

I SELECTION OF FINANCE CONSULTANTS AND SERVICE PROVIDERS

The City's Debt Manager shall be responsible for establishing a solicitation and selection process for securing professional services that are required to develop and implement the City's debt program. Goals of the solicitation and selection process shall include encouraging participation from qualified service providers, both local and national, and securing services at competitive prices.

A Bond Counsel As part of its responsibility to oversee and coordinate the marketing of all City indebtedness, the City Attorney, with advice of the Debt Manager and a committee representing City Bureaus, Agencies, and Commissions with capital financing needs, shall make recommendations to the City Council regarding the selection of Bond Counsel to be employed and the duration of the employment for individual or a series of financings. The solicitation and selection process for such services will comply with City Code requirements for Professional, Technical, and Expert Services. The Council shall make such selection, taking into consideration these recommendations.

B Underwriters The Debt Manager shall solicit proposals for underwriting services for all debt issued in a negotiated or private placement sale mode. The solicitation process used for these services shall comply fully with City Code requirements for Professional, Technical, and Expert Services, and shall include formation of a review committee to evaluate written proposals and, if deemed necessary, conduct oral interviews. In addition, the proposal solicitation and selection process for negotiated sales as developed by the Debt Manager, and amended from time to time, shall also be followed. The selection of underwriters may be for an individual or series of financings or a specified time period. The Council shall make such selections taking into consideration the recommendations of the review committee.

C Financial Advisor The Debt Manager, with advice of a committee representing City Bureaus, Agencies, and Commissions with capital financing needs, shall make recommendations to the City Council regarding the selection of financial advisors to be employed and the duration of such employment. The solicitation and selection process for such services will comply with City Code requirements for Professional, Technical, and Expert Services. The time period for employment may relate to an individual or a series of financings, or for a specified period of time.

D Paying Agent The Debt Manager, in consultation with the City Treasurer, shall solicit periodically for paying agent services from qualified commercial and trustee banks. The cost of providing such services shall be used by the Debt Manager, along with other qualitative measurements, in developing a Paying Agent recommendation to City Council, along with the term of such agreement.

E Other Service Providers The Debt Manager shall periodically solicit for other service providers (escrow agents, verification agents, trustees, etc.) The cost of providing such services shall be used by the Debt Manager in developing a recommendation to City Council, along with the term of such agreement.

II COMPREHENSIVE CAPITAL PLANNING AND FINANCING SYSTEM

A Capital Planning and Financing System The City shall develop a capital planning and financing system for use in preparing a multi-year Capital Improvement Plan for consideration and adoption by the City Council as part of the City's budget process. Individual bureaus and agencies shall prepare multi-year capital plans and coordination and preparation of the City-wide Capital Improvement Plan shall reside with the Office of Finance and Administration. This Plan shall be for the coming five fiscal years and shall be updated periodically. The Plan shall contain a comprehensive description of the sources of funds and the timing of capital projects for future operating and capital budgets, effect of the projects on future debt sales, debt outstanding, and debt service requirements, and the impact on future debt burdens and current revenue requirements. In this latter regard, the Plan shall, analyze the conformance of the planned financings with policy targets regarding the (1) magnitude and composition of the City's indebtedness, and (2) the economic and fiscal resources of the City to bear such indebtedness over the next five years. Affordability impacts of the Plan shall be evaluated in consultation with the various City Bureaus.

B Debt Calendar and Financing Priorities It shall be the responsibility of the Debt Manager, within the context of the Capital Improvement Plan, to oversee and coordinate the timing, process of issuance, and marketing of the City's borrowing and capital funding activities required in support of the Plan. In this capacity, the Debt Manager shall make recommendations to the City Council regarding necessary and desirable actions and shall keep it informed through regular and special reports as to the progress and results of current-year activities under the Plan.

C Funding of Capital Outlays As part of its capital financing philosophy, the City shall make contributions from its own current revenues, or from outside funding sources such as state or federal grants, to each capital project or program equal to at least 5% of its total capital cost.

D Maintenance, Replacement and Renewal Consistent with its philosophy of keeping its capital facilities and infrastructure systems in good repair and to maximize the capital stock's useful life, the City should set aside sufficient current revenues to finance ongoing maintenance needs and to provide reserves for periodic replacement and renewal.

E Debt Authorization No City debt issued for the purpose of funding capital projects shall be authorized by the City Council unless it has been included in the Capital Improvement Plan or until the Council has modified the Plan. Such modification shall occur only after the Council has received a report of the impact of the contemplated borrowing on the existing Capital Improvement Plan and recommendations as to the financing arrangements from the Debt Manager and the Office of Finance and Administration.

III LIMITATIONS ON CITY INDEBTEDNESS

A Target Limitations on Non-Self-Supporting Unlimited Tax General Obligation Indebtedness The City shall, as a matter of policy, conduct its finances so that the amount of direct, non-self-supporting, unlimited tax general obligation ("UTGO") debt outstanding at any time that is subject to approval by the voters (excluding long-term, non-self-supporting leases) does not exceed 0 75% of the City's taxable assessed valuation

B Target Limitations on Non-Self-Supporting Limited Tax General Obligation Indebtedness and Full Faith and Credit Lease-Purchase Obligations The City shall, as a matter of policy, conduct its finances so that the amount of direct, non-self-supporting, limited tax general obligation ("LTGO") debt and full faith and credit lease purchase obligations outstanding at any time that are not subject to approval by the voters does not exceed 1 0% of the City's taxable assessed valuation Furthermore, the City shall strive to limit the annual debt service requirements on these obligations to an amount that is not greater than 10% of annual General Fund revenues

These limitations apply to debt obligations issued with a specific LTGO pledge, obligations secured by a pledge of the City's full faith and credit, and obligations that are in effect secured by a LTGO pledge and are not self-supporting, or which are paid for from General Fund monies Also included within this limitation are any other loan agreements entered into directly by the City or secured indirectly by a pledge of the City's General Fund

C Target Limitations on Lease-Purchase Financing of Equipment and Furnishings The City may enter into short-term lease-purchase obligations to finance the acquisition of capital equipment and furnishings with estimated useful lives of less than ten years Outstanding lease-purchase obligations issued to finance capital equipment and furnishings shall not exceed 0 125% of the City's taxable assessed valuation Repayment of these lease-purchase obligations shall occur over a period not to exceed the useful life of the underlying asset or in any case no longer than five years from the dated date of such obligations The Debt Management Group of the Office of Finance and Administration shall be responsible for developing procedures for use by City Bureaus interested in participating in the lease-purchase program, and for setting repayment terms and amortization schedules, in consultation with participating Bureaus

D Limitations on General Fund Loan Guarantees and Credit Support As part of the City's financing activities, General Fund resources may be used to provide credit support or loan guarantees for public or private developments that meet high priority City needs Before such General Fund commitments are made, specific policy goals and objectives that determine the nature and type of projects qualifying for such support, and specific limitations to be placed on the maximum amount of General Fund resources pledged to such projects shall be developed The Office of Finance and Administration shall be responsible for coordinating the development of such policies and goals, which shall not take effect until approved by the City Council General Fund loan guarantees shall be subject to the overall debt limitations set forth in B, above

Recognizing the limited capacity of the City's General Fund to support both ongoing operating programs and secure long-term debt obligations, use of the General Fund to secure such obligations must first be approved by the Debt Manager and the Director of the Office of Finance and Administration. Key factors that will be considered in determining whether or not the General Fund should be used to secure a particular debt obligation will include the following:

- 1 Demonstration of underlying self-support, thus limiting potential General Fund financial exposure
- 2 Use of General Fund support as a transition to a fully stand alone credit structure, where interim use of General Fund credit support reduces borrowing costs and provides a credit history for new or hard to establish credits
- 3 General Fund support is determined by the City Council to be in the City's overall best interest

E Target Limitations on the Issuance of Revenue-Secured Debt Obligations The City shall seek to finance the capital needs of its revenue producing enterprise activities through the issuance of revenue-secured debt obligations. Prior to issuing revenue-secured debt obligations, City Bureaus, in consultation with the Debt Manager, will develop financial plans and projections showing the feasibility of the planned financing, required rates and charges needed to support the planned financing, and the impact of the planned financing on ratepayers, property owners, City Bureaus, and other affected parties. The amount of revenue-secured debt obligations issued by a City Bureau will be limited by the feasibility of the overall financing plan as determined by the Debt Manager.

Revenue-secured debt obligations must first be reviewed and approved by the Debt Manager and the Director of the Office of Finance and Administration before being issued.

IV STRUCTURE AND TERM OF CITY INDEBTEDNESS

A Rapidity of Debt Repayment Generally, borrowings by the City should be of a duration that does not exceed the economic life of the improvement that it finances and where feasible should be shorter than the projected economic life. Moreover, to the extent possible, the City should design the repayment of debt so as to recapture rapidly its credit capacity for future use. The City shall strive to repay the principal amount of its long-term general obligation debt (both voter and non-voter approved) according to the following schedule: at least 20% in five years and 40% in ten years. The City may choose to structure debt repayment so as to wraparound existing obligations or to achieve other financial planning goals. Such alternative structures shall be subject to the approval of the Debt Manager and Director of the Office of Finance and Administration, in consultation with the involved Bureaus, before being recommended to the City Council.

B Use of Variable-Rate Securities When appropriate, the City may choose to issue securities that pay a rate of interest that varies according to a pre-determined formula or results from a periodic remarketing of the securities. The decision to issue such securities must be reviewed and approved by the Debt Manager and the Director of the Office of Finance and Administration, in consultation with the City Treasurer, before Council is requested to approve their issuance.

City of Portland, Oregon--Debt Management Policies

C Pledge of Restricted Funds to Secure Debt The City has the power to make an irrevocable pledge of a security interest in an account created exclusively for the security of holders of City obligations. Before such funds are used to secure a prospective financing, policies regarding the use of such restricted funds shall be developed by the affected Bureau and the Debt Manager, subject to approval by the Director of the Office of Finance and Administration, to ensure that the use of such funds to secure bonds does not violate restrictions on such funds and that underlying program commitments can be maintained in addition to meeting debt service obligations on debt secured by the restricted funds. These policies shall be presented as recommendations to Council prior to or at the time issuance of the secured debt is to be authorized.

D Use of Subordinate Lien Obligations Creation of a subordinate lien financing structure, if appropriate, shall be based on the overall financing needs of a particular bureau, expected credit ratings, relative cost of a subordinate lien structure, and impacts on the City as determined by the Debt Manager and the Director of the Office of Finance and Administration, in consultation with the involved Bureau. The results of this review shall be presented in the form of recommendations to Council for consideration prior to or at the time such bonds are being authorized.

V METHOD OF SALE

A Competitive Sale The City, as a matter of policy, shall seek to issue its debt obligations in a competitive sale unless it is determined by the Debt Manager that such a sale method will not produce the best results for the City. In such instances where the City in a competitive bidding for its debt securities (whether general obligation or non-general obligation debt) deems the bids received as unsatisfactory or does not receive bids, it may, at the election of the City Council, enter into negotiation for sale of the securities.

B Negotiated Sale When determined appropriate by the Debt Manager and approved by the Director of the Office of Finance and Administration, the City may elect to sell its debt obligations through a negotiated sale. Such determination may be made on an issue by issue basis, for a series of issues, or for part or all of a specific financing program. Selection of the underwriting team shall be made pursuant to selection procedures set forth in these Debt Policies, consistent with City Code.

C Private Placement When determined appropriate by the Debt Manager and approved by the Director of the Office of Finance and Administration, the City may elect to sell its debt obligations through a private placement or limited public offering. Selection of a placement agent shall be made pursuant to selection procedures developed by the Debt Manager, consistent with City Code.

D Official Bid Form The City shall design an official bid form to be made part of each official notice of sale published in conjunction with the sale of debt securities in a competitive sale by the City.

VI SHORT-TERM DEBT AND INTERIM FINANCING

A Lines and Letters of Credit Where their use is judged by the Debt Manager to be prudent and advantageous to the City, the City has the power to enter into agreements with commercial banks or other financial entities for purposes of acquiring lines or letters of credit that shall provide the City with access to credit under terms and conditions as specified in such agreements. Before entering into any such agreements, takeout financing for such lines or letters of credit must be planned for and determined to be feasible by the Debt Manager. Any agreements with financial institutions for the acquisition of lines or letters of credit shall be approved by the City Council. Lines and letters of credit entered into by the City shall be in support of projects contained in the approved Capital Improvement Plan.

B Bond Anticipation Notes Where their use is judged by the Debt Manager to be prudent and advantageous to the City, the City may choose to issue Bond Anticipation Notes as a source of interim construction financing. Before issuing such notes, takeout financing for such notes must be planned for and determined to be feasible by the Debt Manager. Bond Anticipation Notes may be sold in either a competitive or negotiated sale, subject to authorization and approval by the City Council.

C Tax and Revenue Anticipation Notes Where their use is judged by the Debt Manager to be prudent and advantageous to the City, the City may choose to issue Tax and Revenue Anticipation Notes to fund internal working capital cashflow needs. Before issuing such notes, cashflow projections will be prepared by the appropriate City Bureaus and reviewed by the Debt Manager. Tax and Revenue Anticipation Notes may be sold in either a competitive or negotiated sale, subject to authorization and approval by the City Council.

D Tax Exempt Commercial Paper The City may choose to issue Tax Exempt Commercial Paper as a source of interim construction financing for projects contained in the City's approved Capital Improvement Plan only after the Debt Manager, in consultation with the City Treasurer, determines that such a financing represents the least cost interim financing option for the City. Furthermore, Tax Exempt Commercial Paper shall not be issued for City capital programs unless it is of sufficient economic size as determined by the Debt Manager. A report recommending the issuance of Tax Exempt Commercial Paper must first be approved by the Director of the Office of Finance and Administration, before recommendations are made to City Council authorizing the establishment of such a program.

VII IMPROVEMENT DISTRICT AND ASSESSMENT CONTRACT FINANCING

A Financing Policies The policies guiding the City's improvement district and assessment contract financing program shall be guided by City Council Resolution No. 34847, as amended.

B Interest Rates on Improvement Assessment Loans The contract interest rate on loans made from the proceeds of Improvement Assessment Bonds shall be equal to the effective interest rate paid on the bonds sold to finance such loans plus an additional percentage markup to cover self-insurance and loan servicing costs. The self-insurance and servicing charge markup shall be adjusted annually based upon the historical Improvement Assessment Bond collection history and consultation among the Auditor's Office, the Debt Manager, and the City Treasurer. The contract interest rate shall be determined on the day of the sale of Improvement Assessment Bonds for those assessment contracts financed with proceeds of the sale.

C Interim Assessment Contract Interest Rates The interim assessment contract interest rate is the interest rate set on contracts that precede the sale of Improvement Assessment Bonds. This rate shall be set at a level deemed reasonable and prudent by the Debt Manager and the Auditor's Office to insure that funds collected through assessment contract payments are sufficient to meet that portion of future debt service requirements on Improvement Assessment Bonds attributable to such contracts.

D Commitment to Self-Supporting Improvement District Financings Consistent with the concept of Improvement Assessment financing, all of the City's Improvement Assessment indebtedness shall be self-supporting. Prior to the issuance of Improvement Assessment Bonds, the Auditor's Office shall review projected cash flows which incorporate scheduled assessment contract payments, prepayments, delinquencies, and non-payments with the Debt Manager to ensure that the proposed Bonds shall meet the City's self-support requirement.

*City of Portland, Oregon--Debt Management Policies***VIII REFUNDING OF CITY INDEBTEDNESS**

A Debt Service Savings--Advance Refundings The City may issue advance refunding bonds (as defined for federal tax law purposes) when advantageous, legally permissible, prudent, and net present value savings, expressed as a percentage of the par amount of the refunding bonds, equal or exceed 5 percent. Exceptions to this requirement shall be made only upon the approval of the Debt Manager and the Director of the Office of Finance and Administration.

B Debt Service Savings--Current Refundings The City may issue current refunding bonds (as defined for federal tax law purposes) when advantageous, legally permissible, prudent, and net present value savings equal or exceed \$100,000.

C Restructuring of Debt The City may choose to refund outstanding indebtedness to the benefit of the City's debt and financial management goals when existing bond covenants or other financial structures impinge on prudent and sound financial management. Savings requirements for current or advance refundings undertaken to restructure debt may be waived by the Debt Manager and the Director of the Office of Finance Administration upon a finding that such a restructuring is in the City's overall best financial interests.

D Open Market Purchase of City Securities The City may choose to defease its outstanding indebtedness through purchases of its securities on the open market when market conditions make such an option financially feasible. The Debt Manager and the City Treasurer shall be responsible for developing procedures for executing open market purchases and the savings objectives to be achieved by undertaking such actions.

IX USE OF CREDIT ENHANCEMENT

The City shall seek to use credit enhancement (letters of credit, bond insurance, surety bonds, etc.) when such credit enhancement proves cost-effective. Selection of credit enhancement providers shall be subject to a competitive bid process developed by the Debt Manager. Credit enhancement may be used to improve or establish a credit rating on a City debt obligation even if such credit enhancement is not cost effective if, in the opinion of the Debt Manager, the use of such credit enhancement meets the City's debt financing goals and objectives.

X REBATE REPORTING AND COVENANT COMPLIANCE

The Debt Management Group in the Office of Finance and Administration shall establish a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of the federal tax code. This effort shall include tracking investment earnings on bond proceeds, calculating rebate payments in compliance with tax law, and remitting any rebatable earnings to the federal government in a timely manner in order to preserve the tax-exempt status of the City's outstanding debt issues. Additionally, general financial reporting and certification requirements embodied in bond covenants shall be monitored to ensure that all covenants are complied with.

XI CONDUIT FINANCINGS

The City may sponsor conduit financings for those activities (i.e., economic development, housing, health facilities, etc.) that have a general public purpose and are consistent with the City's overall service and policy objectives as determined by the Portland Development Commission. All conduit financings must insulate the City completely from any credit risk or exposure and must first be approved by the Debt Manager and the Director of the Office of Finance and Administration before being submitted to City Council for authorization and implementation.

XII FINANCING PROPOSALS

Any capital financing proposal made to a City Bureau, Agency, or Commission involving a pledge or other extension of the City's credit through the sale of securities, execution of loans or leases, or making of guarantees or otherwise involving directly or indirectly the lending or pledging of the City's credit shall be referred to the Debt Manager, who in a timely manner shall be responsible for analyzing the proposal, responding to the proposal, and recommending to the Director of the Office of Finance and Administration the required action to be taken.

XIII DERIVATIVE PRODUCTS

The City may in the future choose to enter into contracts and financing agreements involving interest rate swaps, floating/fixed rate auction or reset securities, or other forms of debt bearing synthetically determined interest rates as authorized under Oregon statutes. Before entering into such contracts or agreements, a review team consisting of the Debt Manager, the City Treasurer, and appropriate bureau staff and outside consultants shall be formed to review the risks and benefits of such financing techniques and expected impacts on the City's long-term financial operations and credit ratings. The report, when completed, shall be presented to the Director of the Office of Finance and Administration for review and approval before any recommendations are submitted to the City Council for authorization and implementation.

XIV OTHER POLICIES AND REQUIREMENTS

A Annual Audit of City The annual audit of the City shall describe in detail all funds and fund balances established as part of any direct debt financing of the City. The audit may also contain a report detailing any material or rate covenants contained in any direct offering of the City and whether or not such covenants have been satisfied.

XV CREDIT RATINGS

A Rating Agency Relationships The Debt Manager shall be responsible for maintaining relationships with the rating agencies that currently assign ratings to the City's various debt obligations. This effort shall include providing periodic updates on the City's general financial condition along with coordinating meetings and presentations in conjunction with a new debt issuance.

B Use of Rating Agencies The Debt Manager shall be responsible for determining whether or not a rating shall be requested on a particular financing, and which of the major rating agencies shall be asked to provide such a rating.

C Minimum Long-Term Rating Requirements The City's minimum rating requirement for its direct, long-term, debt obligations is a rating of "A" or higher. If such a debt obligation cannot meet this requirement based on its underlying credit strength, then credit enhancement shall be sought to ensure that the minimum rating is achieved. If credit enhancement is unavailable or is determined by the Debt Manager to be uneconomic, then the obligations may be issued without a rating.

A lower rating standard may be accepted for indirect or conduit obligations, subject to the approval of the Debt Manager.

XVI ONGOING DISCLOSURE

The Debt Manager shall be responsible for providing ongoing disclosure information to established national information repositories and for maintaining compliance with disclosure standards promulgated by state and national regulatory bodies.

RESOLUTION No. 35451

Adopt City of Portland Debt Management Policies (Resolution)

WHEREAS, the City of Portland's debt financing needs are a growing and integral part of the City's overall financial operations, and

WHEREAS, substantial changes in financing practices and methods have occurred since the City first adopted a formal set of debt policies in 1984, and

WHEREAS, comprehensive policies governing debt activities are an important factor considered by the national municipal bond insurers, credit enhancers, and investors and can help ensure continued cost-effective access to the regional and national credit markets, and

WHEREAS, well-conceived and clearly articulated debt policies enhance the City's stature and reputation as a sound credit risk and contribute to the very high credit ratings assigned to the City's various debt instruments, and

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Portland, Oregon that

- 1 The Debt Management Policies attached hereto are hereby adopted and shall provide the framework for managing the City's debt financing activities
- 2 The City's Debt Manager shall be responsible for implementation of the Debt Management Policies
- 3 Amendments and changes to the Debt Management Policies must be approved by the City Council
- 4 This resolution shall remain in effect from the date of adoption unless a change is directed by Council

ADOPTED by the Council,

OCT 04 1995

Mayor Vera Katz
TG KR
September 27, 1995

BARBARA CLARK
Auditor of the City of Portland
By *Britta Olson* Deputy

1610

Agenda No

RESOLUTION NO. 35451

Title

Adopt City of Portland Debt Management Policies. (Resolution)

INTRODUCED BY	DATE FILED
MAYOR VERA KATZ	SEP 28 1995
NOTED BY COMMISSIONER	Barbara Clark Auditor of the City of Portland
Affairs	By <u>Ray Kurshner</u> Deputy
Finance and Administration <i>Vera Katz</i> (FD)	For Meeting of _____
Safety	ACTION TAKEN:
Utilities	
Works	
BUREAU APPROVAL	
Bureau Finance and Administration	
Prepared by Date Ken Rust 9/27/95	
Budget Impact Review	
<input type="checkbox"/> Completed <input checked="" type="checkbox"/> Not Required	
Bureau Head. <i>Tim Grewe</i> Tim Grewe	

AGENDA		FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS	
Consent <input checked="" type="checkbox"/>	Regular		YEAS	NAYS
		Blumenauer		
NOTED BY		Hales		
City Attorney		Kafoury		
City Auditor		Landberg		
City Engineer		Katz		