



Discussion and Action on the City's Debt Management Policy FY2015

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Purpose

- To set forth the parameters for:
 - Issuing new debt
 - Managing the outstanding debt portfolio
 - Identifying the types and amounts of permissible debt
 - Maintaining the current bond rating to:
 - Minimize borrowing costs
 - Preserve access to credit

- Provide guidance to staff to:
 - Ensure high quality debt management decisions
 - Ensure debt management decisions are viewed positively by rating agencies, investment community and the citizenry-at-large
 - Ensure support for debt issuances both internally and externally
 - Demonstrate a commitment to long-term financial planning



Proposed Changes

- **Section 5.1.1: changed the number of years from 6 to 10 to account for Quality of Life.**
- **Section 8.0 Debt Limits**
 - **8.2 Changed from showing debt service as a percent of total expenditures to “Net Direct Debt Service as a percent of Net Operating Revenues should not exceed 20%” in order to be consistent with ICMA (International City/County Management Association) financial indicators.**



Proposed Changes (continued)

- **Section 10.0 Management of Debt Service Fund**
 - **Added 10.5: To address post-issuance compliance of tax-exempt debt.**
 - **Wording was suggested by Arbitrage Compliance Specialists – the firm currently under contract to perform the City’s arbitrage rebate calculations.**
 - **Added two appendices in support of this section:**
 - **IRS Publication 5091 – Voluntary Compliance for Tax-Exempt and Tax-Credit Bonds**
 - **Post Issuance Compliance Checklist – published jointly by National Association of Bond Lawyers (NABL) and Government Finance Officers Association (GFOA).**
 - **Added 10.6: The City does not use derivatives in any debt or investment activities.**
 - **To be compliant with GFOA best practices regarding debt management policies.**



GFOA Best Practices

- **GFOA recommends adopting comprehensive, written debt management policies that address the following areas:**
 - **Debt Limits: City policy sections 5 and 8**
 - **Debt Structuring Practices: City policy section 4**
 - **Debt Issuance Practices:**
 - **City policy section 6 – Method of sale**
 - **City policy section 7 – Refunding**
 - **City police section 12 – Credit ratings**
 - **City policy section 13 – Financial Advisors**
 - **City policy section 14 – Underwriters**
 - **City policy section 15 – Bond Counsel**
 - **Debt Management practices: City policy section 10**
 - **Use of Derivatives: City policy section 10**



Questions?