



City of Chula Vista

Staff Report

File#: 14-0020, **Item#:** 11.

CONSIDERATION OF ADOPTING A CITY DEBT POLICY (CONTINUED FROM JANUARY 9, 2014 WORKSHOP)

RESOLUTION NO. 2014-012 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA
ADOPTING A CITY DEBT POLICY

RECOMMENDED ACTION

Council adopt the resolution.

SUMMARY

In 2012 the City Council endorsed the City's Fiscal Recovery and Progress Plan report. Included in the report was a goal to review and update the City's Fiscal Policies. Adoption of the proposed resolution establishes a formal City Council approved debt policy which is a recommended best practice by the Government Finance Officers Association (GFOA).

ENVIRONMENTAL REVIEW

The Environmental Review Coordinator has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the proposed action is not a "Project" as defined under Section 15378 of the State CEQA Guidelines because it will not result in a physical change to the environment; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines the actions proposed are not subject to CEQA.

BOARD/COMMISSION RECOMMENDATION

Not Applicable.

DISCUSSION

As the City continues its efforts toward a sustainable budget that will minimize impacts to City services during future economic downturns, it is appropriate that a debt policy be established to provide guidance in the issuance and management of debt issued by the City. The GFOA recommends that state and local governments adopt comprehensive written debt management policies that are approved by the governing body to provide transparency and to ensure that there is a common understanding among elected officials and staff regarding the City's approach to debt financing.

Establishing a carefully considered policy improves the quality of decisions, articulates policy goals, provides guidelines for the structure of debt issuance, and demonstrates a commitment to long-term capital and financial planning. Adherence to a debt policy also indicates to rating agencies and the capital markets that the City is well managed and is therefore likely to meet its debt obligations in a timely manner.

The main objectives of the City's debt policy are:

- To establish conditions for the use of debt;
- To ensure that debt capacity and affordability are adequately considered;
- To minimize the City's interest and issuance costs;
- To maintain the highest possible credit rating;
- To provide complete financial disclosure and reporting; and
- To maintain financial flexibility for the City.

The proposed Debt Policy ("Policy") is included as Attachment 1, and has six main components:

1. **General Policies:** this component of the Policy describes general guidelines for the use of debt and selection and descriptions of the Finance Team leading the debt issuance.
2. **Types of Debt Instruments:** this section describes various types of debt that may be used as financing options, however does not limit the City to those described.
3. **Debt Affordability and Limitations:** describes how debt capacity and affordability will be determined.
4. **Debt Structuring:** describes allowable debt structure methods (not limited to those listed) and the maximum maturity of the debt obligation.
5. **Debt Issuance:** provides guidance regarding the issuance process such as criteria for determining a bond sales method.
6. **Debt Management Practices:** includes descriptions for ongoing administrative activities such as disclosure practices, investment of bond proceeds, and records retention requirements.

Approval of this resolution will establish a City Council adopted debt policy, which is a recommended best practice by the GFOA. The approved policy will be reviewed periodically, and updated to include any necessary adjustments.

Accompanying the Policy, as Attachment 2, is the City's Debt Portfolio which is intended for informational use. The debt portfolio is a summary of the City's outstanding bonded indebtedness by issuance. Also included within the debt portfolio are Redevelopment Agency/Successor Agency obligations, and other City debt such as Special Tax District liabilities and HUD Section 108 Loan repayments. Some information incorporated in this report includes annual debt service payments, information regarding each bond issuance, and descriptions of improvements funded. The debt policy will be available for informational purposes only, on the City's website. All required annual disclosure documents are available on the informational repositories such as the Electronic Municipal Market Access (EMMA) at <http://emma.msrb.org/> or the City's Disclosure Consultant's website at: <http://disclosure.nbsgov.com/default.aspx>.

For additional information regarding the City's disclosure procedures, Attachment 3, Administrative Disclosure Procedures, is included as a supplement to this report.

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DECISION-MAKER CONFLICT

Staff has determined that the action contemplated by this item is administrative in nature and, as such, does not require the City Council members to make or participate in making a governmental decision, pursuant to California Code of Regulations Title 2, section 18702.4(a). Consequently, this item does not present a conflict under the Political Reform Act (Cal. Gov't Code 87100, et seq.). Staff is not independently aware, and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision maker conflict of interest in this matter.

LINK TO STRATEGIC GOALS

The City's Strategic Plan has five major goals: Operational Excellence, Economic Vitality, Healthy Community, Strong and Secure Neighborhoods and a Connected Community. The adoption of a formal City debt policy supports the Operational Excellence and Economic Vitality goals, as it is a critical element in strong financial management practices. The development of a City debt policy was a next step item identified in the City's Fiscal Recovery and progress Plan issued in January 2012.

CURRENT YEAR FISCAL IMPACT

Approval of the resolution results in no fiscal impact in the current fiscal year.

ONGOING FISCAL IMPACT

There is no fiscal impact from adopting the resolution approving the City debt policy.

The fiscal impact of future debt issuances will be disclosed at the time the debt is being issued. However, one of the objectives of the debt policy is to minimize interest and issuance costs to the City. The policy will help to establish more transparent guidelines for issuing and administering debt, which will help to achieve this purpose.

ATTACHMENTS

Attachment 1: Proposed City Debt Policy

Attachment 2: City of Chula Vista Debt Portfolio

Attachment 3: Administrative Disclosure Procedures