

City of Sacramento

Legislation Text

File #: 2019-01036, **Version:** 1

Title:

Revised Debt-Management Policy for the City of Sacramento

File ID: 2019-01036

Location: Citywide

Recommendation:

Adopt a Resolution approving the revised Debt-Management Policy for the City of Sacramento

Contact: Brian Wong, Debt Manager, (916) 808-5811, Office of the City Treasurer

Presenter: None

Attachments:

- 1-Description/Analysis
- 2-Resolution
- 3-Debt-Management Policy adopted on April 23, 2019
- 4-Debt-Management Policy [Redline]
- 5-Exhibit A - Debt Management Policy

Description/Analysis

Issue Detail: The City's Debt-Management Policy (the "**Debt Policy**") sets forth the principles and objectives that should guide the City's decisions to issue debt, and it establishes guidelines for responsibly managing debt. The Debt Policy also requires the City Treasurer's Office to review it periodically and bring proposed amendments to the City Council; the Debt Policy was most recently amended on April 23, 2019.

As part of the FY 2019-20 budget-development meetings in May and June 2019, the City Council asked the City Treasurer for a reasonable benchmark that could be used to determine whether additional lease-revenue bonds that are supported by the general fund should be authorized. The

City Treasurer responded that a reasonable benchmark would be to authorize additional general-fund-backed debt only if the total amount of net general-fund debt (i.e., debt service on the proposed new debt, plus debt service on all outstanding lease-revenue bonds, less offsets by other funds or sources) is in the range of 8% to 10% of general-fund-budgeted revenues each year until the new debt matures, with a specific recommendation of *about* 6%.

The Debt Policy has been updated to reflect this benchmark, and other sections of the Debt Policy have been updated as well.

Policy Considerations: Formal approval of a debt-management policy and periodic updates is recognized as a “best practice” by the Government Finance Officers Association and California Debt and Investment Advisory Commission.

Economic Impacts: Not applicable.

Environmental Considerations: Approval of the recommendation is not a “project” subject to CEQA because it (a) has no potential to cause a significant effect on the environment; (b) approves a continuing administrative activity (general policy and procedure making) and is thus excluded from the definition of “project”; and (c) concerns governmental fiscal activities that do not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment. (14 Cal. Code Regs. §§ 15061(b)(3) and 15378(b)(4)).

Sustainability: Not applicable.

Commission/Committee Action: Not applicable.

Rationale for Recommendation: Approval of the revised Debt Policy will incorporate into section 3.3(A) the City Council’s direction to staff and will also clarify certain ambiguities.

Financial Considerations: Approval of the Debt Policy has no direct or financial effect or costs. It allows for the continued issuance of debt and identifies the principles and objectives that should guide the City Council’s decisions to approve the issuance of debt.

Local Business Enterprise (LBE): Not applicable.