County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY MANAGER
File #: 18-935 Board Meeting Date: 10/23/2018

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: John L. Maltbie, County Manager

Subject: Adopt a resolution adopting the County's Debt Management Policy

RECOMMENDATION:
Adopt a resolution adopting the County's Debt Management Policy.

BACKGROUND:
California Government Code Section 8855, as amended by Senate Bill 1029 (SB 1029), requires any issuer of public debt to provide the California Debt and Investment Advisory Commission (CDIAC) with certain reports and information related to the issuance of public debt.

SB 1029's revisions to the Government Code require additional reporting related to the issuance of debt by a local agency and the adoption of a debt policy concerning the use of debt by the local agency. Among other things, SB 1029 expands the reporting requirements applicable to state and local debt issuers to assess whether proceeds from debt issuances are spent for their intended purposes and to make the disposition of such proceeds more transparent to the public. SB 1029 requires a state or local debt issuer to submit a report of a proposed issuance to CDIAC at least 30 days before the sale of debt and to certify that it has adopted a debt policy concerning the use of debt proceeds that includes the following:

a. The purpose for which debt proceeds may be used;
b. The types of debt that may be issued;
c. The relationship of the debt to and integration with the issuer's capital improvement program or budget, as applicable;
d. Policy goals related to the issuer's planning goals and objectives; and
e. Internal control procedures that the issuer has implemented or will implement to ensure that the proceeds of the debt issuance will be directed to the intended use.

DISCUSSION:
Since SB 1029 became effective in 2017, neither the County nor the County's Joint Powers Financing Authority has issued any debt. The County's most recent issuance of lease revenue bonds

occurred in 2016 in connection with the refinancing of the County's 2008 bonds which had been issued in connection with the refunding of bonds originally issued to finance the County's Youth Services Center.

Previously, in 1997, the Board adopted an ordinance ("Chapter 2.81 - Debt Limit") (the "Debt Limit Ordinance"), which provides, among other things, that the County's annual debt service payments may not exceed 4% of the average annual County budget for the current and the preceding four fiscal years. This annual debt limit may be exceeded only by a four-fifths (4/5) vote of the Board and upon a finding that such action is necessary and in the best interests of the County and its citizens. The County's debt limit ordinance, while not superseded or otherwise impacted by the proposed debt management policy, does not satisfy the requirements of SB 1029.

County Counsel, bond counsel, and the County's financial services advisor in connection with the proposed 2018 Series A and 2019 Series A bonds, have reviewed the proposed debt management policy, which is designed to, among other things, facilitate a systematic and prudent approach to debt issuance and debt management, ensure access to debt capital markets and direct purchase investors through prudent and flexible policies, assist the County in achieving the highest practical credit rating, and ensure compliance with applicable state and federal laws. The policy sets forth the purposes for which the County may engage in long-term borrowing, short-term borrowing, and refinancing of existing debt. The policy also sets forth the types of debt that the County may issue and prohibits the County's use of derivatives and interest rate swaps in its debt program. The County's Joint Powers Financing Authority will be approving this same policy at its October 24, 2018, meeting, and the proposed issuances of 2018 Series A and 2019 Series A bonds are compliant with this policy.

County Counsel has reviewed and approved the resolution as to form.

Approval of this Resolution contributes to the Shared Vision 2025 outcome of a Collaborative Community by ensuring fiscal accountability and concern for future financial impacts through sound and uniform practices for issuing and managing debt.

FISCAL IMPACT:
There is no net County cost resulting from the adoption of the proposed debt management policy.