



# COUNTY OF EL DORADO, CALIFORNIA

## BOARD OF SUPERVISORS POLICY

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| Subject:<br><br>DEBT MANAGEMENT POLICY | Policy Number:<br><br>B-17  | Page Number:<br><br>1 of 3  |
|  | Date Adopted:<br>06/12/2018 | Revised Date:<br>05/21/2024 |

### I. PURPOSE

The purpose of this policy is to establish written guidelines governing the issuance of debt or other financial obligations that bear the County of El Dorado's name or that are repaid by the County of El Dorado (the County) pursuant to the requirements of SB 1029, codified as part of Government Code Section 8855.

The Debt Management Policy has been developed to meet the following objectives:

- A. Identify the purposes for which debt proceeds may be used.
- B. Identify the types of debt that may be issued.
- C. Describe the relationship of the debt to the Capital Improvement Program and the County Budget.
- D. Ensure the issuance of debt is consistent with the strategic plan goals and objectives as determined by the Board of Supervisors.
- E. Implement and maintain a system of internal controls to ensure that the proceeds of the proposed debt issuance will be directed to the intended use.

### II. POLICY

- A. Purposes for which debt proceeds may be used:
  1. Debt proceeds may be used to finance or refinance the acquisition, construction, rehabilitation, or improvement of land, facilities, or equipment, or for such other purposes that further the County's governmental purpose, as well as to pay the costs of issuing the debt, including capitalized interest, and any other reserves such as debt service reserve funds, if required.
  2. Debt proceeds may be used to cover annual cyclical cash flow deficits.
- B. Types of debt that may be issued:
  1. Long-term Debt – The County may issue any debt that is allowed under federal and state law, the County Charter, and County Ordinance Code, as may be applicable, with the approval of the Board. Long-term debt may be used to finance the acquisition, construction, rehabilitation, or improvement of land, facilities or equipment for which it is appropriate to spread the costs over more than one budget year.
  2. The County may issue special tax bonds pursuant to the Mello-Roos Community Facilities Act of 1982, any property tax-backed revenue bonds, general obligation bonds, special assessment bonds, tax allocation revenue bonds, bond or grant anticipation notes, lease revenue bonds or notes, certificates of participation, lease-purchase transactions, refunding debt, or other land-secured financings, including Property Assessed Clean Energy (PACE) bonds. Such debt shall only be issued for the purposes specified and authorized by applicable State Law.
  3. Short-term Debt – The County may issue short-term debt to provide interim financing for capital projects or for annual cash flow borrowing. Interim financings are accomplished through the issuance of commercial paper notes, bond anticipation notes, lines of credit or



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other notes or bank products. The County's annual cash flow borrowings are structured as tax and revenue anticipation notes (TRANS). TRANS must be repaid from taxes, income, revenue, cash receipts and other monies attributable to the fiscal year in which the TRANS are issued.

- C. Relationship of debt to the Capital Improvement Program and County Budget
1. The Chief Administrative Officer shall assess and identify the capital needs of the County and review the current Capital Improvement Program to determine when facilities should be improved or acquired. The County may issue long-term debt when financing capital improvement projects in order to more effectively align the debt service cost with the estimated useful life and the long-term benefits provided by the capital assets being financed.
  2. The decision to incur new indebtedness should be integrated with the Board's policy decisions in the County's adopted Budget.
- D. Policy Goals Related to Debt Management. All considerations around the issuance of debt shall be consistent with the strategic plan adopted by the Board of Supervisors. The primary objectives of the County's debt and financing related activities are to:
1. Protect taxpayers, ratepayers and constituents by utilizing conservative financing methods so as to obtain the highest possible credit rating and the lowest possible borrowing costs.
  2. Maintain access to cost-effective borrowing through prudent fiscal management policies and practices;
  3. Ensure that debt service commitments are made through effective planning and cash management;
  4. Ensure that County's debt is consistent with County's planning goals and objectives and capital improvement program or budget, as applicable.
- E. Internal Controls - The Chief Administrative Officer in conjunction with County Counsel and the Auditor-Controller is primarily responsible for ensuring debt proceeds are spent in accordance with the intended purposes and requirements identified in the related legal documents.

### III. PROCEDURE

- A. All debt issuance must be approved by the Board of Supervisors. Debt service obligations related to outstanding debt shall be appropriated on an annual basis in the County's adopted Budget.
- B. The County recognizes that changes in the capital markets and other unforeseen circumstances may require the issuance of debt securities that deviate from this Debt Management Policy. Subject to Board of Supervisors approval of any debt issuance transaction, the Debt Management Policy allows for exceptions when changes in the capital markets, County programs or other



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unforeseen circumstances produce situations that require the County to issue debt securities that are not covered by this Debt Management Policy.

- C. The County shall work with its bond counsel to ensure compliance with federal and state security laws, including notification to the California Debt and Investment Advisory Committee (CDIAC) of the proposed debt issue no later than 30 days prior to the sale of any debt securities and submit a report of final sale to CDIAC no later than 21 days after the sale of the debt by an method approved by CDIAC.
- D. The County shall submit an annual report to CDIAC for any issue of debt for which it has submitted a report of final sale pursuant to section III.C above or after January 21, 2017. The annual report shall cover a reporting period from July 1 to June 30. The annual report shall consist of the following information:
  1. Debt authorized at the beginning of the reporting period
  2. Debt authorized and issued during the reporting period
  3. Debt authorized but not issued at the end of the reporting period
  4. Debt authority that has lapsed during the reporting period
  5. Debt outstanding including principal balance at the beginning of the reporting, principal paid during the reporting period and principal outstanding at the end of the reporting period.
  6. Debt spent during the reporting period and the purposes for which it was spent.

**IV. REFERENCES**

Government Code 8855. Senate Bill 1029, Chapter 307.

**V. RESPONSIBLE DEPARTMENT**

Chief Administrative Office, Treasurer-Tax Collector, Auditor-Controller

**VI. DATES ISSUED AND REVISED; SUNSET DATES:**

|                |            |                  |            |
|----------------|------------|------------------|------------|
| Issue Date:    | 06/12/2018 |                  |            |
| Revision Date: | 05/21/2024 | Next Review Date | 05/21/2028 |