in documented form as part of the adopted budget and in the City's Management, Discussion, and Analysis section of the year-end audit report.
3. Because issuing debt is a periodic endeavor and the capital markets constantly change, at least 30 days prior to consideration of any financing the Director of Finance will review all current GFOA best practices, advisories and guidance documents (found at

GFOA.org) and identify to the City Council those relevant to the current capital improvement program and/or operating cash flow needs. This will be done before any City Council action item on the topic of financing.

4. The Director of Finance will supervise all details of financing endeavors, including a careful review of the documents (e.g., contracts, resolutions, agreements, financial tables, etc.).
5. The Director of Finance will administer the investment of debt proceeds, with the advice from the bond trustee and/or an investment advisor when necessary.
6. The Director of Finance will oversee the expenditure of the debt proceeds and ensure that the debt payments are made on time.
7. The Director of Finance will ensure that any initial and periodic reporting needed such as to investors, credit rating agencies, trustees, and Federal (e.g., the Internal Revenue Service, the Securities and Exchange Commission) and State agencies (e.g., the California Debt and Investment Advisory Commission) is timely and accurate.
8. Before any financing is submitted to the City Council for approval, the Director of Finance will take into consideration the City's internal control procedures, and consult with the City's external auditor regarding fiscal controls needed to ensure that the proceeds of the proposed debt issuance will be directed to the intended use.

Engagement of Professionals

This policy recognizes that public finance professionals (e.g., financial advisors, bond counsels, brokers/dealers, and other consultants) market their services extensively. Furthermore, such services are usually exempt from public bidding. To ensure that the City receives appropriate services at a fair price, and to avoid the appearance of conflict of interest, extra caution will be taken when engaging the services of public finance professionals.

Before seeking or considering contracts with public finance professionals, the Director of Finance will review the then-current GFOA best practices on the following topics:

- Selecting and Managing Municipal Advisors
- Selecting Bond Counsel
- Selecting and Managing the Method of Sale of Bonds
- Selecting and Managing Underwriters for Negotiated Bond Sales
- Issuer's Role in Selection of Underwriter's Counsel

The Director of Finance will report to the City Council on a recommended process for determining which professionals are needed, how they will be identified (e.g., request for proposal, informal bid, etc.), and how their contracts will be developed before being submitted to the City Council for approval. Emphasis will be placed on competition, openness, clarity, and avoiding conflicts of interest. This process may be for a period of time, or for a particular financing or set of financings.

All engagement letters, contracts, disclosures and opinions will be provided to the City Council promptly, and staff will not sign any such documents without prior approval by the City Council.