

## Debt Policy Analysis Capital Budget 2017 Capital Improvement Program 2017-2021

The city's debt policy was substantially rewritten in March 2014 and eliminated policy tenets A through K that formerly were analyzed in this document. The revised policy, which identifies debt-financing goals the city seeks to achieve and provides targets rather than requirements, applies to all debt issued by the city of Tallahassee and its Community Redevelopment Agency. The revised policy also addresses debt structure, debt issuance, debt refunding, debt targets, and other topics including capitalized interest, post debt issuance policies, taxable and direct subsidy bonds, conduit debt, and the Tax Equity and Fiscal Responsibility Act (TEFRA) debt.

### Debt Programs:

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, local communications services tax, and guaranteed entitlement revenues,
2. Energy System Bonds provide funding for capital projects of the electric and natural gas systems. 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 aviation fund.

### Policy Goals:

- Maintain sufficiently high bond ratings to assure access to affordable credit and low borrowing costs.
- Ensure intergenerational equity by amortizing debt within the expected useful life of a project or asset.
- Coordinate the city's capital improvement program with its debt management policy to develop a coherent long-term financing plan for the city's capital funding needs.
- Maintain flexibility for future financial needs of the city.

### Debt Targets:

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.

<b>Structuring Criteria</b>	<b>Average Life (Range)</b>	<b>Variable Rate (VR)</b>	<b>Rolling Medium Term Notes (RMTN)</b>	<b>Combined VR/RMTN</b>
General Government	10 – 15 years	20%*	20%*	30%*
Consolidated Utility System	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 combines for Variable Rate and Medium Term Notes at the time of issuance.

**CONCLUSION:** The city's debt policy establishes a series of criteria with which to monitor the impact and extent of capital debt issuance and capital financing. All projects presented in planned future bond issues comply with this policy.