EXHIBIT 1

City of Alameda

Debt Management Policy

I. INTRODUCTION

The purpose of this Debt Management Policy (the "Debt Policy") is to organize and formalize debt issuance and management related policies and procedures for the City. The debt policies and procedures of the City are subject to and limited by applicable provisions of state and federal law and to prudent debt management principles.

When used in this Debt Policy, "debt" refers to all indebtedness and financing lease obligations.

II. DEBT POLICY OBJECTIVE

This Debt Policy sets forth certain equally important objectives for the City and establishes overall parameters for responsibly issuing and administering the City's debt and financing related activities.

- Maintain cost-effective access to the capital markets through prudent fiscal management policies and practices;
- Minimize debt service commitments through effective planning and cash management;
- Ensure the City is in compliance with all applicable federal and state securities laws;
- Achieve and maintain the highest practical credit ratings;
- Full and timely repayment of debt; and
- Maintain full and complete financial disclosure and reporting.

This Debt Policy is intended to comply with Government Code Section 8855(i), effective on January 1, 2017. This Debt Policy is applicable to any debt issued by the Successor Agency to the Community Improvement Commission of the City of Alameda ("Successor Agency"), or the Alameda Public Financing Authority, or any other public agency for which the City Council of the City acts as its legislative body, and the term "City" shall refer to each of such agencies.

III. SCOPE AND DELEGATION OF AUTHORITY

This Debt Policy will govern the issuance and management of all debt funded through the capital markets, including the selection and management of related financial and advisory services and products, and the investment of bond proceeds.

This Debt Policy will be reviewed and updated periodically as required. Any changes to the policy are subject to approval by the City Council at a legally noticed and conducted public meeting. Responsibility for implementation of the Debt Policy, and day-to-day responsibility for structuring, implementing, and managing the City's debt and finance program, will lie with the Finance Director. The City Council's adoption of the City's Budget and Capital Improvement Program (CIP) does not, in and of itself, constitute authorization for debt issuance for any capital projects. This Debt Policy requires that the City Council specifically authorize each debt financing.

While adherence to this Debt Policy is required in applicable circumstances, the City recognizes that changes in the capital markets, city programs and other unforeseen circumstances may from time to time produce situations that are not covered by the Debt

Policy and will require modifications or exceptions to achieve policy goals. In these cases, management flexibility is appropriate, provided specific authorization from the City Council is obtained.

IV. ETHICS AND CONFLICTS OF INTEREST

Officers and employees of the City involved in the debt management program will not engage in any personal business activities that could conflict with proper and lawful execution of securing capital financing.

V. CAPITAL IMPROVEMENT PROGRAM INTEGRATION

The City multi-year Capital Improvement Program (CIP) sets priorities for projects and funding while the Debt Policy provides policy direction and limitations for proposed financings undertaken to implement the CIP. Debt issuance for capital projects should be incorporated into the Capital Improvement Program to be recommended for City Council approval.

The City 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 City shall seek to avoid the use of debt to fund infrastructure and facilities improvements that are the result of normal wear and tear, unless a specific revenue source has been identified for this purpose.

VI. INTEGRATION OF PLANNING GOALS AND OBJECTIVES

The City is committed to long-term financial planning, maintaining appropriate reserves levels and employing prudent practices in governance, management and budget administration. The City intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the City's annual operating budget.

VII. STANDARDS FOR USE OF DEBT FINANCING

The City's debt management program will consider debt issuance only in those cases where public policy, equity and economic efficiency favor financing over cash funding.

A. <u>Credit Quality</u>
All City debt management activities for new debt issuances will be conducted in a manner conducive to receiving the highest credit ratings possible consistent with the City's debt management objectives. The City will strive to maintain and improve the current credit ratings assigned to the City's outstanding debt by the major credit rating agencies.

B. <u>Long-Term Capital Projects</u>
Debt should be incurred to provide funding for long-term capital projects. The debt repayment period should relate to the expected useful life of the facilities or equipment being financed, and should coincide with the stream of benefits provided by the projects being financed. When the City finances capital projects by incurring debt, the debt repayment period should be structured so that the weighted average maturity of the debt does not exceed 120% of the expected average useful life of the project being financed. Inherent in its long-term debt policies, the City recognizes that future

taxpayers will benefit from the capital investment and that it is appropriate that they pay a share of the asset cost. Long-term debt financing will not be used to fund operating costs.

C. Debt Financing Mechanism
The City will evaluate the use of all financial alternatives available including, but not limited to, long-term debt, short-term debt, fixed rate debt, variable rate debt, excess cash reserves, and inter-fund borrowing. The City will utilize the most cost advantageous financing alternative available while limiting the City's risk exposure.

D. Ongoing Debt Administration and Internal Controls
The City will maintain all debt-related records according to the City's Retention Policy and the repository will include all official statements, bid documents, ordinances, indentures, trustee reports, etc. for all City debt. To the extent that official transcripts incorporate these documents, possession of a transcript will suffice (transcripts may be hard copy or stored on CD-ROM). The City will collect all available documentation for outstanding debt and will maintain a standard procedure for archiving transcripts for any new debt. The City has established internal controls to ensure compliance with the Debt Policy, all debt covenants and any applicable requirements of state and federal law.

Whenever reasonably possible, proceeds of debt will be held by a third-party trustee and the City will submit written requisitions for such proceeds. The City will submit a requisition only after obtaining the signature of the Finance Director or the City Manager. In those cases where it is not reasonably possible for the proceeds of debt to be held by a third-party trustee, the Finance Director shall retain records of all expenditures of proceeds through the final payment date for the debt.

E. Rebate Policy and System
The City will accurately account for all interest earnings in debt-related funds. These records will be designed to ensure that the City is in compliance with all debt covenants, and with state and federal laws. The City will maximize the interest earnings on all funds within the investment parameters set forth in each respective bond indenture, and as permitted by the City Investment Policy. The City will develop a system of reporting interest earnings that relates to and complies with Internal Revenue Code requirements relating to rebate, yield limits and arbitrage.

VIII. FINANCING CRITERIA

When the City determines the use of debt is appropriate, the following criteria will be utilized to evaluate the type of debt to be issued.

A. Long-term Debt
Long-term debt financing will be used, when funding requirements cannot be met with current revenues or cash reserves, to finance eligible capital projects including the acquisition, construction or major rehabilitation of capital facilities. The proceeds derived from long-term borrowing will not be considered appropriate for any recurring purpose such as current operating and maintenance expenditures.

B. Short-term Debt

Short-term borrowing may be utilized for the temporary funding of operational cash flow deficits or anticipated revenues, where anticipated revenues are defined as an assured revenue source with the anticipated amount based on conservative estimates. The City will determine and utilize the least costly method for short-term borrowing. The City may issue short-term debt when there is a defined repayment source and amortization of principal.

Short-term debt may also be used to finance short-lived capital assets; for example, the City may undertake lease-purchase financing for equipment.

C. Variable Rate Debt

To maintain a predictable debt service burden, the City will give preference to debt that carries a fixed interest rate. Variable rate debt may be deemed appropriate to diversify the City's debt portfolio, reduce interest costs, provide interim funding for capital projects and improve the match of assets to liabilities. Under no circumstances will the City issue variable rate debt solely for the purpose of earning arbitrage. The City, however, may consider variable rate debt in certain instances.

- *Variable Rate Debt Capacity*. The City will maintain a conservative level of outstanding unhedged variable rate debt within general rating agency guidelines recommending a maximum of a 20-30% variable rate exposure, in addition to maintaining adequate safeguards against risk and managing the variable revenue stream both as described below:

  a) *Adequate Safeguards Against Risk*: Financing structure and budgetary safeguards are in place to prevent adverse impacts from interest rate shifts; such structures could include, but are not limited to, interest rate swaps, interest rate caps and the matching of assets and liabilities.
  b) *Variable Revenue Stream*: The revenue stream for repayment is variable, and is anticipated to move in the same direction as market-generated variable interest rates, or the dedication of revenues allows capacity for variability.

D. Financial Derivative Products

Financial Derivative Products will be considered appropriate in the issuance or management of debt only in instances where it has been demonstrated that the derivative product will either provide a hedge that reduces the risk of fluctuations in expense or revenue, or alternatively where the derivative product will reduce total project cost.

E. Refunding Financing

Refunding bonds are issued to retire all or a portion of an outstanding bond issue. Refunding issuances can be used to achieve present-value savings on debt service or to restructure the payment schedule, type of debt instrument used, or covenants of existing debt. The City must analyze the refunding issue on a present-value basis to identify economic effects before approval.

IX. TERMS AND CONDITIONS OF DEBT

The City will establish all terms and conditions relating to the issuance of debt, and will control, manage, and invest all debt proceeds. The following restrictions will be followed unless otherwise authorized by the City:

A. Term

All capital improvements financed through the issuance of debt will be financed for a period so that the weighted average maturity of the debt will not exceed 120% of the expected average useful life of the assets being financed, and in no event should exceed the lesser of 30 years or the period of time until the sunset of a revenue source used to repay the bonds.

B. Capitalized Interest

The nature of the City's revenue stream is such that funds are generally continuously available and the use of capitalized interest should not normally be necessary. However, certain types of financings may require the use of capitalized interest from the issuance date until the City has constructive use/benefit of the financed project. Unless otherwise required, the City will avoid the use of capitalized interest to avoid unnecessarily increasing the bond size. Interest will not be funded (capitalized) beyond three (3) years or a shorter period if further restricted by statute.

C. Lien Levels

Senior and junior liens for each revenue source will be utilized in a manner that will maximize the most critical constraint, typically either cost or capacity, thus allowing for the most beneficial use of the revenue source securing the bond.

D. Call Provisions

In general, the City's securities will include a call feature that is no later than ten (10) years from the date of delivery of the debt. The City will generally avoid the sale of non-callable debt.

E. Original Issue Discount

An original issue discount will be permitted only if the City determines that such discount results in a lower true interest cost on the debt and that the use of an original issue discount will not adversely affect the project identified by the legal documents related to the debt.

X. TYPES OF DEBT

The following types of debt are allowable under this Debt Policy, subject to applicable law:

- General Obligation bonds
- Bond or grant anticipation notes
- Lease revenue bonds, certificates of participation and lease-financing transactions
- Other revenue bonds and certificates of participation

• Tax and revenue anticipation notes

• Land-secured financings, such as special tax revenue bonds issued under the Mello-Roos Community Facilities Act of 1982, as amended, and 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 501(c)(3) organizations

The City may from time to time find that other forms of debt would be beneficial to further its public purposes and may approve such debt without an amendment of this Debt Policy. Such other forms of debt may include, but are not limited to IBank Loan and State Revolving Fund Loan.

XI. CREDIT ENHANCEMENTS

The City will consider the use of credit enhancement on a case-by-case basis, evaluating the economic benefit versus cost for each case. Only when a clearly demonstrable savings can be shown will enhancement be considered. The City will consider each of the following enhancements by evaluating the cost and benefit of such enhancement.

A. <u>Bond Insurance</u>
The City may purchase bond insurance when such purchase is deemed prudent and advantageous. The predominant determination will be based on such insurance being less costly than the present value of the difference in the interest on insured bonds versus uninsured bonds.

B. <u>Debt Service Reserve Surety Bond</u>
When required, a reserve fund will be funded from the proceeds of each series of bonds, subject to federal tax regulations and in accordance with the requirements of credit enhancement providers and/or rating agencies. The City may purchase reserve equivalents (i.e., the use of a reserve fund surety) when such purchase is deemed prudent and advantageous. Such equivalents will be evaluated in comparison to cash funding of reserves on a net present value basis.

C. <u>Letter of Credit</u>
The City may enter into a letter-of-credit agreement when such an agreement is deemed prudent and advantageous. Letters of credit will generally be provided only by those financial institutions with long-term ratings greater than or equal to that of the City, and short-term ratings in the highest category.

XII. REFINANCING OUTSTANDING DEBT

The City will continually evaluate outstanding bond issues for refunding opportunities. The City will consider the following issues when evaluating possible refunding opportunities:

A. <u>Debt Service Savings</u>
The City has established a minimum savings threshold goal of three (3%) percent of

the refunded bond principal amount unless there are other compelling reasons for defeasance. The present value savings will be net of all costs related to the refinancing.

B. Restructuring
The City will refund debt as opportunities are identified. Refunding will include restructuring for purposes of meeting unanticipated revenue expectations, termination of swaps, achieving cost savings, mitigating irregular debt service payments, releasing reserve funds or removing unduly restrictive bond covenants.

C. Term of Refunding Issues
The City will generally refund bonds within the term of the originally issued debt. However, the City may consider maturity extension, when necessary to achieve a desired outcome, provided that such extension is legally permissible. The City may also consider shortening the term of the originally issued debt to realize greater savings. The remaining useful life of the financed asset and the concept of inter-generational equity will be given due consideration in formulating these decisions.

D. Escrow Structuring
The City will utilize the least costly securities available in structuring refunding escrows. A certificate from a third party agent, who is not a broker-dealer, is required stating that the securities were procured through an arms-length, competitive bid process (in the case of open market securities), that such securities were more cost effective than State and Local Government Obligations (SLGS), and that the price paid for the securities was reasonable within federal guidelines. Under no circumstances will an underwriter, agent or financial advisor sell escrow securities to the City from its own account.

E. Arbitrage
The City will take all necessary steps to optimize escrows and to avoid negative arbitrage in its debt refunding. Any resulting positive arbitrage will be rebated as necessary according to federal guidelines.

XIII. METHODS OF ISSUANCE

The City will strive to sell its bonds competitively but will pursue negotiated sales when conditions warrant.

A. Competitive Sale
In a competitive sale, the City's bonds will be awarded to the bidder providing the lowest true interest cost as long as the bid adheres to the requirements set forth in the official notice of sale. Conditions under which a competitive sale would be preferred are as follows:

- Bond prices are stable and/or demand is strong
- Market timing and interest rate sensitivity are not critical to the pricing
- There are no complex explanations required during marketing regarding the City's projects, media coverage, political structure, political support, funding or credit quality
- The bond type and structure are conventional

- Bond insurance is included or pre-qualified (available)
- Manageable transaction size
- The bonds carry strong credit ratings
- Issuer is well known to investors

B. Negotiated Sale

The City recognizes that some securities are best sold through negotiation under the following conditions:

- Bond prices are volatile
- Demand is weak or supply of competing bonds is high
- Market timing is important, such as for refunding
- The Bonds will carry lower credit ratings or are not rated
- Issuer is not well known to investors
- The bond type and/or structural features are unusual, such as for a forward delivery bond sale, issuance of variable rate bonds, or where there is the use of derivative products
- Bond insurance is not available
- Early structuring and market participation by underwriters are desired
- The par amount for the transaction is significantly larger than normal
- Demand for the bonds by retail investors is expected to be high

C. Private Placement

The City may elect to privately place its debt under certain conditions. Such placement will only be considered where a cost savings can be achieved by the City relative to other methods of debt issuance, or to enable the financing to be completed within a shorter timeframe.

D. Feasibility Analysis

Issuance of revenue bonds will be accompanied by a finding that demonstrates the projected revenue stream's ability to meet future debt service payments.

XIV. MARKET RELATIONSHIPS

A. Rating Agencies and Investors

The Finance Director will be responsible for maintaining the City's relationships with Moody's Investors Service, Standard & Poor's and Fitch. The City may, from time-to-time, choose to deal with only one or two of these agencies as circumstances dictate. In addition to general communication, the Finance Director may: (1) meet with credit analysts at least once each fiscal year, or (2) prior to each competitive or negotiated sale, offer conference calls with agency analysts in connection with the planned sale.

B. Continuing Disclosure

The City will remain in compliance with Rule 15c2-12. Additional information regarding initial and continuing disclosure policies and procedures can be found in a Continuing Disclosure Procedures adopted by the City Council on September 16, 2014 [Resolution No. 14967].

C. Rebate Reporting

The use and investment of bond proceeds must be monitored to ensure compliance with arbitrage restrictions. Existing regulations require that issuers calculate rebate liabilities related to any bond issues, with rebate paid every five years and as otherwise required by applicable provisions of the Internal Revenue Code and regulations. The Finance Director will ensure that proceeds and investments are tracked in a manner that facilitates accurate, complete calculation, and timely rebate payments, if necessary.

D. Fees

The City will charge an administrative fee equal to direct costs to reimburse its administrative costs incurred in debt issuance and ongoing reporting costs.

XV. CONSULTANTS

A. Selection of Financing Team Members

The Finance Director and the City Attorney will make recommendations for all financing team members, with the City Manager providing approval.

B. Financial Advisor

The City will utilize a financial advisor to assist in its debt issuance and debt administration processes as prudent.

Financial advisory services provided to the City will include, but will not be limited to the following:

- Evaluation of risks and opportunities associated with debt issuance
- Monitoring market opportunities
- Evaluation of proposals submitted to the City by investment banking firms
- Structuring and pricing
- Preparation of requests for proposals for other financial services such as trustee and paying agent services, printing, credit facilities, remarketing agent services, etc.
- Advice, assistance and preparation for presentations with rating agencies and investors
- Assisting in review of all legal documents related to the City's bond issues

The City also expects that its financial advisor will provide the City with objective advice and analysis, maintain the confidentiality of City financial plans, and be free from any conflicts of interest.

C. Bond Counsel

City debt will include a written opinion by legal counsel affirming that the City is authorized to issue the proposed debt, that the City has met all constitutional and statutory requirements necessary for issuance, and a determination of the proposed debt's federal income tax status. The approving opinion and other documents relating to the issuance of debt will be prepared by counsel with extensive experience in public finance and tax issues.

The services of bond counsel may include, but are not limited to:

- Rendering a legal opinion with respect to authorization and valid issuance of debt obligations including whether the interest paid on the debt is tax exempt under federal and State of California law;

- Preparing all necessary legal documents in connection with authorization, sale, issuance and delivery of bonds and other obligations;
- Assisting in the preparation of the preliminary and final official statements and offering memoranda;
- Participating in discussions with potential investors, insurers and credit rating agencies, if requested; and
- Providing continuing advice, as requested, on the proper use and administration of bond proceeds under applicable laws and the bond documents.

XVI. UNDERWRITER SELECTION

A. Underwriter Selection

The City will have the right to select a senior manager for a proposed negotiated sale, as well as co-managers and selling group members, as appropriate. Generally, this is accomplished through a Request for Proposal and the underwriter is selected based on pricing, qualifications and experience. However, there are maybe instances where selective sourcing is more appropriate.

B. Underwriter's Counsel

In any negotiated sale of City debt in which legal counsel is required to represent the underwriter, the lead underwriter will make the appointment, subject to approval by the City.

C. Underwriter's Discount

- The City will evaluate the proposed underwriter's discount against comparable issues in the market. If there are multiple underwriters in the transaction, the City will determine the allocation of fees with respect to any management fee. The determination will be based upon participation in the structuring phase of the transaction.
- All fees and allocation of the management fee will be determined prior to the sale date; a cap on management fee, expenses and underwriter's counsel will be established and communicated to all parties by the City. The senior manager will submit an itemized list of expenses charged to members of the underwriting group. Any additional expenses must be substantiated.

D. Conflict of Interest Disclosure by Financing Team Members

All financing team members will be required to provide full and complete disclosure, relative to agreements with other financing team members and outside parties. The extent of disclosure may vary depending on the nature of the transaction. However, in general terms, no agreements will be permitted which could compromise the firm's ability to provide independent advice that is solely in the City's interests or which could reasonably be perceived as a conflict of interest.