



Board Report

File #: 2017-0841, **File Type:** Policy

Agenda Number: 13.

**FINANCE, BUDGET AND AUDIT COMMITTEE
FEBRUARY 14, 2018**

SUBJECT: DEBT MANAGEMENT

ACTION: APPROVE ADOPTION OF DEBT POLICY

RECOMMENDATION

ADOPT the Debt Policy (Attachment A).

ISSUE

The Debt Policy requires that it be reviewed annually and presented to the Board for approval if changes are needed. State law requires California issuers submit a report of proposed debt issuance to the California Debt and Investment Advisory Commission (CDIAC) no later than 30 days prior to the sale of any debt issue. Effective 2017, California legislation requires the report of proposed debt issuance include a certification by the issuer that it has adopted a debt policy.

DISCUSSION

The purpose of the Debt Policy is to establish guidelines for the issuance and management of our debt. The proposed changes to the Debt Policy reflect changes in debt issuance and disclosure standards and practices, as well as the inclusion of internal controls to track and report the use of debt proceeds as required by the passage of SB 1029. The revised policy also incorporates the governance of future Measure M debt obligations in addition to Metro's existing sales tax debt. Other changes include edits to reflect appropriate titles and edits made to clarify language and improve readability. A redlined version of the Debt Policy showing comprehensive changes from the last board approved Debt Policy is included as Attachment A.

POLICY IMPLICATIONS

The Debt Policy governs the management of our overall debt program. The policy sets the guidelines to be used when considering the use of debt, as well as in the on-going management of existing obligations. Guidance is provided specifying appropriate uses, selection of acceptable debt and lease products and debt issuance limits. The processes for selection of professional services and financial products are also specified.

As of January 1, 2018, we had \$4.0 billion of bonds outstanding in 28 transactions, \$1.1 billion of

TIFIA loan draws in four transactions and three short term borrowing programs for Prop A, Prop C and Measure R with \$223.2 million outstanding, all subject to the Debt Policy.

DETERMINATION OF SAFETY IMPACT

The adoption of the updated policy will have no safety impact.

FINANCIAL IMPACT

There is no direct financial impact on the FY18 budget associated with implementing or not implementing the updates to this policy.

ALTERNATIVES CONSIDERED

The California Government Code requires an issuer certify that it has adopted a Debt Policy prior to issuing debt. The Government Finance Officers Association ("GFOA") recommends the adoption of a comprehensive Debt Policy as a Debt Management Best Practice. Properly updated policies governing the management of debt are essential to sound financial management and provide guidance to effectively obtain the lowest cost of capital.

The Board could elect not to approve the proposed revisions to the Debt Policy. The existing Debt Policy would remain in effect until a revised Debt Policy is adopted.

NEXT STEPS

Following adoption of the Debt Policy we will make it available on the Investor Relations section of our website and distribute it to rating agencies and other interested parties as part of our investor relations outreach.

ATTACHMENTS

Attachment A - Debt Policy (Redlined)

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