



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JANUARY 10, 2017
FROM: FINANCE DEPARTMENT WARD(S): ALL
SUBJECT: ADOPTION OF DEBT AND CASH FLOW MANAGEMENT POLICIES IN SATISFACTION OF SB 1029

ISSUE(S):

Adopt the attached Debt and Cash Flow Management Policies to satisfy requirements of a newly enacted state law, SB 1029.

RECOMMENDATIONS:

That the City Council:

1. Adopt the attached Debt and Cash Flow Management Policies to meet the legislative intent of SB 1029; and
2. Authorize the Chief Financial Officer, or his designee, to implement the policies and incorporate them into the City's Financial Policy Library.

BACKGROUND:

Earlier this year, SB 1029 was enacted by the California State Legislature and signed into law by Governor Jerry Brown, and it becomes effective on January 1, 2017.

Among other things, SB 1029 requires issuers of bonds after January 1, 2017, to have adopted a "local debt policy" that contains certain enumerated items, which are listed later in this report. Issuers must certify compliance with this requirement to California Debt and Investment Advisory Commission (CDIAC) at least 30 days before the pricing date for bonds (where the certification occurs on or after January 1, 2017), meaning that appropriate policies must be adopted by an issuer's governing board by the time of certification.

Here are the items that SB 1029 requires the debt policy to include:

- (A) The purposes for which any 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 City's capital improvement program or budget.
- (D) Policy goals related to the City's planning goals and objectives.

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

DISCUSSION:

The City has had debt and cash flow management policies, which Finance staff have followed; however, these policies have never been formally approved by the City Council. The attached Debt Policy and Cash Flow Management Policy include all of the elements required by SB 1029.

The City Council recently approved two other financial policies: the General Fund Reserve Policy and the Sewer Fund Reserve Policy. The Finance Department is in the process of developing additional financial policies, such as a policy on balanced budgets and a policy on long term financial planning. All of the City's financial policies will be incorporated into its existing Financial Policy Library, and included in the biennial budget document.

As State Legislation requires the formal adoption of these policies before we can issue any debt as of January 1, 2017, we felt it was more prudent to come to the City Council for adoption of these two policies and follow our implementation plan for the other policies.

FISCAL IMPACT:

There are no fiscal impacts to any funds with the adoption of these policies.

Prepared by: Scott G Miller, PhD, Chief Financial Officer/City Treasurer
Certified as to
availability of funds: Scott G. Miller, PhD, Chief Financial Officer/City Treasurer
Approved by: Marianna Marysheva, Assistant City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. SB 1029
2. Debt Policy
3. Cash Flow Management Policy