



ADMINISTRATION COMMITTEE

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Agenda Report

File #: 2023-3367

Agenda Date: 12/14/2023

Agenda Item No: 22.

FROM: Robert Thompson, General Manager
Originator: Wally Ritchie, Director of Finance

SUBJECT:

ADOPT ORANGE COUNTY SANITATION DISTRICT'S DEBT POLICY

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION:

Adopt Resolution No. OC SAN 23-22 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. OC SAN 21-21".

BACKGROUND

As there were no significant changes in State law governing Orange County Sanitation District's (OC San) ability to issue debt, the proposed 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. It also 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)

PROBLEM

Prior to any debt issuance (including debt refunding), issuers must certify on CDIAC'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

OC San's Wastewater Refunding Revenue Obligations Series 2014A in the amount of \$30,095,000 is subject to optional redemption on February 1, 2024. Wastewater Refunding Revenue Obligations Series 2015A in the amount of \$127,510,000 is subject to optional redemption on August 1, 2024. 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 and discontinue paying above market interest costs.

PRIOR COMMITTEE/BOARD ACTIONS

December 2021 - The Board adopted Resolution No. OC SAN 21-21, 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".

ATTACHMENT

The following attachment(s) may be viewed on-line at the OC San website (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 23-22