

STAFF REPORT

To: Coastside County Water District Board of Directors

From: Mary Rogren, Assistant General Manager

Agenda: June 12, 2018

Report

Date: June 7, 2018

Subject: Resolution Adopting a Debt Management Policy for the Coastside County Water District ("the District")

Recommendation:

Approve Resolution No. 2018-03, A Resolution of the Board of Directors of the Coastside County Water District Adopting a Debt Management Policy.

Background:

Senate Bill 1029 (SB 1029), which became effective on January 1, 2017, amended California Government Code 8855 to add certain requirements related to the issuance and administration of debt by local agencies, including requiring the adoption of a debt policy meeting the requirements of California Government Code 8855. This impacts the District.

In connection with the issuance of new debt by District (including a refunding of the District's 2006 Series B Bonds), the District will need to submit to the California Debt and Investment Advisory Commission (CDIAC) a preliminary report of debt issuance which will include a certification that the District has adopted a debt policy that meets the requirements of the new legislation, which are found in California Government Code 8855. Adoption of the debt policies by the Board is required for compliance with the new legislation.

In accordance with Government Code 8855, a local debt policy must include all of the following:

1. The purposes for which the debt proceeds may be used.
2. The types of debt that may be issued.
3. The relationship of the debt to, and integration with, the issuer's capital improvement program or budget, if applicable.
4. Policy goals related to the issuer's planning goals and objectives.

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5. 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.

The contemplated debt management policy (provided by our Bond Counsel, Jones Hall) meets all of these requirements.

FISCAL IMPACT

None.

Attachments:

- (A) Resolution No. 2018-03
- (B) Debt Management Policy

RESOLUTION NO. 2018-03

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE COASTSIDE COUNTY WATER DISTRICT ADOPTING A DEBT MANAGEMENT POLICY

WHEREAS, Senate Bill 1029 (SB 1029), which became effective on January 1, 2017, amended California Government Code 8855 to add certain requirements related to the issuance and administration of debt by local agencies such as the District, including the adoption of a debt policy meeting the requirements of California Government Code 8855; and

WHEREAS, the Board of Directors of the District wishes at this time to approve a debt policy that is compliant with California Government Code 8855 to govern future issuances of debt by the District.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Coastside County Water District as follows:

Section 1. Adoption of Policy. The Board hereby approves and adopts the Debt Management Policy in the form presented. The Debt Management Policy shall govern the issuance and administration of debt issued by the District, all in accordance and subject to the conditions set forth in such policy.

Section 2. Effective Date. This Resolution shall take effect immediately upon its passage and adoption.

APPROVED AND ADOPTED this 12th day of June 2018 by the following votes of the Board of Directors:

AYES:

NOES:

ABSENT:

Robert C. Feldman, President
Board of Directors

ATTEST:

David Dickson, General Manager
Secretary of the District

Coastside County Water District

Debt Management Policy

(Resolution 2018-03 Approved _____)

This Debt Management Policy (the “Debt Policy”) of the Coastside County Water District (the “District”) was approved by the Board of Directors to be effective as of the date first set forth above. The Debt Policy may be amended by the District Board as it deems appropriate from time to time in the prudent management of the debt and capital financing needs of the District.

1. Findings

This Debt Policy is intended to comply with Government Code Section 8855(i), and shall govern all debt undertaken by the District. The District hereby recognizes that a fiscally prudent debt policy is required in order to:

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

2. Policies

A. Purposes For Which Debt May Be Issued

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 District. 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 District and its ratepayers.
- 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.

Long-term debt financings will not generally be considered appropriate for current

operating expenses and routine maintenance expenses. The District may use long-term debt financings subject to the following conditions:

- The project to be financed must be approved by the District Board.
- The weighted average maturity of the debt (or the portion of the debt allocated to the project) will not exceed the average useful life of the project to be financed by more than 20%.
- The District estimates that sufficient revenues will be available to service the debt through its maturity.
- The District determines that the issuance of the debt will comply with the applicable state and federal law.

Short-term debt. Short-term debt may be issued to provide financing for the District'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 District may undertake lease-purchase financing for equipment.

Financings on Behalf of Other Entities. The District may also find it beneficial to issue debt on behalf of other governmental agencies or private third parties in order to further the public purposes of District. In such cases, the District 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
- Revenue bonds and other obligations secured by revenues
- 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
- Refunding loans and other obligations
- State Revolving Loan Funds

- Lines of Credit

The District Board may from time to time find that other forms of debt would be beneficial to further its public purposes and may approve such debt without an amendment of this Debt Policy. Debt shall be issued as fixed rate debt unless the District makes a specific determination as to why a variable rate issue would be beneficial to the District in a specific circumstance.

C. Relationship of Debt to Capital Improvement Program and Budget

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

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

The District 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 District's public purposes.

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

It is a policy goal of the District to serve ratepayers 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 District 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 District to realize, whenever possible, and subject to any overriding non-financial policy considerations, minimum net present value debt service savings equal to or greater than 3.0%.

E. Internal Control Procedures

When issuing debt, in addition to complying with the terms of this Debt Policy, the District 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 District will periodically review the requirements of and

will remain in compliance with the following:

- Any continuing disclosure undertakings entered into by the District in accordance with SEC Rule 15c2-12.
- Any federal tax compliance requirements, including, without limitation, arbitrage and rebate compliance.
- The District'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 District upon the submission of one or more written requisitions by the General Manager of the District (or his or her written designee), or (b) by the District, to be held and accounted for in a separate fund or account, the expenditure of which will be carefully documented by the District.

END OF DEBT MANAGEMENT POLICY