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IMPERIAL COUNTY

WEDNESDAY, JUNE 27, 2018
5:30 PM or immediately after the ICTC meeting

County Administration Building, 2nd Floor
Board of Supervisors Chambers
940 W. Main St.
El Centro, CA 92243

CHAIRPERSON: LUIS PLANCARTE

EXECUTIVE DIRECTOR: MARK BAZA

Individuals wishing accessibility accommodations at this meeting, under the Americans with Disabilities Act (ADA), may request such accommodations to aid hearing, visual, or mobility impairment by contacting ICTC offices at (760) 592-4494. Please note that 48 hours advance notice will be necessary to honor your request.

I. SUPPLEMENTAL AGENDA ITEM

A. Local Transportation Authority Debt Management Policy

The Executive Director forwards this item to the LTA Board for their review and approval after public comment, if any:

1. Approval and Adoption of the Local Transportation Authority Debt Policy

II. ADJOURNMENT

A. Motion to Adjourn

1503 N. Imperial Ave., Suite 104, El Centro, CA 92243
Phone: (760) 592-4494 Fax: (760) 592-4410

IMPERIAL COUNTY LOCAL TRANSPORTATION AUTHORITY
DEBT MANAGEMENT POLICY

INTRODUCTION

The purpose of this Debt Management Policy ("Debt Policy") is to organize and formalize debt issuance and management related policies and procedures for the Imperial County Local Transportation Authority (the "Authority"). The debt policies of the Authority are subject to and limited by applicable provisions of state and federal law and to prudent debt management principles.

When used in this Debt Policy, "debt" refers to all indebtedness and financing lease and installment purchase obligations.

DEBT POLICY OBJECTIVE

The primary objectives of the Authority's debt and financing related activities are to

- Maintain cost-effective access to the capital markets through prudent fiscal management policies and practices;
- Minimize debt service commitments through effective planning and cash management;
- Ensure the Authority is in compliance with all applicable federal and state securities laws; and
- Achieve the highest practical credit ratings.

This Debt Policy is intended to comply with Government Code Section 8855(i).

BACKGROUND/DISCUSSION

Government Code section 8855(i) requires any issuer of public debt to provide the California Debt and Investment Advisory Commission (CDIAC) no later than 30 days prior to the sale of any debt issue a report of the proposed issuance. Effective January 1, 2017, issuers must certify on the Report of Proposed Debt Issuance that they have adopted local debt policies concerning the use of debt and that the proposed issuance is consistent with those policies. The issuer's local debt policies must include the following:

A. Purposes For Which Debt May Be Used

Long-Term Debt. Long-term debt may be issued to finance and refinance long-term capital projects.

- (a) Long-term debt financings are appropriate when the following conditions exist:
- When the project to be financed is consistent with the purpose of the Authority.
 - 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.
 - 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 must be approved by the Board of the Authority.
- 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%.
- The Authority estimates that sufficient 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 state and federal law.

Short-term debt. Short-term debt may be issued to provide financing for the Authority's operational cash flows in order to maintain a steady and even cash flow balance. Short-term debt may also be used to finance short-lived capital projects.

Financings on Behalf of Other Entities. The Authority may also find it beneficial to issue debt on behalf of other governmental agencies in order to further the public purposes of the 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.

B. Types of Debt Issued

The following types of debt are allowable under this Debt Policy:

- Sales tax revenue bonds
- lease revenue bonds and lease-purchase transactions
- certificates of participation
- bank and direct private placement loans
- Commercial paper
- grant anticipation notes
- sales tax and revenue anticipation notes

- Transportation Infrastructure Finance Innovation Act (TIFIA) Loan
- Grant Anticipation Revenue Vehicle Financing (GARVEE)

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.

Debt shall be issued as fixed rate debt unless the Authority makes a specific determination as to why a variable rate issue would be beneficial to the Authority in a specific circumstance.

C. Relationship of Debt to Capital Improvement Program and Budget

The Authority is committed to long-term capital planning. 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.

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 avoid the use of debt to fund infrastructure and facilities improvements in circumstances when the sole purpose of such debt financing is to reduce annual budgetary expenditures.

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 Authority's Planning Goals and Objectives

The Authority is committed to long-term 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 Policy and to implement policy decisions incorporated in the Authority's annual operations budget.

It is a policy goal of the Authority to protect taxpayers 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.

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, (i) minimum net present value debt service savings equal to or greater than 3.0% of the refunded principal amount, and (ii) present value debt service savings equal to or greater than 100% of any escrow fund negative arbitrage.

E. Internal Control Procedures That the Authority Has Implemented or Will

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 [Programs Manager] of the Authority. In those cases, where it is not reasonably possible for the proceeds of debt to be held by a third-party trustee, the [Programs Manager] of the Authority shall retain records of all expenditures of proceeds through the final payment date for the debt.