

CDIAC

**CALIFORNIA
DEBT AND
INVESTMENT
ADVISORY
COMMISSION**

OVERVIEW OF DEBT ADMINISTRATION

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CDIAC

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Ongoing Debt Administration

DEBT POLICY

“Debt management policies are written guidelines, allowances, and restrictions that guide the debt issuance practices of state or local governments, including the issuance process, management of a debt portfolio, and adherence to various laws and regulations.”

GFOA

Debt Management Policy Best Practice

PURPOSE OF A DEBT POLICY



Source: Employing a Debt Management Policy, Practices Among California Local Agencies, CDIAC No. 14.02

GFOA BEST PRACTICE GUIDELINES, CONTENT CATEGORIES, SUBCATEGORIES, AND ELEMENTS

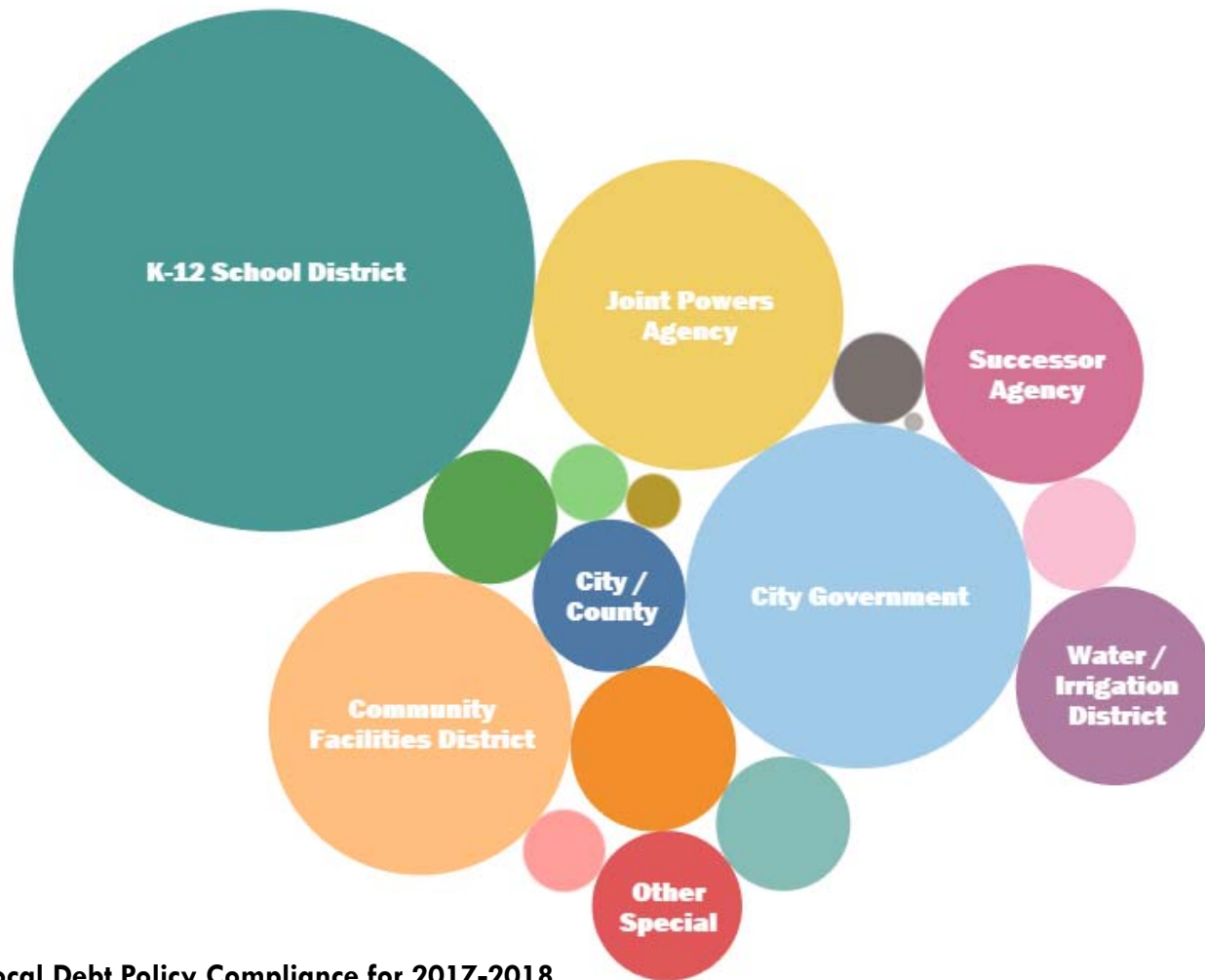
	GFOA BEST PRACTICE CATEGORIES	GFOA BEST PRACTICE SUBCATEGORY	ELEMENTS OF DEBT MANAGEMENT POLICY
DEBT LIMITS	<p>Debt Limits. The Policy should consider setting specific limits or acceptable ranges for each type of debt.</p> <p>Limits generally are set for legal, public policy, and financial reasons.</p>	Purpose for which debt may be issued (Purpose Limits).	<ul style="list-style-type: none"> Restrictions and Uses Sources of Repayment Useful Life, Matching Asset Life Pay Go, Integration with Capital Plan
		Legal debt limitations, or limitations established by state, local policy (Policy Limits).	<ul style="list-style-type: none"> Legal/Statutory Limits Fiscal Condition, Ratios Debt Service Capacity
		Types of debt permitted to be issued and criteria for issuance (Debt Type Limits).	<ul style="list-style-type: none"> Short and Long Term Fixed and Variable Other Financing
DEBT STRUCTURING	<p>Debt Structuring. The Policy should include specific guidelines regarding the debt structuring practices for each type of bond.</p>	Structural features considered.	<ul style="list-style-type: none"> Call Features Maturity Credit Enhancement Derivative Products
DEBT ISSUANCE	<p>Debt Issuance. The Policy should provide guidance regarding the issuance process, which may differ for each type of debt.</p>	Credit objectives.	<ul style="list-style-type: none"> Ratings Relationships with Credit Raters
		Method of sale.	<ul style="list-style-type: none"> Competitive vs. Negotiated Direct Loans Private Placements Premium Structures
		Selection of external financial professionals.	<ul style="list-style-type: none"> Request for Proposal (RFP) Contract Evaluation and Terms Conflict of Interest
		Refunding of debt.	<ul style="list-style-type: none"> Reasons for Refunding
DEBT MANAGEMENT	<p>Debt Management. The Policy should provide guidance for ongoing administrative activities.</p>	Disclosure (primary and secondary market).	<ul style="list-style-type: none"> 15c2-12 Requirements Initial and Continuing Obligated Person to Communicate Compliance with Federal Tax Law
		Investment of bond proceeds.	<ul style="list-style-type: none"> Arbitrage Requirements Direct to Investment Policy

DEBT POLICY ELEMENTS - CDIAC

Government Code Section 8855 (i) requires an adopted debt policy to have the following elements:

- The purposes for which the debt proceeds may be used;
- The types of debt that may be issued;
- Relationship of debt to the issuer's capital improvement program or budget;
- Policy goals related to issuer's planning goals and objectives; and,
- A issuer's internal control procedures ensure bond proceeds with be directed to their intended use.

WHO USES A DEBT POLICY?



Source: Review of Local Debt Policy Compliance for 2017-2018
California Debt and Investment Advisory Commission

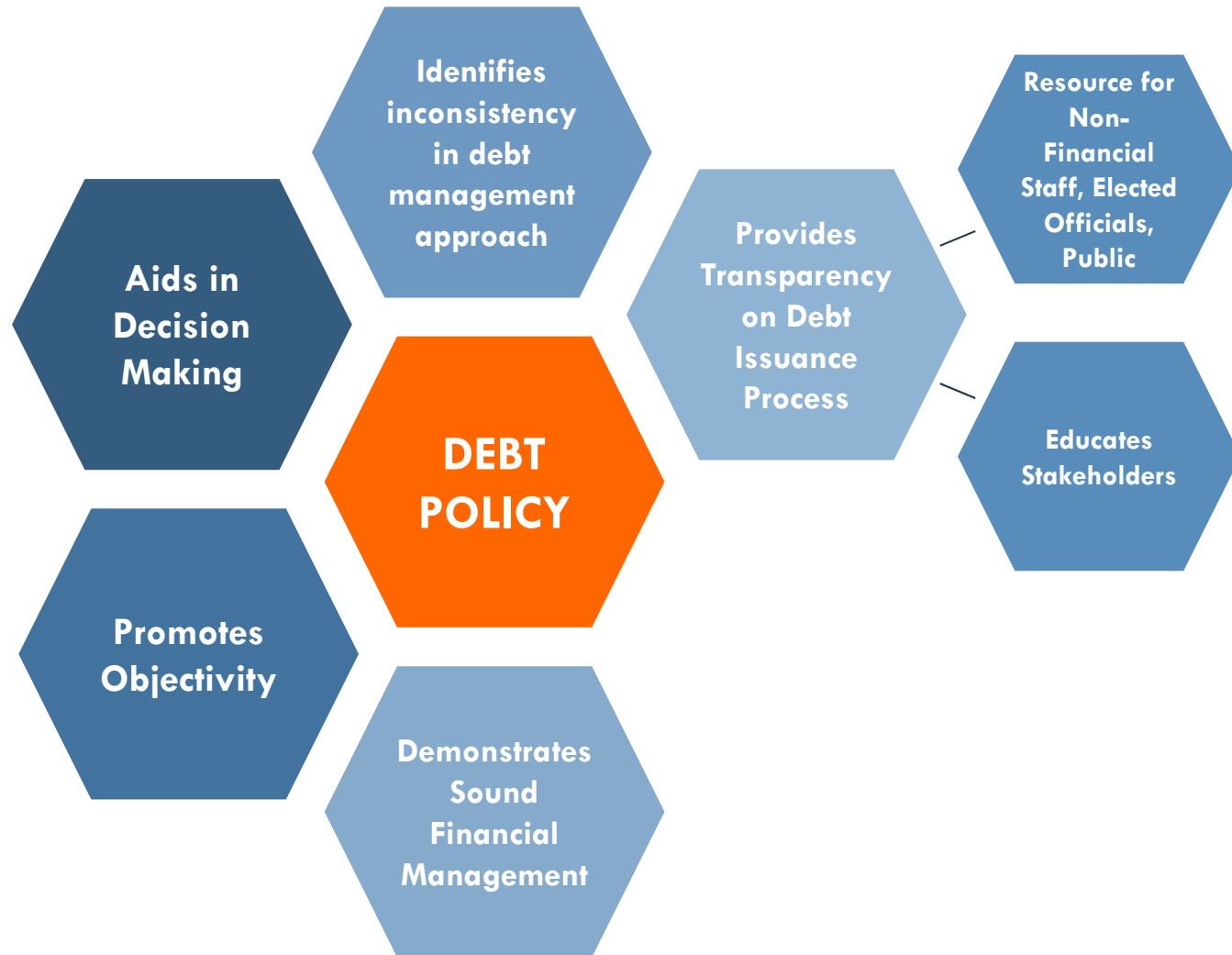
DEBT POLICY - POST ISSUANCE

- Internal Revenue Service (IRS)
 - ▣ Form 8038 – certify written procedures for arbitrage, yield calculation and rebate requirements

- CDIAC
 - ▣ SB 1029 required reporting – certifying an adopted debt policy with 5 specific elements

- Disclosure
 - ▣ Initial and Continuing

DEBT POLICY BENEFITS



BEST PRACTICE RESOURCES

□ CDIAC

- Task Force on Bond Accountability Final Report
 - Debt Issuance and Management Review Checklist
- Employing a Debt Management Policy, Practices Among California Local Agencies, CDIAC No. 14.02

□ GFOA

- Debt Management Policy Best Practices – 2012
- Debt Management Policy Examples