



Board Agenda Item 7

DATE: June 5, 2018

TO: Board of Supervisors

SUBMITTED BY: Oscar J. Garcia, CPA, Auditor-Controller/Treasurer-Tax Collector

SUBJECT: Debt Management Policy & Debt Advisory Committee Guidelines

RECOMMENDED ACTION(S):

- 1. Approve the County of Fresno's revised Debt Management Policy (originally the Debt Policy); and**
- 2. Approve the County of Fresno's revised Debt Advisory Committee (DAC) Policy Guidelines for Public Financing (DAC Guidelines)**

The Debt Policy has not been updated since 2005. A recent change in the law has prompted the need for revisions to the Debt Policy, proposed to be renamed as the Debt Management Policy (Policy). The DAC Guidelines have not been updated since 1993. While preparing updates to the Policy, it became apparent that the DAC Guidelines would benefit by the Board adopting revisions to DAC process-related practices as well. For both recommended actions, a copy of the currently adopted versions is on file with the clerk. Attached to this item is a clean and a redline version of the proposed revisions to each document, as well as a table that summarizes their major changes. This item is countywide.

ALTERNATIVE ACTION(S):

If the Board elects not to approve the first recommended action for the Policy, that might adversely affect the County's ability to undertake further debt issuances (e.g. Tax and Revenue Anticipation Notes), and could adversely affect a pending Clean Water State Revolving Fund loan for a County Waterworks District. The law now requires certain elements in the Policy, which are not fully addressed or present in the Policy. Those elements have been added into the recommended Policy, as revised.

To avoid those adverse results, the Board may approve the recommended actions, and request our Office to return to the Board at a future date with further proposed revisions to the Policy and DAC Guidelines for the Board's future consideration.

FISCAL IMPACT:

There is no current fiscal impact as a result of these recommended actions.

DISCUSSION:

The DAC Guidelines

On February 9, 1993, the County established the Debt Advisory Committee (DAC).

The DAC is comprised of the following County officials or their respective designee:

1. Two members of the Board of Supervisors;
2. The County Administrative Officer (CAO);
3. The Auditor-Controller/Treasurer-Tax Collector (ACTTC); and
4. The County Counsel.

The ACTTC is the Chairman of the DAC. The ACTTC's Staff are the primary staff to the DAC.

The DAC serves as a centralized point for the County's first public vetting of all potential financings to be issued by, for, or through the County, or approved by the County, as well as all financing matters that may involve the County (collectively, Financing Proposals) that either are proposed by departments or offices of the County or non-County parties. The DAC makes the appropriate recommendation to the Board of Supervisors regarding all such Financing Proposals.

The recommended DAC Guidelines, as revised (attached to this item), will assist the ACTTC Staff in receiving, reviewing, and organizing the flow and submission of each Financing Proposal to the DAC by implementing standard operating procedures for processing Financing Proposals by the DAC. Specifically, all proposed County debt issuances shall be, without exception, subject to the review and requested recommendation of the DAC to the Board, prior to such County debt issuance.

The DAC considers the types of Financing Proposals that are identified in the recommended County Debt Management Policy (Policy), revised, discussed below.

The Policy

On April 26, 2005, the Board of Supervisors adopted the County of Fresno Debt Policy, which is a formal written policy addressing County debt issuances.

On November 10, 2005, the DAC reviewed and recommended revisions to the Policy. On January 10, 2006, the Board reviewed and adopted the revised Debt Policy at that time. Subsequent to that action, there were no further Policy revisions or updates brought before the Board.

If approved by the Board, the Debt Policy would be revised and renamed the County of Fresno Debt Management Policy (the Policy, attached to this item). The attachments to the recommended Policy, as revised, include an updated Outstanding Bond Debt Amortization Schedule as of the fiscal year ended June 30, 2017 along with an updated Outstanding Capital Leases as of the fiscal year ended June 30, 2017.

The recommended Policy, as revised, is for the County and all related entities for which the Board acts as the legislative body.

The purpose of the recommended Policy, as revised, is to provide guidelines that enable the County decision makers and staff to make informed and sound debt management decisions for the County. Accordingly, the recommended Policy, as revised, articulates principles that foster the best practices for ensuring that the County will be capable of minimizing, and fully and timely repaying its debt. The recommended Policy, as revised, also provides revised general guiding policy principles to assist decision makers and staff with respect to their debt management decisions and actions. Such general guiding policy principles are to be used especially when the recommended Policy, as revised, does not provide specific guidance to unforeseen circumstances or opportunities.

Previously, the original Policy had been written with great procedural and instructional detail. This was useful due to it being a relatively new policy for the County, and incorporating those details allowed the reader to learn some background on debt management while coming to an understanding of the County's

Policy.

The recommended Policy, as revised, reorganizes much of the pertinent information previously written into an order that more clearly and concisely outlines the Policy along with removing the extraneous data from the Policy. Additionally, the recommended Policy, as revised, sets certain limits prospectively (e.g. no variable interest rate debt for new financing). Furthermore, the recommended Policy, as revised takes a broader view than before as to items of consideration relating to proposed debt by providing:

- When considering the direct costs of a proposed debt issuance, the County will also consider the estimated costs of indirect or related fiscal impacts that such debt may have on the County's operations, including but not limited to:
 - The annual estimated costs of operating and staffing the new capital improvements to be financed by the debt;
 - The County's ability to obtain annual third party reimbursements to the County's federally- and state-funded programs for the costs of the debt; and
 - The annual estimated costs of administration of the debt.

Undertaking this proposed revision of the Policy is timely, as there have been recent amendments to Government Code Section 8855 (SB 1029, effective January 1, 2017). In addition to amending other statutory provisions, Government Code section 8855(i)(1) has been amended to require the County's reports on its proposed debt issuances to the California Debt and Investment Advisory Commission (CDIAC) to include a certification that the County's local debt policies contain certain elements. As a result, the recommended Policy, as revised, would meet that requirement and therefore includes:

- The purposes for which debt may be issued (see e.g., Policy section IA, Scope of this Policy, section II, General Guiding Policy Principles for Managing the County's Debt);
- The types of debt that may be issued (Policy section VI, Approved Financing Methods); The relationship of the debt to, and integration with, the capital improvement plan or budget (added as Policy section VII, Budgetary Planning; relationship of debt to budget; integration of debt to County's budget);
- Policy planning goals and objectives (see e.g., updates as Policy section IB, Goals for Good Debt Management); and
- Internal control procedures that have been or will be implemented (added as Policy section X., Post-Issuance Compliance Procedures).

OTHER REVIEWING AGENCIES:

On May 24, 2018, the County of Fresno Debt Advisory Committee approved the recommended actions in this item.

REFERENCE MATERIAL:

BAI No. 5 - January 10, 2006
BAI No. 5 - April 26, 2005

ATTACHMENTS INCLUDED AND/OR ON FILE:

County of Fresno Debt Management Policy
County of Fresno Debt Advisory Committee Guidelines
Redline County of Fresno Debt Management Policy
Redline County of Fresno Debt Advisory Committee Guidelines
Summary of Major Changes to the Debt Policy and DAC Guidelines
On file with Clerk - COF Debt Policy 12-13-05

On file with Clerk - COF DAC Guidelines 12-13-05

CAO ANALYST:

Juan Lopez