



MILPITAS MUNICIPAL FINANCING AUTHORITY AGENDA REPORT (AR)

Item Title:	Adopt a Resolution of the Board of the Milpitas Municipal Financing Authority Approving a Debt Management Policy (Staff Contact: Walter C. Rossmann, 408-586-3111)
Category:	Leadership and Support Services
Meeting Date:	10/15/2019
Staff Contact:	Walter C. Rossmann, Finance Director, 408-586-3111
Recommendation:	Adopt a Resolution of the Board of the Milpitas Municipal Financing Authority approving a Debt Management Policy, consistent with the policy previously approved by the City and its related entities.

Background:

The Milpitas Municipal Financing Authority, formed in March 2016, is a separate government entity whose purpose is to assist with the financing and refinancing of public programs, projects and capital improvements for the benefit of the City and the Housing Authority. The Municipal Financing Authority has the power to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale. Previously, the City utilized the Milpitas Public Financing Authority for this purpose. However, one of the members of the Milpitas Public Financing Authority is the Successor Agency, which is in the process of winding down its affairs and, accordingly, a new joint exercise of powers agency was created.

On October 17, 2017, the City, the Successor Agency to the former Milpitas Redevelopment Agency, and the Milpitas Public Financing Authority adopted a debt management policy consistent with the requirements of SB 1029, which became effective on January 1, 2017.

Analysis:

The resolution recommended for Council consideration provides for the approval of the debt management policy by the Milpitas Municipal Financing Authority. There are only two changes to the proposed debt management policy: a change that reflects that the policy now covers the Milpitas Municipal Financing Authority instead of the Milpitas Public Financing Authority, which is not anticipated to issue any debt going forward; and a change to reflect original date and proposed amended date of the policy.

In order to raise funds for projects for the water system and wastewater system, the Authority is planning to issue revenue bonds. Prior to issuance of the bonds, the Authority will need to submit to the California Debt and Investment Advisory Commission (CDIAC) a preliminary report of debt issuance which will include a certification that the Authority has adopted a debt policy that meets the requirements of SB 1029, which became effective on January 1, 2017, and which are found in California Government Code 8855. Adoption of the debt policy by the Board is required for compliance with the legislation.

In accordance with Government Code 8855, a local debt policy must include all of the following:

- (A) The purposes for which the debt proceeds may be used.
- (B) The types of debt that may be issued.

- (C) The relationship of the debt to, and integration with, the issuer's capital improvement program or budget, if applicable.
- (D) Policy goals related to the issuer's planning goals and objectives.
- (E) The internal control procedures that the issuer has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use.

The contemplated debt management policy meets all of these requirements. As noted above, the debt management policy was previously adopted by the City and its related entities. The contemplated resolution would also adopt the policy to govern debt issued by the Authority and reflects the fact that the Milpitas Public Financing Authority is not anticipated to issue any debt going forward and, therefore, no longer needs to be covered by the policy.

Policy Alternative:

Alternative 1: Do not adopt the resolution approving the debt management policy for the Milpitas Municipal Financing Authority.

Pros: None.

Cons: If the Council does not adopt the resolution, the Milpitas Municipal Financing Authority would not be in compliance with state law regarding the issuance of debt.

Reason not recommended: The Milpitas Municipal Financing Authority would not be able to issue bonds for the water and wastewater system at this time.

Fiscal Impact:

None

California Environmental Quality Act:

Not applicable

Recommendation:

Adopt a Resolution of the Board of the Milpitas Municipal Financing Authority approving a Debt Management Policy, consistent with the policy previously approved by the City and its related entities.

Attachments:

1. Resolution of the Milpitas Municipal Financing Authority
2. Revised Debt Management Policy – red line version
3. Revised Debt Management Policy – clean version