



AGENDA REPORT

Finance Department

DATE:	January 11, 2022
TO:	Mayor Butt and Members of the City Council
FROM: <i>(List all relevant/responsive staff persons)</i>	Belinda Brown, Finance Director Delmy Cuellar, Accounting Manager
Subject: <i>(This will appear on the agenda)</i>	ADOPT A RESOLUTION - FY21-22 SWAP POLICY.docx
FINANCIAL IMPACT:	<p>The adoption of and adherence to financial policies can be measured by factors such as:</p> <ul style="list-style-type: none">• Minimizing borrowing costs;• Better management of the City's debt and investment portfolios; and• Providing fiscal security during times of unforeseen economic downturns.
PREVIOUS COUNCIL ACTION: <i>(List all dates items were heard or council action took place)</i>	N/A
STATEMENT OF THE ISSUE:	Staff is requesting that City Council review and approve the City's Swap Policy, which should be done on an annual basis.

<p>RECOMMENDED ACTION: (This will appear on the agenda)</p>	<p>REVIEW the Swap Policy for Fiscal Year 2021-2022; and ADOPT the resolution approving said policy – Finance Department (Belinda Brown 510-620-6740). This item was continued from the January 11, 2022, meeting.</p>
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DISCUSSION:

Municipal governments provide a wide range of services that have an impact on public safety and quality of life for community members. Prudent use of resources helps determine how effectively these services are provided on an ongoing basis. In addition to managing revenues and expenditures, it is also the municipal finance official's responsibility to focus on management practices that will enable the City to better control its financial resources on a continuing basis.

Swap Policy

Interest rate swap agreements have become recognized and established financial tools by municipal issuers throughout the nation. The use of these products has become such a regular tool that the Government Finance Officers Association (GFOA) has adopted an official position, viewing swap policies governing the use and management of such swaps as a "Recommended Practice".

Since the scope of interest rate swaps is beyond that of the traditional fixed rate long-term bonds covered by the Debt Policy, it is important for the City to maintain a policy that will provide guidance in selecting, implementing, and administering all swaps related to City bond issues. Standard & Poor's Rating Agency assigns Debt Derivative Profile (DDP) scores to individual swap transactions, with the lowest score of "1" equating to no risk and highest score of "4" meaning "high risk". By adhering to the guidelines established in its Swap Policy, the City has successfully achieved a DDP score of "1.5" (low risk) on all of its swap transactions.

DOCUMENTS ATTACHED:

Attachment 1 - Resolution Adopting Fiscal Year 2021-22 Swap Policy
Attachment 2 - Fiscal Year 2021-22 Swap Policy