# SWEETWATER SPRINGS WATER DISTRICT

**TO:** Board of Directors **AGENDA NO. V-B**

**FROM:** Steve Mack, General Manager

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**Meeting Date: March 1, 2018**

**SUBJECT: APPROVAL OF RESOLUTION 18-02 WHICH ESTABLISHES A DISTRICT DEBT POLICY**

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**RECOMMENDED ACTION:** Receive a presentation from staff on a proposed District debt policy, discuss the policy, approve Resolution 18-02 which establishes a District Debt Policy in the District Policies and Procedures as Policy 3520, and provide direction to staff.

**FISCAL IMPACT:** none

**DISCUSSION:**
The District has agreed to move forward with a USDA loan obligation to fund completion of the 2018 CIP. The 2018 CIP includes replacement of approximately 4,600 ft of existing main and 58 services on Old River Rd at Morningside east to the eastern section of Foothill Drive near where Old River Road intersects with River Road, and includes Orchard Rd and Foothill Drive. The USDA loan obligation will have a total value of approximately $1.8 million and will have a 40 year amortization. The bond will cost the District approximately $70,000 per year. The District has retained the services of Kronick, Moskovitz, Tiedemann and Girard as bond counsel.

Bond counsel has informed us that the District has to approve a debt policy and provide certain information prior to issuing the bond and must make annual representations regarding our debt. I believe our annual Budget Report typically includes most, if not all, of this information and, in the past, our loan documents contained all the required information. The District does not have a debt policy.

The required debt policy has the following required elements:

Government Code 8855, as amended by SB 1029 (Ch. 307, Statutes of 2016), mandates that the Governing Board adopt a debt management policy prior to issuing any debt, such as general obligation bonds, tax and revenue anticipation notes (TRANs), and certificates of participation. The policy must include:

(I) the purposes for which the debt proceeds may be used;

(2) the types of debt that may be issued;

(3) the relationship of the debt to, and integration with, the district's capital improvement program or budget, if applicable;

(4) policy goals related to the district's planning goals and objectives; and

(5) internal control procedures to ensure that the proceeds of the proposed debt issuance will be directed to the intended use.

We suggest the policy go into the District Policies and Procedures at Section 3520, following the District Reserve Policy which is at 3510.

Resolution 18-02 provides for the approval of the District Debt Policy. The Debt Policy is attached to the Resolution.

Staff recommend approval of Resolution 18-02.

# RESOLUTION NO. 18-02

## A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SWEETWATER SPRINGS WATER DISTRICT APPROVING A DEBT POLICY

**WHEREAS**, amendments to Government Code section 8855(i) made by SB 1029, effective January 1, 2017, impose upon local agencies a mandate to adopt local debt policies prior to their issuing any debt after January 1, 2017; and

**WHEREAS**, the legislation further dictates that a local debt policy include all of the following elements:

(A) the purposes for which debt proceeds may be used;

(B) the types of debt that may be issued;

(C) the relationship of debt to, and integration with, the local agency's capital improvement program or budget, if applicable;

(D) policy goals related to the local agency's planning goals and objectives; and

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(E) the internal control procedures that the local agency will implement to ensure that the proceeds of the proposed debt issuance will be directed to the intended use; and

**WHEREAS**, the Board of Directors of the Sweetwater Springs Water District has considered the local debt policy attached hereto as Exhibit A (the "Debt Policy"), which includes each element required by the Legislature.

**NOW, THEREFORE**, the Board of Directors of the Sweetwater Springs Water District hereby approves the Debt Policy.

I hereby certify that the foregoing is a full, true, and correct copy of a Resolution duly and regularly adopted and passed by the Board of Directors of the SWEETWATER SPRINGS WATER DISTRICT, Sonoma County, California, at a meeting held on March 1, 2018, by the following vote.

| Director | Aye | No |
|---|---|---|
| Sukey Robb-Wilder | _____ | _____ |
| Tim Lipinski | _____ | _____ |
| Rich Holmer | _____ | _____ |
| Gaylord Schaap | _____ | _____ |
| Pip Marquez de la Plata | _____ | _____ |

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Pip Marquez de la Plata
President of the Board of Directors

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Attest: Julie A. Kenny
Clerk of the Board of Directors

**EXHIBIT A**

**SWEETWATER SPRINGS WATER DISTRICT**

# 3520 Debt Policy

## Introduction

The Sweetwater Springs Water District (the "District") incurs debt, administers debt proceeds, manages ongoing disclosure and debt compliance, and makes debt service payments, acting with prudence and diligence and with attention to prevailing economic conditions. The District believes that debt is an equitable means of financing projects and represents an important means of meeting fiscal responsibilities. This debt policy addresses debt instruments/securities issued by the District in public or private debt markets and does not cover other types of long-term liabilities.

## 1. The purposes for which debt proceeds may be used

The District borrows money primarily to fund long-term capital improvement projects, essential equipment and vehicle needs, and to refinance existing debt.

## 2. The types of debt that may be issued

There are many different types of financing instruments available to the District, including, but not limited to, general obligation bonds, revenue bonds, certificates of participation, federal and state government loans, lines of credit, refunding bonds, and loans. The District may consider any financing instrument allowed by California law.

## 3. The relationship of debt to, and integration with, the District's Capital Improvement Program or budget, if applicable

Issuance of debt is one of the means of financing in the District's Capital Improvement Program (the "CIP"). District staff will ensure that accurate and complete budgeting of the CIP is prepared as part of the District's annual budget process.

## 4. Policy goals related to the District's planning goals and objectives:

**GOAL 1: IMPLEMENT SOUND FINANCIAL PRACTICES TO ENSURE EFFECTIVE UTILIZATION OF DISTRICT RESOURCES**

**GOAL 2: PROVIDE RELIABLE AND HIGH QUALITY POTABLE WATER WITH FACILITIES THAT ARE PROPERLY CONSTRUCTED, MANAGED AND MAINTAINED TO ASSURE SYSTEM RELIABILITY**

In addition, the District reviews and adopts its Capital Improvement Program which is updated by District resolution each year, as necessary. The CIP lists needed District projects by year, includes estimated costs, and provides ranking criteria for the priority of capital projects.

**5. The internal control procedures that the District will implement to ensure that the proceeds of the proposed debt issuance will be directed to the intended use**

The District references the following internal controls to ensure all debt proceeds are expended for their intended use:

1. Review approved use of debt proceeds with District representatives who are authorized to initiate contracts and spend funds to ensure expenditures are consistent with the terms of the sale.

2. Educate staff responsible for preparing purchase orders and processing payments as to items that can be paid using debt proceeds, as well as the proper account coding.

3. Require the General Manager to review draw-down requests.