Agenda Item Details

Meeting	Mar 26, 2014 - City Commission Meeting
Category	13. POLICY FORMATION AND DIRECTION
Subject	13.05 Discussion and approval of revisions to the Debt Management Policy (CP 238) -- James O. Cooke, IV, City Treasurer-Clerk
Access	Public
Type	Action, Discussion
Fiscal Impact	No
Budgeted	No
Recommended Action	Option 1: Approve the proposed revisions to the Debt Management Policy (CP 238).

Public Content

For more information, please contact: Jim Cooke, City Treasurer-Clerk, 850-891-8146

Statement of Issue

The City Commission's policies include a debt policy which is designed to provide a framework for the City's debt program. The policy was originally established in 1982 and updated in 1985. No substantial revisions had been made to the policy for several years; however, provisions were added to allow for Build America Bonds (BABs) in 2010 when the BABs program was available.

Over the last few months, the policy has been reviewed and substantially rewritten. A copy of the policy has been provided as attachment 1 in revision format to allow changes to be seen, but the proposed policy is effectively a new document. A copy of the same revised policy with all accepted changes has been provided as attachment 2. The policy was drafted by the Office of the Treasurer-Clerk with assistance from PFM, the City's current Financial Advisor (FA). A working document was provided to, and discussed with, representatives from the Department of Management and Administration (DMA) and each of the City's utilities to ensure that all departments involved in debt issuance had an opportunity to review the policy before bringing it forward.

The proposed policy was developed with several underlying concepts:

- Recognize that debt of each "credit" is evaluated separately; Energy System, Consolidated Utility System, General Government and Airport debt are issued with unique pledges and are rated separately.
- Provide targets rather than strict requirements, providing some flexibility rather than unmanageable constraints.
- Provide policy guidance, but exclude procedural details. For example, the policy provides for programs like BABs to be allowed under the policy and compliance steps are included in a separate procedure. Any new federal program similar to BABs would also be covered in a procedure rather than a change to this policy.
- Identifies that interest rate swaps and similar debt-related products may be considered, but that a new policy would have to be established by the City Commission before the City enters into such an arrangement.

The recommended revisions to the Debt Management Policy (CP 238) were presented to the Financial Viability of the Government Target Issue Committee at their meeting on March 12, 2014, which they approved.

Recommended Action
Option 1: Approve the proposed revisions to the Debt Management Policy (CP 238).

Fiscal Impact
There is no budgetary impact related to this agenda item.

Supplemental Material/Issue Analysis

History/Facts & Issues
The Treasurer-Clerk's Office reviewed several debt policies of other cities before beginning the task of drafting proposed changes to the City's Debt Policy. Staff also met on multiple occasions with the City's Financial Advisor, PFM, to draw on their expertise and further refine the draft document. After additional edits and refinements, the draft document was presented and discussed at a meeting of staff from DMA and each of the utilities to receive their input and thoughts on the document. Based upon their input, final revisions were made to the Debt Policy.

Options
1: Approve the proposed revisions to the Debt Management Policy (CP 238).
2: Provide staff with alternative direction.

Attachments/References
1. Debt Management Policy (CP 238), as proposed, in revision format
2. Debt Management Policy (CP 238) with accepted changes

Debt Policy City Commission 238 clean 2-04-14.pdf (95 KB)

Debt Policy City Commission 238 Blacklined 2-04-14.pdf (162 KB)

Administrative Content

City Commission Policy ~~650~~238

Debt Management Policy

DEPARTMENT: Treasurer-Clerk

DATE ADOPTED: April 24, 1982

DATE OF LAST REVISION: March 9, 2011

~~650~~238.01 Authority~~:~~

City Commission Adoption April 24, 1982. City Commission Revised February 13, 1985 and March 9, 2011.

~~650~~238.02 Purpose~~:~~

The purpose of this regulation is to establish policy guidelines for the ~~planning~~issuance and management of the City's debt.

~~650~~238.03 Scope and Applicability~~:~~

This regulation applies to all ~~General Government (non-enterprise) future~~ debt issued by the City of Tallahassee and its Community Redevelopment Agency (CRA). ~~It also imputes fundamental underlying intentions regarding the philosophy of the government to use long term debt for any City operation in a very prudent manner.~~

~~**650.04 Background:** The formulation of this policy has been undertaken with an understanding of the need to look to the future, since the City can be expected to incur significant capital expenditures which have traditionally only proved possible to finance through debt issuance. It recognizes that the viability of the community depends on an adequate level and quality of public service. These services must be combined with effective planning and prudent long term financial management.~~

~~650.05~~238.04 ~~General Policy Overview and~~ Goals~~:~~ ~~Debt policy is one element of the financial and community service strategy of the government.~~

~~The most basic purpose of a debt policy is to aid in the execution of the overall strategy of the government by contributing to the continued financial health and stability of the organization and assuring future access to debt markets to meet planned and unplanned needs. While the use of debt as a tool toward accomplishing a strategy is credible, it must be undertaken in a manner that is cognizant of the resulting fixed costs and long term commitments, which have a commensurate reduction in current and future discretionary spending.~~

~~As the government both develops and applies a debt policy, with its environment and purpose in mind, the following factors should be considered:~~

- ~~Legal constraints on capacity and financing alternatives~~
- ~~The urgency of needs; and economic cost of delay~~
- ~~Willingness and financial ability of the community to pay for such improvements~~
- ~~Proper balance between internal and external financing~~
- ~~Determination as to whether current or future residents should pay for specific improvements~~
- ~~Current interest rates and other market considerations~~
- ~~The condition of the infrastructure and status of other areas of need~~
- ~~The impact on the reliability and integrity of vital systems~~
- ~~Availabilities of other monies and the alternative uses of those monies~~
- ~~The financial return on the investment~~
- ~~The financial condition of the City government and local control over revenues and expenditures, and their stability~~
- ~~The nature of the projects to be financed – planned programmatic or non-recurring improvements~~
- ~~The role and function of government served by the expenditure~~

~~These considerations, together with a specific goal of maintaining a high quality bond rating (A-/A+ or above), lead to a series of debt policy variables which use a number of measures and criteria which are intended to be flexible and subject to adjustment as conditions change. This debt policy is intended to provide a framework to apply these factors and to evaluate and assess the City's capital requirements and financial capacity, while insuring continued market access to meet unforeseen needs.~~

~~What follows from this policy framework are sections of important definitions, a list of all restrictions on debt issuance imposed either by charter or state law; ad a section establishing a specific criteria to measure debt burden together with targets and limitation as well as applicable generally accepted policies related to debt financing.~~

The City shall seek to achieve the following objectives:

1. Maintain sufficiently high bond ratings to assure access to affordable credit and low borrowing costs.

2. Ensure intergenerational equity by amortizing debt within the expected useful life of a project or asset.

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3. Coordinate the City's Capital Improvement Program with the City's Debt Management Policy to develop a coherent long-term financing plan for the City's capital funding needs.

4. Maintain flexibility for future financial needs of the City.

~~650.06~~238.05 Definitions~~:~~

1. Average Life – The average number of years remaining on the principal amount of outstanding debt. ~~This can be calculated by dividing the bond years by the principal amount of bonds outstanding. For example, $6,000 in debt is issued for three years, the principal matures equally each year; therefore, the average life at the time of issuance is two years as shown below:~~

~~Year~~	~~Principal~~	~~Bond Years~~
~~1~~	~~2,000~~	~~2,000~~
~~2~~	~~2,000~~	~~4,000~~
~~3~~	~~2,000~~	~~6,000~~
	~~6,000~~	~~12,000~~

~~12,000/6000 = 2 yrs.~~

2. Bond Anticipation Notes – Debt instruments issued by the City to obtain interim financing for projects expected~~eventually~~ to be funded through the issuance ~~sale~~ of debt~~bonds~~. Maturities must be five years or less by Florida law.

3. Bond Reserve~~s~~ – A reserve required by bond covenant to be set aside solely for the payment of principal and interest on the bonds when ~~monies~~ pledged revenues are not otherwise available.

4. Capital Assets – The land and fixed assets of a utility, net of depreciation.

~~4~~5. Capital Improvements – ~~Expenditures which result in t~~The acquisition, ~~and/or~~ construction or renovation of assets with an estimated useful life of more than one year~~of a long term character which are intended to be held or used~~.

~~5~~6. Capitalized Interest – Interest expense on bonds or notes that is paid from bond proceeds.

~~6. Current Revenue Capital Improvements – Those budgeted transfers made from the General Fund to the GG/CIF for pay-as-you-go capital improvements.~~

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7. Debt – An obligation resulting from the borrowing of money~~ or from the purchase of goods~~. Debt shall include bonds, notes, loans and capitalized leases.

8. Debt Service – The ~~annual ~~amount of money required to pay or to be set aside for the payment of principal and interest on Debt~~outstanding bonds, notes, or capitalized lease payments~~.

   8a. ~~Adjusted~~Net Debt Service – The annual amount of money required to pay or to be set aside for the payment of principal and interest on the outstanding General Government Debt less 100% of the General Government Debt Service paid by enterprise funds, or other non-general government revenues.

9. Full Market Value – The estimated full market value of assessed property. In Florida, property is assessed at no less than 85% of full market value.

10. General Fund Expenditures – Funds expended or proposed for expenditures from the General Fund.

11~~9~~. General Government Debt – Debt incurred by the City whereby the proceeds are typically~~generally~~ used for general government purposes and the debt is secured by the revenues or assets of general government. These revenues or assets do not include those of the enterprise funds.

   ~~9~~11a. General Obligation Bonds (G.O.) – Bonds secured by a pledge of the issuer's full faith and credit. Prior to the issuance of such bonds, Florida Law requires approval by referendum.

   11~~9~~b. ~~Capital~~General Government Revenue Bonds – ~~Bonds~~General Government Debt secured by a~~ first lien and~~ pledge of all or a portion of the City's non-ad valorem revenues. ~~following general government revenue sources: Public Service Tax, Local Government Half-Cent Sales Tax and Guaranteed Entitlement Revenues.~~ Bonds have been issued as Capital Bonds and Capital Improvement Bonds.

   ~~9c. Special Assessment Debt – Bonds whose proceeds were used to finance projects for the specific benefit of adjacent property owners land which there has been attached liens against such property the payment from which is a principal source of payments for those bonds.~~

~~10. Gross Debt – The total principal amount of General Government Debt outstanding.~~

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~~11. Net Debt – The amount of outstanding General Government Debt less amounts in the sinking and reserve funds available for the payment of principal on those bonds.~~

~~11a. Adjusted Net Debt – The net debt less amounts set aside in the Special Capital Projects Fund less 50% of outstanding Special Assessment Liens, and less 100% of General Government Debt, the proceeds of which were used for enterprise purposes and is being paid by such enterprise.~~

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~~12. Parity Bonds – Bonds equally secured as to both principal and interest payments with bond previously issued. Prior to the issuance of such certain tests must be met as defined in the resolution authorizing the initial issue of such bonds.~~

~~13. Special Capital Projects Fund – Funds expended or proposed for expenditures from the General Fund less any amount proposed to be expended for General Fund Debt Service and any amount proposed to be transferred to the General Government Capital Improvement Fund (GG/CIF) for capital projects.~~

12. Long-Term Fixed-Rate Bonds – Debt that has a fixed rate of interest, with a maturity of between 10 and 30 years.

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13. Medium Term Notes – Debt that has a fixed rate of interest, with a maturity of 1 to 10 years.

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14. Rolling Medium Term Notes – Medium Term Notes that are designed to be rolled periodically and result in an ultimate maturity of between 10 and 30 years.

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15. Variable Rate Obligations – Debt that has a floating rate of interest, and may have a maturity of up to 30 years.

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238.06 Debt Programs

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The City has established the following debt programs to fund Capital Improvements.

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1. General Government Bonds provide the funding for capital projects of the general government. These bonds are secured by a combination of general government non-ad valorem revenues. The most commonly pledged revenues have been the Half-Cent Sales Tax, the Local Communications Services Tax and the Guaranteed Entitlement Revenues.

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2. Energy System Bonds provide funding for capital projects of the electric system and the natural gas system. The bonds are secured by a pledge of the electric fund and natural gas fund revenues, with each fund paying for the debt service that is associated with its projects.

3. Consolidated Utility System Bonds provide funds for capital projects for the Water, Sewer, and Stormwater facilities. The bonds are secured by a pledge of the funds' revenues, with each fund paying for the debt service that is associated with its projects.

4. Airport System Bonds provide funds for capital projects for the City's Airport. The bonds are secured by a pledge of revenues from the Airport.

~~650.07 Legal Constraints~~

~~650.07.1 Legal Constraints – General Government:~~

~~Section 104 of the City Charter restricts the issuance of General Obligation Bonds to no more than 20% of the Assessed Taxable Valuation. Section 104 further states that before any General Obligation Bond is sold, a referendum will be held and the bond issue approved by a majority of the voters.~~

~~Resolution 84-R-1305, authorizing the issuance of Capital Bonds, restricts the City from issuing further parity bonds except pursuant to the bond covenants. The Additional Bonds Test provides that future parity obligations may be issued provided the City has a certificate on file from an independent certified public accountant stating:~~

- ~~They have reviewed the financial statements for the preceding fiscal year; and~~
- ~~The aggregate amount of pledged revenues received by the City for the preceding fiscal year or for any 12-consecutive months during the 18-months immediately preceding the date of issuance of additional parity bonds is at least equal to 150% of the maximum Debt Service requirements on the outstanding bonds and the bonds to be issued.~~

~~Additional State laws may be applicable under certain circumstances that are not relevant to this policy.~~

~~650.08~~238.07 Debt Structure~~Management Policies and Criteria:~~

~~Where applicable, "targets" and "caps" have been established for the criteria below. A target in this context is not a precise goal for a given year. Over the long run various measurements should blend, individually and collectively, at a level closely approximating the targets, with a lower tendency if possible.~~

~~A "cap" is an upper level or "danger signal" that should be avoided, if possible. It is recognized that issuance of debt sometimes has a distorting numeric appearance in the year such debt is issued as well as subsequent year. Given that recognition, any debt recommendation which would result in a majority of the numeric indicators to score in excess of the "caps" would be discouraged. However, this policy does not preclude such issuance, rather a keener awareness of potential consequences.~~

1. The City seeks to minimize the cost of servicing its debt, and may issue variable rate obligations, medium term notes and long-term fixed-rate bonds in its effort to achieve this goal and diversify its debt portfolio.

   a. Variable rate obligations allow the City to access interest rates for the shortest maturities. These maturities typically have lower interest rates than longer-dated maturities given a normal sloping yield curve. While there is interest rate risk with variable rate obligations, historically variable rate debt has cost less than fixed rate debt.

   b. Medium term notes provide for a fixed rate of interest for a period of one to ten years. As with variable rate debt, medium term notes are used to lower the City's debt service costs by issuing debt that has a shorter maturity than long-term fixed rate debt. Medium term notes may be re-issued or "rolled" upon initial maturity to amortize debt over a longer period of time (20 to 30 years in total), or they may be used for projects that would have a shorter repayment term (10 years or less).

   c. Long-term fixed-rate bonds are used to lock in interest rates for periods of more than 10 years, and are the most commonly used structure for municipal debt.

2. The City is authorized to utilize Bond Anticipation Notes to provide interim funding prior to the permanent financing being put in place.

3. The City may establish and maintain a Bond Reserve Fund equal to an amount deemed prudent. Bond Reserve Funds may be funded in cash or through a surety bond. Bond Reserves funded in cash necessitated by the sale of bonds will be provided from bond proceeds.

4. The City may utilize a variety of credit enhancements that are designed to improve the credit rating or marketability of the bonds to be issued. These credit enhancements may include bond insurance, letters of credit, and additional supporting revenue pledges.

5. The City may employ the use of hedging instruments and interest rate swap agreements. These instruments may include, but are not limited to, interest rate caps, interest rate floors and interest rate collars. The City will not utilize any

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hedging instruments or enter into any interest rate swap transaction without adopting a separate policy governing their use.

238.08 Debt Issuance

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1. The City will issue debt for the purposes of acquiring or constructing Capital Improvements or for refunding prior debt issued.

2. All Capital Improvements financed through the issuance of bonds will be financed for a period not to exceed the useful life of the projects, but in no event beyond 30 years.

3. The City will seek to issue debt in the most cost effective manner, whether that be by competitive or negotiated sale or through a private placement.

4. The Treasurer-Clerk will engage bond market professionals to assist in the issuance of debt, including, but not limited to, a financial advisor, bond counsel and disclosure counsel.

238.08.1 Debt Refunding

1. The targeted savings for a fixed-rate refunding shall be 5% of the net present value of the refunded bonds.

2. Refundings that involve a variable rate to fixed-rate refunding or fixed-rate refunding to a variable rate will be evaluated on the economic merits that are available. Refundings that involve a variable rate component do not lend themselves to a net present value savings analysis.

238.08.2 Debt Targets

~~1~~The City will monitor and report debt ratios annually and at the time of each debt issuance and strive to structure debt to meet the following targets.

1. The following targets are measures for liquidity, operating margins and debt burden.

Policy Targets	Liquidity	Debt Service as % of Expenditures/Coverage Ratio	Debt Burden
General Fund	Spendable General Fund Balance of 15% of General Fund Expenditures	Net Debt Service to be less than 10% of General Fund Expenditures	Debt as a % of Full Market Value less than 2%
Consolidated Utility System	150 days cash on hand	Debt Service Coverage of 1.50X or higher	Debt as a % of Capital Assets less than 50%
Energy System	210 days cash on hand	Debt Service Coverage of 2.0X or higher	Debt as a % of Capital Assets less than 60%

2. The following targets are measures for the structure of the City's debt portfolio at the time of issuance.

Structuring Criteria	Average Life (Range~~maximum/ typical~~)	Variable Rate(VR)	Rolling Medium Term Notes(RMTN)	Combined VR/RMTN
General Government	10-15 years	20%*	20%*	30%*
Consolidated Utility	15-20 years	25%	30%	40%
Energy System	15-20 years	25%	30%	40%

*The City shall not exceed the greater of these percentages or $50 million individually for Variable Rate and Rolling Medium Term Notes and $90 million combined for Variable Rate and Rolling Medium Term Notes at the time of issuance.

238.08.3 Capitalized Interest

1. Capitalized interest on new General Government Debt may be paid from bond proceeds for the period from the time of sale through the end of the then current fiscal year.

2. Capitalized interest on new enterprise funded debt may be paid from bond proceeds for the period from the time of sale through when the new asset is expected to be operational.

~~650.08.1~~ 238.09 Post Debt Issuance~~Management~~ Policies ~~and Criteria – General Government:~~

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1. Disclosure of material events shall be made in compliance with regulatory bodies, including the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB). The City shall ensure that appropriate documents are provided to the Electronic Municipal Market Access (EMMA) system in a timely manner.

2. The City shall maintain and follow post-compliance procedures to aid in compliance efforts with regulatory bodies.

3. Unless otherwise indicated in governing ordinances or resolutions, bond proceeds will be invested in accordance with the City's Non-Pension Investment Policy (#234).

4. The City will promote positive investor relations by providing various materials to holders of City debt, including the Annual Report to Bondholders.

~~A. The City will issue debt only for the purposes of acquiring or constructing capital improvements, and for making major renovations to existing capital improvements, for the general government, including TalTran.~~

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~~B. All capital improvements financed through the issuance of bonds will be financed for a period not to exceed the useful life of the projects, but in no event beyond 30-years.~~

~~C. Year-end surpluses, to the extent available and appropriable, will be used to cash finance previously approved capital projects included in proposed bond issues, after meeting identified reserve requirements.~~

~~D. Debt will not be issued for the replacement of the City fleet, street resurfacing, sidewalk, bikeway, and minor street construction, the acquisition of office furniture and equipment (except where associated with the acquisition/construction of a building), and other capital improvements of an ongoing nature.~~

~~E. The City shall, as a target, maintain adjusted net debt per capita at or below Moody's Investor Service published median for cities of comparable size. In no event shall the adjusted net debt per capita exceed 135% of the published median. This test shall be applied using the following formula:~~

~~Sum of: Outstanding General Government Debt~~

~~Less: Bond Reserve Funds~~
~~Invested Sinking Funds~~
~~Special Capital Projects Fund~~

~~Airport Debt~~

~~The amount resulting above is divided by the estimated City population to produce an adjusted net debt per capita for the appropriate year.~~

~~F. The City shall, as a target, maintain an Average Life of 10-years or less for all outstanding debt. In no event shall the average life exceed 13.5 years.~~

~~G. The interest expense (Capitalized interest) on new General Government Debt may be paid from bond proceeds for the period from the time of sale through the end of the then current fiscal year.~~

~~H. The City shall establish and maintain Bond Reserves equal to the maximum principal and interest to come due in any ensuing fiscal year. Bond Reserves necessitated by the sale of bonds will be provided for from bond proceeds.~~

~~I. The City shall, as a target, maintain the Adjusted Debt Service at or below 10% of general fund expenditures. In no event shall the Adjusted Debt Service in any year exceed 13.5% of the general fund expenditures.~~

~~J. The City shall, as a target, maintain the rate of Adjusted Net Debt to taxable assessed valuation at or below 100% of Moody's Investor Service published median for cities of comparable size. In no event shall the Adjusted Net Debt exceed 135% of the published median.~~

~~650.09~~ 238.10 Taxable Bonds

The City may issue taxable bonds for a variety of purposes. Taxable bonds may or may not be subsidized by the federal government.

238.10.1 Direct Subsidy Bonds

~~650.09.1~~ The City may participate in any debt program that provides for a subsidy from the federal government for the interest costs associated with the debt issuance. The Treasurer-Clerk shall develop procedures for complying with the regulations in order that the City receives the subsidy offered by the federal government.

~~650.09.11 Build America Bonds~~

~~Purpose:~~

~~In order to qualify to receive direct subsidy payments from the U.S. Treasury with respect to direct payment Build America Bonds ("BABs") issued pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended (the "Code").~~

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~~The City of Tallahassee (City) must comply with federal tax rules regarding expenditures of BABs proceeds, use of BABs-financed property, investment of BABs proceeds in compliance with arbitrage results, retention of records and filings with the Internal Revenue Service. This Tax Compliance Policy sets forth City's policies for compliance with such rules.~~

~~**A. Establishment of Issue Price**~~

~~In order to ensure that no maturity of any BABs issue is issued with more than a de minimis amount of premium, as required by Section 54AA(d)(2)(C) of the Code, the **City Treasurer-Clerk with the assistance of the Financial Advisor and/or Bond Counsel** will follow the following procedures:~~

- ~~In a competitively sold BABs issue, review the notice of sale and other offering documents to determine that the winning bidder will be required to deliver written certifications regarding the making of a bona fide public offering of all of the BABs and that the issue price of each maturity does not include more than a de minimis amount of premium as required by Section 54AA(d)(2)(C) of the Code.~~
- ~~In a negotiated BABs issue, arrange for a meeting or conference call with City's financial advisor and bond counsel and representatives of the underwriter(s) to ensure that the underwriter understands the requirements of Section 54AA(d)(2)(C) of the Code, the certifications that will be requested of the underwriter with respect to those requirements and the information and explanations that City and its bond counsel and financial advisor will seek from the underwriter with respect to those requirements.~~
- ~~At the pricing of a negotiated issue, determine, with the assistance of City's financial advisor, that the proposed purchase price for the BABs issue to be paid by the underwriter and the issue prices for each maturity of the BABs proposed by the underwriter represent market prices.~~
- ~~Between the pricing and the closing of a BABs issue:~~
    - ~~Direct City's financial advisor to monitor the trading prices of each maturity of the BABs on EMMA and determine whether, based on such trading prices, the underwriter actually made a bona fide public offering of each maturity of the BABs at the stated issue prices and~~
    - ~~Inquire of underwriter whether any BABs were purchased in the initial offering by affiliates or affiliated accounts of the underwriter.~~
    - ~~At the closing of the BABs issue, obtain a certification from the underwriter, in form acceptable to City's bond counsel, establishing that the requirements of Section 54AA(d)(2)(C) were met.~~

~~**B. Expenditure of Proceeds**~~

~~Expenditures of bond proceeds as set forth below will be reviewed and managed by City's Treasurer-Clerk as needed to ensure compliance with the requirements~~

~~with tax certificate executed in connection with the BABs. In connection with such review and management, the City's Treasurer-Clerk will undertake the following:~~

- ~~Establish form and procedures for documenting expenditures of BABs proceeds, including a description of the property financed with each expenditure.~~
- ~~Only permit BABs proceeds to be expended for capital expenditures or costs of issuance of the BABs issue.~~
- ~~Not permit more than 2% of proceeds to be applied to payment of costs of issuance of BABs.~~
- ~~Not permit amounts to be expended to pay capitalized interest on the BABs issue except during actual construction period of BABs-financed property.~~
- ~~Monitor costs that were paid prior to the issuance of the bonds are limited to costs paid subsequent to, or not more than 60-days prior to, the date a "declaration of intent" to reimburse the costs was adopted by Metro or as is otherwise approved by bond counsel.~~
- ~~Prepare a "final allocation" of proceeds to uses, which will be made and retained with the records of the BABs issue, not later than 18-months after the placed-in-service date of the financed property (and in any event not later than 5 years and 60-days after the issuance of the BABs).~~
- ~~Monitor the expenditure of proceeds against the tax certificate expectation to:~~
  - ~~(i) spend or commit 5% of net sale proceeds within 6-months;~~
  - ~~(ii) spend 85% of net sale proceeds within 3-years; and~~
  - ~~(iii) proceed with due diligence to complete the project and fully spend the net sale proceeds.~~
- ~~Monitor the expenditure of proceeds against the schedule for the arbitrage rebate exception or exceptions identified in the tax certificate.~~
- ~~Determine the amount of "available project proceeds" under Section 54(e)(4) of the Code.~~

~~C. Use of BABs-Financed Property~~

~~Use of BABs-financed property, when completed and placed in service, will be reviewed by the Treasurer-Clerk on at least an annual basis.~~

~~City will not do any of the following with respect to the BABs-financed property without prior discussion with bond counsel regarding potential effect of such action on the ability of City to be eligible for direct payments:~~

- ~~Enter into a management, service or incentive payment contract with any non-governmental person or entity (including the federal government) (a "Non-Governmental Person.~~
- ~~Enter into a lease with any Non-Governmental Person.~~

- ~~Sell or otherwise transfer such property to any Non-Governmental Person.~~
- ~~Grant special legal entitlements with respect to such property to any Non-Governmental Person.~~

~~D. Investment of Proceeds~~

~~Investment of bond proceeds in compliance with the arbitrage bond rules and rebate of arbitrage will be supervised by the **City Treasurer-Clerk or his designee**.~~

~~All proceeds of BABs will be invested in accordance with the City's Non-Pension Investment Policy. The investment of bond proceeds shall comply with the following:~~

- ~~Calculations of rebate liability as to BABs will be performed periodically as set forth in the tax certificate by outside consultants unless City is eligible for an exception to rebate liability with respect to BABs.~~
- ~~Rebate payments, if required, will be made with Form 8038-T no later than 60-days after (a) each fifth anniversary of the date of issuance and (b) the final retirement of the issue. Compliance with rebate requirements will be reported to the bond trustee and the issuer.~~
- ~~City will identify date for first rebate payment at time of issuance if rebate payments are expected.~~

~~E. Form 8038-CP Filings~~

~~Periodic Filing of Form 8038-CP will be supervised by the **City Treasurer-Clerk**. Such supervisory responsibilities will include:~~

- ~~File a Form 8038-CP at least 45-days' prior to each interest payment date on the BABs, requesting the direct payment for such interest payment date.~~
- ~~Ensure a proper determination of the amount of interest payable on each interest payment date and the proper amount of the refundable credit.~~

~~F. Records~~

~~Management and retention of records related to BABs issues will be supervised by the:~~

- ~~Records will be retained for the life of the BABs plus any refunding bonds plus three years. Records may be in the form of documents or electronic copies of documents, appropriate indexed to specific bond issues and compliance functions.~~
- ~~Retainable records pertaining to bond issuance include transcript of documents executed in connection with the issuance of the bonds and any~~

~~amendments, and copies of rebate calculations and record of payments including Form 8038-T.~~

- ~~Retainable records pertaining to expenditures of bond proceeds include requisitions, trustee statements (if any) and final allocation of proceeds.~~
- ~~Retainable records pertaining to use of property include all agreements reviewed for non-exempt use and any reviewed documents relating to unrelated business activity.~~
- ~~Retainable records pertaining to investments include GIC documents under the Treasury regulations, records of purchase and sale of other investments, and records of investment activity sufficient to permit calculation of arbitrage rebate or demonstration that no rebate is due.~~

~~G. Identification of Violation~~

~~Based on the foregoing procedures, the **City Treasurer-Clerk** will monitor whether any violations of applicable federal tax requirements have occurred and, upon determination that any such violations may have occurred, promptly consult with appropriate counsel.~~

~~H. Overall Responsibility~~

~~Overall administration and coordination of this policy is the responsibility of the **City Treasurer-Clerk**. Such person shall be responsible for identifying any violations of federal tax requirements relating to BABs and shall consult with **Bond Counsel** as to best method for the timely correction of any identified violations either through available remedial actions or through the IRS's Voluntary Closing Agreement Program.~~

238.11 Conduit Debt

The City may choose to issue conduit debt on behalf of private entities in the form of industrial revenue bonds or similar instruments. The City shall maintain the guidelines for this program in Commission Policy #240, Industrial Revenue Bond Issuance.

238.12 Tax Equity and Fiscal Responsibility Act (TEFRA) Debt

The City Commission, in the capacity as "host government", may choose to approve a TEFRA Resolution authorizing the issuance of debt by a non-profit charitable corporation. The City would not be a party to the issuance nor would the issuance be a conduit debt of the City.

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