

Debt Management Policy



Debt Management Policy

- **Legally required:**
 - Complies with Government Code Section 8855(i)
- **Fiscally prudent:**
 - Maintains sound fiscal position
 - Ensures flexibility to respond to priorities and fiscal changes
 - Protects credit rating
 - Ensures debt structure protects taxpayers, ratepayers, and constituents of City
 - Ensure debt is consistent with City's goals and objectives, CIP, and budget



Policy Goals



Committed to long-term financial planning; maintaining appropriate reserves; and sound governance and budget management



Protect taxpayers, ratepayers, and constituents by upholding high credit rating and lowest borrowing costs



Comply with state and federal law



Refinancing goal is to realize savings $\geq 3\%$ of refunded principal

Long-Term Debt

Purpose:

- Capital financing of construction, acquisition, and rehabilitation of City-owned facilities, equipment, or land
 - Necessary to provide basic services
 - Provides benefit to constituents over years
 - Refinancing of existing debt to realize savings

Conditions:

- Must be approved by City Council
- Sufficient revenues must be available to service debt through maturity
- In compliance with all statutes and laws

Long-Term Debt Types

General Obligation Bonds

- Limited vs. Unlimited

Lease Revenue Bonds

Certificates of Participation

Lease-Purchase Transactions

Land-Secured Financing

- Ex: Mello-Roos Bonds

Tax Increment Financing

Conduit Financing

Short-Term Debt

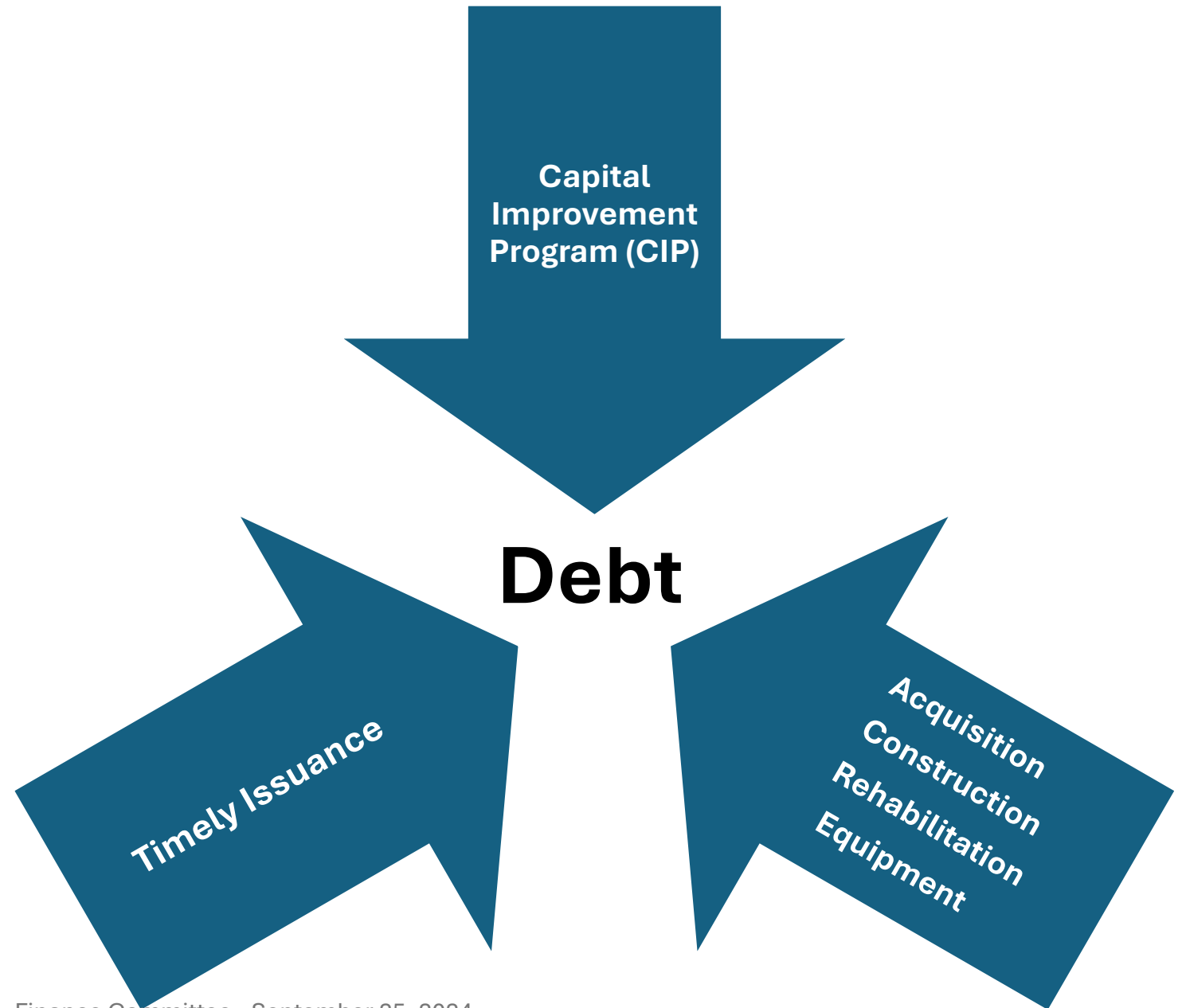
Purpose:

- Cash flow
- Finance short-lived capital projects

Types:

- Tax and Revenue Anticipation Notes (TRAN)
- Bond Anticipation Notes (BAN)

Relationship of Debt to CIP and Budget



Internal Controls

- Ensure adherence to all policies regarding debt reporting and compliance:
 - SEC Rule 15c2-12 (underwriting and continuing disclosures)
 - Federal tax requirements
 - City's investment policies
- Debt proceeds held in:
 - Third-party trust or fiscal agent
 - Separate City fund or account
- Expenditure withdrawals carefully documented by the City



Debt Management Policy Adoption



Debt Management Policy required to be adopted by City Council pursuant to Government Code Section 8855(i)



Council adopted current policy in March 2018



Staff recommends no changes to policy for 2024