

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	November 18, 2013
	Agenda Item No.	41A
	Roll Call No.	<u>13-1821</u>
	Communication No.	<u>13-550</u>
	Submitted by:	Scott E. Sanders, Finance Director

AGENDA HEADING:

Resolution approving City policies on debt management including Fund Balance Policy and Debt Issuance and Limitation Policy and receipt of updated Debt Management Program maintained by the Finance Department.

SYNOPSIS:

Resolution recognizes the changing requirements of credit rating agencies to have up-to-date and officially recognized debt management policies and procedures. Resolution and proposed policies also address how to handle the upcoming borrowing for the franchise fee judgment in regards to the City's self-imposed debt limit.

FISCAL IMPACT:

Amount: The City's current self-imposed debt limit is 80% of the limit established by the Iowa Constitution. The debt being issued to satisfy the franchise fee judgment will result in the total City debt subject to the debt limit exceeding 80% for an estimated five (5) years, but not exceeding 86%.

Funding Source: Funding for the bonds associated with the franchise fee judgment will be paid from either new franchise fee revenue or a debt service levy. The City intends to maintain a debt service levy rate that approximates \$4.15 per \$1,000 in taxable valuation for capital borrowing paid by property taxes. Additional franchise fee authorization would require a voter referendum.

ADDITIONAL INFORMATION:

The Debt Management Program of the City includes procedures for debt issuance, reporting compliance, record retention, corrective measures if deemed necessary and departmental processes for handling bond proceeds (i.e. investment restrictions) and arbitrage calculations. It is the responsibility of the Finance Director to keep this program document updated, distributed to appropriate City staff and readily available to the bond market and credit agencies. The City Council approved policies have been incorporated into this larger document as appendices to guide administrative decisions.

- 1) The City Council policies pertaining to debt issuances are summarized as follows:
 - a. Utilize no more than 80% of the legal debt capacity as established by the Iowa Constitution for City capital expenditures; and
 - b. Utilize bond proceeds to pay for planned obligations such as capital outlays and not to pay for operating expenses, unless under emergency situations; and
 - c. Maintain the debt service levy as low as the prevailing market rates will allow; and

- d. Structure each debt issuance with the shortest reasonable maturities and not to exceed the weighted average of the useful life of the financed projects and equipment; and
 - e. Structure each debt issuance with the earliest market viable and cost effective call date; and
 - f. Issuance of General Obligation (G.O.) debt in place of Revenue debt shall not take place if it puts at risk the City's strong G.O. credit ratings; and
 - g. Prior to issuance of debt associated with enterprise funds, the Finance Director shall make a recommendation as to whether it is in the best interest of the City to issue the debt as Revenue Bonds or as G.O. Bonds. The recommendation shall include the level of debt capacity available, analysis of the cost to maintain reserve funds and other bond covenants and the impact, if any, on the City's credit ratings.
- 2) The City Council policies pertaining to fund balances and current cash reserves are summarized as follows:
- a. The City's General Fund unassigned fund balance shall be maintained at no less than 10% of annual expenditures on every June 30th. The City's annual Comprehensive Annual Financial Report will illustrate compliance with this directive each year; and
 - b. City shall maintain sufficient General Fund cash liquidity throughout the fiscal year to pay current expenses; and
 - c. Working Capital Balances for Enterprise Funds shall be maintained at not less than 15% of annual expenditures on every June 30th.

PREVIOUS COUNCIL ACTION(S):

Date: October 21, 2013

Roll Call Number: [13-1664](#)

Action: [On](#) Issuance of not to exceed \$42,000,000 General Obligation Bonds (Essential Corporate Purpose). (A special Council meeting will be held on November 20, 2013 at 4:30 PM to award the sale of the bonds) ([Council Communication No. 13-519](#)) Moved by Griess to adopt. Motion Carried 6-1. Nays: Meyer.

Date: June 11, 2012

Roll Call Number: [12-0936](#)

Action: [Change](#) to the Debt Management Policy to allow for issuance of General Obligation debt to benefit City Enterprise funds. ([Council Communication No. 12-305](#)) Moved by Coleman to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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