

**RESOLUTION NO. 2020-418**

**A RESOLUTION OF THE SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT  
BOARD OF DIRECTORS ADOPTING A DEBT MANAGEMENT POLICY**

**WHEREAS**, the South San Luis Obispo County Sanitation District (the "District") owns and operates facilities and property for the transportation, treatment and disposal of wastewater within the service area of the District (the "Wastewater System"); and

**WHEREAS**, the Board of Directors of the District wishes to provide funds to finance certain capital expenditures relating to the Wastewater System, including the "Redundancy Project," through the issuance or incurrence of long-term obligations; and

**WHEREAS**, California Government Code Section 8855(i) requires that, in connection with issuing or incurring long-term obligations, the Board of Directors of the District adopt a debt management policy meeting such requirements, and the Board of Directors wishes to adopt a compliant policy at this time.

**NOW, THEREFORE, BE IT RESOLVED**, by the Board of Directors of the South San Luis Obispo County Sanitation District as follows:

**Section 1. Adoption of Debt Management Policy.** The Board of Directors hereby approves and adopts the Debt Management Policy in the form presented to the Board. The Debt Management Policy shall govern the administration of debt and other long-term obligations issued or incurred by the District, all in accordance and subject to the conditions set forth in such policy.

**Section 2. Effective Date.** This Resolution shall take effect from and after the date of its passage and adoption.

**PASSED AND ADOPTED** at a regular meeting of the South San Luis Obispo County Sanitation District Board of Directors held this 5th day of August 2020.

On the motion of Director Lee, seconded by Director Ray Russom, and by the following roll call vote:

**AYES:** Director Lee, Director Austin, and Director Ray Russom  
**NOES:** None  
**ABSENT:** None  
**ABSTAINED:** None

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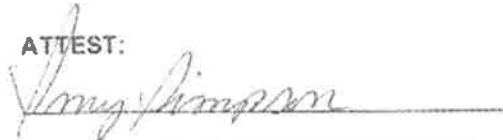
**CERTIFICATION:**

I do hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the South San Luis Obispo County Sanitation District held this 5th day of August 2020.



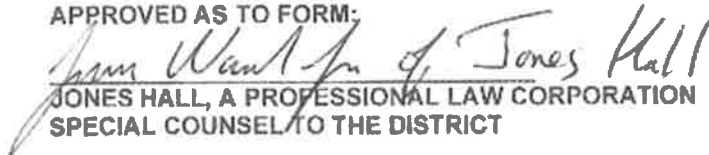
**CHAIR, BOARD OF DIRECTORS  
SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT**

**ATTEST:**



**DISTRICT BOOKKEEPER/SECRETARY**

**APPROVED AS TO FORM:**



**JONES HALL, A PROFESSIONAL LAW CORPORATION  
SPECIAL COUNSEL TO THE DISTRICT**

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**JEREMY GHENT  
DISTRICT ADMINISTRATOR**

# **South San Luis Obispo County Sanitation District**

## **Debt Management Policy**

Approved by a Resolution adopted by the Board of Directors on  
August 5, 2020

This Debt Management Policy (the “Debt Policy”) of the South San Luis Obispo County Sanitation District (the “District”) was approved by the Board of Directors to be effective as of the date first set forth above. The Debt Policy may be utilized by staff with the discretion to deviate as determined appropriate by the District Administrator, and may be amended by the Board of Directors of the District as it deems appropriate from time to time in the prudent management of the debt and financing needs of the District.

## **1. Findings**

This Debt Policy is intended to comply with Government Code Section 8855(i), which became effective on January 1, 2017, and shall govern all debt undertaken by the District.

The District hereby recognizes that a fiscally prudent debt policy is required in order to:

- Help maintain the District’s financial health.
- Ensure the District has the flexibility to meet its financial needs.
- Protect the District’s credit-worthiness.
- Ensure that all debt is structured to benefit both current and future constituents of the District.
- Ensure that the District’s debt is consistent with the District’s planning goals and objectives.

## **2. Policies**

### **A. Purposes For Which Debt May Be Issued**

(i) Long-Term Debt. Long-term debt may be issued to finance the construction, acquisition, and/or rehabilitation of capital improvements and facilities, property and other assets, equipment and land to be owned and operated by the District or funded for the benefit of the District.

(a) Long-term debt financings are appropriate when the following conditions exist:

- When the project to be financed is necessary to provide basic services.
- 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 District and its constituents.
- When the debt is issued to refinance outstanding debt in order to produce savings or to realize other benefits of a debt restructuring.

(b) Long-term debt financings will not generally be considered appropriate for recurring operating expenses and routine maintenance expenses.

(c) The District may use long-term debt financings subject to the following conditions:

- The project and/or costs to be financed must be approved by the District Board.
- The weighted average maturity of the debt will generally not exceed the average useful life of project being financed.
- The District estimates that sufficient revenues will be available to service the debt through its maturity.
- The District determines that the issuance of the debt will comply with the applicable state and federal law.

(ii) Short-term debt. Short-term debt may be issued to provide financing for the District'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 or provide interim funding for capital projects; for example, the District may undertake lease-purchase financing for equipment.

(iii) Financings on Behalf of Other Entities. The District may also find it beneficial to issue debt on behalf of other governmental agencies or private third parties in order to further the public purposes of District. In such cases, the District 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**

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

- Installment sale agreements, loans and similar debt-financing contracts
- Loans and contracts with State or Federal agencies, including the United States Department of Agriculture–Rural Development
- Lines of credit
- General obligation bonds (GO Bonds)
- Bond or grant anticipation notes (BANs)
- Lease revenue bonds, certificates of participation (COPs) and lease-purchase transactions
- Other revenue bonds and Certificates of Participation (COPs)
- Tax and revenue anticipation notes (TRANS)
- Land-secured financings, such as special tax revenue bonds issued under the Mello-Roos Community Facilities Act of 1982, as amended, and limited obligation bonds issued under applicable assessment statutes
- Refunding bonds, notes, loans, and other obligations

The District Board 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 District makes a specific determination as to why a variable rate issue would be beneficial to the District in a specific circumstance.

### **C. Relationship of Debt to Capital Improvement Program and Budget**

The District is committed to long-term capital planning. The District intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the District's capital budget and the capital improvement plan. Items outside the capital budget or capital improvement plan may also be financed.

The District 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 District shall integrate its debt issuances with the goals of its capital improvement program by timing the issuance of debt to ensure that funding is available for capital and non-capital projects when needed in furtherance of the District's public purposes.

### **D. Policy Goals Related to Planning Goals and Objectives**

The District is committed to long-term financial planning, maintaining appropriate reserves levels and employing prudent practices in governance, management and budget administration. The District intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the District's annual operations budget.

It is a policy goal of the District to protect its 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 District 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 District to realize, whenever possible, and subject to any overriding non-financial policy considerations, minimum net present value debt service savings equal to at least 3.0% of the refunded principal amount.

### **E. Internal Control Procedures**

When issuing debt, in addition to complying with the terms of this Debt Policy, the District shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds.

Without limiting the foregoing, the District will periodically review the requirements of and will remain in compliance with the following:

- Any continuing disclosure undertakings entered into by the District in accordance with Securities and Exchange Commission (SEC) Rule 15c2-12.
- Any reporting obligations to the California Debt and Investment Advisory Commission (CDIAC)
- Any federal tax compliance requirements, including, without limitation, arbitrage and rebate compliance.
- The District's investment policies as they relate to the use and investment of bond proceeds.

Proceeds of debt will be held either (a) by a third-party trustee or fiscal agent, which will disburse such proceeds to or upon the order of the District upon the submission of one or more written requisitions by the District Administrator (or his or her designee), or (b) by the District, to be held and accounted for in a separate fund or account, the expenditure of which will be carefully documented by the District.

**END OF DEBT MANAGEMENT POLICY**