



RESOLUTION 2022-17

RESOLUTION OF THE BOARD OF DIRECTORS OF THE KENSINGTON FIRE PROTECTION DISTRICT ADOPTING A DEBT MANAGEMENT POLICY

WHEREAS, the Board of Directors (the “Board”) of the Kensington Fire Protection District (the “District”) recognizes that cost-effective access to the capital markets depends on prudent management of the District’s debt program; and

WHEREAS, Government Code section 8855(i) requires any issuer of public debt to provide to California Debt and Investment Advisory Commission (CDIAC) no later than 30 days prior to the sale of any debt issue a report of the proposed issuance (the “Report of Proposed Debt Issuance”), and must certify on the Report of 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 (the “CDIAC Requirements”); and

WHEREAS, the Board wishes to set parameters for issuing debt, managing the debt portfolio and providing guidance to decision makers; and

WHEREAS, the Board finds and determines that adoption of the attached Debt Management Policy (the “Debt Management Policy”) will help ensure that debt is issued and managed prudently in order to maintain sound fiscal policy, and is in compliance with the CDIAC Requirements; and

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Kensington Fire Protection District hereby orders and determines as follows:

Section 1. Recitals. The Board hereby specifically finds and declares that each of the recitals set forth above are true and correct and are hereby incorporated in conjunction with the respective staff report.

Section 2. Approval of the Debt Management Policy. This Board hereby declares that the proposed Debt Management Policy attached hereto, is hereby approved as the Kensington Fire Protection District Debt Management Policy to be effective on the date of approval.

Section 3. Authorization to Manage Debt Issuance Functions. The General Manager, or a designee thereof, is hereby authorized to manage debt issuance functions for the District in accordance with the Debt Management Policy.

Section 4. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

The foregoing resolution was duly adopted at a regular meeting of the Kensington Fire Protection District on the 10th day of August 2022 by the following vote of the Board.

AYES:
NOES:
ABSENT:
ABSTAIN:

Larry Nagel, President

Janice Kosel, Secretary

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POLICY TITLE AND NUMBER: 1190 Debt Management

1190.00 This Debt Management Policy of the Kensington Fire Protection District (the “District”) was approved by the District Board on August 10, 2022. This Debt Management Policy may be amended by the District Board as it deems appropriate from time to time in the prudent management of the debt of the District. Any approval of debt by the District Board that is not consistent with this Debt Management Policy shall constitute a waiver of this Debt Management Policy.

1190.01 Findings:

This Debt Management Policy is intended to comply with Government Code Section 8855(i), 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 to:

- Maintain the District’s sound financial position.
- Ensure the District has the flexibility to respond to changes in future service priorities, revenue levels, and operating expenses.
- Protect the District’s credit-worthiness.
- Ensure that all debt is structured to protect both current and future taxpayers, ratepayers and constituents of the District.
- Ensure that the District’s debt is consistent with the District’s planning goals and objectives and capital improvement program or budget, as applicable.

1190.02 Purposes for Which Debt May Be Issued:

- 1190.03** 1) Long-Term Debt. Long-term debt may be issued to finance the construction, acquisition, and rehabilitation of capital improvements and facilities, equipment and land to be owned and operated by 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 taxpayers and ratepayers.
 - When the debt is used to refinance outstanding debt to produce debt service savings or to realize the benefits of a debt restructuring.

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- b) Long-term debt financings are not appropriate for current operating expenses and routine maintenance expenses.
- c) The District may use long-term debt financings subject to the following conditions:
 - The project to be financed must be approved by the District Board.
 - The weighted average maturity of the debt (or the portion of the debt allocated to the project) will not exceed the average useful life of the project.
 - 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.

1190.03 2) Short-term debt. Short-term debt may be issued to provide financing for the District's operational cash flows to maintain a steady and even cash flow balance. Short-term debt may also be used to finance short-lived capital projects; for example, the District may undertake lease-purchase financing for equipment.

1190.04 3) 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 to further the public purposes of the 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.

1190.05 Types of Debt:

1190.06 The following types of debt are allowable under this Debt Management Policy:

- general obligation bonds
- bond or grant anticipation notes
- tax and revenue anticipation notes
- lease revenue bonds, certificates of participation and lease-purchase transactions
- other revenue bonds (including sales tax revenue bonds) and certificates of participation
- pension obligation bonds
- land-secured financings, such as special tax revenue bonds issued under the Mello-Roos Community Facilities Act of 1982, as amended, and

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limited obligation bonds issued under applicable assessment statutes

- tax increment financing to the extent permitted under state law
- conduit financings, such as financings for affordable rental housing and qualified 501c3 organizations

- 1190.07** The District may from time to time find that other forms of debt would be beneficial to further its public purposes and the District Board may approve such debt without an amendment of these Debt Management Policies.
- 1190.08** 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.
- 1190.09** Relationship of Debt to Capital Improvement Program and Budget:
- 1190.10** New debt issues, and refinancing of existing debt, must be analyzed for compatibility within the District's Ten-Year Capital Improvement Plan.
- 1190.11** 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 seek to avoid the use of debt to fund infrastructure and facilities improvements that are the result of normal wear and tear.
- 1190.12** The District shall seek to issue debt in a timely manner to avoid having to make unplanned expenditures for capital improvements or equipment from its general fund.
- 1190.13** Policy Goals Related to Planning Goals and Objectives:
- 1190.14** 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 Management Policy and to implement policy decisions incorporated in the District's Five-Year Financial Plan and its annual operating budget.
- 1190.14** It is a policy goal of the District to protect taxpayers, ratepayers and constituents by utilizing conservative financing methods and techniques to

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obtain the highest practical credit ratings (if applicable) and the lowest practical borrowing costs.

- 1190.15** 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.
- 1190.16** 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, (i) minimum net present value debt service savings equal to or greater than 3.0% of the refunded principal amount, and (ii) present value debt service savings equal to or greater than 100% of any escrow fund negative arbitrage.
- 1190.17** Internal Control Procedures:
- 1190.18** When issuing debt, in addition to complying with the terms of these Debt Management Policies, the District shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds.
- 1190.19** The District will periodically review the requirements of and will remain in compliance with the following:
- the District's Disclosure Policies and Procedures,
 - any federal tax compliance requirements, including without limitation arbitrage and rebate compliance, related to any prior bond issues, and
 - the District's investment policies as they relate to the investment of bond proceeds.
- 1190.20** It is the policy of the District to ensure that proceeds of debt are spent only on lawful and intended uses. Whenever reasonably possible, proceeds of debt will be held by a third-party trustee and the District will submit written requisitions for such proceeds. The District will submit a requisition only after obtaining the signature of the General Manager. In those cases where it is not reasonably possible for the proceeds of debt to be held by a third-party trustee, the General Manager shall retain records of all expenditures of proceeds through the final payment date for the debt.

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1190.21 Debt Limits:

1190.22 The outstanding principal amount of debt described in Section B will not exceed two percent (2%) of the total assessed value of property in the District, and debt service and lease payments incurred for financing purposes that are payable from the District's general fund will not exceed five percent (5%) of operational appropriations.

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