



City of Huntington Beach

File #: 19-1109

MEETING DATE: 11/4/2019

REQUEST FOR CITY COUNCIL ACTION

SUBMITTED TO: Honorable Mayor and City Council Members

SUBMITTED BY: Oliver Chi, City Manager

PREPARED BY: Dahle Bulosan, Interim Chief Financial Officer

Subject:

Adopt Resolution No. 2019-79 Adopting the City's Debt Management Policy

Statement of Issue:

Changes to California Government Code Section 8855, regarding how local agency debt is managed, requires that the City of Huntington Beach update and formally adopt the City's Debt Management Policy to meet additional requirements as amended by Senate Bill 1029 (SB 1029).

Financial Impact:

Not applicable.

Recommended Action:

Adopt Resolution No. 2019-79, "A Resolution of the City Council of the City of Huntington Beach Adopting the City's Debt Management Policy."

Alternative Action(s):

Do not adopt Resolution No. 2019-79.

Analysis:

The City's Debt Management Policy was updated to ensure compliance with changes to the California Government Code Section 8855 regarding how local agency debt is managed. KNN Public Finance, LLC, expert municipal financing consultants, assisted the City in the development of the Comprehensive Debt Management Policy.

SB 1029, which went into effect on January 1, 2017, amends California Government Code Section 8855 to facilitate improved financial transparency and accessibility to information about public debt. SB 1029 requires that debt policies reflect local, state, and federal laws and regulations. Additionally, Government Code Section 8855(i) now requires government agencies to adopt debt policies at least 30 days prior to any debt issued after January 21, 2017, that includes the following: 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 issuer's capital improvement program or budget, if applicable;

4) policy goals related to the issuer's planning goals and objectives; and, 5) 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 updated Debt Management Policy (Attachment 2) satisfies all the requirements above and establishes guidelines and parameters for the effective governance, management, and administration of City debt and applies to the City and its related entities (such as the Huntington Beach Public Financing Authority, the Successor Agency to the Redevelopment Agency of the City of Huntington Beach, and the Huntington Beach Housing Authority). Furthermore, the policy is consistent with best practices recommended by the California Debt and Advisory Commission and Government Finance Officers Association.

While the updated Debt Management Policy contains a number of changes from the current policy, it does not lessen the requirements of the current policy, but only strengthens the safeguards and increases transparency.

The updated policy provides a greater level of detail about the allowable conditions and purposes of debt issuance and was designed to ensure that a due diligence review is performed for each debt transaction. This includes evaluating potential risks and benefits, as well as analyzing the impact that the transaction will have on the City's creditworthiness, debt affordability, and capacity. The updated policy also outlines how the debt may be structured and discusses refunding guidelines.

Environmental Status:

Not applicable.

Strategic Plan Goal:

Enhance and maintain high quality City services
Enhance and maintain the infrastructure
Strengthen long-term financial and economic sustainability
Enhance and modernize public safety service delivery

Attachment(s):

1. Resolution Number 2019-79, "A Resolution of the City Council of the City of Huntington Beach Adopting the City's Debt Management Policy"
2. City of Huntington Beach Debt Management Policy