



**Contra  
Costa  
County**

To: Board of Supervisors  
From: David Twa, County Administrator  
Date: February 26, 2019

Subject: ADOPT Resolution No. 2019/37 reaffirming and authorizing updates to the County Debt Management Policy

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**RECOMMENDATION(S):**

ADOPT Resolution No. 2019/37 updating and reaffirming the County Debt Management Policy.

**FISCAL IMPACT:**

No specific fiscal impact.

**BACKGROUND:**

On December 7, 2006 the Finance Committee reviewed and discussed a report regarding establishing a County Debt Management Policy. The Committee directed staff to report to the full Board on December 19, 2006 the recommendation to adopt a formal County Debt Management Policy. A formal policy was adopted on December 19, 2006 (Resolution No. 2006/773).

The Board of Supervisors has worked exceptionally hard to address the County's financial issues and has set very ambitious and necessary goals for lowering cost growth, balancing the budget, and increasing reserves. These solutions are aimed at addressing both short and long term needs and improving the County's future ability to maintain public services. The four financial policy areas that have contributed significantly to the Board's goals are the following:

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☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY ADMINISTRATOR

☐ RECOMMENDATION OF BOARD COMMITTEE

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Action of Board On: **02/26/2019** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

**VOTE OF SUPERVISORS**

AYE: John Gioia, District I  
Supervisor  
Candace Andersen, District II  
Supervisor  
Karen Mitchoff, District IV  
Supervisor  
Federal D. Glover, District V  
Supervisor

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: February 26, 2019

David Twa, County Administrator and Clerk of the Board of Supervisors

ABSENT: Diane Burgis, District III  
Supervisor

By: June McHuen, Deputy

Contact: Timothy Ewell, (925)  
335-1036

## BACKGROUND: (CONT'D)

### Budget Policy (established November 2006)

- General Fund Reserve Policy (established December 2005)
- Facilities Maintenance (included in Budget Policy)
- Debt Management Policy (established December 2006)

The Debt Management Policy establishes debt affordability standards that help the County to evaluate when, why, and how much debt should be issued. In addition, the Debt Management Policy:

- Establishes parameters for issuing and managing debt;
- Provides guidance to decision makers so as not to exceed the debt affordability standards;
- Directs staff on objectives to be achieved both pre- and post-issuance;
- Promotes objectivity in decision-making and limits the role of political influence; and
- Facilitates the process by considering and making important policy decisions in advance of an actual financing.

Periodically, policies should be revised to keep current with best practices or changes in law. The Debt Affordability Advisory Committee (DAAC) reviews the existing Debt Management Policy on an annual basis and makes recommendations for revisions to the Board of Supervisors. The DAAC met on February 14, 2019 and reviewed proposed amendments to the Debt Management Policy and is recommending updates. Specifically, there are three primary updates to the policy and its appendices for the Board's consideration at today's meeting:

1. **Debt Management Policy.** The general Debt Management Policy document includes only minor updates to the titles of Appendix 2 and Appendix 3 (discussed) below.
2. **Appendix 2, "Post-Issuance Tax Compliance Procedures for Tax-Exempt and Tax-Advantaged Bonds."** This Appendix has been updated to reflect the following:
  - **Title.** Title of policy updated to reflect current market reference to "tax-advantaged bonds". Formerly, this was "...and Build America Bonds", which are a form of tax-advantaged bond;
  - **General Navigation.** Section titles (i.e. Article I, Section 1, etc.) and a Table of Contents have been added for better document navigation;
  - **Article III, Section 2.** New subsection (A) added to acknowledge requirement to forward a Report of Proposed Debt Issuance to the California Debt and Investment Advisory Commission (CDIAC) no later than 30 days prior to the sale of any debt issue, pursuant to Government Code section 8855.
  - **Article VI, Sections 2 and 3.** These sections are newly added and provide guidance on standards for electronic retention of documents and indicates that the Debt Management Policy provisions on retention of records supercede any department level document retention policies. The latter provision is necessary since many County departments maintain records that may be required for production in case of an audit by regulatory agencies.
  - **Ministerial updates.** Other ministerial updates were made including to formatting of the document and clarifications to existing language for the benefit of the reader.
3. **Appendix 3, "Continuing Disclosure Procedures".**
  - **Title.** The Debt Policy document was updated to reflect the title of this Appendix.
  - **Definitions.** The term "Material Events" has been deleted and replaced with "Listed Events" to be consistent with current market terminology.
  - **Article V, Section 4.** This section was added to listed new disclosure requirements consistent with a rule change to Rule 15c2-12 promulgated by the U.S. Security and Exchange Commission (SEC). Specifically, the amendments to Rule 15c2-12 add two new Listed Events that must be disclosed by an issuer of bonds to bond holders within ten (10) days of occurrence. The two new events are:

- *"Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material."*
- *"Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties."*
- **Article VIII, Section 4.** Similar to the addition in Appendix 2 above, a provision has been added stating that the Record Retention Policy identified in Article VIII supercedes any department level document retention policy. This is necessary to preserve documents demonstrating compliance with the Annual Reporting Requirements listed in Exhibit B and listed events required by SEC Rule 15c2-12.
- **Ministerial updates.** Other ministerial updates were made including to formatting of the document and clarifications to existing language for the benefit of the reader.

### CONSEQUENCE OF NEGATIVE ACTION:

The policy will not be formally updated and reaffirmed by the Board.

### ATTACHMENTS

Resolution 2019/37

Resolution No. 2019/37 - County Debt Management Policy, February 2019