

RESOLUTION NO. 07-2017
A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PACIFICA
ESTABLISHING THE CITY OF PACIFICA DEBT MANAGEMENT POLICY

WHEREAS, California Senate Bill (SB) 1029 was signed into law in September of 2016;
and

WHEREAS, SB 1029 requires state and local agencies to adopt comprehensive debt management policies before any new debt can be issued starting in January 2017; and

WHEREAS, the proposed City of Pacifica Debt Management Policy (attached hereto as **Exhibit A**) was reviewed by the City Council at its February 27, 2017 meeting.

NOW THEREFORE BE IT RESOLVED that the City Council of the City of Pacifica does hereby establish the City of Pacifica Debt Management Policy, as attached hereto as **Exhibit A**.

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Passed and adopted at a regular meeting of the City Council of the City of Pacifica on February 27, 2017, by the following vote of the members thereof:

AYES, Councilmembers: Martin, Vaterlaus, Digre, Keener, O'Neill
NOES, Councilmembers: None
ABSENT, Councilmembers: None
ABSTAIN, Councilmembers: None



Mike O'Neill, Mayor

ATTEST:



Kathy O'Connell, City Clerk

APPROVED AS TO FORM:



Michelle Marchetta Kenyon, City Attorney

EXHIBIT A

 <p>CITY OF PACIFICA ADMINISTRATIVE POLICY</p>	No. TBD
DEBT MANAGEMENT POLICY	DATE ISSUED: (Approved by Resolution No. ____ on February 27, 2017)

This Debt Management Policy (the “Debt Policy”) of the City of Pacifica (the “City”) was approved by the City Council to be effective as of the date first set forth above. The framework set forth in this Debt Policy should be utilized by staff with discretion to deviate as determined appropriate by and with prior approval of the City Manager or the Assistant City Manager. This Debt Policy may be amended by the City Council as it deems appropriate from time to time in the prudent management of the debt and capital financing needs of the City.

1. Findings

This Debt Policy is intended to comply with Government Code Section 8855(i), effective on January 1, 2017, and 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.

2. Policies

A. Purposes For Which Debt Proceeds 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/or operated by the City. Long-term debt financings are appropriate when any of the following conditions exist:

- When the project to be financed is necessary to provide basic municipal services;
- When the project to be financed will provide benefit to constituents over a duration of more than one year;
- When the total long-term debt financing would not impose an unreasonable burden on the City and its taxpayers/ratepayers, as applicable; or
- 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.

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

The City may use long-term debt financings subject to each of the following conditions:

- The project to be financed has been or will 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; and
- The City determines that the issuance of the debt will comply with the applicable requirements of 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 the City's short-lived capital projects, such as undertaking 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, the financial solvency of any borrower, and that the issuance of such debt is consistent with the policies set forth herein.

B. Types of Debt That May Be Issued

The following types of debt may be issued under this Debt Policy:

- General obligation bonds (GO Bonds);
- Bond or grant anticipation notes (BANs);
- Lease revenue bonds, certificates of participation (COPs) and lease-purchase transactions;
- Water revenue bonds, wastewater revenue bonds, COPs and other public enterprise financings;

- Pension obligation bonds, judgment obligation bonds and other bonds issued to discharge liabilities of the City;
- Other revenue bonds and COPs;
- Tax and revenue anticipation notes (TRANS);
- 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 501(c)(3) organizations;
- Refunding Obligations;
- State Revolving Loan Funds; and
- Lines of Credit.

The City Council may from time to time find that other forms of debt would be beneficial to further the public interest 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.

C. 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.

D. Policy Goals Related to 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 Debt Policy and to implement policy decisions incorporated in the City's annual operations budget. Adoption of this

Debt Policy will help ensure that debt is issued and managed in a manner that protects the public interest.

It is a policy goal of the City to protect taxpayers, ratepayers (if applicable) 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, total debt service savings which are at least equal to 3.0% of the principal amount of the bonds being refunded, determined on a net present value basis.

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. Without limiting the foregoing, the City will periodically review the requirements of and will remain in compliance with the following:

- Federal securities law, including any continuing disclosure undertakings entered into by the City in accordance with Securities and Exchange Commission Rule 15c2-12;
- Any federal tax compliance requirements, including, without limitation, arbitrage and rebate compliance;
- The City's investment policies as they relate to the use and investment of bond proceeds; and
- Government Code section 8855(k) and the annual reporting requirements therein.

Proceeds of debt will be held either (a) by a third-party trustee or fiscal agent, which will disburse such proceeds to or upon the order of the City upon the submission of one or more written requisitions by the Assistant City Manager of the City (or his or her written designee), or (b) by the City, to be held and accounted for in a separate fund or account, the expenditure of which will be carefully documented by the City.