

REPORT TO CITY COUNCIL

DATE: JUNE 22, 2016

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: GREG RAMIREZ, CITY MANAGER *GR*

BY: CHRISTY PINUELAS, DIRECTOR OF FINANCE *CP*

SUBJECT: ADOPTION OF THE MUNICIPAL SECURITIES POST-ISSUANCE DISCLOSURE AND THE TWO-YEAR BUDGET POLICIES AND APPROVAL OF THE DEBT MANAGEMENT POLICY

At the June 8, 2016, Budget Workshop Council recommended adoption of a new Municipal Securities Post-Issuance Disclosure Policy and a Two-Year Budget Policy.

The Municipal Securities Post-Issuance Disclosure Policy formalizes the City of Agoura Hill's presentation of financial reports and events required after the issuance of debt. The Two-Year Budget Policy establishes the use of a two-year financial plan, which emphasizes long-range planning and program management.

Additionally, the Financial Policy, adopted in May, 2014, requires that each financial policy be updated every three years. The Finance Committee reviewed the Debt Management Policy at their June, 2016, meeting and recommended no changes. The Council additionally reviewed the policies at the Budget Workshop, recommending no changes.

RECOMMENDATION

Staff respectfully recommends the City Council adopt the Municipal Securities Post-Issuance Disclosure and the Two-Year Budget Policies and approve the Debt Management Policy.

Attachments: Municipal Securities Post-Issuance Disclosure Policy
Two-Year Budget Policy
Debt Management Policy

**Municipal Securities
Post-Issuance
Disclosure Policy**

**City of Agoura Hills,
California**

**30001 Ladyface Court
Agoura Hills, CA 91301**

TABLE OF CONTENTS

A.	Purpose.....	1
B.	Scope.....	1
C.	Responsibility of the Disclosure Working Group.....	1
D.	Annual Reporting Requirements.....	2
E.	Event Notice Requirements	2
F.	Voluntary Disclosure Requirements	4
G.	Interim Disclosure Requirements	5
H.	Training for Employees and Issuer Officials	6
I.	Effective Date	7

A. Purpose

The City of Agoura Hills, California (the "City") is committed to providing timely and consistent dissemination of financial information in accordance with the continuing disclosure undertakings of the City and its related entities, entered into in furtherance of Securities and Exchange Commission ("SEC") Rule 15c2-12 (the "Rule").

This policy affirms the City's commitment to post-issuance disclosure. The goal is to establish and maintain guidelines for presenting related financial reports and events to interested third parties, financial institutions and the general public in compliance with the Rule and the City's continuing disclosure undertakings.

B. Scope

This policy covers all City employees and officials of the City. It covers disclosure documents filed with the Municipal Securities Rulemaking Board (The "MSRB").

C. Responsibility of the Disclosure Working Group

The City has established a Disclosure Working Group ("DWG") consisting of the City's City Manager, Director of Finance, Finance Manager and Treasurer and others from the Finance Department as designated by the Director of Finance. Annually in connection with its continuing disclosure filings required by the continuing disclosure undertakings of the City and its related entities, the DWG will systematically review filings, reports and other public statements to determine whether any updating or correcting of information is appropriate. The DWG will review and recommend updates to the City Council, if necessary, to this disclosure policy. Finally, the DWG will react quickly to developments and events that affect the City and notify its dissemination agent, when appropriate.

The City's primary spokesperson related to the City's financial information, debt and financings, and other financial reports and events is the City's City Manager. Others within the City may, from time to time, be designated by the City Manager as spokespersons on behalf of the City and respond to specific inquiries. It is essential that the DWG be fully apprised of all material developments of the City in order to evaluate, discuss those events and determine the appropriateness and timing for release.

The City or its designated agent will provide continuing disclosure documents and related information to the M S R B's EMMA System <http://dataport.emma.msrb.org>. The continuing disclosure documents, which include annual financial statements, operating data of the City and its related entity issuers and event notices, will be posted to the EMMA website by the City's Disclosure Dissemination Agent, Digital Assurance Certification, LLC ("DAC"), or its successor, upon the approval of the City's Director of Finance.

D. Annual Reporting Date Requirements

The Finance Director shall review the continuing disclosure undertaking (to the extent not otherwise exempt therefrom under the Rule) for each separate issue of the outstanding municipal securities of the City or its related entities and identify the following:

- (i) the date by which the Annual Report must be filed;
- (ii) the contents that need to be included in the Annual Report;
- (iii) the Event Notices that must be filed; and
- (iv) when Event Notices are required to be filed.

For a current list of the City's debt issues, including those which are not subject to the Rule, please refer to the City's long-term debt note found in its most current Audited Financial Statements.

E. Event Notice Requirements

1. For any debt issues (subject to SEC Rule 15c2-12) issued on or after December 1, 2010, notice of the following events would need to be provided to the City's Disclosure Dissemination Agent, for further filing with the MSRB, *within ten (10) business days of their occurrence.*

Unless otherwise specified, the City's Director of Finance will be responsible for monitoring the occurrence of these events, determining (if necessary) their materiality, and notifying the Dissemination Agent of the occurrence of an event for further filing with the MSRB:

- Principal and interest payment delinquencies
- Non-payment related defaults, if material
- Unscheduled draws on debt service reserves reflecting financial difficulty
- Unscheduled draws on credit enhancements reflecting financial difficulty
- Substitution of credit or liquidity providers, or their failure to perform
- Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the security or other material events affecting the tax status of the security
- Modifications to rights of security holders, if material
- Bond calls, if material, and tender offers

- Defeasances
 - Release, substitution, or sale of property securing repayment of the securities, if material
 - Rating changes
 - Bankruptcy, insolvency, receivership or similar event of the obligated person (i.e., City or a related entity of the City).
 - The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
 - Appointment of a successor or additional trustee or the change of name of a trustee, if material.
2. For any debt issues (subject to SEC Rule 15c2-12) issued prior to December 1, 2010, the following events, *if determined to be material*, would need to be provided to the City's Disclosure Dissemination Agent, for further filing with the MSRB, "in a timely manner."
- Principal and interest payment delinquencies
 - Non-payment related defaults
 - Unscheduled draws on debt service reserves reflecting financial difficulty
 - Unscheduled draws on credit enhancements reflecting financial difficulty
 - Substitution of credit or liquidity providers, or their failure to perform
 - Adverse tax opinions or events affecting the tax-exempt status of the security
 - Modifications to rights of security holders
 - Bond calls
 - Defeasances
 - Release, substitution, or sale of property securing repayment of the securities
 - Rating changes

In addition, the City's Director of Finance will be responsible for providing notice, in a timely manner, of a failure by the City or other obligated related entity, as applicable, to provide any of the required annual financial information by the date specified in the continuing disclosure undertaking.

F. Voluntary Disclosure Requirements

In addition to preparing annual reports and event notices, the City may wish to keep investors informed by providing information that is not required to be provided under its continuing disclosure undertakings entered into in furtherance of the Rule (for example, direct placements with banks, i.e., "bank loans"). Examples of such types of information are investments, interim financial information, capital improvement plans, fund balance policies, etc. and financial forecasts.

Because providing this information is voluntary, the City Manager will monitor events which may impact the City, so that a determination can be made by the DWG, in consultation with the City's legal counsel, if the event should be disclosed.

Information provided to potential or present owners of municipal securities is subject to federal securities laws, regulations and standards. Therefore, all proposed voluntary disclosure notices will be subject to legal review prior to any dissemination.

Evidence of the filings for any of the event notices described in Section E of this Policy or any voluntary disclosed notice described in this Section F, when made, shall be maintained on the DAC system, for so long as DAC is the City's Disclosure Dissemination Agent.

The City does not maintain an "Investor Relations" website.

G. Interim Disclosure Requirements

Currently, the City is not required to file interim financial information. In the future, if such filings are required in continuing disclosure undertakings, the City's Director of Finance will notify the Disclosure Dissemination Agent for assistance when these filings become necessary.

H. Training for Employees and Issuer Officials

For City officials, compliance with federal securities law should be considered as important as compliance with local public meetings and records laws. Periodic review

of the continuing disclosure policies of the City will be in compliance with the City's financial policy.

I. Effective Date

This Policy shall become effective immediately.



TWO YEAR BUDGET POLICY

PURPOSE

This policy establishes the use of a two-year financial plan, emphasizing long-range planning and effective program management. The City's two-year plan will:

1. Reinforce the importance of long-range planning in managing the City's fiscal affairs.
2. Concentrate on developing and budgeting for the accomplishment of significant objectives.
3. Establish realistic timeframes for achieving objectives.
4. Create a pro-active budget that provides for stable operations and assures the City's long-term fiscal health.

POLICY

Measurable Objectives - The City will prepare a two-year financial plan with measurable objectives. The two year plan will allow reasonable time to accomplish the objectives.

Second Year Budget - Before the beginning of the second year of the two-year cycle, the Council will review progress during the first year and approve appropriations for the second fiscal year.

Operating Carryover – Operating program appropriations not spent during the first fiscal year may be carried over for specific purposes into the second fiscal year with the approval of the City Manager.

Mid-Year Budget Reviews – The Council will formally review the City's fiscal condition, and amend appropriations if necessary, by February of each fiscal year.



DEBT MANAGEMENT POLICY

I. PURPOSE

This policy establishes the proper and orderly issuance of debt for the purpose of achieving the City Council's goals and objectives. The purpose of this Debt Policy is to ensure that the City's bonded indebtedness is incurred and administered in a prudent financial manner. A decision by the City Council to incur bonded indebtedness is one of its most important decisions. Bond investors are going to purchase the City's bonds with the absolute expectation that the City will honor its promise to pay the annual debt service without exception for the 25-to-30 year life of the bonds. Conduit bonds, for which the City has no financial responsibility, will require the same level of scrutiny prior to bond issuance. A decision to incur bonded indebtedness also incurs the ongoing annual responsibility for the payment of debt service, annual State and Federal reporting requirements and the obligation to address any problems which may arise for as long as the bonds are still in existence.

Although this policy addressed bonded indebtedness, these same policy concerns can be directed to a bank loan or an internal inter-fund loan.

II. GENERAL MANAGEMENT POLICIES

The City will provide for a periodic review of its financial performance, and review its performance relative to the financial policies outlined herein. These financial policies will be taken into account during the capital planning, and budgeting process.

- In recognition of periodic changes in the cost of providing service to citizens, service costs and fees will be reviewed annually and adjusted commensurately.
- The City will present any proposed adjustments to existing fees and charges at public meetings, and will consider recommendations and input from the public as it relates to such proposed changes.
- Necessary appropriations for annual debt service requirements will be routinely included in the City's annual budget.
- The City will maintain proactive communication with the investment community, including rating agencies, credit enhancers and investors, to ensure future capital market access at the lowest possible rates.

III. FINANCIAL MANAGEMENT POLICIES

- The City will evaluate financing for each capital project on a case-by-case basis. The City will seek to pay for all capital projects from current revenues and available reserves prior to or in combination with the use of debt. The evaluation should include (a) determination that the capital project is eligible for bond financing, (b) identification of the sources of financing for the project other than bond financing, (c) identification of the total cost of the capital project including its construction cost, cost of furnishings fixtures and equipment (d) analysis of the municipal bond market, including economic and interest rate trends, (e) identification of alternative bond structures, option to use bond insurance and the information needed by rating agencies and the disclosure requirements of the Official Statement (f) the timing of when the City should enter the bond market.
- The term of a bond issue is not-to-exceed the useful life of the capital project that is being financed. The bonds are to be sold at Competitive Sale; however, the city reserves the option of pursuing a Negotiated Sale if the proposed financing of the Capital Project is unusual or complex. The overall objective is to obtain the lowest possible interest costs. The City is to remain cognizant of fluctuations in interest rates for the purpose of identifying Refunding opportunities. Refund of existing bonds should be undertaken to reduce overall debt service expense or to remove restrictive covenants in the existing Indenture.
- The City is to retain professional consultants including Bond Counsel, Underwriter, Financial Advisor, Trustee, and arbitrage analyst. The city will consider the professional qualifications and experience of these consultants as it relates to the particular bond issue under consideration. In certain instances, the City will conduct a request for proposal/qualification process to select such consultants.
- The City will carefully monitor its levels of general-purpose debt. Because our general purpose debt capacity is limited, it is important that we only use general purpose debt financing for high-priority projects where we cannot reasonably use other financing methods for two key reasons: (a) Funds borrowed for a project today are not available to fund other projects tomorrow. (b) Funds committed for debt repayment today are not available to fund operations in the future.
- In evaluating debt capacity, general-purpose annual debt service payments should generally not exceed 10% of General Fund revenues; and in no case should they exceed 15%. Further, direct debt will not exceed 2% of assessed valuation.