

City of Albany
**DEBT MANAGEMENT
POLICY**



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**Adopted by
Resolution No.
2024-12**

February 20, 2024

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SECTION 1: PURPOSE

The purpose of this Debt Management Policy (the “Debt Policy”) is to maintain long-term financial flexibility while ensuring that the City’s capital needs are adequately supported. The debt policies and procedures of the City are subject to and limited by applicable provisions of state and federal law. When used in this Debt Policy, “debt” refers to all forms of indebtedness and finance lease obligations.

The core objectives of this Policy include the following:

- Minimize debt service and costs of issuance;
- Maintain access to cost-effective borrowing;
- Achieve and maintain the highest practical credit ratings of the various bond and credit types as well as the City’s overall issuer-credit ratings;
- Balance pay-as-you-go financing with debt financing;
- Ensure full and timely repayment of debt;
- Maintain compliance with financial disclosure and reporting;
- Protect the credit worthiness of the City. Ensure that all debt is structured to protect both the respective current and future taxpayers, ratepayers, and constituents.

SECTION 2: TYPES OF DEBT

1. Long-Term Debt. Long-term debt may be issued only to serve a public purpose and may be used to finance the costs of acquiring or improving land, infrastructure, facilities, or equipment. Long-term debt may also be used to fund capitalized interest, costs of issuance, required reserves, and any other financing-related costs that may be legally capitalized. The final maturity of long-term debt should not exceed the expected useful life of the asset being financed. The proceeds derived from long-term borrowing will not be considered appropriate for any recurring purpose such as current operating and/or maintenance expenditures.
2. Short-Term Debt. Short-term debt may be issued for any purpose for which long-term debt may be issued, including the payment of capitalized interest and other financing-related costs; it may also be used to address short-term cash-flow requirements during a given fiscal year, so that the City may continue to fund the operating costs of providing necessary public services; and it may be used to bridge the gap in financing before long-term debt is issued to meet the ongoing capital needs of a project or series of projects.
3. Refunding Financing. Refunding bonds may be issued where appropriate to restructure current outstanding debt, to remove or change restrictive covenants, and/or reduce annual debt service. The City shall analyze the refunding issue on a net present-value basis to identify the economic effects before approval.

4. Conduit Debt. The City may also find it beneficial to issue debt on behalf of other governmental agencies or private third parties in order to further the public purposes of the City. In such cases, the City shall take reasonable steps to confirm the financial feasibility of the project to be financed and the financial solvency of any borrower and that the issuance of such debt is consistent with the policies set forth herein.

5. Types of Debt. The following types of debt are allowable under this Debt Policy:
 - General Obligation Bonds.
 - Revenue Bonds
 - Special-Tax Revenue Bonds.
 - Certificates of Participation, Lease-Revenue Bonds. Lease-Purchase Financings
 - Assessment Bond/Local Improvement District Bonds.
 - Mello-Roos Bonds.
 - Pension Obligation Bonds or similar instruments.
 - State and Federal Loans or Other Similar Debt Instruments.
 - Conduit Debt.
 - Tax and Revenue Anticipation Notes.
 - Bond or Grant Anticipation Notes.

The City may from time to time, find that other forms of debt would be beneficial to further its public purposes and may approve such debt without an amendment of this Debt Management Policy.

Debt shall be issued as a fixed-rate debt unless the City makes a specific determination that a variable rate issue would be beneficial to the City in a specific circumstance.

SECTION 3: POLICY GOALS RELATED TO PLANNING GOALS AND OBJECTIVES

The City is committed to long-term financial planning, maintaining appropriate reserve levels and employing prudent practices in governance, management and budget administration. The City will evaluate the use of financial alternatives available that may include, but not limited to, long-term debt, short-term debt, fixed rate debt, variable rate debt, excess cash reserves, and inter-fund borrowing. The City will consider the most cost advantageous financing alternative available while limiting the City's risk exposure.

Debt that is used to finance long-term capital projects, and the respective maturities will not exceed the respective projects' useful lives. The City will seek to use the most economical financing alternative and will ensure good record-keeping and compliance with all debt covenants and state and federal laws.

SECTION 4: RELATIONSHIP OF DEBT TO CAPITAL IMPROVEMENT PROGRAM AND BUDGET

The City's Capital Improvement Program (CIP) sets priorities for projects and funding while the Debt Policy provides direction and limitation for proposed financings undertaken to implement the CIP. The City shall integrate its debt issuances with the goals of its capital improvement program by timing the issuance of debt to ensure that funds are available when needed for furtherance of the City's public purposes.

The City shall fund the upkeep and maintenance of its infrastructure and facilities due to normal wear and tear through the expenditure of available operating revenues and avoid the use of debt to fund such normal operating and maintenance costs, unless a specific revenue source has been identified for this purpose.

The City shall seek to issue debt in a timely manner to avoid having to make unplanned expenditures for capital improvements or equipment from its General Fund.

SECTION 5: DEBT ISSUANCE PRACTICES

The City shall evaluate the best method of sale for each proposed bond issue. The City may issue debt through:

1. Competitive Sale whereby the debt will be offered at a fixed date and time with the opportunity for any financial institution to submit a bid
2. Negotiated Sale whereby the debt will be purchased by an investment banking firm or syndicate
3. Private Placement whereby the debt will be purchased directly by a commercial bank

To determine the best method of sale, the following may be considered:

- Market Conditions, if bond prices are stable and/or demand is strong a competitive sale may be more favorable, whereas when bond prices are volatile and demand is weak, a negotiated sale may be desirable.
- Market Timing, if timing is critical, a negotiated sale may be more warranted.
- Bond type and structure complexity, the simpler the structure, the easier the debt can be marketed for a competitive sales process
- Cost Including Factors such as short-term cost, issuance cost, trustee costs and repayment.

The City may engage with independent financial advisors, underwriters, bond counsel, disclosure counsel, and fiscal agent as appropriate. The method of sale will be determined in consultation with the City's independent financial advisor, with the objective of providing the City with the lowest overall cost of financing and the most efficient market access and execution.

Issuance of revenue bonds will be accompanied by a finding that demonstrates the projected revenue stream's ability to meet future debt service payments.

The City will comply with applicable state, federal, local and charter law as it pertains to the maximum term of debt and the procedures for levying and imposing any related taxes, assessments, rates and charges.

SECTION 6: DEBT MANAGEMENT AND INTERNAL CONTROLS

The City will maintain all debt-related records according to the City's Retention Policy and the repository will include all official statements, bid documents, ordinances, indentures, trustee reports, etc. for all City debt. The City has established internal controls to ensure compliance with the Debt Policy, rebate compliance, all debt covenants and any applicable requirements of state and federal law. The City shall maintain good communications with bond rating agencies about its financial condition.

Whenever reasonably possible, proceeds of debt will be held by a third-party trustee and the City will submit written requisitions for such proceeds as approved by the Finance Director or the City Manager. In those cases where it is not reasonably possible for the proceeds of debt to be held by a third-party trustee, the Finance Director shall retain records of all expenditures of proceeds through the final payment date of the debt.

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RESOLUTION NO. 2024-12

**A RESOLUTION OF THE ALBANY CITY COUNCIL ADOPTING
A DEBT MANAGEMENT POLICY**

WHEREAS, Senate Bill 1029 (SB1029), which became effective on January 1, 2017, amended California Government Code Section 8855 to add certain requirements related to the issuance and administration of debt by local agencies such as the City of Albany, including the requirement to adopt a debt policy meeting the requirements of California Government Code Section 8855 prior to issuing any debt; and

WHEREAS, the City of Albany wishes to ensure that all relevant funding options are made available to support City services and projects; and

WHEREAS, the proposed Debt Management Policy reflects compliance with California Government Code Section 8855; and

WHEREAS, the proposed Debt Management Policy was heard and approved at the December 6, 2023 meeting of the Financial Advisory Committee.

NOW, THEREFORE, BE IT RESOLVED, that the Albany City Council hereby adopts a Debt Management Policy.



JOHN MIKI, MAYOR

Attachment:
Exhibit A – Debt Management Policy



City of Albany

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(510) 528-5710 • www.albanyca.org

RESOLUTION NO. 2024-12

PASSED AND APPROVED BY THE COUNCIL OF THE CITY OF ALBANY,

The 20th day of February, 2024, by the following votes:

AYES: Council Members Hansen-Romero, Jordan, López, Tiedemann and

Mayor Miki

NOES: none

ABSENT: none

ABSTAINED: none

RECUSED: none

WITNESS MY HAND AND THE SEAL OF THE CITY OF ALBANY, this 21st
day of February, 2024.

Anne Hsu
CITY CLERK

*Albany is committed to providing a healthy, safe, and accessible city,
and strives to lift every voice in our community.*