

SIERRA COUNTY

Board of Supervisors
P.O. Drawer D
Downieville, California 95936
Telephone (530) 289-3295
Fax (530) 289-2830



SIERRA COUNTY BOARD OF SUPERVISORS FINANCE COMMITTEE MEETING SEPTEMBER 27, 2021

The Sierra County Board of Supervisors Finance Committee will meet in session on Monday, September 27, 2021, at 10:00 a.m., in the Board Chambers, Courthouse, Downieville, CA.

This meeting will be open to in-person attendance and available to the public via teleconference.

The public may observe and provide public comments by using the Teams options below:

**By Phone: 1-323-892-2486
Access Code: 413 816 478#**

By PC: <https://tinyurl.com/092721FC>

The following items will be discussed:

1. Discussion/recommendation regarding the 2021/2022 Sierra County Final Budget.
2. Discussion/recommendation regarding the allocation of American Recovery Plan Act funding.
3. Review/recommendation on the proposed Financial Policies for the County of Sierra.

Posted: September 23, 2021

Fund Surplus		Other Funding Source	Unranked	General Fund Move to Budget	Ranking #1	Ranking #2	Road Fund Move to Budget	Road Fund Requested	Health & Social Services Fund	Behavioral Health Fund	Other	SW	Parks
		other Funding Available		122,509									
One Time Service & Supply Increases													
GF	Planning	5 Laptop	6,000	6,000									
CJF		Paint Sheriff Substation									10,000		
CJF		Courthouse Drainage									25,000		
GF	IT	Licenses	25,000	25,000									
GF	Planning	General Forest - contract with Featherriver forestry	15,000	15,000									
PK	Parks	Kentucky Mine Tressel	1,900	1,900									1,900
		Kentucky Mine Repairs increase	5,000	5,000									5,000
		Boiler - Justice Facility Fund									4,000		
Fixed Assets													
SS	Vehicle								35,000				
PH	Vehicle van								150,000				
RF	Paint Striper						75,000						
RF	2 Puckups						100,000						
GF	Plant Maintenance	4WD Pickup	30,000	30,000									
Base Line Budget - Services & Supplies Increase													
GF	5150	Historic Society	2,000	2,000									
GF	TTC	Treasurer Tax Collector	5,000	5,000									
BH		Extra Help								31,501			
													Behavioural Health Associate
New Positions													
GF	IT	Admin I thru III	48,837	97,674									
				(48,837)									Public Health
SS		Social Worker Case Aide 0.5 FTE									32,716		
RF	Admin Secretary III						94,636						
RF	Engeneering Tech III						103,611						
Increase in Positions													
Promotions													
SS	Soc Wrk Supervisor I to II								7,667				
SS	Intergrated Case Wrk II to III								10,956				
GF	Personnel Analyst II to Personnel Assistant Director		8,344										
GF	Plant Maintance Wrk III to Plant Manager		4,644										4,644
GF	Planning Secretary II to III		5,721	5,721									
GF	Building Permit Tech III to Dept. Specilist		6,363	6,363									
RF	Lead to Supervisor						9,765						
RF	Road Wrk II to III						6,425						
RF	Engineering II to III						7,286						
RF	Road Wrk I to II						1,800						
RF	Chief Account Tech to Accountant II						4,544						
PH	Health Educator								10,000				
			48,837	163,809	101,984	0	0	403,067	0	246,339	31,501	0	11,544

**Sierra County
Board of Supervisors'
Finance Committee
Agenda Transmittal**

MEETING DATE: September 27, 2021	TYPE OF AGENDA ITEM: <input checked="" type="checkbox"/> Regular <input type="checkbox"/> Timed <input type="checkbox"/> Consent
--	---

DEPARTMENT: Auditor
APPROVING PARTY: Van A. Maddox
PHONE NUMBER: 530-289-3286

AGENDA ITEM: Review of Financial Policies and recommendation to the Board of Supervisors to approve the Financial Policies.

SUPPORTIVE DOCUMENTS ATTACHED: Memo Resolution Agreement Other

BACKGROUND INFORMATION: See memo attached

FUNDING SOURCE: General Fund Economic Development

GENERAL FUND IMPACT: No General Fund Impact

OTHER FUND: Title III

AMOUNT: \$ N/A

ARE ADDITIONAL PERSONNEL REQUIRED?

Yes, -- --
 No

IS THIS ITEM ALLOCATED IN THE BUDGET? Yes No

IS A BUDGET TRANSFER REQUIRED? Yes No

SPACE BELOW FOR CLERK'S USE

<p>BOARD ACTION:</p> <p><input type="checkbox"/> Approved <input type="checkbox"/> Approved as amended <input type="checkbox"/> Adopted <input type="checkbox"/> Adopted as amended <input type="checkbox"/> Denied <input type="checkbox"/> Other <input type="checkbox"/> No Action Taken</p>	<p><input type="checkbox"/> Set public hearing For: _____</p> <p><input type="checkbox"/> Direction to: _____</p> <p><input type="checkbox"/> Referred to: _____</p> <p><input type="checkbox"/> Continued to: _____</p> <p><input type="checkbox"/> Authorization given to: _____</p>	<p>Resolution 2021- _____</p> <p>Agreement 2021- _____</p> <p>Ordinance _____</p> <p>Vote:</p> <p>Ayes:</p> <p>Noes:</p> <p>Abstain:</p> <p>Absent:</p> <p><input type="checkbox"/> By Consensus</p>
--	--	--

COMMENTS:

CLERK TO THE BOARD

DATE

Summary

The County engaged Capitol PFG to provide financial advisory services related to the planning and issuance of a Pension Obligation Bond. As part of the planning work, Capitol PFG agreed to develop debt issuance and pension policies. Capitol PFG is also providing Budget and Financial Policies to assist the County in maximizing the Financial Management Assessment (FMA) component of a credit rating. Having these types of policies in place are part of the required documentation for issuing debt. See 3.1.12 of police.

Discussion

The Financial Policies were developed based on industry best practices. They were adapted from various sources including existing policies, guidance from the Government Finance Officers Association and recommendations from Capitol PFG.

The goal of the Financial Policies is to assist the County in maintaining prudent financial management and in securing the best credit rating possible for the potential issuance of a Pension Obligation Bond. It is recommended that the Financial Policies be reviewed annually and updated as appropriate.

Recommendation

The Finance Committee can recommend that the Board of Supervisors approve the Financial Policies or amend the policies for Board consideration.

Attachments:

Financial Policies

DRAFT
FINANCIAL POLICIES
SIERRA COUNTY



October 2021

Prepared by:



Capitol | PFG

*2436 Professional Drive, Suite 300
Roseville, CA 95661
(916) 641-2734
www.capitolpfg.com*

TABLE OF CONTENTS

SECTION 1: BUDGET AND FINANCIAL POLICIES	1
1.1 PURPOSE	1
1.2 POLICIES	1
1.2.1 General	1
1.2.2 Revenues.....	2
1.2.3 Expenditures	3
1.2.4 Capital Budgets	4
1.2.5 Fund Balance Classification and Other Financial Policies	5
1.2.6 Reserves & Appropriation for Contingencies	6
1.2.7 Request to Encumber Funds	6
SECTION 2: PENSION POLICY	7
2.1 PURPOSE	7
2.2 POLICY	7
2.2.1 Unfunded Accrued Liabilities	7
2.2.2 Options for Addressing Unfunded Liabilities	7
2.2.3 Periodic Review	7
SECTION 3: DEBT ISSUANCE AND MANAGEMENT POLICY	9
3.1 AUTHORIZED PURPOSES FOR THE ISSUANCE OF DEBT	9
3.1.1 Authorized Types of Debt	9
3.1.2 Relationship of Debt to County Facilities Program and Budget.....	9
3.1.3 Structure of Debt Issues	10
3.1.4 Method of Sale	10
3.1.5 Investment of Proceeds	11
3.1.6 Refunding/Restructuring	11
3.1.7 Continuing Disclosure	11
3.1.8 Goals of Debt Management Policy	11
3.1.9 Internal Controls.....	12
3.1.10 Records/Reports	12
3.1.11 Municipal Advisor	13
3.1.12 SB 1029 Compliance.....	13



SECTION 1: BUDGET AND FINANCIAL POLICIES

1.1 Purpose

The purpose of the Budget and Financial Policy is to promote financial stability and long-term planning in the development and management of the County Budget. It will also provide a basis to guide Board decisions during the budget process and throughout the fiscal year.

1.2 Policies

1.2.1 General

Unless the Board of Supervisors appoints another County Official the County Auditor/Treasurer-Tax Collector will administer the following:

- A. The County Auditor/Treasurer-Tax Collector shall prepare and submit no later than June 30th of each year, a Proposed Budget for consideration and adoption by Sierra County Board of Supervisors (Board). A Final Budget will be submitted by the Auditor/Treasurer-Tax Collector for consideration and adoption by the Board of Supervisors in accordance with State law.
 1. The Budget will incorporate direction and input from the Board of Supervisors and County departments as to County operating and capital needs and priorities.
 2. The Budget will address the financial status of the County and its key funds, including financial condition and trends, budgetary impacts, and liabilities and issues that may impact future County resources.
 3. The Budget will be balanced and identify expected sources of revenue and other resources, and recommended program and capital expenditure and reserve uses for the next fiscal year.
 - i. A balanced budget is defined as available fund balance, reductions to obligated fund balance plus financing sources (revenue) as equal to financing uses (expenditures) plus increases to obligated fund balance for the year.
 4. The Budget will include performance information for County programs. Program performance measures will be developed and used for long term planning and decision making, including future resource allocation and in consideration of new or increased funding requests.



- B. The County Auditor/Treasurer-Tax Collector shall periodically monitor and evaluate revenue and expenditures, identify significant variances from budget, and recommend actions to address shortfalls or unanticipated increases.
- C. The County Auditor/Treasurer-Tax Collector shall prepare and/or supervise the preparation of fiscal projections, capital financing plans, costing methodologies, and other studies as will provide for current and future County obligations.

1.2.2 Revenues

- A. Ongoing costs will be funded with ongoing revenues to promote fiscal stability, predictability, and sustainability, and to support long-range planning.
 - 1. New or increased, ongoing revenues will meet current obligations and reduce reliance on one-time funding and fund balance carryover.
 - 2. New programs will identify an ongoing funding source(s) not already obligated for current County operations or for the future costs of current operations.
- B. Budget realistic and probable revenue estimates.
 - 1. Budgeted revenue will not be based on high levels of anticipated growth or be contingent upon the passage of legislation or future actions by the Board of Supervisors.
 - 2. Revenues that are volatile and/or sensitive to changes in the economy should be conservatively estimated.
 - 3. State revenues in the Proposed Budget will be budgeted in accordance with the Governor’s January Proposed Budget and May Revise for the upcoming fiscal year and may be adjusted down with credible assessments thru the budget process.
- C. Imposing or adjusting fees or other charges will be periodically evaluated for any service provided by the County where full cost recovery—including department and County administration—is not currently achieved. Budget estimates will not include fee increases unless the Board of Supervisors has approved the increase.
- D. County administrative (A-87) costs will be charged in accordance with the annual.
 - 1. Funds or budgets that lack sufficient appropriations or reserves to pay A-87 charges, as identified by the Cost Allocation Plan, will prepare and submit a written plan to the Board of Supervisors to ensure future payment.
 - 2. Departments will include estimated A-87 costs in their requested expenditure budgets.



3. A-87 reimbursements may be credited as general purpose General Fund revenues or applied to offset program costs as determined by the Board of Supervisors.
 4. The Board of Supervisors may choose to supplement a fund if needed for the Countywide Cost Allocation Plan charge.
- E. The County Auditor/Treasurer-Tax Collector shall solicit input for revenue estimates from the County departments as appropriate, for major tax and general-purpose revenues and for estimated carryover fund balance in preparation of the Proposed Budget.
- F. Prior to applying for and accepting Federal or State grants, departments must identify current and future fiscal implications of either accepting or rejecting the grant. Areas of note are matching fund obligations, non-supplanting requirements, required continuation to the program after grant funds are exhausted, and if the program is consistent with the County's long-term goals and objectives. Before discretionary program costs are increased, departments should include recovery of department and county administrative costs of at least ten percent of direct costs for state and federal grants.

1.2.3 Expenditures

- A. Annual priority for General Fund funding will be given consideration based on the priority needs of the County, as determined by the Board of Supervisors.
- B. Carryover fund balance should be used to fund one-time expenditures, reserves and contingencies and should not be used to finance ongoing operational costs.
- C. New position requests will be considered through the budget process and not otherwise during the fiscal year unless urgent circumstances exist.
- D. Partial or fully funded State and/or Federal programs, administered by the County will be implemented at the level of funding provided by the State or Federal government. County overmatches for departments with maintenance-of-effort requirements will be evaluated as part of the annual budget process.
- E. All requests for new program funding should be accompanied with clear and concise statements of the program's mission, performance objectives and intended measurable outcomes.
- F. Efficiency and economy in the delivery of County services are top priorities; departments are expected to make productivity improvements within their service delivery areas and reduce expenditures for discretionary programs and services.



1. County departments are encouraged to consolidate programs and organizations and consider alternatives for service delivery to reduce costs and the need for increased staffing.
 2. In developing recommendations that may require operational reductions, departments should ensure that administrative and non-service areas have been reduced to the maximum extent possible before reducing direct services.
- G. Automation and technology proposals must measurably demonstrate how cost savings will be achieved and/or how services will be improved, along with identifying potential sources of funding.
- H. The County Auditor/Treasurer-Tax Collector will annually review rate changes for county internal service funds. Internal services funds are expected to make productivity improvements within their service delivery areas, reduce expenditures for discretionary programs and services, make administrative and nonservice area reductions to the extent feasible, consolidate programs and organizations, and consider alternatives for service delivery before cutting direct services or proposing increased rates.
- I. The General Fund's Appropriation for Contingencies should be budgeted at not less than 1.5% of the operating budget. Appropriations for Contingencies should be budgeted in all other funds, at not less than ½ of 1% of operating expenditures. In no event will Appropriation for Contingencies exceed the amount prescribed by law.

1.2.4 Capital Budgets

- A. Capital Budgets will include a list of capital construction and road projects with brief descriptions; estimated expenditures to-date and identify the total project costs to-date.
- B. Capital projects which are not encumbered or completed during the fiscal year, or multi-year projects, will be re-budgeted or carried over to the next fiscal year. Increased project costs for re-budgeted projects must be clearly identified with Final Budget adoption.
- C. Capital projects will not be budgeted unless there are reasonable expectations that resources will be available to pay for them and a financing plan has been developed.
- D. Where applicable, assessments, impact fees, user-based fees, and/or contributions should be used to fund capital projects. Projects benefiting other operating, internal services and enterprise funds shall be funded from those funds on a pro-rata basis.
 1. Where alternative sources of financing are not available or sufficient for full funding, and the project is deemed critical for the provision of services or to meet mandated service levels, debt financing may be used in accordance with



the County Debt Issuance & Management Policy. Debt will not be used to finance on-going operational costs, including those incurred due to new facilities.

2. Planning and budgeting of projects shall include supporting documents that identify estimated ongoing savings or costs for the delivery of services, maintenance, and other operating costs.
- E. Project reimbursements to the County Capital Projects Fund shall not exceed actual expenditures, plus 25% of any encumbered contract balances.
1. An accounting of all costs shall be made by the requesting department following project completion.
- F. Departments will prepare replacement schedules and develop and implement financing plans for major capital equipment.

1.2.5 Fund Balance Classification and Other Financial Policies

- A. One objective of the Government Accounting Standards Board (GASB) is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds.
- B. The initial distinction that is made in reporting fund balance information is identifying amounts that are considered *non-spendable*, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.
1. *Restricted Fund Balance* category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Special Revenue Fund balances, by their nature, will be considered Restricted Funds.
 2. The *Committed Fund Balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision making authority.
 3. Amounts in the *Assigned Fund Balance* classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. Any carryover General Fund balance at the end of each fiscal year



that is used as a financing source for the following fiscal year will be considered Assigned Fund Balance.

4. *Unassigned Fund Balance* is the residual classification for the County's General Fund and includes all spendable amounts not contained in the other classifications.
- C. Unless necessary by other requirements or circumstances, when both restricted and unrestricted fund balances are available for spending, restricted funds will be considered "spent" first. When all classifications within the unrestricted category are available for spending, the order shall be; (1) committed, (2) assigned, (3) unassigned.
- D. The County Auditor/Treasurer-Tax Collector will calculate the fund balances designated within this policy and report the fund balances in the annual financial statement.

1.2.6 Reserves & Appropriation for Contingencies

- A. The General Fund's total General Reserve and Designation for Economic Uncertainties should be accumulated over time until 5% of the annual operating budget reserve level is achieved (calculation = appropriations less capital outlay, reserves & contingencies). These funds can also be referred to as *Committed Fund Balance*.
- B. The General Fund's Appropriation for Contingencies should be set at a level to provide for unanticipated increases to the County budget. An analysis to determine potential increases will be completed to determine appropriate level of funding. These funds can also be referred to as *Assigned Fund Balance* and are cancelled at year end and may be re-appropriated in the following fiscal year.
- C. Reserves for self-insurance funds shall be actuarially determined at least every other year. Reserves should be maintained at the 80% confidence level or net estimated losses. These funds can also be referred to as *Committed Fund Balance*.
- D. Loans or transfers to or from internal services and enterprise funds shall be limited to meeting one-time funding requirements in County operating funds, and shall require repayment with interest.

1.2.7 Request to Encumber Funds

- A. A department expressing interest in encumbering funds at the end of the fiscal year must submit a memo to the Auditor/Treasurer-Tax Collector indicating the reason for the request and pertinent account information including the fund, budget and account number. The memo should also include a copy of an outstanding purchase request where applicable. A copy of this memo must be forwarded to the Board of Supervisors.



SECTION 2: PENSION POLICY

2.1 Purpose

The financial objective of a defined benefit pension plan is to fund the long-term cost of benefits provided to plan participants. In order for the pension-benefit plan to be sustainable over time, the plan must accumulate adequate resources over the active service life of benefiting employees. The purpose of these policies is to reduce unfunded liabilities and sustain funding that honors the County promises to its personnel while establishing a firm financial foundation for the future.

2.2 Policy

The County has a goal of accumulating sufficient assets held at CalPERS to maintain a minimum funded status of 80% and a target funding status of 100%.

2.2.1 Unfunded Accrued Liabilities

Unfunded Accrued Liabilities ("UAL" or unfunded liabilities) are an actuarially determined unfunded cost for past services rendered. It is the difference between the Accrued Liability and the market value of assets held at CalPERS. The Accrued Liability is the present value of future benefits already earned for active and retired members.

2.2.2 Options for Addressing Unfunded Liabilities

The County may employ several options for addressing unfunded liabilities at CalPERS. These options may include the following:

- A. Prepay the annual UAL payments by July 31
- B. Utilize reserve funds and/or annual budget appropriations to prepay amounts owed to CalPERS. Prepayments are referred to as Additional Discretionary Payments
- C. Request a "Fresh Start" with CalPERS that will result in a new payment schedule, over a shorter period of time
- D. Restructure all or a portion of the remaining UAL utilizing a Pension Obligation Bond ("POB")
- E. The County may offset future pension cost increases by establishing a Pension Reserve Fund

2.2.3 Periodic Review

The County Auditor/Treasurer-Tax Collector will annually review actuarial valuations. As part of the annual review, the County Auditor/Treasurer-Tax Collector will take into account the affordability of annual contributions, increases or decreases in unfunded liabilities and funded status.

The County Auditor/Treasurer-Tax Collector will periodically make note of factors that influence the unfunded liabilities such as changes to the discount rate, investment earnings on assets, assumption changes as a result of a new experience study and actual experience changes.



Following the reviews, the County Auditor/Treasurer-Tax Collector shall recommend to the County Board of Supervisors any changes deemed necessary or desirable.



SECTION 3: DEBT ISSUANCE AND MANAGEMENT POLICY

3.1 Authorized Purposes for the Issuance of Debt

The County may issue debt for any of the following purposes:

- A. To provide for cash flow needs
- B. To fund pensions
- C. To pay for the cost of capital improvements, including acquiring, constructing, reconstructing, rehabilitating, replacing, improving, extending, enlarging, and/or equipping County facilities
- D. To refinance existing debt

3.1.1 Authorized Types of Debt

The Auditor/Treasurer-Tax Collector or designee shall recommend to the Board potential financing method(s) that result in the highest benefit to the County, with the cost of staff and consultants considered. Potential types of County debt may include, but not be limited to:

- A. Lease-Purchase Agreements
- B. Certificates of Participation
- C. Revenue Bonds
- D. Tax and Revenue Anticipation Notes
- E. Pension Obligations Bonds and Other Post Employment Bonds
- F. Judgement Bonds
- G. General Obligation Bonds
- H. Assessment Bonds
- I. Community Facilities District Bonds
- J. Grant Anticipation Notes
- K. Infrastructure Bank Loans
- L. USDA Rural Development Loans
- M. State Revolving Fund
- N. Asset Securitization

3.1.2 Relationship of Debt to County Facilities Program and Budget

Decisions regarding the issuance of debt for the purpose of financing capital improvement shall be aligned with current needs of the County, including its vehicle and apparatus replacement plan, capital improvement plan, and other applicable needs subject to the assessment of the projected costs and resources of the County.

When considering a debt issuance, the County may evaluate both the short-term and long-term implications of the debt issuance and additional operating costs associated with the new projects involved. Such evaluation may include the effect of annual debt service secured by the general fund on general fund expenditures; the amortization structure, prepayment features, and useful life of the projects being financed (for further information see "Structure of Debt Issues" below).



For debt issued to fund pension liabilities, the County will consult with actuaries and advisors regarding the estimated effects of any pension bonds on future contributions, and any applicable changes to the current budget year.

The County may enter into credit enhancement agreements such as municipal bond insurance, surety bonds, letters of credit, and lines of credit with commercial banks, municipal bond insurance companies, or other financial entities when their use is judged to lower borrowing costs, eliminate restrictive covenants, or have a net economic benefit to the financing.

3.1.3 Structure of Debt Issues

The County shall consider the overall impact of the current and future debt burden of the financing when determining the duration of the debt issue.

The County shall design the financing schedule and repayment of debt so as to take best advantage of market conditions, ensure cost effectiveness, provide flexibility, and, as practical, recapture or maximize its debt capacity for future use. Principal amortization will be structured to meet resources available for debt repayment and flexibility goals.

For debt issuances for capital improvements, the County shall size the debt issuance with the aim of funding capital projects as deemed appropriate by the Board and consistent with the overall financing plan.

To the extent practicable, the County shall also consider credit issues, market factors, and tax law when sizing the County's debt issuance. The sizing of refunding bonds shall be determined by the amount of money that will be required to cover the principal of, any accrued interest on, and any redemption premium for the debt to be paid on the call date and to cover appropriate financing costs.

The final maturity of equipment or real property lease obligations will be limited to the useful life of the assets to be financed.

3.1.4 Method of Sale

For the sale of any County-issued debt, the County's Municipal Advisor shall recommend the method of sale with the potential to achieve the lowest financing cost and/or to generate other benefits to the County. Potential methods of sale include:

- A. A competitive bidding process through which the award is based on, among other factors, the lowest offered true interest cost
- B. Negotiated sale, subject to approval by the County to ensure that interest costs are in accordance with comparable market interest rates
- C. Direct loans and private placement sale. A direct loan with the County's depository bank can be used when the terms, financing costs, and relationship make the direct loan the most cost effective and favorable option. A private placement may be used as an alternative when the terms of the private placement are more beneficial to the County than a direct loan, or negotiated or competitive sale



3.1.5 Investment of Proceeds

The County shall actively manage the proceeds of debt issued for public purposes in a manner that is consistent with state law governing the investment of public funds and with the permitted securities covenants of related financing documents executed by the County. Where applicable, the County's official investment policy and legal documents for a particular debt issuance shall govern specific methods of investment of bond-related proceeds. Preservation of principal shall be the primary goal of any investment strategy, followed by the availability of funds and then by return on investment.

The management of public funds shall enable the County to respond to changes in markets or changes in payment or construction schedules so as to ensure liquidity and minimize risk.

3.1.6 Refunding/Restructuring

The County may consider refunding or restructuring outstanding debt if it will be financially advantageous or beneficial for debt repayment and/or structuring flexibility. When doing so, the County shall consider the maximization of the County's expected net savings over the life of the debt issuance.

3.1.7 Continuing Disclosure

The Securities Exchange Act of 1934 requires broker-dealers who offer municipal securities to have a reasonable basis for their recommendations when underwriting securities. To satisfy this requirement, broker-dealers obligate municipal issuers by agreement to prepare an official statement for the primary offering and to also provide ongoing/continuing disclosure to the secondary market while the debt is outstanding. The County Auditor/Treasurer-Tax Collector will oversee the preparation of annual disclosure reports and may retain the services of a third-party professional to assist with compliance requirements.

3.1.8 Goals of Debt Management Policy

The County's debt issuance activities and procedures shall be aligned with the County's vision and goals for providing adequate facilities and emergency services that protect the community. When issuing debt, the County shall ensure that it:

- A. Maintains accountability for the fiscal health of the County, including prudent management and transparency of the County's financing programs
- B. If applicable, pursues the best possible credit rating for each debt issue in order to reduce interest costs, within the context of preserving financial flexibility and meeting capital funding requirements
- C. Takes all practical precautions and proactive measures to avoid any financial decision that will negatively impact current credit ratings on existing or future debt issues
- D. Maintains effective communication with rating agencies and, as appropriate, credit enhancers such as bond insurers or other providers of credit or liquidity instruments in order to enhance the creditworthiness, liquidity, or marketability of the debt



- E. When determining the timing of debt issuance, considers market conditions, cash flows associated with repayment, and the County's ability to expend the obtained funds in a timely, efficient, and economical manner consistent with federal tax laws
- F. Determines the amortization (maturity) schedule which will fit best within the overall debt structure of the County at the time the new debt is issued
- G. Considers the useful lives of assets funded by the debt issue, as well as repair and replacement costs of those assets to be incurred in the future
- H. Preserves the availability of the County's general fund for operating purposes
- I. Meets the ongoing obligations and accountability requirements associated with the issuance and management of debt under state and federal tax and securities laws

3.1.9 Internal Controls

The County shall establish internal control procedures to ensure that the proceeds of any debt issuance are directed to the intended use. Such procedures shall assist the County in maintaining the effectiveness and efficiency of operations, properly expending funds, reliably reporting debt incurred by the County and the use of the proceeds, complying with all laws and regulations, preventing fraud, and avoiding conflict of interest.

The County shall be vigilant in using bond proceeds in accordance with the stated purposes at the time such debt was incurred.

In addition, the County shall ensure that it complies with all federal securities laws, federal tax compliance requirements, and covenants associated with the debt issuance.

3.1.10 Records/Reports

No later than 30 days prior to the sale of any debt issue, the County shall submit a report of the proposed issuance to the California Debt and Investment Advisory Commission. The report of the proposed debt issuance shall include a certification by the County that it has adopted local debt policies concerning the use of debt and that the contemplated debt issuance is consistent with those local debt policies.

No later than 21 days after the sale of the debt, the County shall submit a report of final sale to the California Debt and Investment Advisory Commission. A copy of the final official statement for the issue shall accompany the report of final sale. If there is no official statement, the County shall provide each of the following documents, if they exist, along with the report of final sale:

- A. Other disclosure document
- B. Indenture
- C. Installment sales agreement
- D. Loan agreement
- E. Promissory note
- F. Bond purchase contract
- G. Resolution authorizing the issue



H. Bond specimen

The County shall submit an annual report for any issue of debt for which it has submitted a report of final sale on or after January 21, 2017. The annual report shall cover a reporting period from July 1 to June 30, inclusive, and shall be submitted no later than seven months after the end of the reporting period. The annual report shall consist of the following information:

- A. Debt authorized during the reporting period, which shall include the following: (1) Debt authorized at the beginning of the reporting period; (2) Debt authorized and issued during the reporting period; (3) Debt authorized but not issued at the end of the reporting period; and (4) Debt authority that has lapsed during the reporting period.
- B. Debt outstanding during the reporting period, which shall include the following: (1) Principal balance at the beginning of the reporting period; (2) Principal paid during the reporting period; and (3) Principal outstanding at the end of the reporting period.
- C. The use of proceeds of issued debt during the reporting period, which shall include the following: (1) Debt proceeds available at the beginning of the reporting period; (2) Proceeds spent during the reporting period and the purposes for which it was spent; and (3) Debt proceeds remaining at the end of the reporting period.

3.1.11 Municipal Advisor

The Auditor/Treasurer-Tax Collector or designee shall retain a municipal advisor to assist with the issuance of debt or bank loans exceeding \$1.5 million in size. The municipal advisor will render advice, as directed, on the County's current debt, financing options for new debt including recommendations concerning the timing, structure, repayment, sizing, method of sale and other debt related issues. Municipal advisors shall be registered with the Securities & Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB).

3.1.12 SB 1029 Compliance

In September 2016, the California legislature enacted Senate Bill 2019, which amended Government Code Section 8855 by requiring debt issuers to certify that they have adopted local debt policies 30 days prior to the issuance of debt. The debt policies must include the following:

- 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

The above Debt Policy complies with the requirements of SB 1029 and includes best practices for issuing debt.

