Office of Community Investment and Infrastructure

Amending Debt Policy

October 5, 2021

Debt Policy

A debt policy is a set of written guidelines that direct the issuer's debt issuance practices, in compliance with applicable laws, regulations and best practices, and post-issuance management and compliance. A thorough, well-considered debt policy signals to rating agencies and investors that an issuer's debt portfolio and process is well-managed and deserving of its confidence. This confidence can lower the cost of borrowing.

Proposed Amendment

- **OCII's Debt Policy was last approved in 2014**

- **Proposed Debt Policy amendments update policy to**
  - Incorporate legislative changes
  - Explain existing practice
  - Highlight debt management improvements

Process

- **Researched best practices**
- **Reviewed debt policies from CCSF “sister agencies”**
- **Collaborated with municipal advisor**
- **Received certification from WPTA Debt Certification Program**

Incorporate Legislative Changes

- Health and Safety Code Section 34177.7(a)(1)(A) – allowed OCII to issue new money debt under certain circumstances

- Government Code Section 8855 (2)(i)(1)- requires issuers adopt a debt policy that outlines:
  - Purposes for which debt proceeds may be used,
  - Types of debt that may be issued,
  - Relationship of the debt and budget,
  - Policy goals related to the issuer's planning goals and objectives, and
  - Internal controls

Incorporate Legislative Changes

- **Debt proceeds may be used to finance**
  - Environmental review, design, acquisition and other predevelopment activities
  - Public improvements such as streets, parks, water and sewer facilities
  - Affordable housing
  - Outstanding debt refundings

- **OCII may issue**
  - Tax Allocation Bonds
  - Mello Roos Bonds

Explain Existing Practice

- **Practices for issuing, structuring, and managing debt**
  - Staff roles and responsibilities
  - Role of external consultants
- **Policy and financial considerations**
  - Cash vs surety funded reserve
  - Negotiated vs competitive sale
- **Debt approval procedure**

Highlight Debt Management Improvements

- **Created Financial Information Website**
- **Formalized Accounts Payable Policies and Procedures**
- **Updated Disclosure Policy**
- **Entered into MOU with TTX**

2021A Affordable Housing Bonds

Questions / Comments

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OCII