

CITY OF EL PASO, TEXAS
AGENDA ITEM
DEPARTMENT HEAD'S SUMMARY FORM

DEPARTMENT: Financial Services Department
Engineering and Construction Management
Fire Department

AGENDA DATE: April 19, 2011

CONTACT PERSON NAME AND PHONE NUMBER: Carmen Arrieta-Candelaria, CFO, 915-541-4293
Alan Shubert, City Engineer, 915-541-4423
Chief Otto Drozd, Fire Chief, 915-771-1016

DISTRICT(S) AFFECTED: Citywide

SUBJECT:

- Discussion and action to approve a Resolution to revise the City of El Paso 2012-13 Short-Term Capital Improvement Plan to add additional capital projects totaling \$66,713,569 to include capital projects by fiscal year and authorizes a combination of Certificates of Obligation and Municipal Court Technology Fee Fund as sources for the Plan pursuant to the City's Debt Management Policy and that the City Manager be authorized to establish funding sources, and to pursue the actions and execute documents necessary to implement the project, subject to annual budgeting requirements and final Council approvals.
- Discussion and action to approve a resolution to modify the City of El Paso's Debt Management Policy as adopted and modified on October 27, 2009 to change the language in Section 11.0 Debt Service Tax Rate to reflect the "maximum amount of twenty-five (25¢) per \$100 valuation" to "maximum amount of twenty-seven (27¢) per \$100 valuation" in order to address transit-related projects as approved by Council.
- Discussion and action to approve a Resolution to revise the City of El Paso's Capital Program for Fiscal Years 2011-2017 to add the International Bridges Parking Meter Project and associated short-term financing proposal in an estimated amount of up to \$2 million and that the City Manager be authorized to establish funding sources, and to pursue the actions and execute documents necessary to implement the project, subject to annual budgeting requirements and final Council approvals.
- Discussion and action to provide direction on capital improvement options regarding fire station 5 at Alameda and Washington St. and fire station 13 at Trowbridge and Chelsea. (This item will be held at 5:00 p.m.)

BACKGROUND / DISCUSSION:

At the January 2011 Strategic Planning Session, the City Manager was directed to bring forward a short-term CIP plan to Council in order to address various capital improvements that needed to be made over the course of the next two years. Based on the outcome of that strategic planning session, staff reviewed the plan and is bringing forward the attached capital plan that would address these various capital needs. In order to accommodate these projects given the City's anticipated future debt rate in its tax debt model, City staff is requesting that the City's Debt Management Policy be amended in order to accommodate an additional two cents to its debt tax rate. The City's maximum property debt rate would be 27 cents.

Subsequent to the Strategic Planning Session, the International Bridges Department also identified a project that would allow for the conversion of various meters throughout the City as well as implement meters in the hospitals area and Cincinnati areas. This project has been reviewed by the Financial Services Department and a corresponding finance plan has been correlated to this project. This project will be approximately \$2 million and will be paid back from additional parking revenues to be generated. The expected payback period is five to six years.

Capital Improvement Options for Fire Stations 5 and 13: Four options are being presented for consideration. Seven community information sessions have been conducted by the Fire Department to present and explain the four primary service options being considered. The four construction options are as follows: 1) relocate station 5 and station 13 to an integrated fire facility at Colfax and Gateway East to accommodate increased service capabilities to both emergency response districts; 2) rebuild a larger station 5 at Washington St and Alameda to

accommodate increased service capabilities to that district and rebuild station 13 at its current location with no added service capability; 3) relocate station 5 to a large facility at Colfax and Gateway East to accommodate increased service capabilities to that district and rebuild station 13 at its current location with no added service capability; or 4) rebuild each of the two fire stations at their current location and maintain their current service response capabilities.

PRIOR COUNCIL ACTION:

At the October 27, 2009, Council meeting, City Council reaffirmed its Debt Management Policy which sets forth the parameters for issuing new debt for the City of El Paso.

In January 27, 2011, Council indicated to the City Manager to bring forward a two-year Short-Term CIP.

AMOUNT AND SOURCE OF FUNDING:

Detailed in backup documentation attached.

Specifically for the Fire Department CIP: The projected costs depend on the option selected and range from approximately \$3.6 million to \$6.3 million. Funding source is not yet determined. The El Paso Fire Department recommends option 4, which integrates Fire Station 5 and 13 at a centrally located facility in the area of Colfax St. and Gateway East.

BOARD / COMMISSION ACTION:

N/A

*****REQUIRED AUTHORIZATION*****

DEPARTMENT HEAD:

Carmen Arieta Candalaria

RESOLUTION

WHEREAS, the El Paso City Council approved its revised Debt Management Policy on April 19, 2011 which sets forth the parameters for issuing new debt for the City of El Paso; and

WHEREAS, the Debt Management Policy establishes the types of bonds that may be used to fund capital improvement projects at the lowest costs possible and states that Certificates of Obligation are an appropriate debt instrument for infrastructure-related capital projects (and non-quality of life projects) at a cumulative value of \$100 million or less; and

WHEREAS, the El Paso City Council has directed that issuances for proposed capital projects and utilizing Certificates of Obligation be brought forward annually starting in 2010 and thereafter; and

WHEREAS, on November 2, 2010, City Council approved a listing of capital projects to be undertaken in Fiscal Years 2011 through 2017 for which the City would need to issue long term debt; and

WHEREAS, the City Staff recommends that the El Paso City Council approve the revision of the City of El Paso 2012-13 Short-Term Capital Improvement Plan to add additional capital projects totaling \$66,713,569 to include capital projects by fiscal year and authorizes a combination of Certificates of Obligation and Municipal Court Technology Fee Fund as sources for the Plan pursuant to the City's Debt Management Policy as set forth in Exhibit "A".

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EL PASO, TEXAS:

1. **THAT** the El Paso City Council approves the revision of the City of El Paso 2012-13 Short-Term Capital Improvement Plan to add additional capital projects totaling \$66,713,569 to include capital projects by fiscal year and authorizes a combination of Certificates of Obligation and Municipal Court Technology Fee Fund as sources for the Plan pursuant to the City's Debt Management Policy as set forth in the attached **Exhibit "A"**;

2. **THAT** the City Manager be authorized, subject to annual budgeting requirements, to establish the funding sources for the capital plan enumerated in the "Capital Program" for Fiscal Years 2011 through 2017 and make all necessary budget transfers at the appropriate times for execution of the capital projects; and
3. **THAT** the City Manager be directed to pursue the actions and execute documents necessary to implement the project, subject to annual budgeting requirements and final Council approvals.

PASSED AND APPROVED this _____ day of _____ 2011.

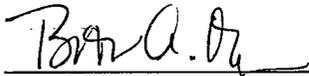
CITY OF EL PASO

John F. Cook, Mayor

ATTEST:

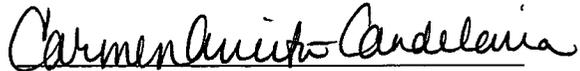
Richarda Duffy Momsen
City Clerk

APPROVED AS TO FORM:



Bertha A. Ontiveros
Assistant City Attorney

APPROVED AS TO CONTENT:



Carmen Arrieta-Candelaria
Chief Financial Officer

R. Alan Shubert, P.E.
City Engineer

RESOLUTION

WHEREAS, on November 28, 2005, the City of El Paso (the "**City**") adopted a Debt Management Policy (the "**Policy**") that set forth the parameters for issuing new debt as well as managing the outstanding debt portfolio, identified the types and amounts of permissible debt, and ensured that the City maintains a solid bond rating in order to minimize borrowing costs and preserving access to credit, and

WHEREAS, the City has reviewed and amended its Policy in accordance with the provisions of the Policy requiring City Council review on November 13, 2007 and October 27, 2009; and

WHEREAS, the City now desires to amend this Policy.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EL PASO:

That the City hereby adopts the Amended City of El Paso Debt Management Policy, attached hereto as *Exhibit A* and incorporated herein by reference.

ADOPTED this _____ day of _____, 2011.

CITY OF EL PASO

John F. Cook
Mayor

ATTEST:

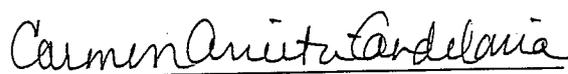
Richarda Duffy Momsen
City Clerk

APPROVED AS TO FORM:



Bertha A. Ontiveros
Assistant City Attorney

APPROVED AS TO CONTENT:



Carmen Arrieta-Candelaria
Chief Financial Officer

RESOLUTION

WHEREAS, the El Paso City Council approved its revised Debt Management Policy on April 19, 2011 which sets forth the parameters for issuing new debt for the City of El Paso; and

WHEREAS, the Debt Management Policy establishes the types of bonds that may be used to fund capital improvement projects at the lowest costs possible and states that Certificates of Obligation are an appropriate debt instrument for infrastructure-related capital projects (and non-quality of life projects) at a cumulative value of \$100 million or less; and

WHEREAS, the El Paso City Council has directed that issuances for proposed capital projects and utilizing Certificates of Obligation be brought forward annually starting in 2010 and thereafter; and

WHEREAS, on November 2, 2010, City Council approved a listing of capital projects to be undertaken in Fiscal Years 2011 through 2017 for which the City would need to issue long term debt; and

WHEREAS, the City Staff recommends that the El Paso City Council approve the addition of the Bridge Department's Parking Meter Project to convert existing meters with monthly revenues over \$50 in designated areas of the City and the related financing plan as set forth in **Exhibit "A"**.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EL PASO, TEXAS:

1. **THAT** the El Paso City Council approves the addition of the Bridge Department's Parking Meter Project to convert certain existing meeting in designated areas of the City and the related financing plan, as set forth in the attached **Exhibit "A"**, and Certificates of Obligation are initially identified as the funding source, subject to annual budgeting requirements;
2. **THAT** the City Manager be authorized, subject to annual budgeting requirements, to establish the funding sources for the capital plan enumerated in the "Capital Program"

for Fiscal Years 2011 through 2017 and make all necessary budget transfers at the appropriate times for execution of the capital projects; and

3. **THAT** the City Manager be directed to pursue the actions and execute documents necessary to implement the project, subject to annual budgeting requirements and final Council approvals.

PASSED AND APPROVED this _____ day of _____ 2011.

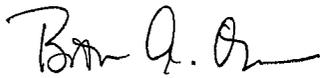
CITY OF EL PASO

John F. Cook, Mayor

ATTEST:

Richarda Duffy Momsen
City Clerk

APPROVED AS TO FORM:

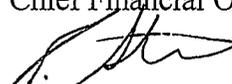


Bertha A. Ontiveros
Assistant City Attorney

APPROVED AS TO CONTENT:



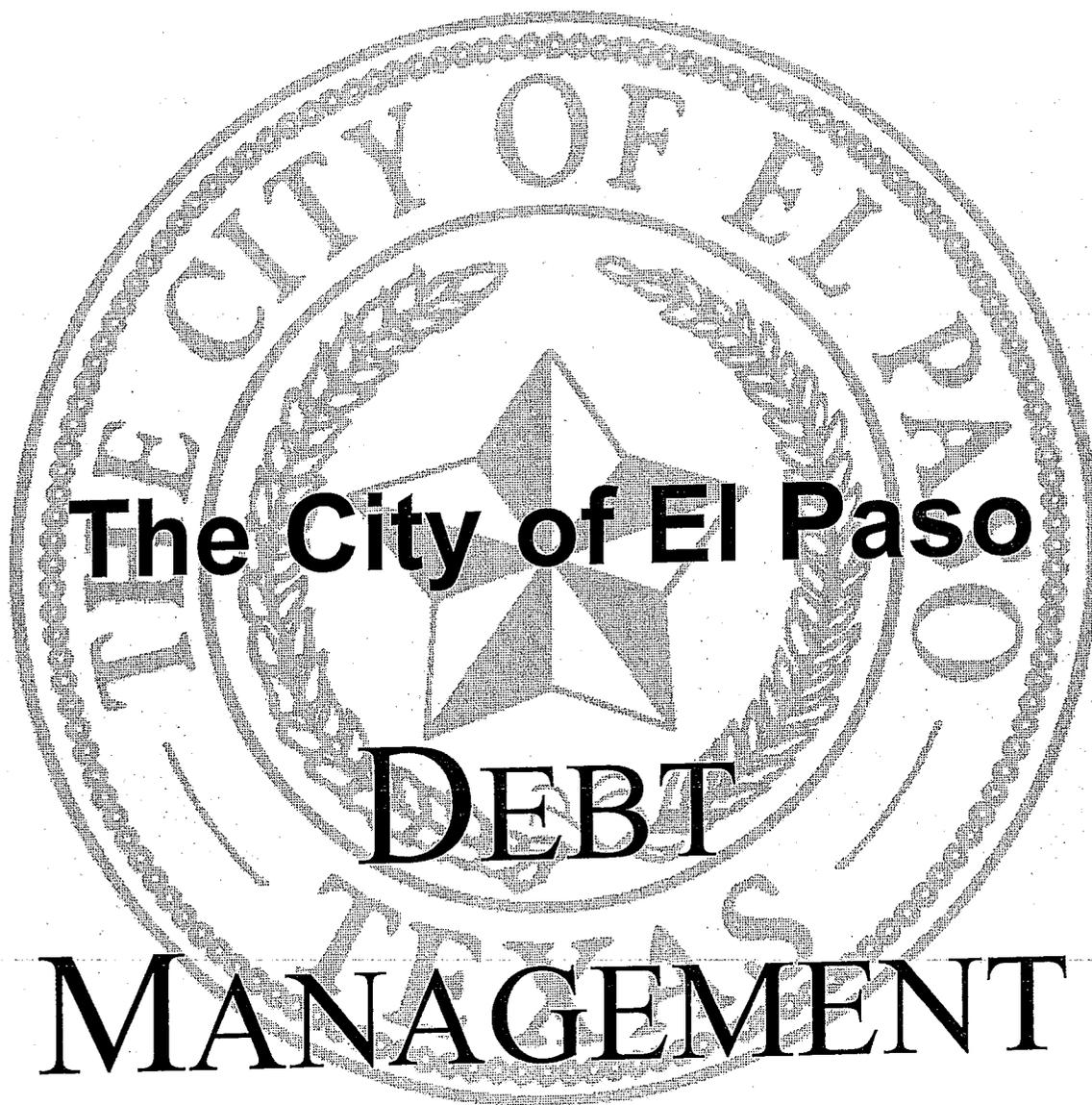
Carmen Arrieta-Candelaria
Chief Financial Officer



R. Alan Shubert, P.E.
City Engineer

EXHIBIT A

**AMENDED
THE CITY OF EL PASO
DEBT MANAGEMENT POLICY**



The City of El Paso

DEBT

MANAGEMENT

POLICY

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Adopted by Council on November 28, 2005; Revised by Council on November 13, 2007; revised by Council on October 27, 2009; revised by Council on April 19, 2011.

The City of El Paso

Debt Management Policy

1.0 POLICY

It is the policy of the City of El Paso to develop and maintain a sound debt management program. This policy sets forth the parameters for issuing new debt as well as managing the outstanding debt portfolio, identifying the types and amounts of permissible debt, and maintaining the current bond rating in order to minimize borrowing costs and preserving access to credit. It is the intent of the City to establish this policy to provide guidance to staff to:

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

2.0 SCOPE

The City of El Paso Debt Management Policy (this "Policy") applies to all debt instruments issued by the City of El Paso regardless of the funding source. Funding sources can be derived from ad valorem taxes, general City revenues, enterprise fund revenues or any other identifiable source of revenue that may be identified for appropriate pledging for bonded indebtedness.

3.0 OBJECTIVES

The primary objective of this Policy is to ensure that the City establishes and maintains a solid position with respect to its debt service fund. It is intended to demonstrate that proceeds from long-term debt will not be used for current operations but rather for capital improvements and other long-term assets.

Other objectives include: i) bonds will be paid back within a period not to exceed, and preferably sooner than, the expected useful life of the capital project; ii) decisions will be made based on a number of factors and will be evaluated against long-term goals rather than a short-term fix.; and iii) debt service funds will be managed and invested in accordance with all federal, state and local laws.

4.0 STRUCTURE OF DEBT

Debt service will be structured, to the greatest extent possible, to match projected cash flows, minimize the impact of future property tax levies, and maintain a relatively rapid payment of principal. The term of the debt issuance should equal the lesser of the useful

life of the asset being financed or the maximum maturity permitted by State law for the obligations issued to finance the acquisition and construction of the asset.

4.1 Fixed Interest versus Variable Interest

The City primarily issues fixed rate bonds to protect the City against interest rate risk. The City has the option to issue variable rate bonds and may, if market conditions warrant, consider such a structure. Commercial paper notes, due to their short term maturities (270 days or less), are treated as variable rate obligations.

4.2 Other Considerations

Bonds are generally issued with an average life of 20 years or less for general obligation bonds, certificates of obligation and revenue bonds but may be greater for some projects such as landfills and major utility facilities whose lives are greater than 20 years. Typically, interest is paid in the first fiscal year after a bond sale, and principal is paid no later than the second fiscal year after the debt is issued. Call provisions for bond issues shall be made as short as possible consistent with the lowest interest cost to the City. The targeted maximum length to call is 10 years. However, the City may opt for a call date longer than 10 years in order to achieve the necessary goals of the particular issue.

5.0 FINANCING ALTERNATIVES

It is the City's intent to develop a level of cash and debt funded capital improvement projects that provide the citizens with the desired amount of City services at the lowest cost. The City may use both general obligation bonds or certificates of obligations as deemed appropriate by City staff and approved by Council.

5.1 General obligations bonds ("GOB") will be used if the following criteria is met:

- The size of the issuances is \$100 million or above.
- Funds will be used for new and expanded facilities, major repair/renovations to existing facilities, and quality-of-life projects.
- Useful lives of assets acquired will be fifteen (15) years or more; or will extend the useful life of an asset for more than (15) years.
- Voter authorized debt

5.1.1 The total dollar amount of bond election propositions recommended to the voters shall not exceed the City's estimated ability to issue said bonds within a normal 6 year period.

5.1.2 The use of reimbursement resolutions shall be encouraged as a cash management tool for general obligation debt funded projects.

5.1.3 Commercial paper can be used as a source of long-term financing for projects that have received voter authorization if City staff has determined that such financing is prudent. It is the policy of the City that the amount of commercial paper outstanding should not exceed 120% of the total investment portfolio of the City. It is the policy of the City that the net amount (total commercial paper less the investment portfolio) of commercial paper outstanding not exceed 25% of the amount of fixed rate debt outstanding. Commercial paper will be converted to refunding bonds when dictated by economic and business conditions.

5.1.4 Quality-of-life projects are defined as projects such as but not limited to the City's parks, museums, zoo, libraries, non-public safety facilities, and entertainment, sports and amusement-type facilities.

5.2 Certificates of Obligation – For Issuances < \$100 million

It is the City's priority to fund the majority of capital projects with voter-approved debt. However, on occasion, it becomes necessary to seek additional financing in order to fund a particular non-quality of life project(s). COs will be issued for the following projects/acquisitions:

- Capital asset acquisitions (heavy equipment, vehicles, IT equipment, etc.)
- Rehabilitation and/or extension of the useful life of existing facilities
- Street resurfacing
- Unpaved Rights of Way
- ADA retrofitting/rehabilitation projects
- Street lighting
- Infrastructure projects (street and draining work)
- Emergency city facilities rehabilitation (storm water draining, etc.)
- Major core service facilities (police, fire, streets, etc.)

Notwithstanding the policy set forth herein and in section 5.1, certificates of obligation or other long-term debt may be considered if the following criteria are met:

- The need for the project is urgent and immediate;
- The project(s) is necessary to prevent an economic loss to the City;
- Source of revenue is specific and can be expected to cover the additional debt;
- The expected debt is the most cost effective financing option available.

In addition, the average maturity of non-voter approved debt shall not exceed the average life of the project financed. Capital items shall have a value of at least \$5,000 and a life of at least four years.

Reimbursement resolutions may be used for projects funded through certificates of obligations.

- 5.3 Certificates of Obligations – Enterprise Fund
Certificates of obligation for an enterprise system will be limited to only those projects; which can demonstrate the capability to support the certificate debt either through its own revenues, or another pledged source other than ad valorem taxes and meet the same criteria as outlined in 4.2 above.
- 5.4 Revenue Bonds
Revenue bonds will be issued for projects that generate revenues that are sufficient to repay the debt. Except where otherwise required by State Statutes, revenue bonds may be issued without voter approval and only in accordance with the laws of Texas.
- 5.5 Other debt obligations
The use of other debt obligations, permitted by law, including but not limited to public property finance act contractual obligations, pension obligation bonds, tax notes, and lease purchase obligations, will be reviewed on a case-by-case basis. The findings in 5.2 above will be considered for the use of these obligations.

6.0 METHODS OF SALE

The City may use competitive sales, negotiated sales, or private placements. When considering the method of sale, the City will take the following conditions into consideration:

- a. Financial conditions;
- b. Market conditions;
- c. Transaction-specific conditions;
- d. City-related conditions; and
- e. Risks associated with each method.

Additionally, the City considers the following criteria when determining the appropriate method of sale for any debt issuance:

- a. Complexity of the Issue – Municipal securities with complex security features require greater marketing and buyer education efforts on the part of the underwriter, to improve the investors' willingness to purchase.
- b. Volatility of Bond Yields – If municipal markets are subject to abrupt changes in interest rates, there may be a need to have some flexibility in the timing of the sale to take advantage of positive market changes or to delay a sale in the face of negative market changes.
- c. Familiarity of Underwriters with the City's Credit Quality – If underwriters are familiar with the City's credit quality, a lower TIC may be achieved. Awareness of the credit quality of the City has a direct impact on the TIC an underwriter will bid on an issue. Therefore, where additional information in the form of presale marketing benefits the interest rate, a negotiated sale may be recommended. The City strives to

maintain an excellent bond rating. As a result, the Municipal Bond Market is generally familiar with the City's credit quality.

- d. Size of the Issue - The City may choose to offer sizable issues as negotiated so that pre-marketing and buyer education efforts may be done to more effectively promote the bond sale.

6.1 Definitions of Methods of Sales

A *Competitive Sale* is when bonds are awarded in a sealed bid sale to an underwriter or syndicate of underwriters that provides the lowest True Interest Cost (TIC) bid. TIC is defined as the rate, which will discount the aggregate amount of debt service payable over the life of the bond issue to its present value on the date of delivery. In today's market, bids primarily are submitted electronically through a secure website.

A *Negotiated sale* is when the City chooses an underwriter or underwriting syndicate, generally from the pool selected through its RFQ process, that is interested in reoffering a particular series of bonds to investors. The terms of the sale including the size of the underwriter's discount, date of sale, and other factors are negotiated between the two parties. Although the method of sale is termed negotiated, individual components of the sale may be competitively bid. The components are subject to a market analysis and reviewed prior to recommendation by staff. Negotiated sales are more advantageous when there needs to be some flexibility in the sale date or when less conventional bond structures are being sold. Negotiated sales are also often used when the issue is particularly large or if the sale of the debt issuance would be perceived to be more successful with pre-marketing efforts.

A *Private placement* is a sale of debt securities to a limited number of sophisticated investors. The City may engage a placement agent to identify likely investors. A private placement is beneficial when the issue size is small or when the security of the bonds is weak since the private placement permits issuers to sell more risky securities at a higher yield to investors that are familiar with the credit risk.

7.0 REFUNDING OF DEBT

- 7.1 Advance refunding and forward delivery refunding transactions for savings should be considered when the net present value savings as a percentage of the par amount of refunded bonds is at least 3%.
- 7.2 Current refunding transactions issued for savings should be considered when the net present value savings as a percentage of the par amount of refunded bonds is at least 2%.

- 7.3 From time to time, the City may also issue refunding debt for purposes of restructuring debt, changing covenants, and/or changing the repayment source of the bonds. Such purpose should be specifically recognized by City Council.

8.0 DEBT LIMITS

- 8.1 The total principal amount of general obligation bonds together with the principal amount of all other outstanding tax indebtedness of the City shall not exceed ten percent of the total assessed valuation of the City's tax rolls.
- 8.2 Since debt service payments represent a fixed expense of the City's total annual operating budget, debt service as a percent of total expenditures should not exceed 15%.

9.0 MATURITY LEVELS

- 9.1 The term of debt shall not exceed the expected useful life of the capital asset being financed and in no case shall it exceed 30 years. The average (weighted) general obligation bond maturities shall be kept at or below 15 years.

10.0 MANAGEMENT OF DEBT SERVICE FUND

- 10.1 Interest earnings from general obligation bonds and certificates of obligation shall be used solely to fund direct or related capital expenditures or to service current and future debt payments. Interest earnings will be allocated in accordance with the City's Investment Policy, adopted annually by Council.
- 10.2 Debt service reserves for tax-supported debt shall not exceed a three-month reserve of the current year total debt service expenditure budget (i.e. Total Annual Debt Service Budget/12 month x 3 months). If this reserve balance is exceeded during any given fiscal year, a plan should be adopted to reduce the size of the reserves as quickly as possible without causing large variances in the ad valorem property tax rate.
- 10.3 The minimum debt service unrestricted fund balance should exceed the debt service portion of the largest taxpayer's tax levy for the ensuing fiscal year.
- 10.4 Debt service reserves for revenue bonds shall be maintained at levels required by controlling bond ordinances.
- 10.5 The City shall comply with all Internal Revenue Service rules and regulations including but not limited to arbitrage.

11.0 DEBT SERVICE TAX RATE

Council shall adopt the necessary debt service tax rate up to a maximum amount of twenty-seven cents (27 ¢) per \$100 valuation in order to meet debt service principal, interest and fees payments, net of transfers, for each particular fiscal/budget year, subject to any reserve availability as outlined in 8.2 above.

12.0 RATINGS

- 12.1 The City will strive to maintain good relationships with bond rating agencies as well as disclose financial reports and information to these agencies and to the public.
- 12.2 The City will obtain a rating from at least one nationally recognized bond-rating agency on all issues being sold on the public market.
- 12.3 Timely disclosure of annual financial information including other information will be provided to the rating agencies. The Comprehensive Annual Financial Report (CAFR) will be prepared by management and attested to by an outside nationally recognized audit firm.
- 12.4 Timely disclosure of any pertinent financial information that could potentially affect the City's credit rating will also be presented to the ratings agencies required information repositories, bond insurance companies insuring City of El Paso debt and commercial banks providing liquidity support for commercial paper programs.

13.0 SELECTION OF FINANCIAL ADVISORS

- 13.1 In order to obtain the best price, achieve a high level of quality service, promote fairness and objectivity, and allow the City to compare Financial Advisors, the City will prepare a Request for Qualifications (RFQ) to select a Financial Advisor at least once every five years. City staff should review ongoing contracts periodically to ensure that the selected Financial Advisor is performing at a satisfactory level.
- 13.2 The Financial Advisor selected will provide financial advisory services related to the authorization and issuance of debt instruments or other securities as well as debt management planning services as requested by the City.
- 13.3 Any RFQ developed should provide, at a minimum, a clear and concise description of the scope of work, specify the length of the contract and indicate whether joint proposals with other firms are acceptable; include objective selection criteria and explain how proposals will be evaluated; and require all fee structures to be presented in a standard and clear format. In addition, the RFQ should include questions related distinguish firms' qualifications and experience, including relevant experience of the firm and the particular individuals assigned to the issuer.

14.0 SELECTION OF UNDERWRITERS

- 14.1 In order to obtain the best price, achieve a high level of quality service, promote fairness and objectivity, and allow the City to compare underwriters, the City will prepare a Request for Qualifications (RFQ) to select underwriters at least once every five years. Although the City anticipates using this RFQ as the basis for selecting Underwriters for all future debt issuances for general obligation, contractual obligations, revenue bonds and other such type debt, the City may solicit underwriters for certain future debt instruments

that it determines require additional consideration or specialty such as pension obligation debt issuances.

- 14.2 A list of selected underwriters will be developed from responses to the RFQ process, which shall be provided to Council for its approval. This list will be used on a rotation basis from which to select underwriters for a particular transaction. City staff should review ongoing contracts periodically to ensure that the selected underwriter(s) are performing at a satisfactory level.
- 14.3 Any RFQ developed should provide, at a minimum, a clear and concise description of the scope of work, specify the length of the contract and indicate whether joint proposals with other firms are acceptable; include objective selection criteria and explain how proposals will be evaluated; and require all fee structures to be presented in a standard and clear format. In addition, the RFQ should include questions related distinguish firms' qualifications and experience, including relevant experience of the firm and the particular individuals assigned to the issuer.

15.0 SELECTION OF BOND COUNSEL

15.1 The Chief Financial Officer and Deputy City Manager for Finance and Public Safety shall coordinate with the City Attorney on the recommendation of bond counsel for debt issues. The recommendation will be submitted to the City Manager and upon approval by the City Manager, will then be forwarded to the City Council for final authorization and approval. Bond counsel will have comprehensive municipal debt knowledge and experience. When the bond counsel has been selected, they are responsible for providing an opinion to investors in two specific areas. The bond counsel must opine to investors that the securities are valid and legally binding obligations of the issuer. Then, the bond counsel will opine on whether the interest on the bonds is exempt from federal taxation. The bond counsel also prepares all bond documents necessary to execute the bond issuance. The bond counsel is responsible for coordinating with the City Attorney's office, City Clerk's office, and the Finance and Public Safety Portfolio, as well as the City's financial advisor, to ensure that all tasks associated with the bond issuance are completed within prescribed timeframes. To the extent required by State law, bond counsel is responsible for coordinating with the Office of the Attorney General and the Office of the Comptroller of Public Accounts of the State of Texas matters relating to the approval of City obligations. The City values continuity in maintaining a relationship with bond counsel due to the complexity of issues and laws related in issuing municipal bonds. However, the City reserves the right to conduct a formal request for proposal or request for qualifications process.

16.0 DEBT MANAGEMENT POLICY REVIEW

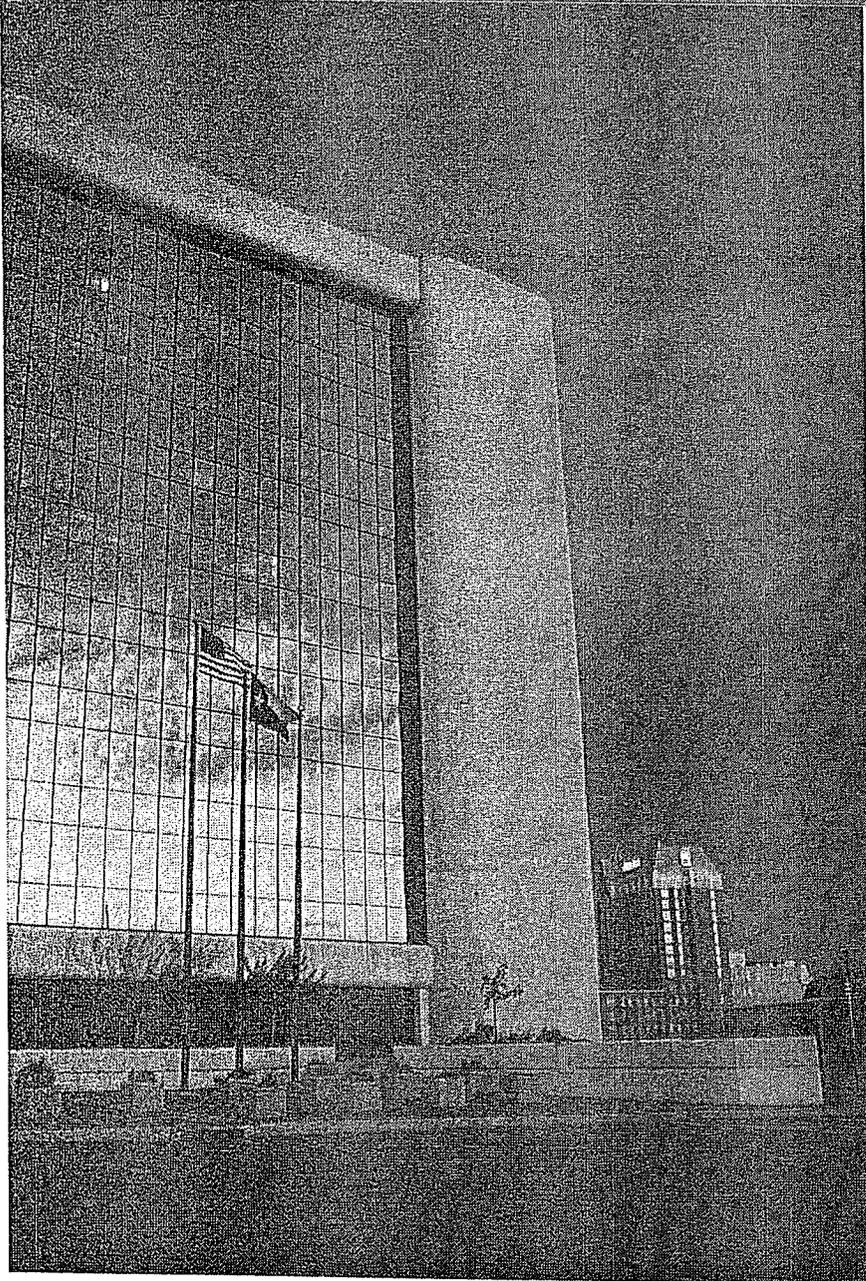
This Debt Management Policy shall be reviewed at least bi-annually by the City Council and any modifications must be adopted by Council.

SERVICE SOLUTIONS SUCCESS



City of El Paso Short-Term Capital Improvement Plan

*Fiscal Year
2012-2013*





Proposed Short-Term CIP

- On January 27, 2011, the City Council met during a Strategic Planning Session
- Staff presented a Short-Term CIP for 2012 and 2013 to include:
 - a) Fire Department improvements
 - b) IT capital projections
 - c) Infrastructure investments
 - d) Park improvements
- Staff reviewed plan based on comments from the Strategic Planning Session and Internal Department reviews



SHORT-TERM PROPOSED CAPITAL IMPROVEMENT PLAN - FY 2012-2013

PROJECT	TOTAL BUDGET	FY 2012	FY 2013
Fire Station 37 @ Edgemere & Rich Beem	\$ 3,100,000	\$ 3,100,000	
Fire Station 5 Replacement	\$ 2,116,500	\$ 200,000	\$ 1,916,500
Fire Station 13 Replacement	\$ 2,116,500	\$ 200,000	\$ 1,916,500
Fire Station 12 Replacement @3801 Ft. Blvd. - Design Only	\$ 290,000		\$ 290,000
Fire Training Academy* (\$7,000,000)			
SUBTOTAL - FIRE DEPARTMENT PROJECTS	\$ 7,623,000	\$ 3,500,000	\$ 4,123,000
NTMP	\$ 1,000,000	\$ 500,000	\$ 500,000
Pasodale Phase 4 and Schwabe	\$ 6,000,000	\$ 3,000,000	\$ 3,000,000
Signage	\$ 1,000,000	\$ 500,000	\$ 500,000
Signals & Flashers	\$ 2,000,000	\$ 1,000,000	\$ 1,000,000
Street Reconstruction - Montwood St. Construction	\$ 10,000,000	\$ 5,000,000	\$ 5,000,000
Street Resurfacing	\$ 6,000,000	\$ 3,000,000	\$ 3,000,000
Unpaved ROW	\$ 1,000,000	\$ 500,000	\$ 500,000
SUBTOTAL - STREET INFRASTRUCTURE PROJECTS	\$ 27,000,000	\$ 13,500,000	\$ 13,500,000

*Note: Fire Training Academy shown for information only; funding not included pending completion of strategic planning process.

Note: Fire Departments replacements are proposed as a consolidation; related item to be discussed at 5:00 today at City Council.



SHORT-TERM PROPOSED CAPITAL IMPROVEMENT PLAN - FY 2012-2013 (Continued)

Facility Rehabilitation Citywide	\$ 4,000,000	\$ 2,000,000	\$ 2,000,000
IT Capital*	\$ 21,500,000	\$ 11,500,000	\$ 10,000,000
Park/Ponds - In accordance with storm water master plan	\$ 2,000,000	\$ 1,000,000	\$ 1,000,000
Parks - Playground/Swing Improvements; Lighting and/or Walking Paths	\$ 2,000,000	\$ 1,000,000	\$ 1,000,000
SUBTOTAL - OTHER FACILITIES	\$ 29,500,000	\$ 15,500,000	\$ 14,000,000
SUBTOTAL - ALL PROJECTS	\$ 64,123,000	\$ 32,500,000	\$ 31,623,000
2% for the Arts	\$ 1,282,460	\$ 650,000	\$ 632,460
2% for Bond Issuance Costs	\$ 1,308,109	\$ 663,000	\$ 645,109
New Authorization Totals	\$ 66,713,569	\$ 33,813,000	\$ 32,900,569

*\$1.5 million will be funded out of Municipal Court Technology Fee Fund



Additional Items to Short-Term CIP

- **Bridges Department Parking Meters**
Project Overview
 - Convert all existing meters with Monthly Revenues over \$50 to Digital Technology
 - Convert all Loading Zones and Reserved Parking to Metered Spaces
 - Add Meters to Hospitals Area and Cincinnati Areas
 - Project is approximately \$2 million
 - Payment from additional parking revenues to be generated
 - Payback period is approximately five to six years
 - Life of meters is approximately seven to ten years

SERVICE SOLUTIONS SUCCESS



Proposed Debt Plan Related to Short-Term CIP Plan



Current Key Assumptions

- Issuance of All Existing Debt Remaining
- Use of Fund Balance
- Timing of Issuances of Remaining Debt
- Assessed Valuation Growth
- True Interest Cost
- Maximum Debt Rate of 25 cents



PROJECTED ISSUANCES 2011 AND BEYOND:

- Projected issuances
 - Existing authorizations
 - Proposed Scenarios
- Modifying principal structure could provide further tax rate relief
- Use of the fund balance to mitigate tax increase

Remaining Authorizations
December 2008 Authorization
February 2010 Authorization
March 2010 Authorization
November 2010 Authorization



TIMING OF CO ISSUANCES

Remaining Authorizations	
December 2008 Authorization*	38,798,181
February 2010 Authorization	40,000,000
March 2010 Authorization	19,767,218
November 2010 Authorization	68,393,833
Subtotal – Authorized	\$166,959,232
Proposed Short-Term CIP (excluding Bridge Project and \$1.5 million of Tech Fund)	62,623,000
Total	\$229,582,232

*Includes \$12 million in self-supporting debt from Sun Metro
 Note: 2% for bond issuance costs and 2% for arts funding for various issuances need to be added to the final total.



ASSESSED VALUATION GROWTH

■ The following assessed valuation growth has been built in the tax model:

■ Affecting Fiscal Years

■ 2012	1.00%
■ 2013	1.00%
■ 2014	2.00%
■ 2015	2.00%
■ 2016+	2.50%



TRUE INTEREST COST

- Interest Rate Assumptions:
 - Projected based on current market trends
 - Subject to market variations
- Projected rates used in model
 - Series 2011 5.00%
 - Series 2012 5.50%
 - Series 2013+ 5.75%



Current Debt Model Using Key Assumptions

Assumptions:

- (1) Assumes annual taxable value growth as noted on previous slide.
 - (2) Net of self-supporting debt and BAB Tax Credit payments. The 2009 Pension Obligation Bonds structure assumes an initial 5 year bullet at 3.74%; thereafter, debt service shown is for 25 years at 7%.
 - (3) Net of Capitalized Interest.
 - (4) Years beyond 2022 reflect a declining debt tax rate.
- Note: Model is subject to change due to market rates, assessed valuations and other key assumption changes.

Note: One instance of non-compliance in debt model in 2015

Year	Authorized But Not Issued ¹
2011	0.2239
2012	0.2383
2013	0.2432
2014	0.2494
2015	0.2572
2016	0.2487
2017	0.2329
2018	0.2285
2019	0.2187
2020	0.2119
2021	0.2072
2022	0.2000



Review of Current Debt Model

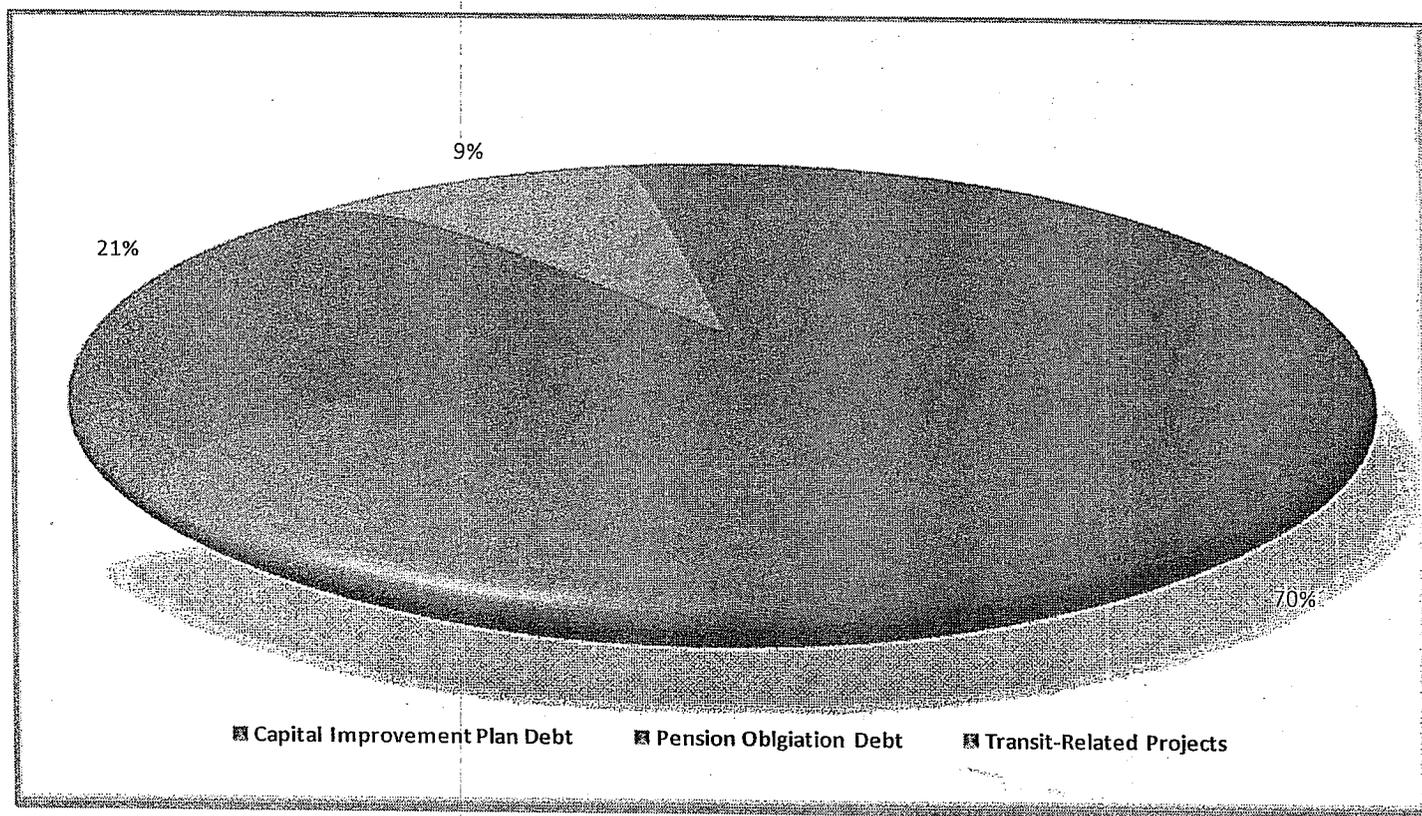
- Debt Rate is set at 25 ¢ per \$100 of assessed valuation per the City's Debt Management Policy
- Rate pertains to property-tax supported debt
- No breakdown for debt of specific projects such as pension obligation or transit-related projects
- Debt Management Policy was set in November 2005
- Pension Obligation Bonds were not issued until Summer 2007 and Summer 2009

Debt Management Policy regarding Debt Service Tax Rate Limit:

Section 11.0 DEBT SERVICE TAX RATE: Council shall adopt the necessary debt service tax rate up to a maximum amount of twenty-five cents (25 ¢) per \$100 valuation in order to meet debt service principal, interest and fees payments, net of transfers, for each particular fiscal/budget year, subject to any reserve availability as outlined in 8.2 above.



City of El Paso Property Tax-Supported Debt As of March 31, 2011





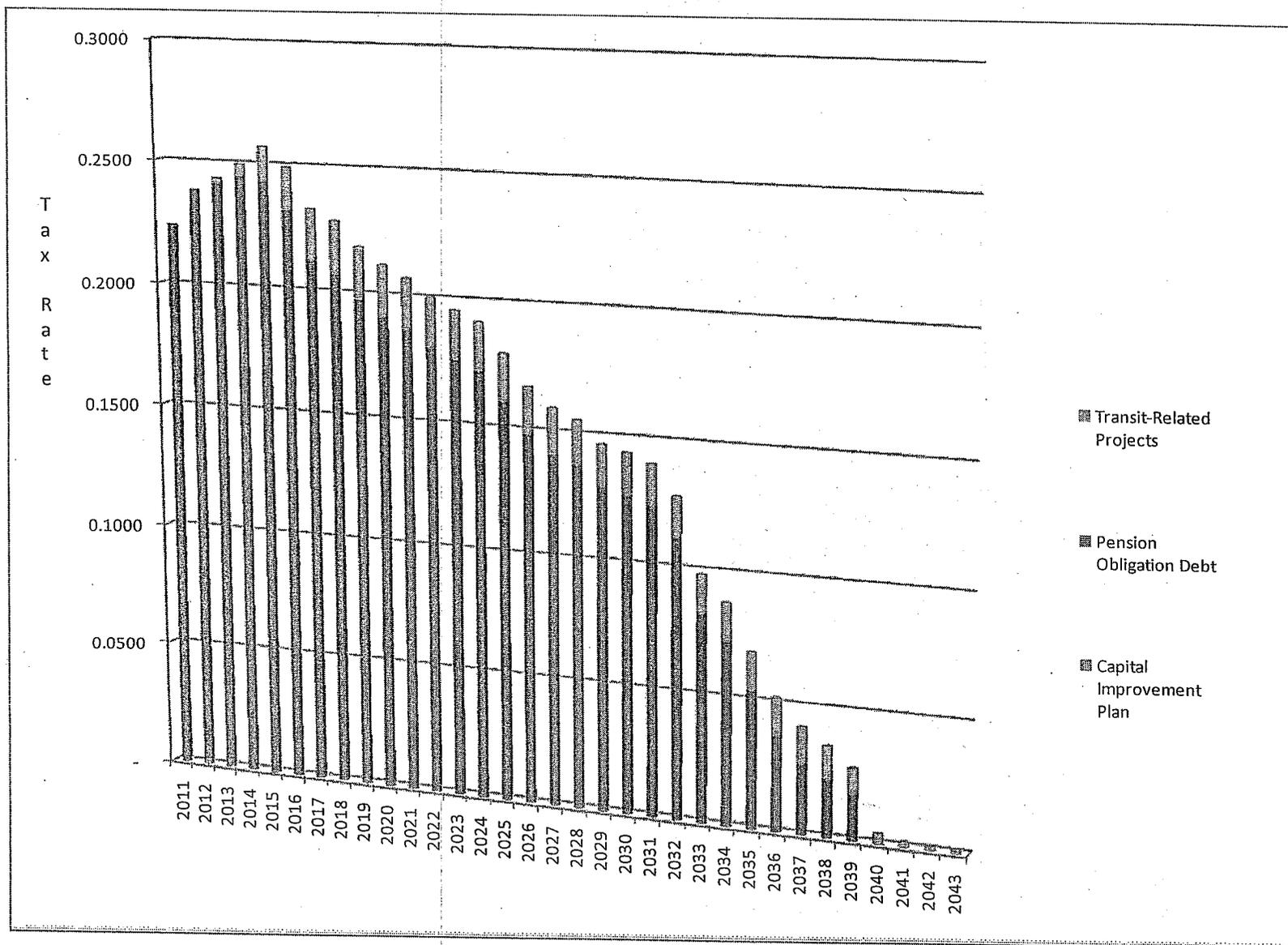
Review of Current Debt Model (Continued)

Breakdown of Tax Rates per Category

Capital Improvement Plan Projects (GO and CO)	70%
Pension Fund Debt (GO)	21%
Transportation Projects (CO)	9%



Projected Tax Rate





Review of Current Debt Model (Continued)

Breakdown of Tax Rates per Category

Year	Capital Improvement Plan	Pension Obligation Debt	Transportation Projects	Total
2011	0.1824	0.0415	-	0.2239
2012	0.1923	0.0460	-	0.2383
2013	0.1958	0.0457	0.0017	0.2432
2014	0.2001	0.0446	0.0047	0.2494
2015	0.1875	0.0556	0.0141	0.2572
2016	0.1778	0.0543	0.0166	0.2487
2017	0.1596	0.0529	0.0204	0.2329
2018	0.1557	0.0517	0.0211	0.2285
2019	0.1473	0.0504	0.0210	0.2187
2020	0.1421	0.0491	0.0207	0.2119
2021	0.1387	0.0479	0.0206	0.2072
2022	0.1332	0.0467	0.0201	0.2000
2023	0.1301	0.0456	0.0196	0.1953
2024	0.1274	0.0445	0.0192	0.1911
2025	0.1172	0.0434	0.0187	0.1793
2026	0.1062	0.0423	0.0182	0.1667

Assumptions:

- (1) Assumes annual taxable value growth as noted on previous slide.
 - (2) Net of self-supporting debt and BAB Tax Credit payments. The 2009 Pension Obligation Bonds structure assumes an initial 5 year bullet at 3.74%; thereafter, debt service shown is for 25 years at 7%.
 - (3) Net of Capitalized Interest.
 - (4) Years beyond 2022 reflect a declining debt tax rate.
- Note: Model is subject to change due to market rates, assessed valuations and other key assumption changes.



Review of Debt Model with Proposed Short-Term CIP*

Year	Authorized But Not Issued ¹	Proposed Scenario Including Authorized But Not Issued
2011	0.2239	0.2239
2012	0.2383	0.2383
2013	0.2432	0.2425
2014	0.2494	0.2500
2015	0.2572	0.2630
2016	0.2487	0.2593
2017	0.2329	0.2553
2018	0.2285	0.2507
2019	0.2187	0.2448
2020	0.2119	0.2364
2021	0.2072	0.2285
2022	0.2000	0.2230

Assumptions:

- (1) Assumes annual taxable value growth as noted on previous slide.
 - (2) Net of self-supporting debt and BAB Tax Credit payments. The 2009 Pension Obligation Bonds structure assumes an initial 5 year bullet at 3.74%; thereafter, debt service shown is for 25 years at 7%.
 - (3) Net of Capitalized Interest.
 - (4) Years beyond 2022 reflect a declining debt tax rate.
- Note: Model is subject to change due to market rates, assessed valuations and other key assumption changes.

*Excluding Parking Meter Project.



Parking Meter Funding Proposal

Terms for Financing:

- Project is approximately \$2 million
- Payment from additional parking revenues to be generated – anticipated net \$400,000
- Payback period is approximately five to six years
- Life of meters is approximately seven to ten years
- Tax Note Financing
- Private Placement
- Short-term rate approximately 3% or less

SERVICE SOLUTIONS SUCCESS



Recommendations



Recommendations

- Approve the Short-Term Capital Improvement Plan as presented
- Approve the parking meter project and related financing proposal



Recommendations

- Approve a change to the Debt Management Policy to increase the debt service rate by 2 cents to a total of 27 cents to accommodate the transit-related projects

OR:

- Dedicate 2 cents to transit-related projects in order to have a recognized source of funding for current and future transit projects



Next Steps

- Devise a Long-Term Capital Improvement Plan for Infrastructure and Quality of Life Projects

SERVICE SOLUTIONS SUCCESS



Questions?



Discussion and action to provide
direction on capital improvements
to specific fire stations



CAPITAL IMPROVEMENT PLAN - FY 2012-2013

PROJECT	TOTAL BUDGET	FY 2012	FY 2013
Fire Station 37 @ Edgemere & Rich Beem	\$ 3,100,000	\$ 3,100,000	
Fire Station 5 Replacement	\$ 2,116,500	\$ 200,000	\$ 1,916,500
Fire Station 13 Replacement	\$ 2,116,500	\$ 200,000	\$ 1,916,500
Fire Station 12 Replacement @3801 Ft. Blvd. - Design Only	\$ 290,000		\$ 290,000
SUBTOTAL - FIRE DEPARTMENT PROJECTS	\$ 7,623,000	\$ 3,500,000	\$ 4,123,000

*Fire Department's portion of proposed 2013-13 plan.

SERVICE SOLUTIONS SUCCESS



FACILITY	DIST	ACQUISITION DATE	Women's Facilities w/Locker Rooms	Dorms / Bedroom	Refrigerated Air/ Evap. Cooler	ADA Compliance	Priority Rank	Upgrade Required Score
EPFD FACILITY INFORMATION								
Fire Station #5	3	1950	no	dorm	both	no	1	14
Fire Station #12	2	1950	no	dorm	evaporative	no	1	14
Fire Station #13	2	1960	no	dorm	evaporative Cooler with window units	no	1	14
Fire Station #37	5	Proposed						

Basis for Upgrade Required Score:

- Age of the facility (>50 years old) = 3 points
- Available Apparatus Space = 3 points
- Total Cost of Upgrades (>\$50,000) = 3 points
- ADA Non-compliant = 1 point
- Upgrade Needs: Restroom, HVAC, Driveway = 1 point each

Re-construction
New Construction

SERVICE SOLUTIONS SUCCESS



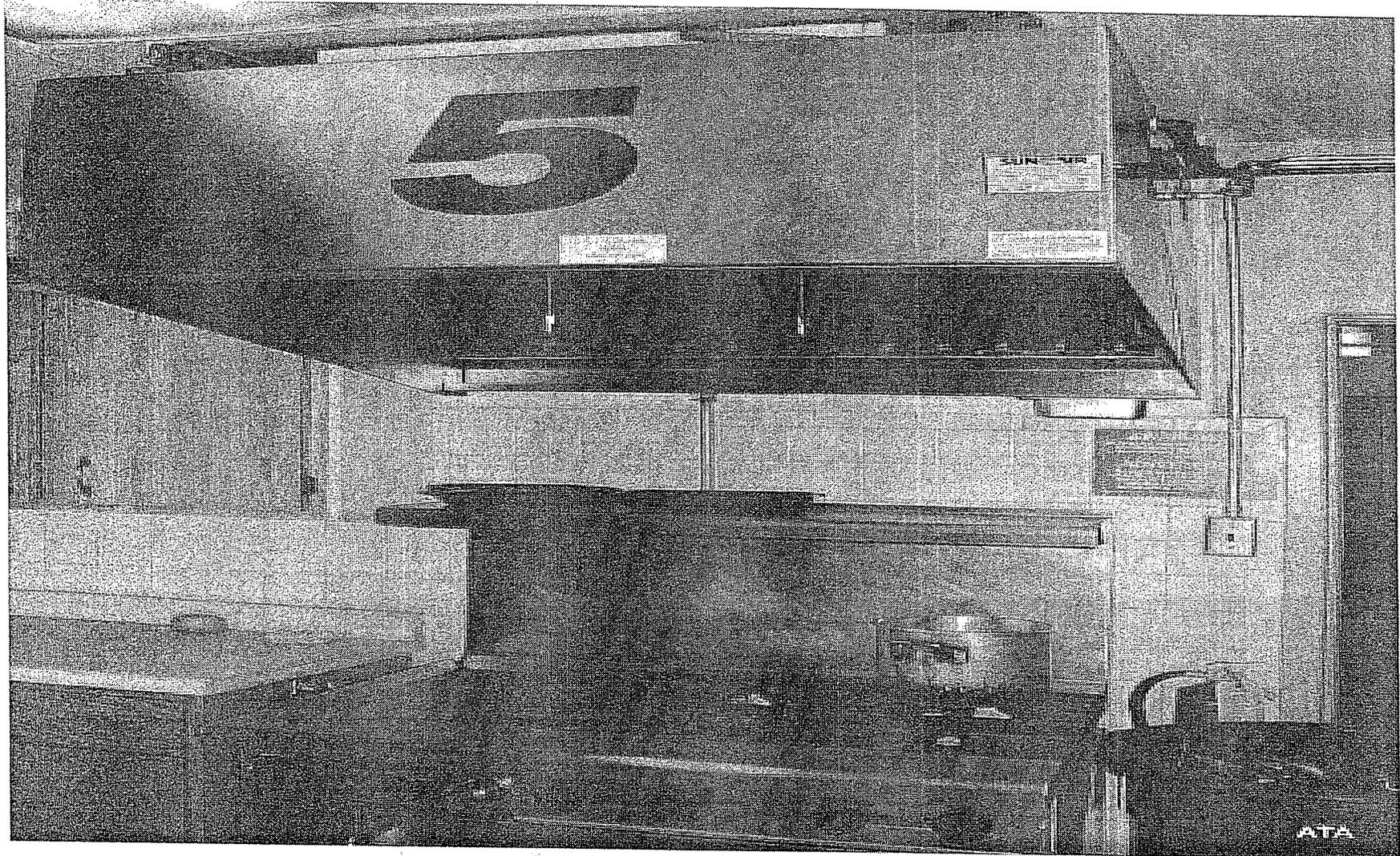
Questions?



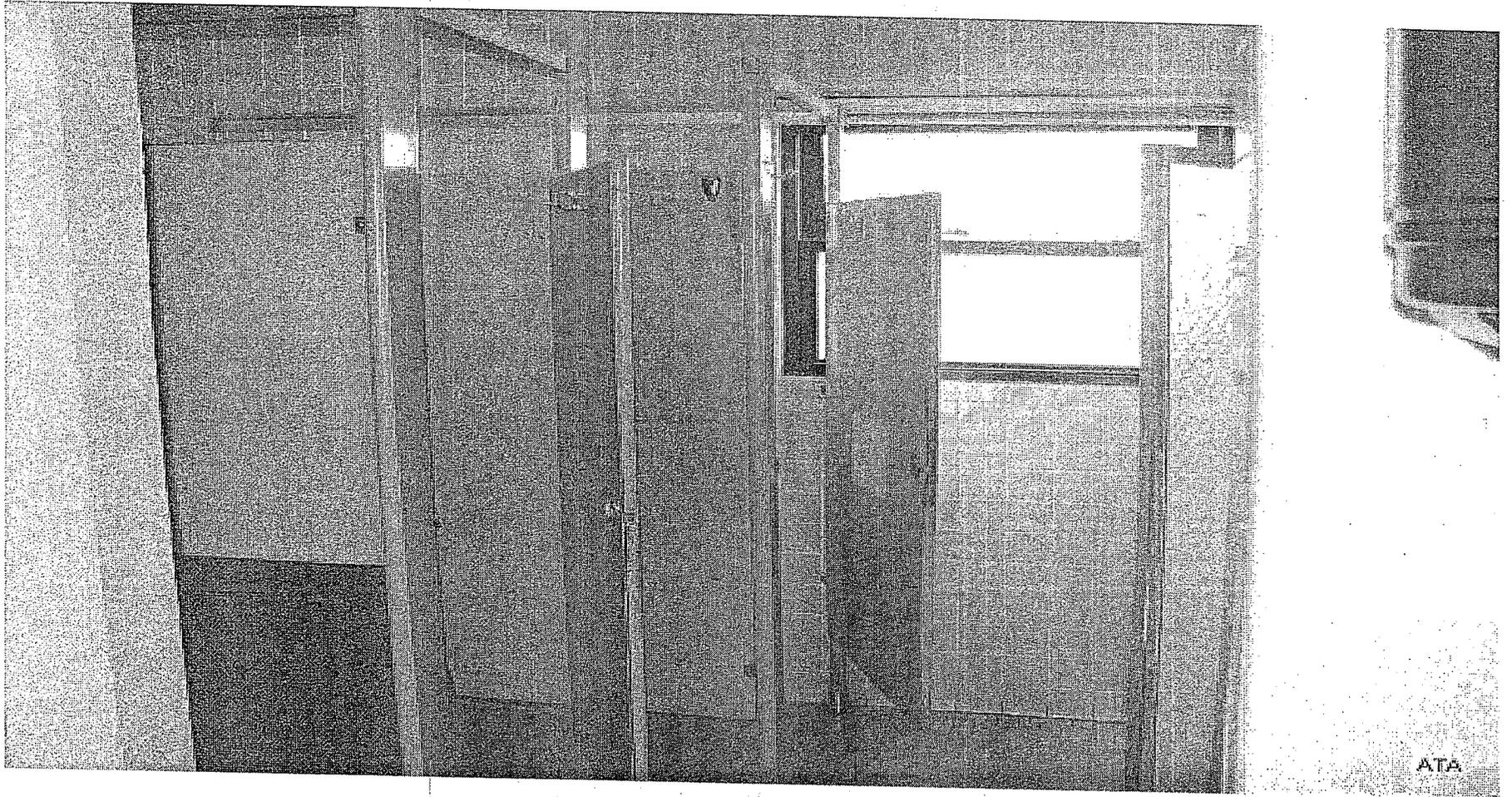
Station 5



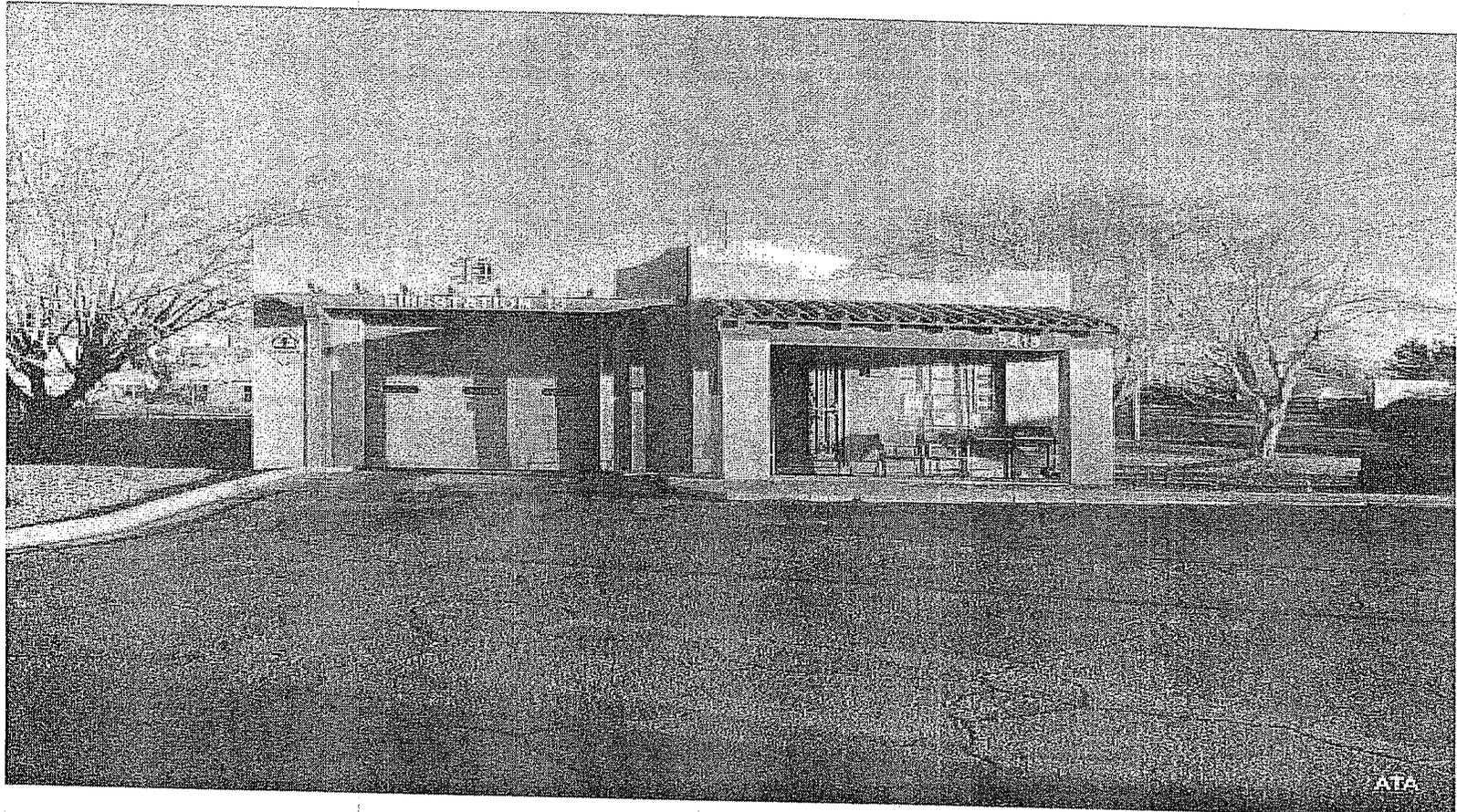
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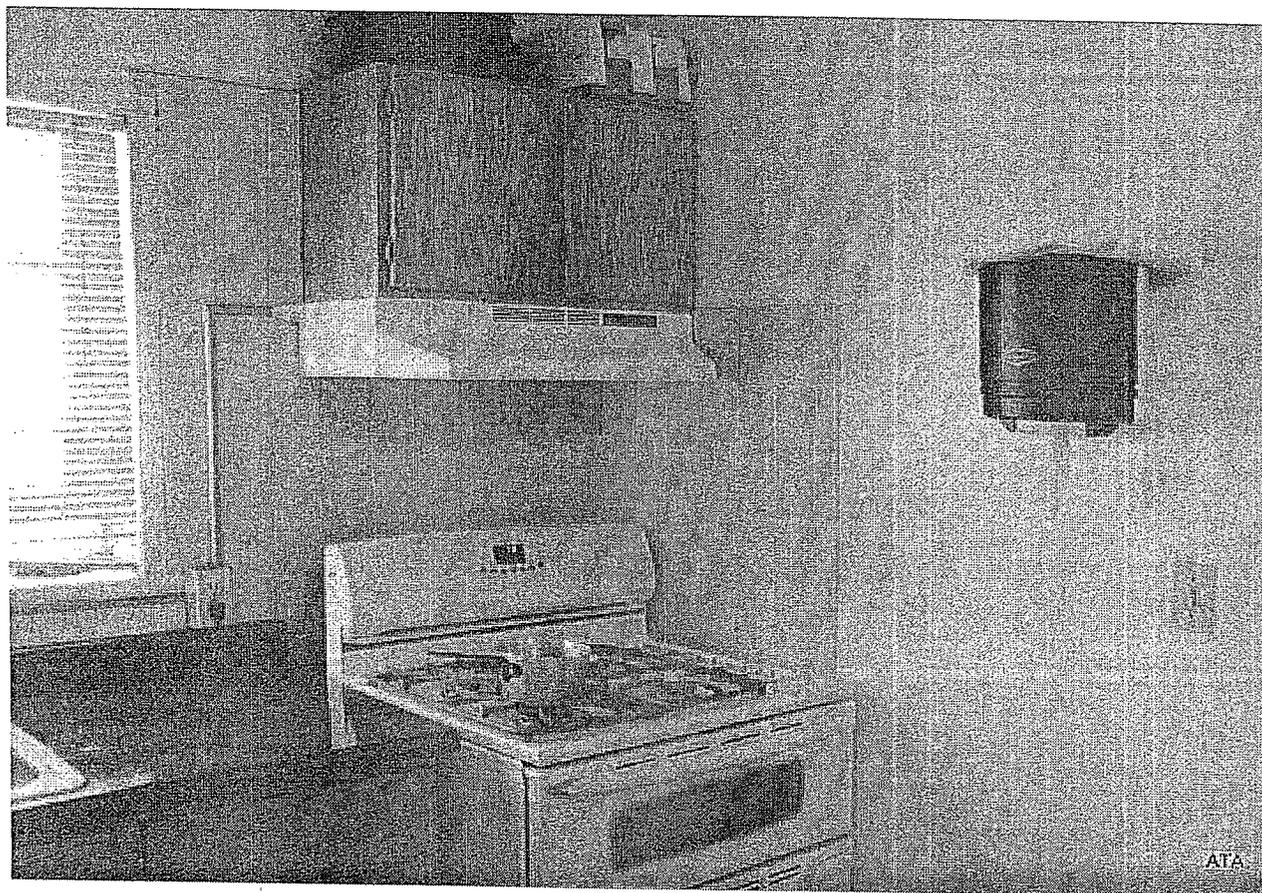
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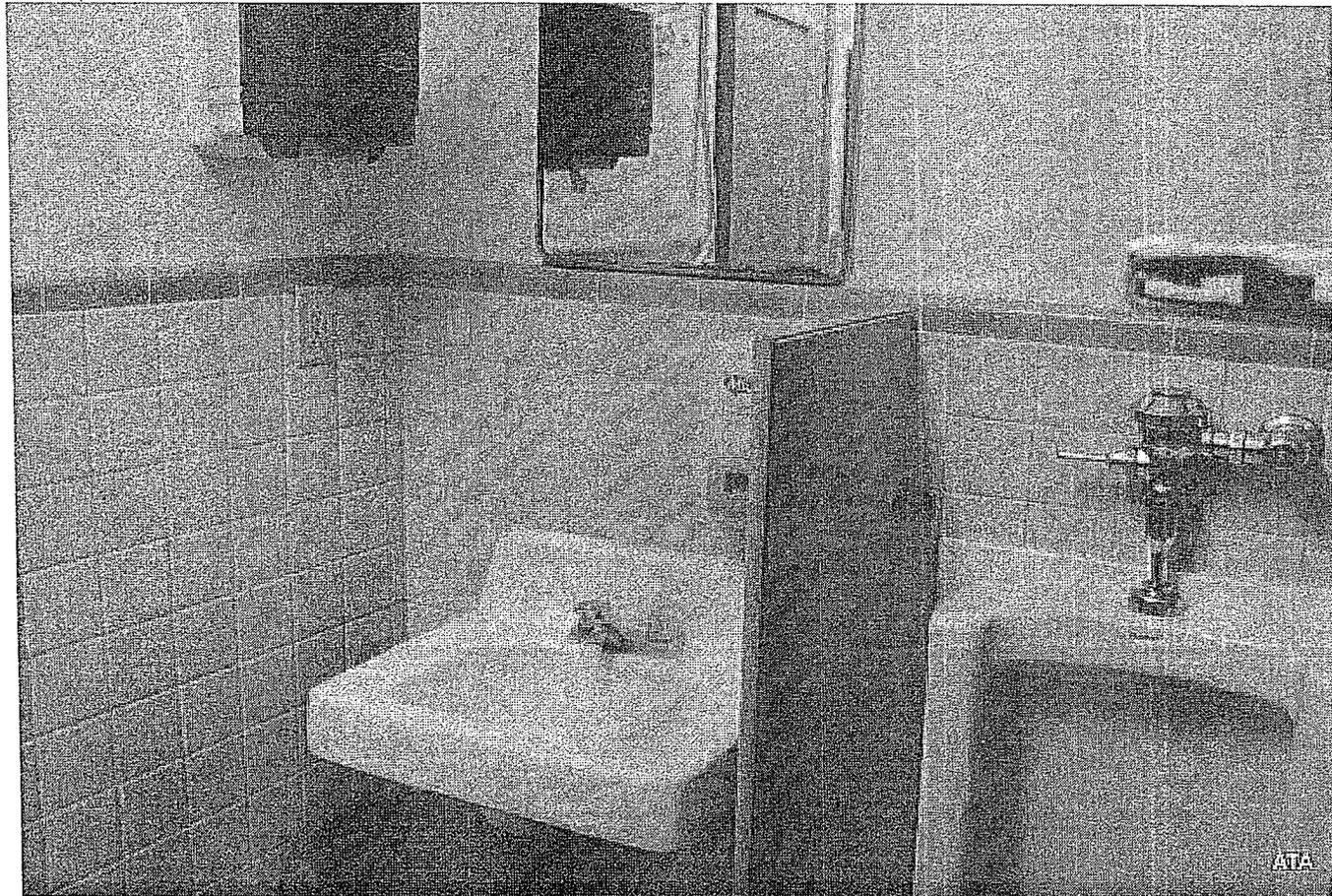
Station 13



Station 13



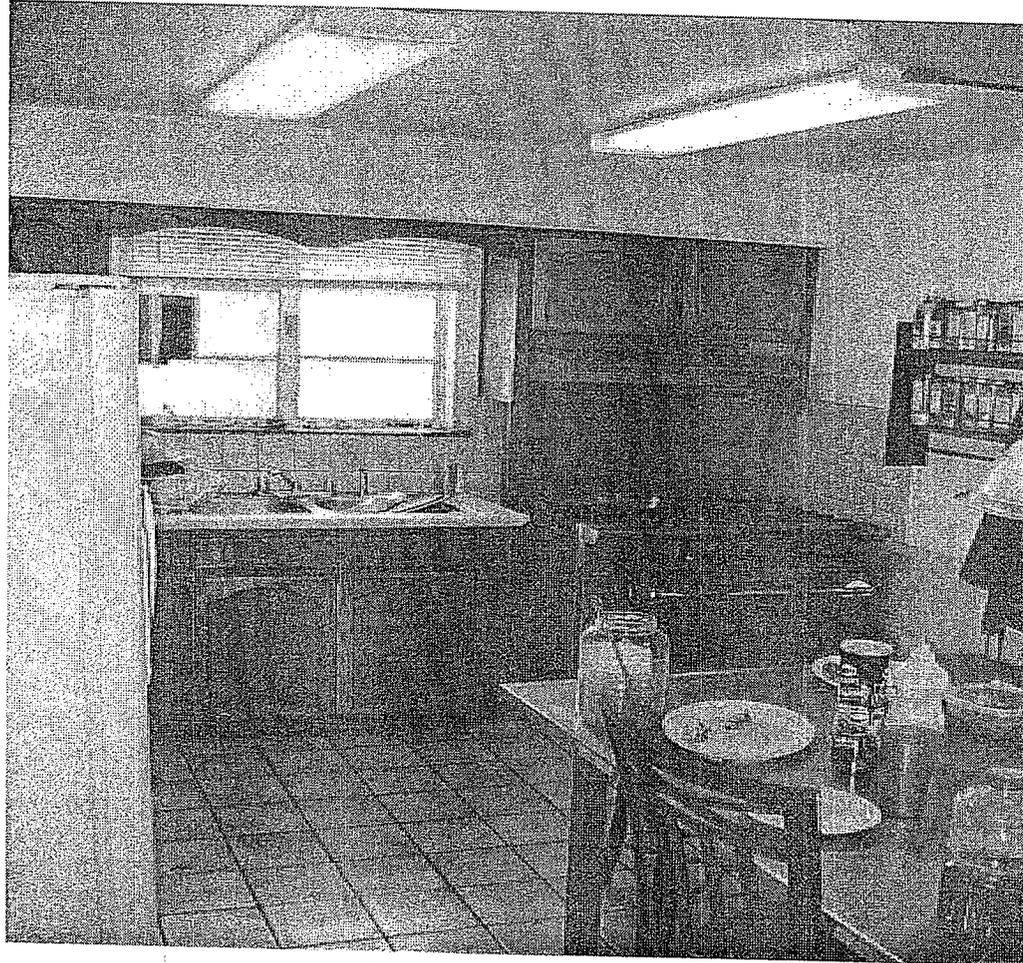
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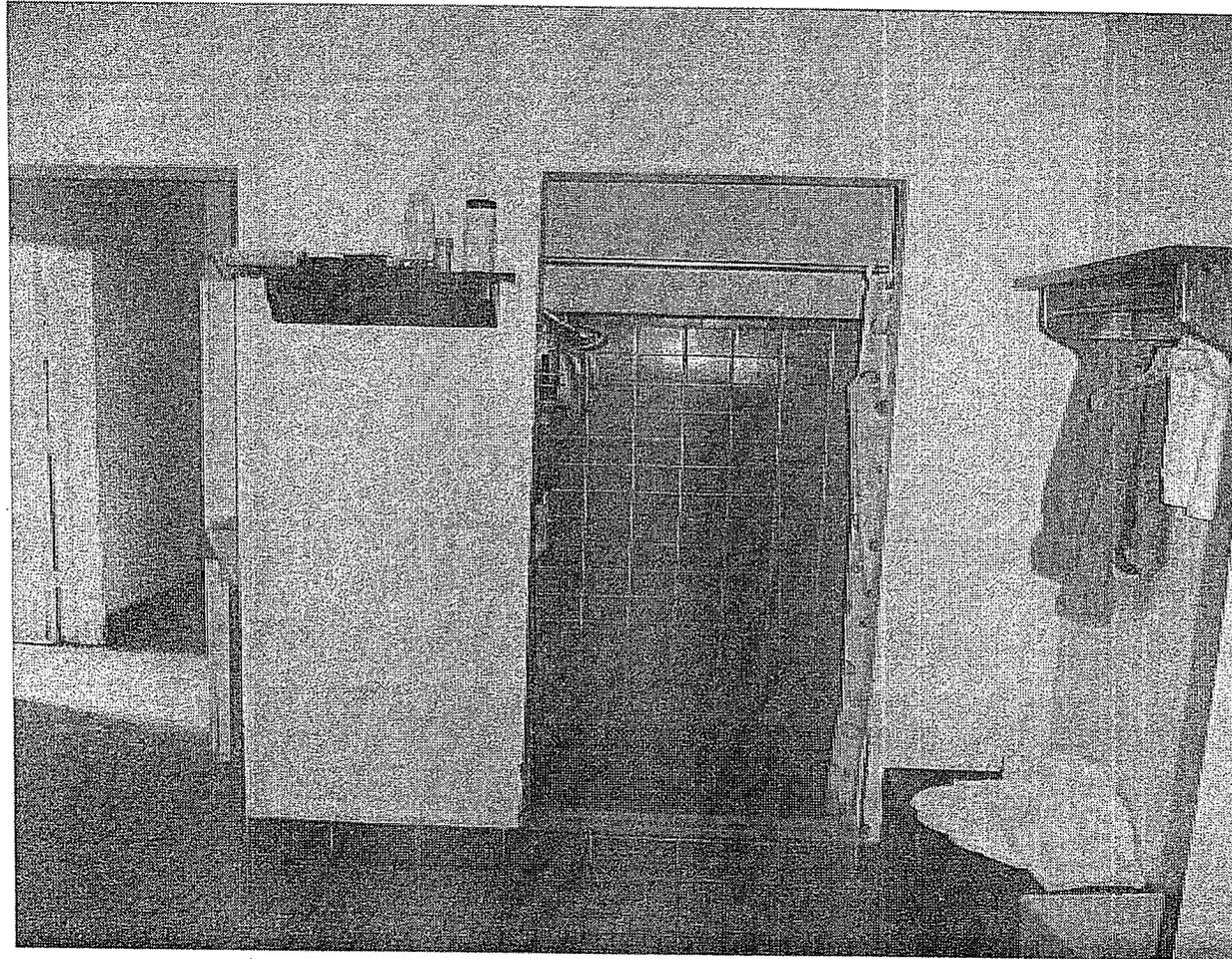
Station 12



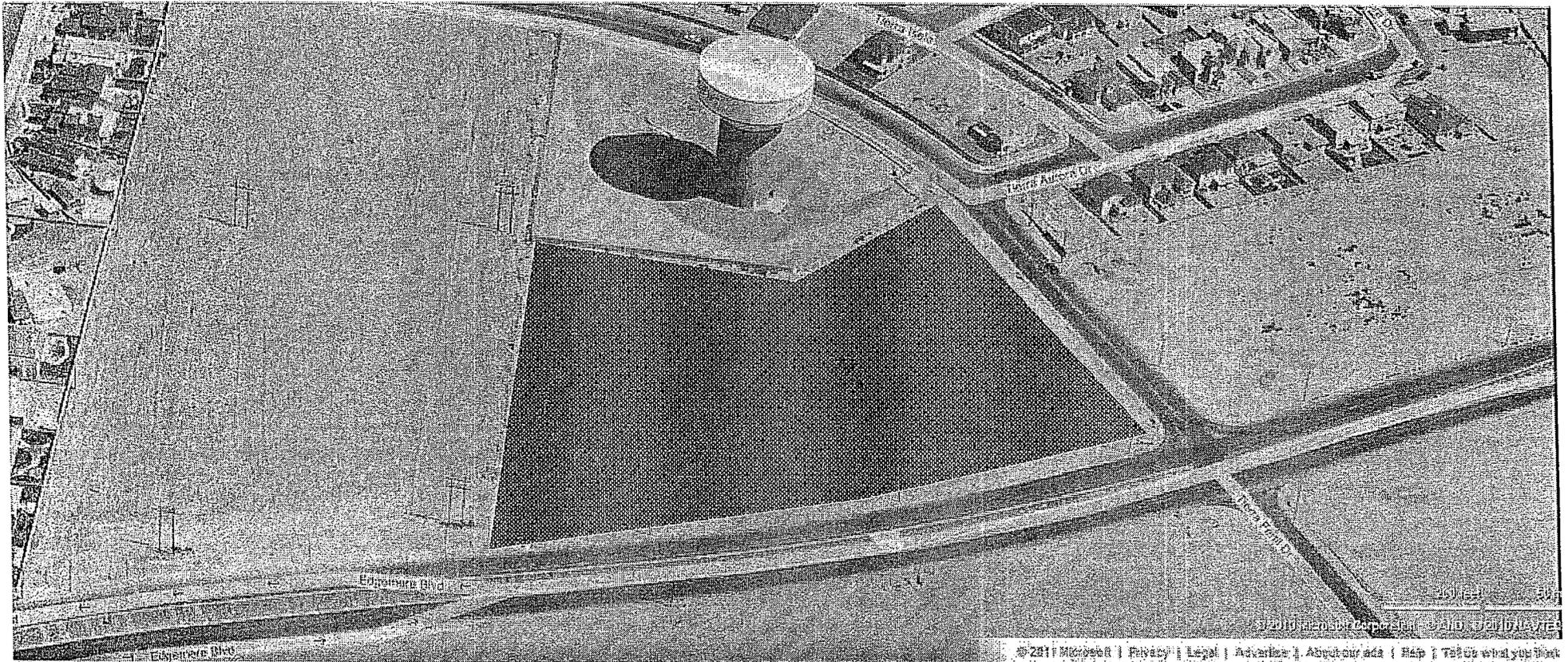
Station 12



Station 12



Fire Station 37 Site





Proposed Fire Station 37 Service Area

Total Runs 2010 to date	1,218
Average Travel Time	7.49
NFPA Recommended Travel time	4



37's Service Area Impact

- Approx. Population of Service Area = 30,000
- 1,218 Incidents into Service Area*
- 90th % Travel Time = 7:49*
- 90th % Travel Time for EPFD = 6:03

*1/1/210 to 2/1/2011



Questions?

