

**SHORT-TERM OPERATING DEBT POLICY**

The expenses associated with day to day operations of the City will be covered by current revenues. However, because the City receives the majority of its property tax revenues at two (2) times during the year, the City may experience temporary cash shortfalls. In order to finance these temporary cash shortfalls, the City may incur short-term operating debt (typically, tax and revenues anticipation notes ([TRANS])). The amount of the short-term operating debt will be based on cash flow projections for the fiscal year and will comply with applicable federal and state regulations. Operating revenues will be pledged to repay the debt, which will generally be repaid in one year or less. The costs of such borrowings will be minimized to the greatest extent possible.

**LONG-TERM CAPITAL DEBT POLICY**

The long-term capital debt policy sets the parameters for issuing debt and provides guidance in the timing and structuring of long-term debt commitments. A separate policy issued for special improvement districts (SIDS) financing was adopted by the City Commission on November 20, 1990. The City will consider the issuance of long-term obligations under the following conditions:

1. The City will use debt financing only for one-time capital improvement projects and unusual equipment purchases, and only under the following circumstances:
  - a. When the project is included in the City's five-year capital improvement program and is in conformance with the City's general plan.
  - b. When the project is not included in the City's five-year capital improvement program, but it is an emerging critical need whose timing was not anticipated in the five-year capital improvement program or it is a project mandated immediately by state or federal requirements.
  - c. When the project's useful life, or the projected service life of the equipment will be equal to or exceed the term of the financing.
  - d. When there are designated revenues sufficient to service the debt, whether from project revenues, other specified and reserved resources, or infrastructure cost sharing revenues.
  - e. Debt financing (other than tax and revenue anticipation notes) is not considered appropriate for any recurring purpose such as current operating and maintenance expenditures.
2. The project priority process used in developing the City's various capital improvement programs, including criteria used in evaluating projects and project viability, will be reviewed by the City Commission annually as part of the budget process.
3. The following criteria will be used to evaluate pay-as-you-go versus long-term debt financing in funding capital improvements:
  - a. Factors which favor pay-as-you-go:
    1. Current revenues and adequate fund balances are available.
    2. Project phasing is feasible.
    3. Debt levels would adversely affect the City's credit rating.
    4. Market conditions are unstable or present difficulties in marketing.
  - b. Factors which favor long-term financing:
    1. Revenues available for debt service are considered sufficient and reliable so that long term financing may be marketed with an appropriate credit rating.

2. The project for which financing is being considered is of the type that will allow the City to maintain an appropriate credit rating.
  3. Market conditions present favorable interest rates and demand for municipal financings.
  4. A project is mandated by state or federal requirements, and current revenues and fund balances are insufficient to pay project costs.
  5. A project is immediately required to meet or relieve capacity needs.
  6. The life of the project or asset financed is five years or longer.
4. The following will be considered in evaluating appropriate debt levels:
- a. General Fund supported debt service will not exceed 10% of total budgeted expenditures and transfers out.
  - b. The General Fund may be used to provide back-up liquidity to improve the viability of a self-supported debt issue, but only if the General Fund is not exposed to significant risk of loss of assets or impairment of liquidity. This evaluation of risk will consider such things as the following:
    1. Volatility and collectability of the revenue source identified for repayment of the debt.
    2. The likelihood the General Fund would be reimbursed within one year for any payments it might potentially need to make in its role as back-up guarantor.

If the City Commission determines the risk of loss of assets or impairment of liquidity to the General Fund to be relatively minimal, self-supported debt service for debt that relies on the General Fund as a back-up guarantor will not exceed 10% of General Fund budgeted expenditures and transfers out.

5. The City will generally conduct financings on a competitive basis; however, negotiated financings may be used where market volatility or the use of an unusual or complex financing or security structure is a concern with regard to marketability.
6. The City will select a financial advisor on a competitive basis; the advisor will be retained for at least four years to provide continuity and adequate time to develop an understanding of the City's needs. Other outside service providers may be selected by developers or owners, subject to the City's approval. Trustees and/or paying agents will be selected by competitive bid.
7. Interfund borrowing will be considered to finance high priority needs on a case-by-case basis, only when planned expenditures in the fund making the loan would not be affected. Interfund borrowing may be used when it would reduce costs of interest, debt issuance, and/or administration. Interfund borrowing may not be used when the lending of funds would violate restrictions imposed through bond covenants, Commission action or state and federal laws.
8. The term of the long-term debt instrument will not exceed the legal life of the asset or thirty years, whichever is less.
9. Bond proceeds will be invested in accordance with the provisions of the bond indenture. Funds set aside for debt service will only be used for that purpose.
10. In choosing the appropriate long-term debt instrument: cost, economic equity, political acceptability, and flexibility will be considered. Refundings will be considered to reduce interest costs or principal outstanding, or to eliminate restrictive debt covenants. Pooled financings with other government agencies will be considered as appropriate.

11. There are many different types of long-term debt instruments available. Depending on the specific circumstances, the City will consider using the following types of financing instruments:
- a. General obligation debt
  - b. Revenue bonds
  - c. Tax increment bonds
  - d. Special improvement district
  - e. Park district bonds
  - f. Master lease agreements
  - g. Vendor-financed leases
  - h. Bond anticipation notes.