



# ADMINISTRATION COMMITTEE

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## Agenda Report

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**File #:** 2021-1909

**Agenda Date:** 12/8/2021

**Agenda Item No:** 5.

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**FROM:** James D. Herberg, General Manager  
Originator: Lorenzo Tyner, Assistant General Manager

**SUBJECT:**

**ADOPT ORANGE COUNTY SANITATION DISTRICT'S DEBT POLICY**

**GENERAL MANAGER'S RECOMMENDATION**

RECOMMENDATION: Recommend to the Board of Directors to:

Adopt Resolution No. OC SAN 21-XX, entitled: "A Resolution of the Board of Directors of the Orange County Sanitation District Adopting the Orange County Sanitation District's Debt Policy and Repealing Resolution No. OCSD 20-12".

**BACKGROUND**

As there were no significant changes in State law governing Orange County Sanitation District's (OC San) ability to issuance debt, changes to the OC San Debt Policy are only administrative. The OC San Debt Policy sets forth the parameters for issuing debt and managing outstanding debt and provides guidance to decision makers regarding the timing and purposes for which debt may be issued, types and amounts of permissible debt, methods of sale that may be used, and structural features that may be incorporated. The debt policy should recognize a binding commitment to full and timely repayment of all debt as an intrinsic requirement for entry into the capital markets. The goals of a debt policy are to ensure that a government maintains a sound debt position and that credit quality is protected.

California Government Code Section 8855(i) requires any issuer of public debt to provide to the California Debt and Investment Advisory Commission (CDIAC) a report of any proposed debt issuances. Issuers must certify on the Report of the Proposed Debt Issuance that they have adopted local debt policies concerning the use of debt and that the proposed debt issuance is consistent with those policies, specifically an updated debt policy. Staff has reviewed and updated the attached Debt Policy and there are no material changes to the Debt Policy or its structure.

**RELEVANT STANDARDS**

- Comply with OC San Policy: OC San Debt Policy
- California Government Code Section 8855(i)
- Easy access to low cost credit

## **PROBLEM**

Prior to any debt issuance (including debt refunding), issuers must certify on CDIA's Report of the Proposed Debt Issuance that they have adopted local debt policies concerning the use of debt and that the proposed debt issuance is consistent with those policies, specifically an updated debt policy.

## **PROPOSED SOLUTION**

Staff has reviewed and updated OC San's Debt Policy.

## **TIMING CONCERNS**

A portion of OC San's Wastewater Refunding Revenue Obligations Series 2012A and Series 2012B are subject to optional redemption on February 1, 2022 in the amount of \$107,315,000. OC San must update its Debt Policy prior to completing any debt issuance (including debt refunding).

## **RAMIFICATIONS OF NOT TAKING ACTION**

Not taking action will result in OC San not being able to have the option to take advantage of the opportunity to refinance old debt in a low interest rate environment.

## **PRIOR COMMITTEE/BOARD ACTIONS**

December 2020 - The Board adopted Resolution No. OCSD 20-12, entitled: "A Resolution of the Board of Directors of the Orange County Sanitation District Adopting the Orange County Sanitation District's Debt Policy and Repealing Resolution No. OCSD 18-16".

## **ATTACHMENT**

*The following attachment(s) may be viewed on-line at the OC San website ([www.ocsan.gov](http://www.ocsan.gov)) with the complete agenda package:*

- Orange County Sanitation District Debt Policy (Clean)
- Orange County Sanitation District Debt Policy (Redline)
- Proposed Resolution No. OC SAN 21-XX