



Agenda Report

Fullerton City Council

MEETING DATE: JULY 7, 2020

TO: CITY COUNCIL / SUCCESSOR AGENCY / PUBLIC FINANCING AUTHORITY

FROM: KENNETH A. DOMER, CITY MANAGER

PREPARED BY: ELLIS CHANG, DIRECTOR OF ADMINISTRATIVE SERVICES
STEVEN AVALOS, BUDGET ANALYST

SUBJECT: DEBT MANAGEMENT POLICY FOR THE CITY OF FULLERTON

SUMMARY

Proposed Debt Management Policy for the City of Fullerton and all related entities presented for City Council consideration.

RECOMMENDATION

Adopt the following resolutions:

RESOLUTION NO. 2020-XX – A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FULLERTON, CALIFORNIA, APPROVING AND ADOPTING A DEBT MANAGEMENT POLICY FOR THE CITY OF FULLERTON AND CERTAIN RELATED ENTITIES AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

RESOLUTION NO. SA 2020-XX – A RESOLUTION OF THE FULLERTON SUCCESSOR AGENCY OF THE CITY OF FULLERTON, CALIFORNIA, APPROVING AND ADOPTING A DEBT MANAGEMENT POLICY AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

BUDGET POLICY PRIORITY STATEMENT

This item matches the following Budget Policy Priority Statement:

- Fiscal and Organizational Stability.

FISCAL IMPACT

There is no fiscal impact associated with the recommended action on this report. Adopting a Debt Management Policy (Debt Policy) will allow the City of Fullerton (City) and the Successor Agency to the Fullerton Redevelopment Agency (Successor Agency) to proceed with issuing 2020 Tax Allocation Refunding Bonds (2020 Bonds) that should result in significant savings to its total aggregate debt and annual debt service payments.

DISCUSSION

Pursuant to California Government Code Section 8855, as amended by Senate Bill 1029 in September of 2016, the State requires any issuer of public debt to provide to the California Debt and Investment Advisory Commission a report of the proposed issuance no later than 30 days prior to the sale of any debt issue. Effective January 1, 2017, issuers must certify on the Report of Proposed Debt Issuance that they have adopted local debt policies concerning the use of debt and that the proposed debt issuance is consistent with those policies. The issuer's local debt policies must include the following general requirements as outlined below.

- 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.

In addition to legal mandates as described, it is considered sound fiscal practice and prudent financial management for the City to adopt a formal debt management policy that sets parameters for issuing debt, managing the City's debt portfolio and provides guidance to City staff and decision makers to issue debt with respect to the City's overall fiscal condition. Approving and adopting the attached Debt Policy (Attachment 1), will help ensure that City debt is issued and prudently managed to maintain a sound fiscal position, maintain the highest quality credit rating possible and assist the City in its financial flexibility to meet fiscal challenges and finance projects that promote and foster economic growth.

Overview of Debt Management Policy

The City's Debt Policy will provide the City a formal financial policy that will identify parameters and guidelines to issue debt and prudently manage its debt management portfolio. To summarize, the City's Debt Policy will:

- Outline the type of debt the City or any other related entity can issue, such as General Obligation Bonds, Tax Allocation Bonds and any Revenue Bonds to name a few.

- Debt will primarily be issued for debt financing of capital improvement projects (CIP) when the project's useful life will equal or exceed the term of the financing and when resources are identified sufficient to fund the debt service requirements and require minimum use of general funds.
- Debt will also be used to refinance outstanding debt in order to produce annual debt service savings or to realize the benefits of a debt restructuring in total aggregate savings.
- Guide City Staff and decision makers to issue debt in line with the City's capital planning goals as stated in the adopted operating and CIP budgets and with respect to the overall fiscal condition of the City.
- Outline internal controls for debt and identify compliance measures as they pertain to bond disclosures and proper accounting and record keeping for investment in bond proceeds.

Outlined below, please find all of the City's existing outstanding debts and current debt portfolio.

Citywide Outstanding Debt

Series	Issue Date	Outstanding Par	Final Maturity	Continuing Disclosure Annual Report Due Date	Bond Issuance Compliance with Debt Policy
General Fund					
2010 Lease Revenue Bonds	12/29/2010	\$1,740,000	5/1/2031	February 1st	Section 2 A(i)
2013 Taxable Judgement Obligation	9/5/2013	\$5,320,000	4/1/2033	February 1st	Section 2 A(i)
Water & Sewer Enterprise Debt					
2014 Water Revenue Bonds	3/11/2014	\$4,775,000	9/1/2033	February 1st	Section 2 A(i)
Tax Allocation Bonds					
2015 Tax Allocation Bonds	2/10/2015	\$6,385,000	3/1/2025	Not later than 9 months after June 30th	Section 2 A(i)
2010 Housing Tax Allocation Bonds	11/4/2010	\$15,390,000	9/1/2026	March 26th	Section 2 A(i)
2005 Tax Allocation Bonds	12/27/2005	\$43,040,000	9/1/2027	March 26th	Section 2 A(i)
Special Tax Bonds					
CFD No. 2 - 2014 Special Tax Bonds	5/14/2014	\$7,245,000	9/1/2044	December 31st	Section 2 A(iii)
CFD No. 1 - 2012 Special Tax Ref Bonds	10/31/2012	\$14,950,000	9/1/2032	April 1st	Section 2 A(iii)

All debt service information is available in the City's Comprehensive Annual Financial Report for Fiscal Year ending 2018-19. The City's existing outstanding debt is in compliance with the Debt Policy brought before Council for approval.

Approval of the Debt Policy, will allow Staff to proceed with issuing 2020 Bonds to refund the existing 2005 and 2010 Successor Agency bonds. The issuance and refunding will yield significant savings in its annual debt service and will result in increases in tax increment revenue for all taxing entities, including the City.

Attachments:

- Attachment 1 – Debt Management Policy
- Attachment 2 – Resolution No. 2020-XX
- Attachment 3 – Resolution No. SA 2020-XX