CENTRAL MARIN POLICE AUTHORITY
RESOLUTION NO. 2021/04

RESOLUTION OF THE POLICE COUNCIL OF THE CENTRAL MARIN POLICE AUTHORITY APPROVING A DEBT MANAGEMENT POLICY

RESOLVED, by the Police Council (the "Council") of the Central Marin Police Authority (the "Authority"), Marin County, State of California, as follows:

WHEREAS, pursuant to the provisions of section 8855(i) of the California Government Code, prior to the issuance or incurrence of any debt, the Authority is required to adopt local debt policies concerning the use of debt and that any proposed debt issuance is consistent with those local debt policies; and

WHEREAS, a debt management policy has been developed for the Authority and the Council desires to adopt such policy in connection with any proposed debt of the Authority;

NOW, THEREFORE, it is hereby ORDERED and DETERMINED, as follows:

SECTION 1. The debt management policy, in the form attached hereto as Exhibit A (the "Debt Policy"), is hereby adopted by the Council for the Authority. The Debt Policy has been developed to provide guidance in the issuance and management of debt by the Authority or its related entities and is intended to comply with section 8855(i) of the California Government Code effective on January 1, 2017. The main objectives are to establish conditions for the use of debt, to ensure that debt capacity and affordability are adequately considered, to minimize the Authority's interest and issuance costs, to maintain the highest possible credit rating, to provide complete financial disclosure and reporting and to maintain financial flexibility for the Authority.

SECTION 2. The Chair, the Co-Chair, the Executive Director, the Police Chief, the Authority Clerk, and other appropriate officials of the Authority are hereby authorized and directed to take any actions and execute and deliver any and all documents as are necessary to accomplish the provisions and directives of this Resolution.

SECTION 3. This Resolution shall take effect from and after the date of its passage and adoption.

SECTION 4. The Authority Clerk shall certify to the passage and adoption hereof.

IT IS HEREBY CERTIFIED, that the forgoing resolution was duly introduced and adopted at a public meeting of the Central Marin Police Council of the Central Marin Police Authority held on the 25th day of March 2021 by the following vote, to wit:

****

AYES: COUNCILMEMBERS:
NOES: COUNCILMEMBERS:
ABSENT: COUNCILMEMBERS:
ABSTAIN: COUNCILMEMBERS:

ATTEST:

______________________	______________________
Zaneta Feleo, Authority Clerk	Ford Greene, Council Chair
Central Marin Police Authority	Central Marin Police Authority

EXHIBIT A

DEBT MANAGEMENT POLICY

CENTRAL MARIN POLICE AUTHORITY
DEBT MANAGEMENT POLICY

This Debt Management Policy (the "Debt Policy") of the CENTERAL MARIN POLICE AUTHORITY (the "Authority") was approved by the Police Council of the Authority (the "Council") on March 25, 2021. The Debt Policy may be amended by Council as it deems appropriate from time to time in the prudent management of the debt of the Authority.

This Debt Policy will also apply to any debt issued by any other public agency for which the Council acts as its legislative body.

The Debt Policy has been developed to provide guidance in the issuance and management of debt by the Authority or its related entities and is intended to comply with Section 8855(i) of the California Government Code effective on January 1, 2017. The main objectives are to establish conditions for the use of debt; to ensure that debt capacity and affordability are adequately considered; to minimize the Authority's interest and issuance costs; to maintain the highest possible credit rating; to provide complete financial disclosure and reporting; and to maintain financial flexibility for the Authority.

Debt, properly issued and managed, is a critical element in any financial management program. It assists in the Authority's effort to allocate limited resources to provide the highest quality of service to the public. The Authority understands that poor debt management can have ripple effects that hurt other areas of the Authority. On the other hand, a properly managed debt program promotes economic growth and enhances the vitality of the Authority for its residents and businesses.

1. Findings

This Debt Policy shall govern all debt undertaken by the Authority. The Authority hereby recognizes that a fiscally prudent debt policy is required in order to:

- Maintain the Authority's sound financial position.
- Ensure the Authority has the flexibility to respond to changes in future service priorities, revenue levels, and operating expenses.
- Protect the Authority's credit-worthiness.

• Ensure that all debt is structured in order to protect both current and future taxpayers, ratepayers and constituents of the Authority.

• Ensure that the Authority's debt is consistent with the Authority's planning goals and objectives and capital improvement program or budget, as applicable.

• Encourage those that benefit from a facility/improvement to pay the cost of that facility/improvement without the need for the expenditure of limited general fund resources.

2. Policies

A. Purposes For Which Debt May Be Issued

The Authority will consider the use of debt financing primarily for capital improvement projects (CIP) when the project's useful life will equal or exceed the term of the financing and when resources are identified sufficient to fund the debt service requirements. An exception to this CIP driven focus is the issuance of short-term instruments such as tax and revenue anticipation notes, which are to be used for prudent cash management purposes and conduit financing, as described below. Bonded debt should not be issued for projects with minimal public benefit or support, or to finance normal operating expenses.

If a department has any project which is expected to use debt financing, the department director is responsible for expeditiously providing the Executive Director and the Police Chief with reasonable cost estimates, including specific revenue accounts that will provide payment for the debt service. This will allow an analysis of the project's potential impact on the Authority's debt capacity and limitations. The department director shall also provide an estimate of any incremental operating and/or additional maintenance costs associated with the project and identify sources of revenue, if any, to pay for such incremental costs.

(i) Long-Term Debt. Long-term debt may be issued to finance or refinance the construction, acquisition, and rehabilitation of capital improvements and facilities, equipment and land to be owned and/or operated by the Authority.

(a) Long-term debt financings are appropriate when the following conditions exist:

• When the project to be financed is necessary to provide basic services.

• When the project to be financed will provide benefit to constituents over multiple years.

- When total debt does not constitute an unreasonable burden to the Authority and its taxpayers and ratepayers.

- When the debt is used to refinance outstanding debt in order to produce debt service savings or to realize the benefits of a debt restructuring.

(b) Long-term debt financings will not generally be considered appropriate for current operating expenses and routine maintenance expenses.

(c) The Authority may use long-term debt financings subject to the following conditions:

- The project to be financed has been or will be approved by the Council.

- The weighted average maturity of the debt (or the portion of the debt allocated to the project) will not exceed the average useful life of the project to be financed by more than 20%, unless specific conditions exist that would mitigate the extension of time to repay the debt and it would not cause the Authority to violate any covenants to maintain the tax-exempt status of such debt, if applicable.

- The Authority estimates that sufficient income or revenues will be available to service the debt through its maturity.

- The Authority determines that the issuance of the debt will comply with the applicable requirements of state and federal law.

- The Authority considers the improvement/facility to be of vital, time-sensitive need of the community and there are no plausible alternative financing sources

(d) Periodic reviews of outstanding long-term debt will be undertaken to identify refunding opportunities. Refunding will be considered (within federal tax law constraints, if applicable) if and when there is a net economic benefit of the refunding. Refundings which are non-economic may be undertaken to achieve Authority objectives relating to changes in covenants, call provisions, operational flexibility, tax status of the issuer, or the debt service profile.

In general, refundings which produce a net present value savings of at least three (3) percent of the refunded debt will be considered economically viable. Refundings which produce a net present value savings of less than three (3) percent or negative savings will be considered on a case-by-case basis, and are subject to Council approval.

(ii) <u>Short-term debt</u>. Short-term borrowing may be issued to generate funding for cash flow needs in the form of Tax and Revenue Anticipation Notes (TRAN).

Short-term borrowing, such as commercial paper, and lines of credit, will be considered as an interim source of funding in anticipation of long-term borrowing. Short-term debt may be issued for any purpose for which long-term debt may be issued, including capitalized interest and other financing-related costs. Prior to issuance of the short-term debt, a reliable revenue source shall be identified to secure repayment of the debt. The final maturity of the debt issued to finance the project shall be consistent with the economic or useful life of the project and, unless the Council determines that extraordinary circumstances exist, must not exceed seven (7) years.

Short-term debt may also be used to finance short-lived capital projects; for example, the Authority may undertake lease-purchase financing for equipment, and such equipment leases may be longer than seven (7) years.

(iii) Financings on Behalf of Other Entities. The Authority 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 Authority. In such cases, the Authority 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. In no event will the Authority incur any liability or assume responsibility for payment of debt service on such debt.

B. Types of Debt

In order to maximize the financial options available to benefit the public, it is the policy of the Authority to allow for the consideration of issuing all generally accepted types of debt, including, but not exclusive to the following:

- General Obligation (GO) Bonds: General Obligation Bonds are suitable for use in the construction or acquisition of improvements to real property that benefit the public at large. Examples of projects include libraries, parks, and public safety facilities. All GO bonds shall be authorized by the requisite number of voters in order to pass.
- Revenue Bonds: Revenue Bonds are limited-liability obligations tied to a specific enterprise or special fund revenue stream where the projects financed clearly benefit or relate to the enterprise or are otherwise permissible uses of the special revenue. An example of projects that would be financed by a Revenue Bond would be improvements to a water system, which would be paid back with money raised from the rates and charges to water users. Generally, no voter approval is required to issue this type of obligation but in some cases, the Authority must comply with proposition 218 regarding rate adjustments.
- Lease-Backed Debt/Certificates of Participation (COP/Lease Revenue Bonds): Issuance of Lease-backed debt is a commonly used form of debt that allows a Authority to finance projects where the debt service is secured

via a lease agreement and where the payments are budgeted in the annual budget appropriation by the Authority from the general fund. Lease-Backed debt does not constitute indebtedness under the state or the Authority's constitutional debt limit and does not require voter approval.

- Special Assessment/Special District Debt: The Authority will consider requests from developers for the use of debt financing secured by property based assessments or special taxes in order to provide for necessary infrastructure for new development only under strict guidelines adopted by the Council, which may include minimum value-to-lien ratios and maximum tax burdens. Examples of this type of debt are Assessment Districts (AD) and Community Facilities Districts (CFD) or more commonly known as Mello-Roos Districts. In order to protect bondholders as well as the Authority's credit rating, the Authority will also comply with all State guidelines regarding the issuance of special district or special assessment debt, as well as any policy required to be adopted under Government Code Section 53312.7.

The Authority 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 Policy.

To maintain a predictable debt service burden, the Authority will give preference to debt that carries a fixed interest rate. An alternative to the use of fixed rate debt is variable rate debt. The Authority may choose to issue securities that pay a rate of interest that varies according to a pre-determined formula or results from a periodic remarketing of securities. When making the determination to issue bonds in a variable rate mode, consideration will be given in regard to the useful life of the project or facility being financed or the term of the project requiring the funding, market conditions, credit risk and third party risk analysis, and the overall debt portfolio structure when issuing variable rate debt for any purpose. The maximum amount of variable-rate debt should be limited to no more than 20 percent of the total debt portfolio.

The Authority will not employ derivatives, such as interest rate swaps, in its debt program. A derivative product is a financial instrument which derives its own value from the value of another instrument, usually an underlying asset such as a stock, bond, or an underlying reference such as an interest rate. Derivatives are commonly used as hedging devices in managing interest rate risk and thereby reducing borrowing costs. However, these products bear certain risks not associated with standard debt instruments.

C. Relationship of Debt to Capital Improvement Program and Budget

The Authority intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the Authority's capital budget and the capital improvement plan.

The Authority shall strive to fund the upkeep and maintenance of its infrastructure and facilities due to normal wear and tear through the expenditure of available operating revenues. The Authority shall seek to avoid the use of debt to fund infrastructure and facilities improvements that are the result of normal wear and tear, unless a specific revenue source has been identified for this purpose, such as Gas Tax funds.

The Authority shall integrate its debt issuances with the goals of its capital improvement program by timing the issuance of debt to ensure that projects are available when needed in furtherance of the Authority's public purposes.

The Authority 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.

D. Policy Goals Related to Planning Goals and Objectives

The Authority is committed to financial planning, maintaining appropriate reserves levels and employing prudent practices in governance, management and budget administration. The Authority intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the Authority's annual operating budget.

It is a policy goal of the Authority to protect taxpayers, ratepayers and constituents by utilizing conservative financing methods and techniques so as to obtain the highest practical credit ratings (if applicable) and the lowest practical borrowing costs.

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

Except as described in Section 2.A., when refinancing debt, it shall be the policy goal of the Authority to realize, whenever possible, and subject to any overriding non-financial policy considerations minimum net present value debt service savings equal to or greater than 3% of the refunded principal amount.

E. Internal Control Procedures

When issuing debt, in addition to complying with the terms of this Debt Policy, the Authority shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds.

The Authority will periodically review the requirements of and will remain in compliance with the following:

- any continuing disclosure undertakings under SEC Rule 15c2-12,

- any federal tax compliance requirements, including without limitation arbitrage and rebate compliance, related to any prior bond issues, and

- the Authority's investment policies as they relate to the investment of bond proceeds.

Whenever reasonably possible, proceeds of debt will be held by a third-party trustee and the Authority will submit written requisitions for such proceeds. The Authority will submit a requisition only after obtaining the signature of the Executive Director or the Police Chief.

F. Waivers of Debt Policy

There may be circumstances from time to time when strict adherence to a provision of this Debt Policy is not possible or in the best interests of the Authority and the failure of a debt financing to comply with one or more provisions of this Debt Policy shall in no way affect the validity of any debt issued by the Authority in accordance with applicable laws.