



Discussion and Action on the City's Debt Management Policy 2014

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Presented by:

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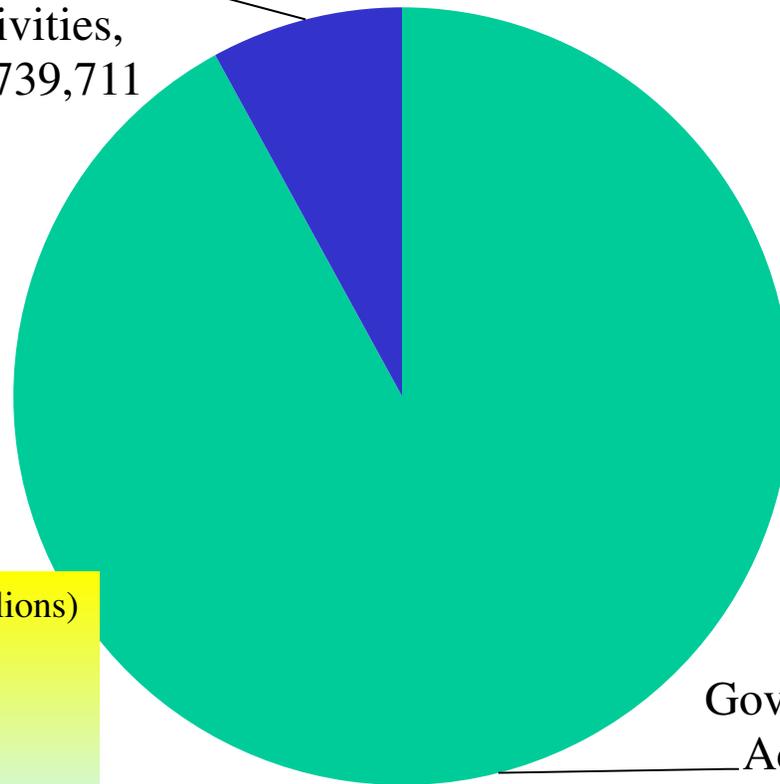
Governance of Debt Issuance

- **Federal**
 - Taxable / Tax Exempt
 - Specialties like BAB (Build America Bonds)
 - Etc.
- **State**
 - Grant authority to municipalities for GO, Rev Bonds...
 - Specialties like TIF, PID
 - Etc.
- **Other regulatory bodies**
 - GASB
- **Municipal Code**



Context of Debt Issuance – EP (2012 Audited)

Business-type
Activities,
\$75,739,711



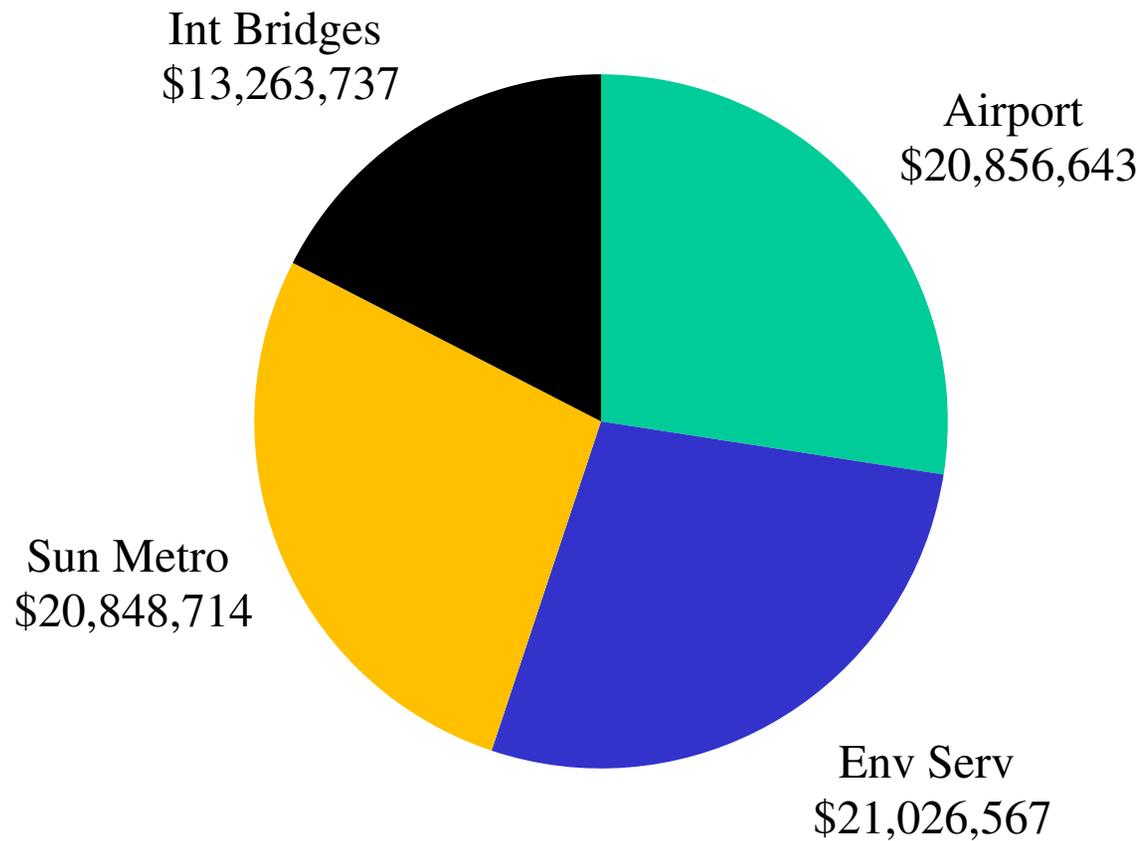
Governmental
Activities,
\$873,774,757

Issuance Category (\$Millions)

CO & GO Bonds	\$871.7
Notes Payable	37.8
Revenue Bonds	36.1
Capital Leases	3.9

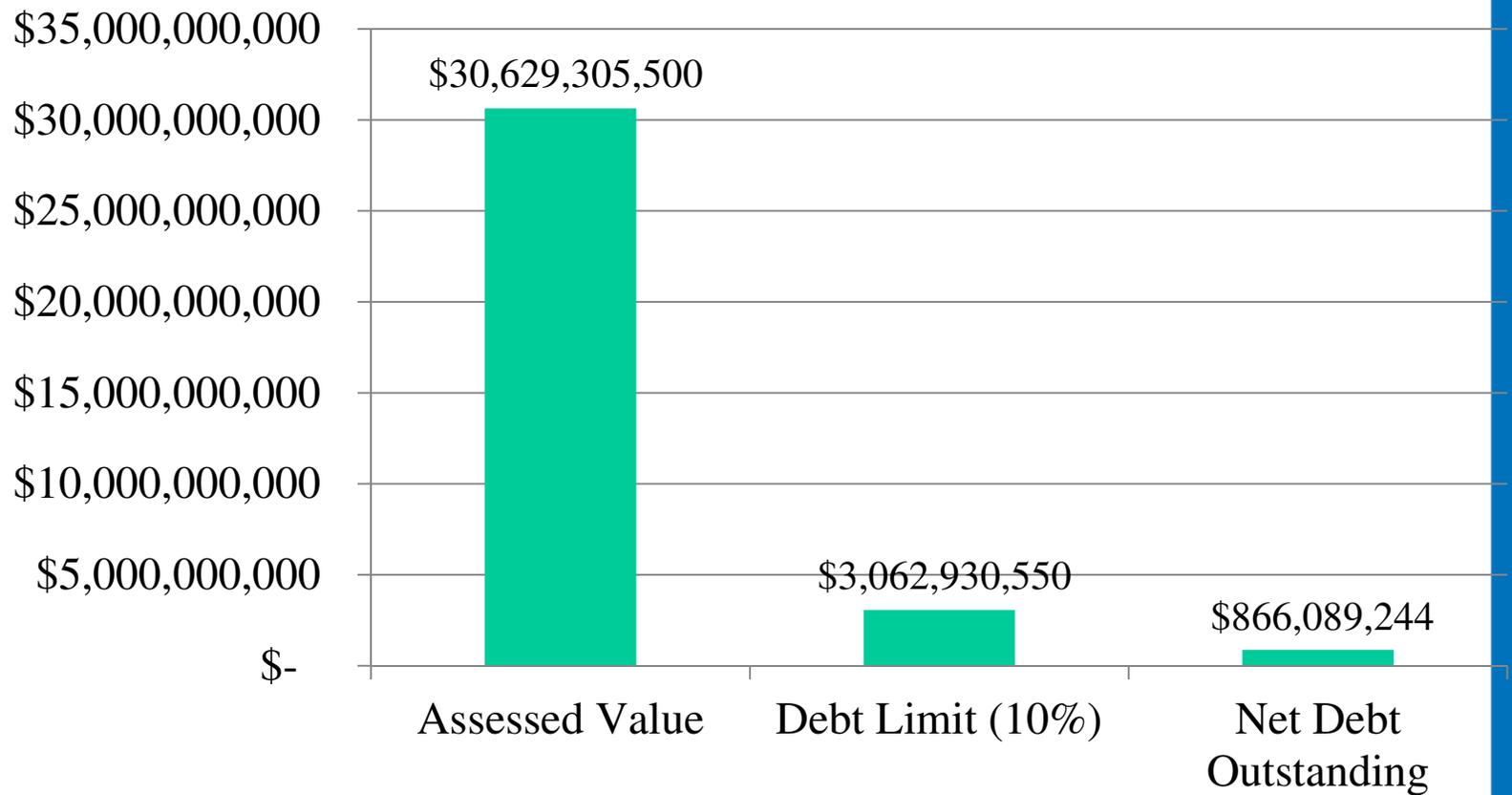


Context of Debt Issuance – EP (Business Type Activities 2012 Audited)





Context of Debt Issuance – EP (2012 Audited)





Debt Mgmt Policy for 2014

Changes Proposed

- **Financing Alternatives – Section 5**
 - Add “economic development projects” to GO Bonds purposes listed in section 5.1 (pursuant to recent charter election)
 - Clarify language for Certificates of Obligation (section 5.2)
 - Remove obscure language that permitted blanket use of COs to “fund a particular non-quality of life project”
 - Provide descriptive language to use CO to “make necessary infrastructure improvements, renovate existing facilities, and extend the useful life of an asset”
 - Add existing QOL facilities to the specific list of projects eligible for CO funding;
 - “Rehabilitation and/or extension of the useful life of existing facilities including existing quality of life facilities”



Debt Mgmt Policy for 2014

Changes Proposed

- **Relatively Minor Clarifications**
 - **Section 5.2 (next to last paragraph) provides additional clarification that *long-term debt financing* can be used to acquire capital items with a value of at least \$5,000 and a life of at least four years – the added language makes it clear that the policy does not limit the City’s ability to acquire shorter-lived capital assets with non long-term debt financing**
 - **Section 8.1 provides an additional word for clarification – “The total amount of all other outstanding tax-supported indebtedness of the City shall not exceed ten percent of the total assessed valuation of the City’s tax rolls.”**



Debt Mgmt Policy for 2014

Features Unchanged Include;

- **Financing Alternatives**
 - **GO Bonds (new, >\$100 million, 15+ year life)**
 - **Certificates of Obligation**
 - **Revenue Bonds (enterprise activities producing rev)**
 - **Other (capital leases, notes, pension bonds)**

- **Sale Methods**
 - **Competitive sales**
 - **Negotiated sales (underwriter pool via RFQ, Council approves)**
 - **Private placement**



Debt Mgmt Policy for 2014

Features Unchanged Include;

- **Refundings**
 - **Current (2%+ in NPV savings)**
 - **Advance (3%+ in NPV savings)**
 - **Other (restructuring, changing covenant restrictions, etc.)**
- **Debt Issuance Limits & Maturities**
 - **GO should be < 10% of assessed valuation**
 - **Debt service (P & I) < 15% of total expenditures**
 - **Debt life < Asset life (max 30 years & avg life < 15 yrs)**



Debt Mgmt Policy for 2014

Features Unchanged Include;

- **Debt Service Fund & Taxes**
 - Interest earnings on debt proceeds ltd to capital or debt svc
 - Debt svc reserves < 25% of current year debt svc
 - Debt svc reserves > largest taxpayer's levy
 - Max debt svc tax rate is \$0.30 per \$100 valuation
- **Credit Ratings**
 - Bond rating on all issuances sold to public
 - Timely audits, CAFR & continuing disclosure



Debt Mgmt Policy for 2014

Features Unchanged Include;

- **Selection of professionals in issuance process**
 - **Financial Advisors via RFQ, Council awards**
 - **Bond Underwriters via RFQ, Council awards**
 - **Bond Counsel via City Manager recommendation, Council awards (RFQ is optional)**



Questions?