

THIS MATERIAL HAS BEEN REVIEWED BY
THE TOWN MANAGER



CORTE MADERA TOWN COUNCIL
STAFF REPORT

REPORT DATE: February 14, 2017
MEETING DATE: February 21, 2017

TO: TOWN MANAGER, MAYOR AND TOWN COUNCIL

FROM: GEORGE T. WARMAN, JR., DIRECTOR OF ADMINISTRATIVE
SERVICES/TOWN TREASURER

SUBJECT: ADOPTION OF PROPOSED RESOLUTION NO. 12/2017 ADOPTING A
DEBT MANAGEMENT POLICY PURSUANT TO GOVERNMENT CODE
SECTION 8855 (i), EFFECTIVE JANUARY 1, 2017

PURPOSE:

To adopt a Debt Management Policy pursuant to Government Code Section 8855 (i), effective January 1, 2017.

RECOMMENDATION:

Staff recommends that the Town Council adopt the proposed Resolution No. 12/2017 in Attachment #1.

A RESOLUTION OF THE TOWN COUNCIL OF
THE TOWN OF CORTE MADERA ADOPTING A
DEBT MANAGEMENT POLICY EFFECTIVE JANUARY 1, 2017

OPTIONS:

State Law was recently amended to mandate that governmental entities anticipating or undertaking consideration of issuing any debt have a "Debt Management Policy" in place prior to such consideration. The possibility exists that upcoming long term financial planning may call for the possibility of issuing some form of debt. Therefore, it would appear that the Town should have a policy in place.

The Town Council could choose to not have such a policy in place at this time.

TOWN MANAGER'S RECOMMENDATION:

Support Staff's recommendation.

GENERAL PLAN:

Not applicable.

ENVIRONMENTAL IMPACT:

Not applicable.

FISCAL IMPACTS:

None at this time.

DISCUSSION:

As noted above, the State Legislature recently amended State Law to mandate all governmental entities in the State of California have a "Debt Management Policy" in place if any form of debt is being contemplated or anticipated. The possibility exists that long term financial planning could consider issuing debt to finance capital projects. Attachment #2 contains the text of the new legislation.

Over the past forty years, the Town has several debt instruments. \$200,000 General Obligation Bonds were issued in 1965 to construct Fire Stations 14 and 13 and remodel Town Hall. Fire Station 13 was demolished and replaced in the mid-nineteen nineties. Those bonds were paid off in full in 1990. \$365,000 of Certificates of Participation were issued in 1986 for Equipment Replacement. Those certificates were paid off in full in 1991. Countless capital leases for equipment with at \$1 buyout at lease end have been done over the years. The Town owned a single family dwelling at 26 Flying Cloud Course that involved assuming an existing mortgage. The Town borrowed \$450,000

from the Sanitary District in 1983 to finance emergency flood control projects. That loan was forgiven in 1985, based on the District's ability to finance flood control/storm drainage projects to protect District property, plant, and equipment and machinery. Both the 152 Willow Avenue property and the Twin Cities Police Facility site were financed with non-publically issued debt involving bank loans through lease back of Town property. The 2006 purchase of Park Madera Center was done by issuing \$10,575,000 in Certificates of Participation (COPs). That issue was refunded in 2016 for \$9,420,000 in refinancing COPs. Tax and Revenue Anticipation Notes (TRANs) were issued in 7 fiscal years to meet General Fund cash flow needs. Finally, the Town presently has 3 1915 Special Assessment Districts, each with outstanding Assessment District bonds.

I have probably overlooked other debt financing the Town has done over the past 40 years, but the above are those that come to mind and I researched in the records. Jones Hall has been the Town Bond Counsel on all the recent issues beginning in the mid-1980's. It is obvious to me that some form of debt will be necessary to finance some portions of a long term financial plan. Thus the recommendation to adopt the Debt Management Policy.

The Debt Management Policy was drafted by our bond counsels, Jones Hall and covers all possible debt instruments. Mr. James A. Wawrzyniak, Jr., Attorney At Law, of Jones Hall will be present at the meeting to answer any questions.



George T. Warman, Jr.
Director of Administrative Services/
Town Treasurer

ATTACHMENTS:

1. Proposed Resolution No. 12/2017
2. Senate Bill No. 1029 Amending Section 8855 of the Government Code.

ATTACHMENT 1

PROPOSED RESOLUTION NO. 12/2017

RESOLUTION NO. 12/2017

A RESOLUTION OF THE TOWN COUNCIL OF
THE TOWN OF CORTE MADERA ADOPTING A
DEBT MANAGEMENT POLICY EFFECTIVE JANUARY 1, 2017

RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF CORTE MADERA, as follows:

WHEREAS, the Town Council of the Town of Corte Madera desires to comply with Government Code Section 8855(i), effective on January 1, 2017, and

NOW, THEREFORE, BE IT RESOLVED that the Town Council of the Town of Corte Madera hereby adopts the following Debt Management Policy effective January 1, 2017.

This Debt Management Policy (the “Debt Policy”) of the Town of Corte Madera (the “Town”) may be amended by the Town Council as it deems appropriate from time to time in the prudent management of the debt and capital financing needs of the Town.

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 Town.

The Town hereby recognizes that a fiscally prudent debt policy is required in order to:

- Maintain the Town’s sound financial position.
- Ensure the Town has the flexibility to respond to changes in future service priorities, revenue levels, and operating expenses.
- Protect the Town’s credit-worthiness.
- Ensure that all debt is structured in order to protect both current and future taxpayers, ratepayers and constituents of the Town.
- Ensure that the Town’s debt is consistent with the Town’s planning goals and objectives and capital improvement program and/or budget, as applicable.

2. Policies

A. Purposes For Which Debt May Be Issued

(i) 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 operated by the Town.

(a) Long-term debt financings are appropriate when the following conditions exist:

- When the project to be financed is necessary to provide basic services.
- When the project to be financed will provide benefit to constituents over multiple years.
- When total debt does not constitute an unreasonable burden to the Town and its taxpayers and/or ratepayers, as applicable.
- 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.

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

(c) The Town may use long-term debt financings subject to the following conditions:

- The project to be financed must be approved by the Town Council.
- The weighted average maturity of the debt (or the portion of the debt allocated to the project) will not exceed 120% of the average reasonably expected economic life of the project to be financed.
- The Town estimates that sufficient revenues will be available to service the debt through its maturity.
- The Town determines that the issuance of the debt will comply with the applicable state and federal law.

(ii) Short-term debt. Short-term debt may be issued to provide financing for the Town's operational cash flows in order to maintain a steady and even cash flow balance. Short-term debt may also be used to finance short-lived capital projects; for example, the Town may undertake lease-purchase financing for equipment.

(iii) Financings on Behalf of Other Entities. The Town may also find it beneficial to issue debt on behalf of other governmental agencies in order to further the public purposes of Town. In such cases, the Town shall take reasonable steps to confirm the financial feasibility of the project to be financed and 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

The following types of debt are allowable 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
- 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

Debt shall be issued as fixed rate debt unless the Town makes a specific determination as to why a variable rate issue would be beneficial to the Town in a specific circumstance.

C. Relationship of Debt to Capital Improvement Program and Budget

The Town is committed to long-term capital planning. The Town could issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the Town's capital budget and the capital improvement plan.

The Town 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 Town shall seek to avoid the use of debt to fund infrastructure and facilities improvements that are the result of normal wear and tear.

The Town 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 Town's public purposes.

The Town 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 Town 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 Town is committed to long-term financial planning, maintaining appropriate reserves levels and employing prudent practices in governance, management and budget administration. The Town would issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the Town's annual operations budget.

It is a policy goal of the Town 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 Town 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 Town to realize, whenever possible, and subject to any overriding non-financial policy considerations, (i) minimum net present value debt service savings equal to or greater than 3.0% of the refunded principal amount, and (ii) present value debt service savings equal to or greater than 100% of any escrow fund negative arbitrage.

E. Internal Control Procedures

When issuing debt, in addition to complying with the terms of this Debt Policy, the Town 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 Town will periodically review the requirements of and will remain in compliance with the following:

- Any continuing disclosure undertakings entered into by the Town in accordance with SEC Rule 15c2-12.
- Any federal tax compliance requirements, including, without limitation, arbitrage and rebate compliance.
- The Town's investment policies as they relate to the use and investment of bond proceeds.

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 Town upon the submission of one or more written requisitions by the Town Treasurer (or his or her written designee), or (b) by the Town, to be held and accounted for in a separate fund or account, the expenditure of which will be carefully documented by the Town.

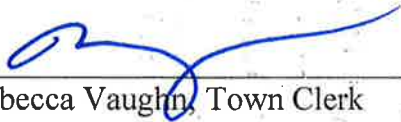
* * * * *

I HEREBY CERTIFY that the foregoing is a full, true and correct copy of Resolution No. 12/2017 duly passed and adopted by the Town Council of the Town of Corte Madera, at a meeting thereof duly held on the 21st day of February, 2017, by the following vote:

AYES, and in favor thereof, Councilmembers: Andrews, Bailey, Condon, Furst, Ravasio

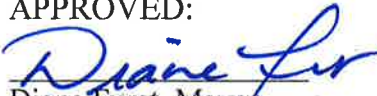
NOES, Councilmembers: - None -

ABSENT, Councilmembers: - None -



Rebecca Vaughn, Town Clerk

APPROVED:



Diane Furst, Mayor

ATTACHMENT 2

SENATE BILL NO. 1029 AMENDING
SECTION 8855 OF THE GOVERNMENT
CODE

George Warman

From: James Wawrzyniak <jwawrzyniak@joneshall.com>
Sent: Wednesday, January 04, 2017 2:26 PM
To: George Warman
Subject: SB 1029
Attachments: Bill Text - SB-1029 (2016).pdf

Hi George,

Attached is the text of the new legislation mandating the debt policy for issuers issuing debt after January 1, 2017. Look for a draft template debt policy from me soon.

Best,
James



James A. Wawrzyniak, Jr., Shareholder
Jones Hall, A Professional Law Corporation
475 Sansome Street, Suite 1700
San Francisco, California 94111
Tel: (415) 391-5780
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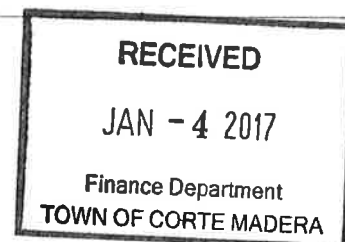


California
LEGISLATIVE INFORMATION

SB-1029 California Debt and Investment Advisory Commission: accountability reports. (2015-2016)

Senate Bill No. 1029

CHAPTER 307



An act to amend Section 8855 of the Government Code, relating to state government.

[Approved by Governor September 12, 2016. Filed with Secretary of State September 12, 2016.]

LEGISLATIVE COUNSEL'S DIGEST

SB 1029, Hertzberg. California Debt and Investment Advisory Commission: accountability reports.

Existing law establishes the California Debt and Investment Advisory Commission to, among other things, maintain contact with state and municipal bond issuers, underwriters, investors, and credit rating agencies to improve the market for state and local government debt issues and to assist state and local governments to prepare, market, and sell their debt issues. Existing law requires the commission to collect, maintain, and provide comprehensive information on all state and all local debt authorization and issuance and to serve as a statistical clearinghouse for all state and local debt issuance.

This bill would additionally require the commission to track and report on all state and local outstanding debt until fully repaid or redeemed.

Existing law requires the issuer of debt of state or local government to submit reports to the commission, within specified timeframes, of the proposed issuance of debt and of final sale, as provided.

This bill would require that the report of proposed debt include a certification by the issuer that it has adopted local debt policies, which include specified provisions concerning the use of debt and that the contemplated debt issuance is consistent with those local debt policies.

This bill would also require a state or local public agency to submit an annual report for any issue of debt for which it has submitted a report of final sale on or after January 21, 2017. The bill would require the annual report to cover a reporting period of July 1 to June 30, inclusive, and to include specified information about debt issued and outstanding and the use of proceeds from debt during the reporting period. The bill would require that the report be submitted within 7 months after the end of the reporting period by any method approved by the commission. The bill would require the commission to consult with appropriate state and local debt issuers and organizations representing debt issuers prior to approving any annual method of reporting pursuant to these provisions, as provided.

This bill would make various findings and declarations regarding its provisions.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:**SECTION 1.** The Legislature hereby finds and declares all of the following:

(a) California's 4,200 units of local government have issued \$1.5 trillion in debt since 1984. The California Debt and Investment Advisory Commission (CDIAC) was created in 1982 to provide information, education, and technical assistance on debt issuance and investments to local public agencies and other public finance professionals. Over the past three decades, CDIAC has emerged as a national thought leader in public finance.

(b) Nationally, there is approximately \$3.7 trillion of state and local government debt outstanding. Of all outstanding state and local government debt, approximately 75 percent is held by households and mutual funds owned predominantly by households. State governments, local governments, and their stakeholders benefit from better data about public debt. Transparency on public debt promotes better government and market integrity. It is in the interest of the people that state and local agencies utilize technological opportunities to provide transparency to the public.

(c) State and local agencies should adopt comprehensive written debt management policies pursuant to the recommendation of the Government Finance Officers Association, a professional organization of over 18,000 public officials united to enhance and promote the professional management of governmental financial resources. These policies should reflect local, state, and federal laws and regulations.

(d) It is the intent of the Legislature that all debt issuance of state and of local governments be published in a single, transparent online database that allows the citizens of California to analyze, interpret, and understand how debt authorized by the public is utilized to finance facilities and services at the state and local level.

SEC. 2. Section 8855 of the Government Code is amended to read:

8855. (a) There is created the California Debt and Investment Advisory Commission, consisting of nine members, selected as follows:

(1) The Treasurer, or his or her designee.

(2) The Governor or the Director of Finance.

(3) The Controller, or his or her designee.

(4) Two local government finance officers appointed by the Treasurer, one each from among persons employed by a county and by a city or a city and county of this state, experienced in the issuance and sale of municipal bonds and nominated by associations affiliated with these agencies.

(5) Two Members of the Assembly appointed by the Speaker of the Assembly.

(6) Two Members of the Senate appointed by the Senate Committee on Rules.

(b) (1) The term of office of an appointed member is four years, but appointed members serve at the pleasure of the appointing power. In case of a vacancy for any cause, the appointing power shall make an appointment to become effective immediately for the unexpired term.

(2) Any legislators appointed to the commission shall meet with and participate in the activities of the commission to the extent that the participation is not incompatible with their respective positions as Members of the Legislature. For purposes of this chapter, the Members of the Legislature shall constitute a joint interim legislative committee on the subject of this chapter.

(c) The Treasurer shall serve as chairperson of the commission and shall preside at meetings of the commission.

(d) Appointed members of the commission shall not receive a salary, but shall be entitled to a per diem allowance of fifty dollars (\$50) for each day's attendance at a meeting of the commission not to exceed three hundred dollars (\$300) in any month, and reimbursement for expenses incurred in the performance of their duties under this chapter, including travel and other necessary expenses.

(e) The commission may adopt bylaws for the regulation of its affairs and the conduct of its business.

(f) The commission shall meet on the call of the chairperson, at the request of a majority of the members, or at the request of the Governor. A majority of all nonlegislative members of the commission constitutes a quorum for the transaction of business.

(g) The office of the Treasurer shall furnish all administrative assistance required by the commission.

(h) The commission shall do all of the following:

(1) Assist all state financing authorities and commissions in carrying out their responsibilities as prescribed by law, including assistance with respect to federal legislation pending in Congress.

(2) Upon request of any state or local government units, to assist them in the planning, preparation, marketing, and sale of debt issues to reduce cost and to assist in protecting the issuer's credit.

(3) Collect, maintain, and provide comprehensive information on all state and all local debt authorization and issuance, track and report on all state and local outstanding debt until fully repaid or redeemed, and serve as a statistical clearinghouse for all state and local debt. This information shall be available to the public.

(4) Maintain contact with state and municipal bond issuers, underwriters, credit rating agencies, investors, and others to improve the market for state and local government debt issues.

(5) Undertake or commission studies on methods to reduce the costs and improve credit ratings of state and local issues.

(6) Recommend changes in state laws and local practices to improve the sale and servicing of state and local debts.

(7) Establish a continuing education program for local officials having direct or supervisory responsibility over municipal investments and debt issuance. The commission shall undertake these and any other activities necessary to disclose investment and debt issuance practices and strategies that may be conducive for oversight purposes.

(8) Collect, maintain, and provide information on local agency investments of public funds for local agency investment.

(9) Publish a monthly newsletter describing and evaluating the operations of the commission during the preceding month.

(i) (1) The issuer of any proposed debt issue of state or local government shall, no later than 30 days prior to the sale of any debt issue, submit a report of the proposed issuance to the commission by any method approved by the commission. This subdivision shall also apply to any nonprofit public benefit corporation incorporated for the purpose of acquiring student loans. The commission may require information to be submitted in the report of proposed debt issuance that it considers appropriate. Failure to submit the report shall not affect the validity of the sale. The report of proposed debt issuance shall include a certification by the issuer that it has adopted local debt policies concerning the use of debt and that the contemplated debt issuance is consistent with those local debt policies. A local debt policy shall include all of the following:

(A) The purposes for which the 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, if applicable.

(D) Policy goals related to the issuer's planning goals and objectives.

(E) The internal control procedures that the issuer has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use.

(2) In the case of an issue of bonds the proceeds of which will be used by a governmental entity other than the issuer, the issuer may rely upon a certification by that other governmental entity that it has adopted the policies described in subparagraphs (C), (D), and (E) of paragraph (1), and references to the "issuer" in those subparagraphs shall be deemed to refer instead to the other governmental entity.

(j) The issuer of any debt issue of state or local government, not later than 21 days after the sale of the debt, shall submit a report of final sale to the commission by any method approved by the commission. A copy of the final official statement for the issue shall accompany the report of final sale. If there is no official statement, the issuer shall provide each of the following documents, if they exist, along with the report of final sale:

(1) Other disclosure document.

(2) Indenture.

(3) Installment sales agreement.

(4) Loan agreement.

(5) Promissory note.

(6) Bond purchase contract.

(7) Resolution authorizing the issue.

(8) Bond specimen.

The commission may require information to be submitted in the report of final sale that it considers appropriate. The issuer may redact confidential information contained in the documents if the redacted information is not information that is otherwise required to be reported to the commission.

(k) (1) A public agency, whether state or local, shall submit an annual report for any issue of debt for which it has submitted a report of final sale pursuant to subdivision (j) on or after January 21, 2017. The annual report shall cover a reporting period from July 1 to June 30, inclusive, and shall be submitted no later than seven months after the end of the reporting period by any method approved by the commission. Before approving any annual method of reporting pursuant to this subdivision, the commission shall consult with appropriate state and local debt issuers and organizations representing debt issuers for purposes that shall include, but not be limited to, making a proposed reporting method more efficient and less burdensome for issuers. The annual report shall consist of the following information:

(A) Debt authorized during the reporting period, which shall include the following:

(i) Debt authorized at the beginning of the reporting period.

(ii) Debt authorized and issued during the reporting period.

(iii) Debt authorized but not issued at the end of the reporting period.

(iv) Debt authority that has lapsed during the reporting period.

(B) Debt outstanding during the reporting period, which shall include the following:

(i) Principal balance at the beginning of the reporting period.

(ii) Principal paid during the reporting period.

(iii) Principal outstanding at the end of the reporting period.

(C) The use of proceeds of issued debt during the reporting period, which shall include the following:

(i) Debt proceeds available at the beginning of the reporting period.

(ii) Proceeds spent during the reporting period and the purposes for which it was spent.

(iii) Debt proceeds remaining at the end of the reporting period.

(2) Compliance with this subdivision shall be required for each issue of debt with outstanding debt, debt that has been authorized but not issued, or both, during the reporting period.

(3) The commission may, if technology permits, develop an alternate reporting method, provided that any alternate reporting method is in furtherance of the purpose of collecting the data required by this subdivision. Before approving any alternate annual method of reporting pursuant to this subdivision, the commission shall consult with appropriate state and local debt issuers and organizations representing debt issuers for purposes that shall include, but not be limited to, making a proposed reporting method more efficient and less burdensome for issuers.

George Warman

From: James Wawrzyniak <jwawrzyniak@joneshall.com>
Sent: Monday, February 06, 2017 8:22 AM
To: George Warman
Cc: Craig Hill; Steve Melikian
Subject: Town of Corte Madera - Form Debt Policy
Attachments: Town of Corte Madera - Debt Policy - Draft 2-6-17.docx

Good morning George,

As promised, attached is a short-form debt policy that is intended to meet the new requirements of SB 1029. Let me know of any questions or comments. Once you have a date set for the Town Council to consider for adoption, let me know and I'd be happy to attend the meeting as well.

Best,
James



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