

**ROSS VALLEY FIRE DEPARTMENT
STAFF REPORT**

For the meeting of March 13, 2019

To: Board of Directors
From: Jason Weber, Fire Chief
Subject: Adoption of Local Debt Policy

RECOMMENDATION:

That the Board adopt Resolution No. 19-02 to approve and adopt a local debt policy.

BACKGROUND:

The Department is formalizing the financing to fund half of the purchase price of two new fire engines. Staff is presenting the proposed financing documents to the Board for consideration under a separate report. Under the financing, the Department executes a note (the "Note") in favor of the Sleepy Hollow Fire Protection District, as the lender.

Pursuant to Government Code Section 8855, a Report of Proposed Debt Issuance must be filed with the California Debt and Investment Advisory Commission in connection with the execution of the Note. The Report of Proposed Debt Issuance contains a certification by the filing agency (in this case, the Department) that it has adopted a "Local Debt Policy" which complies with the requirements of Government Code Section 8855(i).

Such a policy must include: (1) the purpose for which the debt proceeds may be used; (2) the types of debt that may be issued; (3) the relationship of the debt to, and integration with the agency's capital improvement program or budget, if applicable; (4) policy goals related to the agency's planning goals and objectives; and, (5) the internal control procedures that the agency has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use. A proposed Local Debt policy is attached to the Resolution for the Board's consideration.

Recommendation: Staff is recommending that the Board adopt Resolution No. 19-02.

FISCAL IMPACT:

The attached Local Debt Policy has been drafted to comply with the requirements of Government Code Section 8855(i) and provide formal written guidelines for the Department's debt issuances and the administration of related records, reporting obligations and proceeds expenditures.

AGENDA ITEM # 4
Date 3/13/19

ROSS VALLEY FIRE DEPARTMENT RESOLUTION 19-02

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE ROSS VALLEY FIRE DEPARTMENT ADOPTING A LOCAL DEBT POLICY AND TAKING RELATED ACTIONS

WHEREAS, the Ross Valley Fire Department (the "Department") is contemplating the incurrence of debt (including the execution of a note to evidence such debt) to finance a portion of the cost for acquiring two new fire engines; and

WHEREAS, such financing constitutes "Local Debt" for the purpose of Government Code Section 8855 ("Section 8855"), and therefore, the Department will file a Report of Proposed Debt Issuance pursuant to Section 8855, in connection with the financing; and

WHEREAS, pursuant to Section 8855(i), the Report of Proposed Debt Issuance will include a certification that the Department has adopted a local debt policy (the "Local Debt Policy") and the contemplated Local Debt is consistent with the Local Debt Policy; and

WHEREAS, pursuant to Section 8855(i)(1), the Local Debt Policy must include the following elements:

- (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; and

WHEREAS, for the purposes of the contemplated financing of the fire engines and other Local Debt which the Department may incur from time to time in the future, the Department has determined to adopt the Local Debt Policy, as set forth in Exhibit A;

NOW, THEREFORE, THE ROSS VALLEY FIRE DEPARTMENT BOARD OF DIRECTORS DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. The above recitals, and each of them, are true and correct.

Section 2. The Local Debt Policy, as set forth in Exhibit A, is hereby approved and adopted, and shall be applicable to Local Debt incurred by the Department.

Section 3. The Executive Officer and all other officers of the Department are hereby authorized and directed, jointly and severally, to do any and all things to effectuate the purposes of this Resolution and to implement the Local Debt Policy, and any such actions previously taken by such officers are hereby ratified and confirmed

I do hereby certify that the above Resolution 19-02 is a true and correct copy as passed by the Ross Valley Fire Board on March 13, 2019, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Peter Lacques, Board President

ATTEST:

JoAnne Lewis,
Administrative Assistant

EXHIBIT A
ROSS VALLEY FIRE DEPARTMENT
LOCAL DEBT POLICY

A. DEFINITIONS

“*CDIAC*” means the California Debt and Investment Advisory Commission.

“*Department*” means the Ross Valley Fire Department, a California joint powers authority.

“*Debt*” shall be interpreted broadly to mean bonds, notes, certificates of participation, financing leases, or other financing obligations, but the use of such term in this Policy shall be solely for convenience and shall not be interpreted to characterize any such obligation as an indebtedness or debt within the meaning of any statutory or constitutional debt limitation where the substance and terms of the obligation comport with exceptions to the legal limitation. Debt, as subject this Policy, shall apply to all debt issued or sold to third party lenders or investors and does not pertain to Department internal interfund borrowings or any employee benefit obligations.

“*Policy*” shall mean this Local Debt Policy.

B. PURPOSES OF DEBT

The Department will consider Debt financing for one of the following:

- a) The Department will consider long-term financing for the acquisition, substantial refurbishment, replacement, or expansion of capital assets for the following purposes:
 - i. Acquisition or improvement of real property.
 - ii. Acquisition or installation of a capital asset (including equipment) with a useful life of three or more years.
 - iii. Construction or reconstruction of a facility.
 - iv. Although not the primary purpose of the financing effort, project reimbursables that include project planning design, engineering and other preconstruction efforts; project-associated furniture fixtures and equipment; capitalized interest (prefunded interest), and costs of issuance.
- b) Short-term debt may be considered for the following purposes:

- i. Financing of short-lived capital projects, such as lease purchase financing or equipment,
 - ii. Relieve of temporary cash flow shortfall, provided that such debt shall be repayable from identifiable revenue source reasonable prior to the payment due date(s) of the Debt.
- c) Refunding, refinancing, or restructuring debt; provided, generally, the Department shall seek to achieve debt service savings which, on a net present value basis, are at least 3% of the debt being refinanced. The net present value assessment shall factor in all costs, including issuance, escrow, and foregone interest earnings of any contributed funds on hand. Refundings which produce a net present value savings of less than 3% will be considered on a case-by-case basis.

C. TYPES OF DEBT

The Department shall only incur Debt as permitted under the Joint Exercise of Powers Act (set forth in California Government Code Section 6500 *et seq.*), including the Local Bond Pooling Act, set forth in Government Code Section 6584 *et seq.* The Department will consider variable interest rate debt only after rigorous assessment of the related risks, including but not limited interest rate risk, tax risk, and risk relating to liquidity.

D. RELATIONSHIP OF DEBT TO CAPITAL IMPROVEMENT PROGRAM OR BUDGET

Debt will be considered for financing of capital projects, only if such project is consistent with the Department's capital projects plan or budget.

E. POLICY GOALS RELATED TO PLANNING GOALS AND OBJECTIVES

Any consideration of debt financing shall be consistent with the Department's capital planning goals and objectives.

In determining whether to incur Debt, the Department shall consider financial alternatives, including pay-as-you-go funding, proceeds derived from existing capital assets owned by the Department, and use of existing or future cash reserves, or combinations thereof. Prior to incurrence of Debt, a reliable revenue source shall be identified for repayment of the Debt. The term of the debt shall not exceed the useful life of the project.

F. INTERNAL CONTROL PROCEDURES CONCERNING USE OF PROCEEDS OF DEBT

- 1. The Executive Officer or the Executive Officer's designee (the "Responsible Record Keeper") shall maintain a copy, which may be an electronic copy, of all debt-related records. At minimum, these records shall include all bond legal documents/transcripts, official statements, resolutions, trustee statements, leases, and title reports for each financing (to the extent

available). Such records shall be retained while any debt of an issue is outstanding and during the six-year period following the final maturity or redemption of the bond issue or, if later, while any bonds that refund bonds of that original issue are outstanding and for the six year period following the final maturity or redemption date of the latest refunding bond issue.

2. The Responsible Record Keeper shall retain, for the applicable period specified in the above paragraph 1, a copy of each annual report filed with CDIAC pursuant to Section 8855(k) of the California Government Code concerning (i) Debt authorized during the applicable reporting period (whether issued or not), (ii) Debt outstanding during the reporting period, and (iii) the use during the reporting period of proceeds of issued Debt.
3. In connection with the preparation of each annual report to be filed with CDIAC pursuant to Section 8855(k) of the California Government Code, the Responsible Record Keeper shall keep a record of the original intended use for which the Debt has been issued, and indicate whether the proceeds spent during the applicable one-year reporting period for such annual report comport with the intended use (at the time of original issuance or as modified pursuant to the following sentence). If a change in intended use has been authorized subsequent to the original issuance of the Debt, the Responsible Record Keeper shall indicate in the record when the change in use was authorized and whether the Department authorized the change in intended use.
4. If the debt has been issued to finance a capital project and the project timeline or scope of project has changed in a way that all or a portion of the debt proceeds cannot be expended on the original project, the Department shall consult with legal counsel (which may be bond counsel, if applicable, or the general counsel to the Department) to determine an appropriate alternative for the expenditure of the remaining debt proceeds (including prepayment of the debt).
5. If the Debt incur is designated "tax-exempt" debt (*i.e.*, the interest on which received by the Debt holder is exempt from federal income tax purposes), use of bond proceeds and their investments must be monitored to ensure compliance with all arbitrage rebate requirements of the Internal Revenue Code and related Internal Revenue Service regulations, in keeping with the covenants of the Department in the tax certificate for any federally tax-exempt financing. The Responsible Record Keeper shall ensure that all bond proceeds and investments are tracked in a manner which facilitates accurate calculation; and, if a rebate payment is due, such payment is made in a timely manner.

G. INTERPRETATION/WAIVER

This Debt Policy is intended to be interpreted in a manner consistent with the Department's existing policies and program guidelines and shall be subject to any contrary provisions thereof. The Department Board may, by resolution, waive any provision of this Debt Policy, with respect to a particular Debt issue.