



Legislation Text

File #: 2017-163, Version: 1

Report to Mayor and City Council

Tuesday, March 21, 2017

Discussion

SUBJECT:

CONSIDER DEBT MANAGEMENT POLICY (CITY COUNCIL)

I. SUMMARY

Effective January 1, 2017, new state law requires issuers to adopt a local debt policy. The proposed Debt Management Policy presented with this report was drafted by the City Attorney's office and satisfies the requirements of the new state law.

II. RECOMMENDATION

ADOPT the proposed Debt Management Policy.

III. ALTERNATIVES

TAKE another action deemed appropriate by City Council.

IV. BACKGROUND

On September 12, 2016, the Governor approved SB 109 (Herzberg). The new state law became effective January 1, 2017. It requires that all proposed debt include a certification by the issuer that it has adopted a local debt policy, which includes specified provisions concerning the use of debt, and that the debt issuance is consistent with the local policy.

The Successor Agency is in process of refunding the 2009 Lease Revenue Bonds, using proceeds of the 2017A Tax Allocation Refunding Bonds. The \$12.2 million refunding bonds went to market on February 28, 2017, and the transaction will close on March 28, 2017. The bond refunding resulted in net present value savings of \$875,785 (7.922% of refunded principal), and releases the City's Community Center obligation related to the 2009 Lease Revenue Bonds.

The Series 2017A refunding bonds are subject to the new state law; and therefore, a locally adopted debt policy is required. The proposed policy was drafted by the City

Attorney's office to comply with the new state law (Exhibit A). The policy is to be adopted by the City Council on behalf of the City and its related entities (e.g. Successor Agency).

The proposed policy:

- Outlines the purposes for using debt, and the types of debt allowable;
- States that long-term debt may be used to finance capital projects, capital equipment, land, affordable housing, and redevelopment of blighted areas;
- Expressly states that long-term debt will not be considered for operating expenses;
- Lists the types of debt allowable;
- Indicates the City is committed to long-term planning; and
- Sets the refinancing threshold to minimum net present value savings of 3% or more of the refunded principal.

V. FISCAL IMPACT

There is no fiscal impact associated with the recommendation to adopt the Debt Management Policy.

VI. EXHIBITS

A - Proposed Debt Management Policy (pages 3-6)

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