



## Agenda Report

18-037

Agenda Date: 3/6/2018

### REPORT TO COUNCIL

#### **SUBJECT**

Debt Management Policy Review and Approval

#### **BACKGROUND**

The Government Finance Officers Association (GFOA) recommends that state and local governments adopt comprehensive written debt management policies. In addition, effective January 1, 2017, California Government Code section 8855(i) requires any issuer of public debt to provide to the California Debt and Investment Advisory Commission (CDIAC) a report of any proposed issuance. The report to the CDIAC must include certification that the issuer has adopted local debt policies concerning the use of debt and that the proposed debt issuance is consistent with those policies.

#### **DISCUSSION**

The City does not currently have an adopted Debt Management Policy that provides written guidelines on debt issuance, management of a debt portfolio, and adherence to various laws and regulations. A debt management policy will improve the quality of decisions and adherence to the policy signals to rating agencies and capital markets that a government is well managed and therefore is likely to meet its debt obligations in a timely manner.

The proposed Debt Management Policy provides the necessary written guidance and is in compliance with all provisions of the City Charter and the California Government Code section 8855 (i) relevant to the issuance of public debt by local agencies. Additionally, the policy provides guidance regarding the types of debt the City may issue (fixed or variable rate, tax-exempt or taxable), the methods for issuing debt obligations (competitive sale, negotiated sale, or private placement), the selection of financial service providers (financial advisors, bond counsel, trustees, etc.), and the structural features of debt issuances (final maturity, call options, etc.) The policy also describes various revenue sources that may be used to secure debt, such as property taxes, enterprise revenue, lease revenue, and special assessments. To help ensure that debt is issued in a financially prudent manner, the policy includes sections related to debt capacity limits, debt service reserves, credit ratings, credit enhancements, and the investment of bond proceeds, as well as an appendix on interest rate swap guidelines. Finally, the policy provides guidance on continuing disclosure, compliance, and reporting requirements following the issuance of debt, and a glossary of debt management terms. In addition, the policy establishes prudent guidelines for managing the City's debt to meet long-term goals.

The Policy includes an appendix on interest rate swap guidelines since the City currently uses this debt instrument. The Interest Rate Swap Agreement Guidelines specify the conditions under which interest rate swap agreements ("Swap Agreements") may be entered, the manner by which Swap

Agreements shall be procured, the form and content of Swap Agreements, and the reporting and monitoring of Swap Agreements. A city usually enters into a Swap Agreement with a financial institution to exchange (swap) variable-rate interest payments and fixed-rate interest payments in order to hedge the city's outstanding variable rate debt or to incur variable interest rate exposure. All Swap Agreements must be approved by the Director of Finance and the City Manager.

The approved policy will be incorporated in the City Policy and Procedures Manual and published on the City's website.

### **ENVIRONMENTAL REVIEW**

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(b)(5) in that it is a governmental organizational or administrative activity that will not result in direct or indirect changes in the environment. Furthermore, the action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(b)(4) in that it is a fiscal activity that does not involve any commitment to any specific project which may result in a potential significant impact on the environment.

### **FISCAL IMPACT**

There is no cost to the City other than administrative staff time and expense which is already budgeted.

### **PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office beginning the Thursday evening before the Tuesday meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email [clerk@santaclaraca.gov](mailto:clerk@santaclaraca.gov) <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

### **RECOMMENDATION**

Approve the Debt Management Policy for the City of Santa Clara, its agencies and corporations.

Prepared by: Randy Piotrowski, Principal Financial Analyst

Reviewed by: Angela Kraetsch, Director, Finance

Reviewed by: Brian Doyle, City Attorney

Reviewed by: Walter C. Rossmann, Chief Operating Officer

Approved by: Deanna J. Santana, City Manager

### **ATTACHMENTS**

1. Debt Management Policy