



## Staff Report

**TO:** City Council  
**FROM:** Jennifer Ustation, Finance Director  
**DATE:** August 19, 2025  
**SUBJECT:** Updated Debt Management Policy

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**Description:** Review the City of Beaumont's updated Debt Management Policy and approve to adopt.

### **Background and Analysis:**

The Finance Department has completed a comprehensive update to the City's Debt Management Policy in compliance with California Government Code Section 8855(i) and to incorporate current best practices in municipal debt issuance and administration.

The updated policy outlines the City's framework for responsibly issuing and managing debt obligations and integrates new provisions that strengthen financial oversight, long-term planning, and transparency. Notable updates include:

- Limiting debt issuance to capital projects and equipment with useful lives exceeding one year.
- Prohibiting the use of debt to finance ongoing operating expenses or budget shortfalls.
- Aligning debt terms with asset lifespans and establishing clear guidelines for interest payments and capitalized interest (limited to one year unless justified for City-initiated, long-term projects).
- Prioritizing self-supporting debt instruments, such as revenue bonds and special assessments, to reduce reliance on the General Fund.
- Establishing criteria for evaluating financing alternatives, including interfund loans, refunding opportunities, and private placements.
- Formalizing oversight, disclosure practices, credit rating targets, and integration with the City's Capital Improvement Program (CIP).

The draft policy is consistent with guidance from the Government Finance Officers Association (GFOA) and supports the City's ongoing efforts to maintain a sound and transparent debt portfolio.

This policy was presented to the Financial Audit Committee on July 28, 2025, and was recommended to move forward to the City Council for approval.

**Fiscal Impact:**

There is no direct fiscal impact associated with adopting the updated Debt Management Policy. Implementing the revised policy is expected to enhance the City's financial practices by promoting responsible borrowing, reducing long-term financing costs, and improving access to favorable credit ratings. Over time, these improvements may lead to reduced interest expenses, better debt structuring, and increased investor confidence, which collectively support the City's fiscal sustainability.

The estimated cost to prepare this report is \$180.

**Recommended Action:**

Adopt the updated Debt Management Policy as presented.

**Attachments:**

- A. Draft Debt Management Policy (2025)