



File #: 17-0245, Version: 1

REPORT TO COUNCIL

SUBJECT

Adopt a New Council Policy on Debt Management, Amend Council Policy 7.1.1 and Find that the Action is Exempt from CEQA

BACKGROUND

The City Council first adopted a policy governing debt management on March 15, 1988 as part of a broader Long Range Goals and Financial Policies policy. This policy has been reviewed and adopted five times since then with the most recent amendment dated 4/29/14. California passed Senate Bill (SB) 1029 in late 2016. SB 1029 expanded the requirements of Government Code Section 8855(i) which dictates requirements for reporting for debt issuance by government entities within the state. Specifically, Section 8855(i) requires any issuer of public debt to provide to 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. 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.

EXISTING POLICY

Council Policy 7.1.1 Fiscal - Long Range Goals and Financial Policies, which address: Long Range Goals; Budget Policies; Revenue Policies; Capital Improvement Policies; Reserve Policies; and Debt Management Policies. Section 7.1F Debt Management Policies provides guidance for all aspects of City incurred debt. It addresses debt specific topics including: debt limits and capacity; issuance; and debt management.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" with the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378 (b) (4) in that it is a fiscal activity that does not involve any commitment to any specific project which may result in a potential significant impact on the environment.

DISCUSSION

The City incurs debt for a variety of reasons, most commonly to fund large, longer termed projects. The existing policy, while part of a broader policy needs to be expanded to include the new requirements imposed by SB 1029. Since incurred debt may come in a wide variety of forms with varying features and requirements, staff recommends generating a stand-alone Debt Policy to include all the existing policy declarations with the addition of the newly required items to ensure compliance with the law.

SB 1029 spells out specific items to be addressed within an agency's debt policy as listed below.

SB 1029 Debt Policy Requirements

Per SB 1029, the City's Debt Policy must address the following items:

- 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 City's capital improvement program of budget, if applicable.
- 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, ensure that the proceeds of the proposed debt issuance will be directed to the intended use.

The proposed Debt Policy directly addresses the new requirements and includes all the existing policy statements into an updated comprehensive debt policy. Staff is currently preparing its report related to the proposed State Revolving Fund Loan (SRF) for the construction of primary treatment facilities at the Sunnyvale Water Pollution Control Plant. Over the next several years, Sunnyvale will continue to issue debt or obtain loans related to this and other projects. Ongoing annual compliance reporting is also required under SB 1029 for any debt issued after January 1, 2017. Currently the only debt planned to be issued in this fiscal year is the SRF loan.

FISCAL IMPACT

There is no fiscal impact associated with adoption of the Debt Policy as recommended. Costs associated with compliance are manageable and will be absorbed within the current Department of Finance operating budget.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

STAFF RECOMMENDATION

Adopt a New Council Policy 7.1.8, entitled Debt Management Policy, Amend Council Policy 7.1.1, entitled Fiscal and Long Range Goals and Financial Policies, by removing Section 7.1F and Find that the Action is Exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378 (b)(4).

Prepared by: Stephen Quick, Finance Manager
Reviewed by: Timothy J. Kirby, Director of Finance
Reviewed by: Walter C. Rossmann, Assistant City Manager
Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Amended Council Policy 7.1.1 Fiscal - Long Range Goals and Financial Policies
2. Proposed Council Policy 7.1.8, entitled Debt Management Policy