



## AGENDA

Garden Grove Sanitary District  
Board of Directors

Tuesday, January 24, 2017

6:30 PM

Community Meeting Center, 11300  
Stanford Avenue, Garden Grove, CA  
92840

**Kris Beard**  
Member  
**Phat Bui**  
Member  
**Steven R. Jones**  
Member  
**Stephanie Klopfenstein**  
Member  
**Kim Nguyen**  
Member  
**Thu-Ha Nguyen**  
Member  
**John O'Neill**  
Member

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**Meeting Assistance:** Any person requiring auxiliary aids and services, due to a disability, to address the Sanitary District should contact the City Clerk's Office 72 hours prior to the meeting to arrange for accommodations. Phone: 714) 741-5040.

**Agenda Item Descriptions:** Are intended to give a brief, general description of the item. The Sanitary District may take legislative action deemed appropriate with respect to the item and is not limited to the recommended action indicated in staff reports or the agenda.

**Documents/Writings:** Any revised or additional documents/writings related to an item on the agenda distributed to all or a majority of the Sanitary District Members within 72 hours of a meeting, are made available for public inspection at the same time (1) in the City Clerk's Office at 11222 Acacia Parkway, Garden Grove, CA 92840, during normal business hours; (2) on the City's website as an attachment to the Sanitary District meeting agenda; and (3) at the Council Chamber at the time of the meeting.

**Public Comments:** Members of the public desiring to address the Sanitary District are requested to complete a pink speaker card indicating their name and address, and identifying the subject matter they wish to address. This card should be given to the City Clerk prior to the start of the meeting. General comments are made during "Oral Communications", and should be limited to matters under consideration and/or what the Sanitary District has jurisdiction over. Persons wishing to address the Sanitary District regarding a Public Hearing matter will be called to the podium at the time the matter is being considered.

**Manner of Addressing the Sanitary District:** After being called by the President, you may approach the podium, it is requested that you state your name for the record, and proceed to address the Sanitary District. All remarks and questions should be addressed to the Sanitary District as a whole and not to individual Sanitary District Members or staff members. Any person making impertinent, slanderous, or profane remarks or who becomes boisterous while addressing the Sanitary District shall be called to order by the President. If such conduct continues, the President may order the person barred from addressing the Sanitary District any further during that meeting.

**Time Limitation:** Speakers must limit remarks for a total of (5) five minutes. When any group of persons wishes to address the Sanitary District on the same subject matter, the President may request

a spokesperson be chosen to represent the group, so as to avoid unnecessary repetition. At the Sanitary District's discretion, a limit on the total amount of time for public comments during Oral Communications and/or a further limit on the time allotted to each speaker during Oral Communications may be set.

***PLEASE SILENCE YOUR CELL PHONES DURING THE MEETING.***

## AGENDA

### Open Session

6:30 PM

ROLL CALL: MEMBER BEARD, MEMBER BUI, MEMBER JONES, MEMBER KLOPFENSTEIN, MEMBER K. NGUYEN, MEMBER T. NGUYEN, MEMBER O'NEILL

1. ORAL COMMUNICATIONS (to be held simultaneously with other legislative bodies)
2. REORGANIZATION
  - 2.a. Selection of Chair and Vice Chair. (*Action Item*)
3. CONSENT ITEMS

(*Consent Items will be acted on simultaneously with one motion unless separate discussion and/or action is requested by a Sanitary District Member.*)

  - 3.a. Receive and file minutes from the meeting held on November 22, 2016. (*Action Item*)
4. PUBLIC HEARINGS

(*Motion to approve will include adoption of each Resolution unless otherwise stated.*)
5. ITEMS FOR CONSIDERATION
  - 5.a. Adoption of Resolutions approving a Debt Management Policy required by Senate Bill 1029. (Joint action with the City Council) (*Action Item*)
6. MATTERS FROM THE PRESIDENT, BOARD MEMBERS AND GENERAL MANAGER
7. ADJOURNMENT

The next Regular Meeting will be held on Tuesday, February 28, 2017, at 6:30 p.m. in the Community Meeting Center, 11300 Stanford Avenue, Garden Grove, CA.

**Garden Grove Sanitary District**

**INTER-DEPARTMENT MEMORANDUM**

To: Scott C. Stiles From: Teresa Pomeroy  
Dept.: General Manager Dept.: City Clerk  
Subject: Receive and file minutes from the meeting held on November 22, 2016. (*Action Item*) Date: 1/24/2017

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Attached are the minutes from the meeting held on November 22, 2016, to be received and filed.

**ATTACHMENTS:**

<b>Description</b>	<b>Upload Date</b>	<b>Type</b>	<b>File Name</b>
Minutes	1/19/2017	Backup Material	sd-min_11_22_16.pdf

## MINUTES

### GARDEN GROVE SANITARY DISTRICT BOARD OF DIRECTORS

#### Regular Meeting

Tuesday, November 22, 2016

Community Meeting Center  
11300 Stanford Avenue, Garden Grove, CA 92840

#### CONVENE MEETING

At 6:55 p.m., Vice President Beard convened the meeting in the A Room.

ROLL CALL      PRESENT:      (3)      Vice President Beard, Members Bui, Nguyen

ABSENT:      (2)      President Phan, Member Jones

#### ORAL COMMUNICATIONS

Speakers: Tom Goode, Marilyn Rubio, Terry Anderson, Marisol Rivera, Walter Muneton, Tom Zero, Tony Flores, Glen Peterson, Sabiha Khan, Mark Anthony Paredes, Julian Garcia, Peter Katz, Charles Mitchell, Hasan Hboubati, Beth Mays, David Bracey, Sylvia Kim, Heidi Vargas, Lynne Aoki, Shaista Azad

#### RECESS

At 7:40 p.m., Vice President Beard declared a recess.

#### RECONVENE

At 7:50 p.m., Vice President Beard reconvened the meeting with Members Bui and Nguyen present.

#### MINUTES (F: Vault)

It was moved by Member Nguyen, seconded by Member Bui that:

The minutes from the meeting held on October 25, 2016, be received and filed.

The motion carried by a 3-0-2 vote as follows:

Ayes: (3) Beard, Bui, Nguyen  
Noes: (0) None  
Absent: (2) Jones, Phan

ADJOURNMENT

At 7:51 p.m., Vice President Beard adjourned the meeting. The Tuesday, December 27, 2016, meeting is cancelled. The next meeting is scheduled for Tuesday, January 24, 2017, at 6:30 p.m. at the Community Meeting Center, 11300 Stanford Avenue, Garden Grove, California.

Kathleen Bailor, CMC  
Secretary

**Garden Grove Sanitary District**

**INTER-DEPARTMENT MEMORANDUM**

To:	Scott C. Stiles	From:	Kingsley Okereke
Dept.:	General Manager/City Manager	Dept.:	Finance
Subject:	Adoption of Resolutions approving a Debt Management Policy required by Senate Bill 1029. (Joint action with the City Council) ( <i>Action Item</i> )	Date:	1/24/2017

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**OBJECTIVE**

For the Sanitary District and City Council to jointly consider adoption of Resolutions to approve a Debt Management Policy to comply with Government Code Section 8855, as amended by Senate Bill 1029.

**BACKGROUND**

In September 2016, the Governor signed Senate Bill (SB) 1029 (California Debt and Investment Advisory Commission: Accountability Reports) into law. Senate Bill 1029 requires issuers of public debt to adopt a Debt Management Policy to provide guidance in the issuance and management of their debt. Effective January 1, 2017, Government Code section 8855(i) requires any issuer of public debt to provide the California Debt and Investment Advisory Commission (CDIAC), no later than 30 days prior to the sale of any debt issue, a report of the proposed issuance which includes notification to CDIAC that the issuing agency has adopted debt policies concerning the use of debt and that the proposed debt is consistent with those policies.

The intent of this bill was to facilitate improved financial transparency and accessibility to information about public debt. SB 1029 requires that debt management policies reflect local, state, and federal laws and regulations. It was recommended that public agency debt management policies incorporate recommendations set forth by the Government Finance Officers Association (GFOA). The attached Debt Management Policy is being brought forward to City Council to comply with state law as it relates to debt issuance requirements set forth by SB 1029. The Debt Management Policy will apply to the City, the Successor Agency to the Garden Grove Agency for Community Development, the Garden Grove Sanitary District, the Garden Grove Housing Authority, the Garden Grove Public Financing Authority, or any other public agency or non-profit public benefit corporation

affiliated with the City.

## DISCUSSION

To comply with the new law, it is recommended that the Sanitary District adopt a comprehensive debt management policy. The proposed Debt Management Policy is consistent with Government Code section 8855(i) requirements and is also consistent with GFOA's recommendations and reflects objectives that establish parameters for the issuance and administration of Sanitary District debt.

SB 1029 sets out key objectives that should be incorporated in a Debt Management Policy. The objectives are to:

- Minimize debt service and issuance costs
- Maintain access to cost-effective borrowing
- Achieve and maintain highest reasonable credit rating
- Full and timely repayment of debt
- Maintain full and complete financial disclosure and reporting
- Ensure compliance with state and federal laws and regulations

By adopting the Resolution to approve this Debt Management Policy the Sanitary District will comply with the key objectives of SB 1029.

## FINANCIAL IMPACT

None.

## RECOMMENDATION

It is recommended that the Sanitary District:

- Adopt the Resolution approving the Debt Management Policy as required by Senate Bill 1029.

It is recommended that the City Council:

- Adopt the Resolution approving the Debt Management Policy as required by Senate Bill 1029.

By: Alex Trinidad, Sr. Accountant

## **ATTACHMENTS:**

Description	Upload Date	Type	File Name
GGSD Resolution Adopting Debt Management Policy	1/13/2017	Resolution Letter	GGSD_RESO_ADOPTING_DEBT_MANAGEMENT_POLICY.docx

City Resolution Adopting Debt Management Policy	1/13/2017	Resolution Letter GG_RESO_ADOPTING_DEBT_MANAGEMENT_POLICY.docx
Debt Management Policy	1/19/2017	Backup Material Debt_Management_Policy.pdf



RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
GARDEN GROVE SANITARY DISTRICT ADOPTING A DEBT  
MANAGEMENT POLICY

WHEREAS, the Board recognizes that cost-effective access to the capital markets depends on prudent management of the District's debt program; and

WHEREAS, the District wishes to set parameters for issuing debt, managing the debt portfolio and providing guidance to decision makers; and

WHEREAS, the Government Finance Officers Association recommends as a best practice for government agencies to adopt a debt management policy; and

WHEREAS, SB 1029 (2016) amended Government Code 8855 to require the District to certify that it has adopted a debt management policy prior to issuing new debt; and

WHEREAS, the City of Garden Grove City Council has concurrently herewith adopted the same debt management policy on behalf of the City's related agencies; and

WHEREAS, the City of Garden Grove City Council serves as the ex officio Board of Directors of the District.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Garden Grove Sanitary District that the DEBT MANAGEMENT POLICY adopted by the City of Garden Grove, a copy of which is attached hereto as Exhibit "A" be approved, adopted, and applicable to debt issued by the District.

PASSED, APPROVED, AND ADOPTED BY THE BOARD OF DIRECTORS OF THE GARDEN GROVE SANITARY DISTRICT THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2017.

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
GARDEN GROVE ADOPTING A DEBT MANAGEMENT POLICY

WHEREAS, the City Council recognizes that cost-effective access to the capital markets depends on prudent management of the City's debt program; and

WHEREAS, the City wishes to set parameters for issuing debt, managing the debt portfolio and providing guidance to decision makers; and

WHEREAS, the Government Finance Officers Association recommends as a best practice for government agencies to adopt a debt management policy; and

WHEREAS, SB 1029 (2016) amended Government Code 8855 to require the City to certify that it has adopted a debt management policy prior to issuing new debt.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Garden Grove that the DEBT MANAGEMENT POLICY attached hereto as Exhibit "A" be approved and adopted.

PASSED, APPROVED, AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF GARDEN GROVE THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2017.

## **DEBT MANAGEMENT POLICY**

The Debt Management Policy (the "Debt Policy") of the City of Garden Grove (the "City") and the entities listed in the following paragraph was approved by the City Council on \_\_\_\_\_. The Debt Policy may be amended or waived pursuant to Section F by City Council as it deems appropriate from time to time in the prudent management of the debt of the City.

The Debt Policy will also apply to any debt issued by the Successor Agency to Garden Grove Agency for Community Development, Garden Grove Sanitary District, Garden Grove Housing Authority, Garden Grove Public Financing Authority, or any other public agency or non-profit public benefit corporation affiliated with the City.

### **1. Debt Management Objectives**

The Debt Policy sets objectives in the issuance and management of debt by the City of Garden Grove or its affiliated entities. The Debt Policy shall govern all debt undertaken by the City and its affiliated entities.

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

- Maintain the City's sound financial position;
- Ensure the City has the flexibility to respond to changes in future service priorities, revenue levels, and operating expenses;
- Protect the City's credit-worthiness; and
- Ensure that the City's debt is consistent with the City's planning goals and objectives and capital improvement program or budget, as applicable.

The main objectives 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
- To maintain financial flexibility for the City.

Debt, properly issued and managed, is a critical element in any financial management program. It assists in the City's effort to allocate limited resources to provide the highest quality of service to the public. A properly managed debt program promotes economic growth and enhances the vitality of the City of Garden Grove for its residents and businesses.

### **2. Policies**

#### **A. Purposes For Which Debt May Be Issued**

The City will consider the use of debt financing primarily for capital improvement

projects (CIP) when the project's useful life will equal or exceed the term of the financing or otherwise comply with Federal tax law requirements and when resources are identified sufficient to fund the debt service requirements. An exception to this CIP driven focus is the issuance of short-term instruments such as tax and revenue anticipation notes, which are to be used for prudent cash management purposes and conduit financing, as described below. Bonded debt should not be issued to finance normal operating expenses.

If a department has any project which is expected to use debt financing, the department director is responsible for expeditiously providing the City Manager and the Director of Finance with reasonable cost estimates, including specific revenue sources that will provide payment for the debt service. This will allow an analysis of the project's potential impact on the City's debt capacity and limitations. The department director shall also provide an estimate of any incremental operating and/or additional maintenance costs associated with the project and identify sources of revenue, if any, to pay for such incremental costs.

(i) Long-Term Debt. Long-term debt may be issued to finance or refinance the construction, acquisition, and rehabilitation of capital improvements and facilities, equipment, and land to be owned and/or operated by the City.

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

- When the project to be financed is necessary to provide basic services; and
- When the project to be financed will provide benefit to constituents over multiple years; and
- When total debt does not constitute an unreasonable burden to the City and its taxpayers and ratepayers; or
- 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 City may use long-term debt financings subject to the following conditions:

- The project to be financed has been or will be approved by the City Council or the governing board of the appropriate affiliated entity;
- The City estimates that sufficient income or revenues will be available to service the debt through its maturity;
- The City determines that the issuance of the debt will comply with the applicable requirements of state and federal law; and
- The City considers the improvement/facility to be of vital, time-sensitive need of the community and there are no plausible alternative financing sources.

(d) Periodic reviews of outstanding long-term debt will be undertaken to identify refunding opportunities. Refunding will be considered (within federal tax law

constraints, if applicable,) if and when there is a net economic benefit of the refunding. Refundings which are non-economic may be undertaken to achieve City objectives relating to changes in covenants, call provisions, operational flexibility, tax status of the issuer, or the debt service profile.

In general, refundings which produce a net present value aggregate savings of at least three (3) percent of the refunded debt will be considered economically viable. Refundings which produce a net present value aggregate savings of less than three (3) percent or negative savings will be considered on a case-by-case basis, and are subject to City Council approval.

(ii) Short-term debt. Short-term borrowing may be issued to generate funding for cash flow needs.

Short-term borrowing, such as commercial paper, Tax and Revenue Anticipation Notes (TRANS), and lines of credit, will be considered as an interim source of funding in anticipation of long-term borrowing. Short-term debt may be issued for any purpose for which long-term debt may be issued, including capitalized interest and other financing-related costs. Prior to issuance of short-term debt, a reliable revenue source shall be identified to secure repayment of the debt. The final maturity of the debt issued to finance the project shall be consistent with the economic or useful life of the project.

Short-term debt may also be used to finance short-lived capital projects such as lease-purchase financing for equipment.

(iii) Financings on Behalf of Other Entities. The City 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 City. In such cases, the City 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. In no event will the City incur any liability or assume responsibility for payment of debt service on such debt.

## **B. Types of Debt**

In order to maximize the financial options available to benefit the public, it is the policy of the City to allow for the consideration of issuing all generally accepted types of debt, including, but not exclusive to the following:

- General Obligation (GO) Bonds: General Obligation Bonds are suitable for use in the construction or acquisition of improvements to real property that benefit the public at large. Examples of projects include libraries, parks, and public safety facilities. All GO bonds shall be authorized by the requisite number of voters in order to pass.
- Revenue Bonds/Certificates of Participation (COPs): Revenue Bonds are limited-liability obligations tied to a specific enterprise or special fund revenue stream where the projects financed clearly benefit or relate to the enterprise

or are otherwise permissible uses of the special revenue. Generally, no voter approval is required to issue this type of obligation but in some cases, the City must comply with proposition 218 regarding rate adjustments.

- Joint Powers Authority (JPA) Revenue Bonds: As an alternative to COPs, the City may obtain financing through the issuance of debt by a joint exercise of powers agency with such debt payable from amounts paid by the City under a lease, installment sale agreement, or contract of indebtedness.
- Loans: The City is authorized to enter into loans, installment payment obligations, or other similar funding structures secured by a prudent source, or sources of repayment.
- Lease-Backed Debt/Certificates of Participation (Lease Revenue Bonds/COPs): Issuance of Lease-Backed Debt is a commonly used form of debt that allows a City to finance projects where the debt service is secured via a lease agreement and where the payments are budgeted in the annual budget appropriation by the City. Lease-Backed Debt does not constitute indebtedness under the State or the City's constitutional debt limit and does not require voter approval. Lease Revenue Bonds may be issued by the Garden Grove Public Financing Authority on behalf of the City.
- Special Assessment/Special District Debt: The City will consider requests from developers for the use of debt financing secured by property based assessments or special taxes in order to provide for necessary infrastructure for new development under guidelines adopted by City Council, which may include minimum value-to-lien ratios and maximum tax burdens. Examples of this type of debt are Assessment Districts (AD) and Community Facilities Districts (CFD) or more commonly known as Mello-Roos Districts. In order to protect bondholders as well as the City's credit rating, the City will also comply with all State guidelines regarding the issuance of special district or special assessment debt.
- Tax Allocation Bonds: Tax Allocation Bonds are special obligations that are secured by the allocation of tax increment revenues that are generated by increased property taxes in the designated redevelopment area. Tax Allocation Bonds are not debt of the City. Due to changes in the law affecting California redevelopment agencies with the passage of ABX1 26 (as amended, the Dissolution Act) as codified in the California Health and Safety Code, the Garden Grove Agency for Community Development (RDA) was dissolved as of February 1, 2012, and its operations substantially eliminated but for the continuation of certain enforceable RDA obligations to be administered by the Successor Agency to the Garden Grove Agency for Community Development (Successor Agency). The Successor Agency may issue Tax Allocation Bonds to refinance outstanding obligations of the RDA, subject to limitations included in the Dissolution Act.
- Multi-Family Mortgage Revenue Bonds: The City is authorized to issue mortgage revenue bonds to finance the development, acquisition, and

rehabilitation of multi-family rental projects. The interest on the bonds can be exempt from Federal and State taxation. As a result, bonds provide below market financing for qualified rental projects. In addition, the bonds issued can qualify projects for allocations of Federal low-income housing tax credits, which can provide a significant portion of the funding necessary to develop affordable housing.

- HUD Section 108 Loan Guarantee Program: The U.S. Department of Housing and Urban Development (HUD) Section 108 Loan Guarantee Program allows cities to use their annual Community Development Block Grant (CDBG) entitlement grants to obtain federally guaranteed funds large enough to stimulate or pay for major community development and economic development projects. The program does not require a pledge of the City's General Fund, only of future CDBG entitlements. By pledging future CDBG entitlement grants as security, the City can borrow at favorable interest rates because of HUD's guarantee of repayment to investors.
- Refunding Bonds: The City shall refinance debt pursuant to the authorization that is provided under California law, including but not limited to Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, as market opportunities arise. The Finance Director shall identify refunding opportunities and prepare a present value analysis that describes the economic effects of a refunding. Refundings may be undertaken in order: (i) to take advantage of lower interest rates and achieve debt service costs savings; (ii) to eliminate restrictive or burdensome bond covenants; or (iii) to restructure debt to lengthen the duration of repayment, relieve debt service spikes, reduce volatility in interest rates or free up reserve funds. Generally, the City shall strive to achieve a minimum of 3% net present value savings for a current refunding and a minimum of 5% net present value savings for an advance refunding. Upon the advice of the Finance Director and with the assistance of a financial advisor and bond counsel, the City will consider undertaking refundings for other than economic purposes upon a finding that such a restructuring is in the City's overall best financial interest.

The City 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.

To maintain a predictable debt service burden, the City will give preference in the future to debt that carries a fixed interest rate. An alternative to the use of fixed rate debt is variable rate debt. The City has in the past and may choose in the future to issue securities that pay a rate of interest that varies according to a pre-determined formula or results from a periodic remarketing of securities. When making the determination to issue bonds in a variable rate mode in the future, consideration will be given in regards to the useful life of the project or facility being financed or the term of the project requiring the funding, market conditions, credit risk and third party risk analysis, cost benefit of employing interest rate caps, and the overall debt portfolio structure when issuing variable rate debt for any purpose.

The use of derivative products can, among other things, increase City financial flexibility and provide opportunities for interest rate savings or enhance investment yields. Careful monitoring of such products is required to preserve City credit strength and budget flexibility. Swaps will not be used to speculate on perceived movements in interest rates. Before the City enters into any derivative product associated with debt, the City Council or appropriate governing body shall consider and approve the plan and product separately.

### **C. Relationship of Debt to Capital Improvement Program and Budget**

The City intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the City's capital budget and the capital improvement plan.

The City shall seek to avoid the use of debt to fund infrastructure and facilities improvements that are the result of normal wear and tear, unless a specific revenue source has been identified for this purpose.

The City 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 City's public purposes.

The decision to incur new indebtedness should be integrated with the City Council adopted annual Operating Budget and Capital Improvement Program Budget. The annual debt service payments shall be included in the Operating Budget.

### **D. Policy Goals Related to Planning Goals and Objectives**

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

It is a policy goal of the City to protect taxpayers, 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 City 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.

Except as described in Section 2.A., when refinancing debt, it shall be the policy goal of the City to realize, whenever possible, and subject to any overriding non-financial policy considerations minimum aggregate net present value debt service savings equal to or greater than 3% of the refunded principal amount.



## **E. Internal Control Procedures**

When issuing debt, in addition to complying with the terms of this Debt Policy, the City shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds. The Director of Finance has the responsibility to determine and oversee internal control procedures.

The City will periodically review the requirements of and will remain in compliance with the following:

- Federal securities law, including any continuing disclosure undertakings under SEC Rule 15c2-12;
- Any federal tax compliance requirements, including without limitation arbitrage and rebate compliance, related to any prior bond issues;
- The City's investment policies as they relate to the investment of bond proceeds; and
- Government Code section 8855(k) and the annual reporting requirements therein.

The City shall be vigilant in using bond proceeds in accordance with the stated purpose at the time that such debt was issued. Whenever reasonably possible, proceeds of debt will be held by a third-party trustee and the City will submit written requisitions for such proceeds. The City will submit a requisition only after obtaining the signature of the City Manager or the Director of Finance.

## **F. Amendment and Waivers of Debt Policy**

- The Debt Policy will be reviewed and amended from time to time as appropriate subject to City Council approval.
- There will be circumstances from time to time when strict adherence to a provision of this Debt Policy is not possible or not in the best interest of the City.
- If the City staff has determined that a waiver of one or more provisions of this Debt Policy should be considered by the City Council, it will prepare an analysis for the City Council describing the rationale for the waiver and the impact of the waiver on the proposed debt issuance and on taxpayers, if applicable.
- Upon a majority vote of the City Council, one or more provisions of this Debt Policy may be waived for a debt financing.
- The failure of a debt financing to comply with one or more provisions of the Debt Policy shall in no way affect the validity of any debt issued by the City in accordance with applicable laws.

## **G. Professional Assistance**

The City shall utilize the services of independent financial advisors and bond counsel on all debt financings. The Director of Finance shall have the authority to periodically select service providers as necessary to meet legal requirements and minimize net City debt costs. Such services, depending on the type of financing, may include financial advisory, underwriting, trustee, bond counsel, disclosure counsel, verification agent, escrow agent, arbitrage consulting, continuing disclosure consultants, and special tax consulting. The goal in selecting service providers, whether through a competitive process or when appropriate, a sole-source selection, is to achieve an appropriate balance between service and cost.