Portland, Oregon

FINANCIAL IMPACT and PUBLIC INVOLVEMENT STATEMENT
For Council Action Items

(Deliver original to City Budget Office. Retain copy.)

1. Name of Initiator	2. Telephone No.	3. Bureau/Office/Dept.
Jonas Biery JB	3-4222	OMF-Public Finance and Treasury

4a. To be filed (hearing date):	4b. Calendar (Check One)	5. Date Submitted to Commissioner's office and CBO Budget Analyst:
September 26, 2013 (October 2, 2013)	Regular ☒ Consent ☐ 4/5ths ☐	September 26, 2013

6a. Financial Impact Section:	6b. Public Involvement Section:
☒ Financial impact section completed	☒ Public involvement section completed

1) Legislation Title:

Update and replace City of Portland Debt Management Policies (Resolution)

2) Purpose of the Proposed Legislation:

The resolution updates and replaces the City's existing Debt Management Policies (the "Policies"). Since the City Council adopted the most recent version of the Policies in May 2008, the City has experienced changes in the availability of new financing tools, new regulatory concerns, and evolving best practices for which enhancements to the Policies are recommended. Further, the Policies should be updated to better accommodate recent organizational restructuring and other administrative changes. The majority of the changes are administrative modifications and clarifications. None of the recommended changes materially modify the City's debt limits, debt structuring considerations or debt repayment obligations.

The following summarizes key changes in the Policies:

Policies Reflecting New Financing Tools, Changing Regulatory Environment, and Best Practices

Policies to Encourage Regulatory Compliance: The Policies clarify responsibilities for reviewing primary market disclosure, including accommodation for appropriate review by the debt-issuing bureaus and the City Council. In order to comply with federal requirements for tax-exempt debt, the Policies also encourage improved communication regarding ongoing responsibilities related to federal tax compliance for tax-exempt or tax-advantaged bonds.

Policies to Accommodate Issuance of Interest Payment Subsidy Borrowings: The American Recovery and Reinvestment Act of 2009 ("ARRA") provided that state and local governments could issue taxable bonds and receive a federal payment to compensate for the additional interest cost on taxable bonds (compared to what would have been paid on similar tax-exempt bonds). While the majority of these "subsidy" bond programs have since expired, there are ongoing discussions at the federal level regarding new financing tools that may have similar characteristics. The updated Policies will better accommodate City issuance of taxable bonds eligible to receive a federal interest subsidy, and provide guidance on their issuance in the event that these types of bonds can be issued in the future.

Policies for the Selection of Finance Consultants and Service Providers: The Policies add criteria for the selection of commercial banks to provide lines of credit, letters of credit, loans, private placements of debt, or other services. They also direct that firms selected to provide financial advisory services must be "independent" financial advisors – that is, firms that are not engaged in the buying and selling of municipal securities – unless such requirement is waived.

Policy Changes to Clarify Roles/Responsibilities

Amendments have been added to provide clarification on roles and responsibilities. As a result of the 2010 merger of the Debt Management and Treasury operations into a single Public Finance and Treasury Division under the direction of the City Treasurer, and due to elimination of the Chief Financial Officer (formerly, Director of Financial Services) beginning with the FY2013-14 fiscal year, the Policies have been amended to update and clarify responsibilities of the Debt Manager and Chief Administrative Officer (or designee).

3) Which area(s) of the city are affected by this Council item? (Check all that apply—areas are based on formal neighborhood coalition boundaries)?

☐ City-wide/Regional	☐ Northeast	☐ Northwest	☐ North
☐ Central Northeast	☐ Southeast	☐ Southwest	☐ East
☐ Central City			

FINANCIAL IMPACT

4) Revenue: Will this legislation generate or reduce current or future revenue coming to the City? If so, by how much? If so, please identify the source.

No revenue impact.

5) Expense: What are the costs to the City as a result of this legislation? What is the source of funding for the expense? *(Please include costs in the current fiscal year as well as costs in future year, including Operations & Maintenance (O&M) costs, if known, and estimates, if not known. If the action is related to a grant or contract please include the local contribution or match required. If there is a project estimate, please identify the* ***level of confidence.****)*
No expense impact.

6) Staffing Requirements:

- **Will any positions be created, eliminated or re-classified in the current year as a result of this legislation?** *(If new positions are created please include whether they will be part-time, full-time, limited term, or permanent positions. If the position is limited term please indicate the end of the term.)*
No.
- **Will positions be created or eliminated in *future years* as a result of this legislation?**
No.

(Complete the following section only if an amendment to the budget is proposed.)

7) **Change in Appropriations** *(If the accompanying ordinance amends the budget please reflect the dollar amount to be appropriated by this legislation. Include the appropriate cost elements that are to be loaded by accounting. Indicate "new" in Fund Center column if new center needs to be created. Use additional space if needed.)*

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount

[Proceed to Public Involvement Section — REQUIRED as of July 1, 2011]

PUBLIC INVOLVEMENT

8) Was public involvement included in the development of this Council item (e.g. ordinance, resolution, or report)? Please check the appropriate box below:

☐ **YES**: Please proceed to Question #9.

☒ **NO**: Please, explain why below; and proceed to Question #10.

No. This is internal City policy.

9) If "YES," please answer the following questions:

a) What impacts are anticipated in the community from this proposed Council item?

b) Which community and business groups, under-represented groups, organizations, external government entities, and other interested parties were involved in this effort, and when and how were they involved?

c) How did public involvement shape the outcome of this Council item?

d) Who designed and implemented the public involvement related to this Council item?

e) Primary contact for more information on this public involvement process (name, title, phone, email):

10) Is any future public involvement anticipated or necessary for this Council item? Please describe why or why not.

No. This is internal City policy.

APPROPRIATION UNIT HEAD (Typed name and signature) Jack D. Graham, CAO

CITY OF PORTLAND

OFFICE OF MANAGEMENT AND FINANCE

Charlie Hales, Mayor
Jack D. Graham, Chief Administrative Officer

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DATE:	September 19, 2013
TO:	Mayor Charlie Hales
FROM:	Jonas Biery, Debt Manager
RE:	Update and replace City of Portland Debt Management Policies (Resolution)

FOR MAYOR'S OFFICE USE ONLY

Reviewed by Bureau Liaison _____

1. **INTENDED THURSDAY FILING DATE:** September 26, 2013
2. **REQUESTED COUNCIL AGENDA DATE:** October 2, 2013
3. **CONTACT NAME & NUMBER:** Jonas Biery, Debt Manager, x3-4222
4. **PLACE ON: __CONSENT _✓_ REGULAR**
5. **FINANCIAL IMPACT/PUBLIC INVOLVMENT STATEMENT ATTACHED:**
   _✓_Yes ___No ___N/A
6. **(3) ORIGINAL COPIES OF CONTRACTS APPROVED AS TO FORM BY CITY ATTORNEY ATTACHED: ___Yes __✓_No __N/A**

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7. BACKGROUND/ANALYSIS

Introduction and History – Attached is a resolution for first reading by the City Council on October 2, 2013. The resolution updates and replaces the City's existing Debt Management Policies (the "Policies").

Since the City Council adopted the most recent version of the Policies in May 2008, the City has experienced changes in the availability of new financing tools, new regulatory concerns, and evolving best practices for which enhancements to the Policies are recommended. Further, the Policies should be updated to better accommodate recent organizational restructuring and other administrative changes. The majority of the changes are administrative modifications and clarifications. None of the recommended changes materially modify the City's debt limits, debt structuring considerations or debt repayment obligations.

Attachment A to this Council Memorandum provides a summary of changes to the Policies. The following summarizes key changes in the Policies:

Policies Reflecting New Financing Tools, Changing Regulatory Environment, and Best Practices

<u>Policies to Encourage Regulatory Compliance</u>: The Policies clarify responsibilities for reviewing primary market disclosure, including accommodation for appropriate review by the debt-issuing bureaus and the City Council. In order to comply with federal requirements for tax-exempt debt, the Policies also encourage improved communication regarding ongoing responsibilities related to federal tax compliance for tax-exempt or tax-advantaged bonds.

Policies to Accommodate Issuance of Interest Payment Subsidy Borrowings: The American Recovery and Reinvestment Act of 2009 ("ARRA") provided that state and local governments could issue taxable bonds and receive a federal payment to compensate for the additional interest cost on taxable bonds (compared to what would have been paid on similar tax-exempt bonds). While the majority of these "subsidy" bond programs have since expired, there are ongoing discussions at the federal level regarding new financing tools that may have similar characteristics. The updated Policies will better accommodate City issuance of taxable bonds eligible to receive a federal interest subsidy, and provide guidance on their issuance in the event that these types of bonds can be issued in the future.

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Amendments have been added to provide clarification on roles and responsibilities. As a result of the 2010 merger of the Debt Management and Treasury operations into a single Public Finance and Treasury Division under the direction of the City Treasurer, and due to elimination of the Chief Financial Officer (formerly, Director of Financial Services) beginning with the FY2013-14 fiscal year, the Policies have been amended to update and clarify responsibilities of the Debt Manager and Chief Administrative Officer (or designee).

Legal Issues – None.

Link to Current City Policies – If adopted, these Debt Management Policies will replace the City's current Debt Management Policies (FIN 2.12).

Controversial Issues – None.

Citizen Participation – Not Applicable

Other Government Participation – None.

8. FINANCIAL IMPACT

There is no direct financial impact from implementing these amendments to the Policies.

9. RECOMMENDATION/ACTION REQUESTED

It is recommended that the City Council approve this Resolution in order to update the debt management practices of the City.

Attachment A to Council Memorandum
Proposed Debt Policy Revision – October 2013
Summary of Key Changes*

Section I – General Provisions	
Added Section "Purpose of Debt Management Policies	Describes purpose and objective of Debt Policies
Adds section "Capital Financing Proposals"	More clearly describes Debt Management's role as centralized point for financing proposals
Creates section "Debt Planning and Administration"	Combines information previously scattered elsewhere and adds language to clarify definition of "Bureau"
Adds section "Investor Communication"	Clarifies Debt Manager's role as centralized point for communication with bond investors
Adds section "Periodic Review of Debt Management Policies"	Clarifies responsibility to review policies annually
Adds section "Investment of Tax-Exempt Bond Proceeds"	References City responsibilities related to investment of bond proceeds
Section II – Limits on City Indebtedness	
Adds section "Limitations on Non-General Fund Loan Guarantees and Credit Support"	Clarifies Debt Management's role regarding committing non-GF as credit support
Includes clarifications regarding application and/or calculation of specific limits	
Section III – Structure and Term of City Indebtedness	
Adds section "Optional Redemption"	Describes City objective to include redemption provisions when feasible
Adds section "Use of Capitalized Interest"	More clearly describes City's policy regarding limited use of capitalized interest
Adds section "Commitment of Non-Restricted Funds"	Describes roles related to maintenance of debt reserves that are not legally required by bond documents
Adds section "Issuance of Tax-Advantaged Debt"	Updates for recently developed financing tools such as Build America Bonds and other similar facilities
Section IV – Short-Term Debt and Interim Financing	
Administrative clarifications only	
Section V – Improvement District and Assessment Contract Financing	
Addition to section "Commitment to Self-Supporting Improvement District Financings"	Clarifies that Debt Manager shall periodically review adequacy of balance in the Bancroft Bond reserve fund
Adds section "Exception to Limits on Debt Structure"	Describes that these financings are not limited by typical debt structure considerations due to unique required structuring considerations.
Section VI – Urban Renewal Financings	
Administrative clarifications only	
Section VII – Conduit Financings	

Administrative clarifications only	
Section VIII – Selection of Finance Consultants and Service Providers	
Adds section "Commercial Banks"	Describes City's use of commercial banks for borrowing from direct lenders
Eliminates section "Paying Agent"	Information folded into "Other Service Providers" section
Adds language regarding avoiding conflicts of interest between financial advisors and underwriters	
Section IX – Method of Sale	
Eliminates section "Use of Technology in Bond Sale Process"	No longer relevant as technology use is now ubiquitous
Adds language regarding compensation to underwriters and bond pricing	
Section X – Refunding of City Indebtedness	
Adds section "Monitoring of Refunding Opportunities"	Describes ongoing responsibility to monitor refunding (refinancing) opportunities
Section XI – Use of Credit Enhancement	
Administrative clarifications only	
Section XII – Credit Ratings	
Administrative clarifications only	
Section XIII – Rebate Compliance and Other Post-Issuance Responsibilities	
Clarifies responsibilities of debt-issuing Bureaus relating to tax compliance	
Section XIV – Disclosure	
Combines information previously included elsewhere and adds language regarding City's primary and secondary disclosure responsibilities	
Section XV – Derivative Products	
Administrative clarification only	
Eliminates prior section XVII	Audit information/responsibility is covered outside of Debt Policy
All sections include administrative clarifications/updates and/or enhanced language regarding application and/or administration of policy concepts	

Exhibit A

City of Portland, Oregon--Debt Management Policies

I. ~~COMPREHENSIVE CAPITAL PLANNING AND FINANCING SYSTEM~~GENERAL PROVISIONS

A. Purpose of Debt Management Policies. These Debt Management Policies provide a general framework under which the City plans for and manages the use of debt financing. These Debt Management Policies should be considered within the broader scope of the City's Comprehensive Financial Policies and other City rules and regulations. In addition to adhering to these Debt Management Policies, all City financings will be conducted and maintained in compliance with applicable Federal law, Oregon Revised Statutes and City Code.

B. Capital Financing Proposals. Bureau Directors shall be responsible for ensuring that any capital financing proposal involving a pledge or other extension of the City's credit through the sale of securities, execution of loans or capital leases, or making of guarantees or agreements otherwise involving directly or indirectly the lending or pledging of the City's credit shall be referred to the Debt Manager. The Debt Manager, in consultation with the Chief Administrative Officer ("CAO") or designee, shall be responsible for analyzing the proposal, responding to the proposal, and recommending the action to be taken.

C. Debt Planning and Administration. The Debt Manager (under the direction of the CAO or designee) shall be responsible for administering the City's debt programs, including monitoring ongoing compliance with the City's Debt Management Policies.

It shall be the responsibility of the Debt Manager to coordinate the timing, process, and sale of City debt required in support of the Citywide Capital Improvement Plan ("CIP"). The Debt Manager shall make recommendations to the City Council as necessary in order to accomplish City financing objectives.

Bureaus (defined for purposes of these Debt Management Policies as any City bureau, agency, project or program that utilizes City debt financing) are responsible for coordinating with the Debt Manager in connection with any planned or active debt financing to ensure compliance with the City's Debt Management Policies.

~~C~~D. Investor Communication. The Debt Manager shall be the City's centralized point of contact for questions from current or prospective bondholders, bond rating agencies and credit analysts regarding City bond issues, bond disclosure and these Debt Management Policies.

~~D~~E. Periodic Review of Debt Management Policies. At least annually, the Debt Manager shall perform a thorough review of the City's Debt Management Policies and recommend updates for City Council approval, if appropriate. The Debt Management Policies may be updated at any time, subject to City Council approval.

~~E~~F. ~~Comprehensive~~ Capital Planning and Financing Approach. The City shall utilize an integrated approach to capital planning and financing ~~in preparing~~and shall prepare a multi-year ~~Capital Improvement Plan~~CIP for City Council consideration and adoption. Individual bureaus and agencies shall develop multi-year capital plans. Coordination and ~~preparation of~~integration of these individual capital plans into the ~~Citywide Capital Improvement Plan (the "CIP")~~ CIP shall reside with the ~~Office of Management and Finance~~City Budget Office; however, the Debt Manager shall be included in the CIP process in the areas of debt financing. The CIP shall be for the ~~ensuing~~ following five fiscal years and shall be updated at least annually as part of the City budget process. The CIP shall contain a comprehensive description of the sources of funds, including current revenue requirements; identify the timing of project expenditures and their impact on future operating and capital budgets; and evaluate the impact of the projects on the amount and timing of bonds to be issued, debt service requirements, outstanding debt, and debt burden. In developing the CIP, ~~an assessment shall be undertaken~~the City Budget Office shall coordinate with the Debt Manager to determine whether the planned financings conform with policy targets related to (1) the magnitude and composition of the City's indebtedness, and (2) the fiscal resources of the City to support such indebtedness during the five-year CIP horizon and through the final maturity of the proposed debt~~over the next five years~~. Affordability impacts of the CIP shall be evaluated in consultation with the various City Bureaus.

~~D~~G. **Debt Authorization for Capital Projects.** The City shall authorize use of long-term debt only to fund capital projects and related capitalizable expenditures; long-term debt shall not be authorized to fund short-term operational obligations. No City debt ~~issued for the purpose of funding capital projects~~ shall be issued to fund capital projects ~~authorized by the City Council~~ unless ~~it~~ such capital project has been included in the CIP ~~or until the Council has modified the CIP~~and authorized by City Council. Inclusion in the CIP may occur as part of an action related to budget approval or budget adjustment. Such ~~modification~~ approval shall occur only after ~~the~~ City Council has received a report of the impact of the contemplated borrowing on the ~~existing~~ CIP and/or budget and recommendations ~~as to the financing arrangements~~ from the ~~Bureau of Financial Services~~Debt Manager and the City Budget Office regarding the ability of the financing payments to be supported by existing or new revenues.

~~B~~H. **Pay-As-You-Go Funding of Capital Outlays.** When feasible, t~~T~~he City shall strive to make contributions from ~~its own~~ current revenues or from outside funding sources~~, ~~ (such as state or federal grants~~, ~~) to each capital project or program. The target contribution shall be equal to at least 5% of ~~its~~ the total capital cost of a project or program.

~~C~~I. **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 will strive to set aside sufficient current revenues to finance ongoing maintenance needs and to provide reserves for periodic replacement and renewal.

J. **Investment of Tax-Exempt Bond Proceeds.** The City Treasurer, in consultation with the Debt Manager, shall be responsible for investing unspent tax-exempt bond proceeds in accordance with legal requirements and City Investment Policy.

II. LIMITATIONS ON CITY INDEBTEDNESS

A. **Target Limitations on Non-Self-Supporting Unlimited Tax General Obligation Indebtedness.** The City shall, as a matter of policy, manage~~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~~Citywide taxable real market value. This limitation shall not apply to self-supporting UTGO debt, if any, or indebtedness as described in Section II.H below.

B. **Target Limitations on Non-Self-Supporting Limited Tax Indebtedness.** The City shall, as a matter of policy, manage its finances so that the amount of direct, non-self-supporting, limited tax indebtedness and full faith and credit ~~lease- purchase~~capital lease obligations outstanding at any time that are not subject to approval by the voters does not exceed 1.0% of ~~the City's~~Citywide taxable real market value. Furthermore, the City shall strive to limit the annual debt service requirements on these obligations to an amount not greater than 7% of annual General Fund revenues. For purposes of this calculation, General Fund revenues include all revenues actually allocated to the General

Fund with the exception of general obligation bond levies, the Fire and Police Disability and Retirement Fund levy and General Fund beginning balance.

These limitations apply to debt obligations issued with a ~~specific~~ security pledge of the City's General Fund, ~~obligations secured by a pledge~~ or of the City's full faith and credit, ~~and obligations that are secured by~~or of legally available general funds~~,~~ and which are not self-supporting, or debt obligations 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 as described in Section II.E below. These limitations shall not apply to indebtedness as described in Section II. ~~G~~H~~.~~ below.

C. Target Limitations on Self-Supporting Limited Tax Indebtedness. The City shall, as a matter of policy, manage its finances so that the amount of direct, self-supporting, limited tax indebtedness outstanding at any time that is not subject to approval by the voters does not exceed 1.0% of ~~the City's~~Citywide taxable real market value.

This limitation applies to debt obligations that are paid from non-General Fund resources but issued with a security ~~specific~~ pledge of the City's General Fund, ~~obligations secured by a pledge~~ or of the City's full faith and credit, ~~and obligations that are secured by~~ or of legally available general funds. It shall be the responsibility of the Debt Manager and the CAO (or designee) ~~Director of the Bureau of Financial Services~~ to determine whether such General Fund-secured obligations are classified as self-supporting. Such determination shall be made based upon factors including, but not limited to, length of history of the payment revenue source, level of debt service coverage, availability of reserves for payment of debt, revenue volatility and classification of such debt by bond rating agencies. ~~These~~ This limitation~~s~~ shall not apply to indebtedness as described in Section II.~~G~~H~~.~~ below.

D. Target Limitations on ~~Lease-Purchase Financing of~~Capital Leases for Equipment and Furnishings. The City may enter into ~~short-term lease-purchase obligations~~capital leases to finance the acquisition of capital equipment and furnishings with estimated useful lives of less than ten years. Outstanding ~~lease-purchase~~capital lease obligations issued to finance capital equipment and furnishings shall not exceed 0.125% of ~~the City's~~Citywide taxable real market value. Repayment of these ~~lease-purchase~~capital lease obligations shall occur over a period not to exceed the estimated useful life of the underlying asset~~ or in any case no longer than five years from the issue date of such obligations. The Debt Manager of the Office of Management and Finance 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~~. Bureaus are responsible for coordinating with the Debt Manager prior to execution of capital lease obligations.

E. 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 and which comply with State constitutional restrictions on lending of credit. Before such General Fund commitments are made, project managers, in conjunction with the Debt Manager and CAO (or designee) shall determine that the goals and objectives of the project justify such support, and specify limitations on the maximum amount of General Funds resources available to a project. ~~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 Management and Finance shall be responsible for coordinating the development of such policies and goals, which shall not~~No General Fund guarantee or credit support shall take effect until approved by ~~the~~ City Council. General Fund loan guarantees shall also be subject to the ~~overall~~ applicable debt limitations set forth in Section II.~~B~~ C 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 CAO (or designee) ~~Director of the Bureau of Financial Services~~. Key factors that will be considered in determining whether or not the General Fund should ~~be~~serve as a loan guarantee or credit support ~~used to secure a particular debt obligation~~ will include the following:

1. Demonstration of underlying project revenues sufficient to adequately support debt service requirements~~self-support~~, thus limiting potential General Fund financial exposure.

2. Legal pledges of additional non-General Fund revenues or repayment sources (i.e. "double-barrel" security).

~~2~~3. 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~~4. General Fund support is determined by the City Council to be in the City's overall best interest.

F. **Limitations on Non-General Fund Loan Guarantees and Credit Support.** The City may, from time-to-time, use non-General Fund resources to provide loan guarantees or credit support for projects that meet high-priority City needs. Such commitments shall be made in consultation with the Debt Manager and only after consideration of the impacts of such guarantees on existing debt and financial obligations. Prior to approval by City Council, such guarantees or credit support are subject to the approval of the Debt Manager and CAO (or designee), and the Bureau Director responsible for the resources that are being contributed. Revenues pledged directly to debt repayment and revenues allocated toward self-supporting General Fund debt are considered separately from this Section II.F.

~~F~~G. **Target Limitations on the Issuance of Revenue-Secured Debt Obligations.** The City ~~shall~~ may finance a portion of 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 including consideration of debt service coverage, revenue volatility, fund balances, debt reserves and future capital needs as determined by the Debt Manager.

Revenue-secured debt obligations must first be reviewed and approved by the Debt Manager and the CAO (or designee)~~Director of the Bureau of Financial Services~~ before being issued.

H. **Pension Obligation Debt.** The City may elect to fund accrued pension liabilities through the issuance of pension obligation bonds rather than funding such obligations on a pay-as-you-go basis. The principal amount of outstanding pension obligations and the debt service on such obligations shall be excluded from calculations of outstanding debt under Section II (A) (B) and (C) of th~~is~~ese ~~debt policy~~Debt Management Policies.

III. 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 expected economic life of the improvement that it finances and where feasible should be shorter than the ~~projected~~ expected economic life of the assets being financed. 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) on an issue-by-issue basis as follows:~~according to the following schedule:~~ at least 20% in five years and 40% in ten years. Revenue bonds should strive for the same repayment period, but may also consider the underlying security, overall capital program needs, debt service coverage and other structuring considerations. 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 CAO (or designee)~~Director of the Bureau of Financial Services~~, in consultation with the involved Bureaus, before being recommended to ~~the~~ City Council.

B. **Optional Redemption.** City debt issues shall include provisions for optional redemption prior to maturity when it is cost-effective and in the City's best interests to do so. When appropriate, the City may issue debt without optional redemption provisions in order to achieve debt structuring goals or cost savings. Determination of redemption features shall be made by the Debt Manager.

C. **Use of Capitalized Interest.** The City shall use capitalized interest debt structures only in limited circumstances. Subject to review and approval of the Debt Manager and the CAO (or designee), the City may choose to utilize capitalized interest when it matches a specific repayment cash flow and is in support of a project that is deemed by City Council to be of sufficient importance to allow use of capitalized interest.

~~B~~D. **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 CAO (or designee)~~Director of the Bureau of Financial Services, in consultation with the City Treasurer,~~ before City Council is requested to approve their issuance. Prior to issuing variable rate debt, City Bureaus shall, in conjunction with the Debt Manager, develop a plan to address interest rate risk associated with these instruments.

~~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 Bureau of Financial ServicesCity Treasurer, 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 the City Council prior to or at the time issuance of the secured debt is to be authorized.~~

E. **Commitment of Non-Restricted Funds.** Upon recommendation from the Debt Manager and CAO (or designee), the City may choose to identify non-restricted funds for the purpose of maintaining an internal debt reserve. Unless legally prohibited, and after consultation with the Debt Manager, funds in an internal, non-restricted debt reserve may be utilized for purposes unrelated to debt upon direction of City Council.

F.~~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 CAO (or designee)~~Director of the Bureau of Financial Services~~, in consultation with the involved Bureau. ~~The results of this review~~Expectations regarding subordination shall be presented ~~in the form of recommendations~~ to City Council for consideration prior to or at the time such bonds are being authorized.

G. **Issuance of Tax-Advantaged Debt.** The City may choose to issue taxable bonds that are eligible to receive a direct interest subsidy or that facilitate a tax credit from the federal government. The decision to issue such debt shall be based upon an analysis indicating that the post-subsidy interest cost would be lower than the interest cost of a comparable tax-exempt borrowing. The decision shall also take into account any additional risks or administrative costs associated with issuing such bonds. Tax-advantaged debt shall be subject to the same policies and conditions as tax-exempt debt, unless otherwise legally allowable, and subject to approval by the Debt Manager.

IV. SHORT-TERM DEBT AND INTERIM FINANCING

A. **Lines and Letters of Credit.** Where their use is ~~judged~~determined by the Debt Manager to be prudent and advantageous to the City, City Council may authorize the Debt Manager ~~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 or intended amortization 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 or letters of credit will be procured in conformance with Section VIII.C. Lines and letters of credit entered into by the City shall be in support of projects contained in the approved CIP as described in Section I.F.

B. **Bond Anticipation Notes.** Where their use is ~~judged~~ determined by the Debt Manager to be prudent and advantageous to the City, and subject to authorization and approval by City Council, 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~~ determined by the Debt Manager to be prudent and advantageous to the City, and subject to authorization and approval by City Council, 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~~ determined to be feasible 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. **Commercial Paper.** The City may choose to issue tax-exempt or taxable commercial paper as a source of interim construction financing for projects contained in the City's approved CIP only after the Debt Manager, in consultation with the ~~City Treasurer~~CAO (or designee), determines that such a financing represents the least cost interim financing option for the City. Furthermore, commercial paper shall not be issued for City capital programs unless ~~it~~ such program is of sufficient economic size as determined by the Debt Manager. A report recommending the issuance of commercial paper must first be approved by the CAO (or designee)~~Director of the Bureau of Financial Services~~ before recommendations are made to City Council authorizing the establishment of such a program.

V. 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 Local Improvement District Assessment Contracts.** The interest rate on local improvement district assessment contracts funded from the proceeds of assessment bonds shall be equal to the effective interest rate paid on the bonds sold to finance such contracts, plus an additional percentage "bump rate" sufficient to cover administrative costs, cash flow requirements and reserve requirements. The bump rate shall be adjusted periodically based upon the historical improvement assessment ~~bond collection~~contract payment history and consultation among the Auditor's Office, the Debt Manager, and the CAO (or designee)~~City Treasurer~~. The bump rate charged on assessment contracts with governmental bodies and other public entities may be lower than that of private property owners due to a lower risk of payment default.

C. **Interim Assessment Contract Interest Rates.** The interim assessment contract interest rate is the interest rate set on contracts that precede the sale of 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 District~~ improvement district and assessment contract~~Assessment Contract~~ 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, and projections of prepayments, delinquencies, and non-payments with the Debt Manager to ensure that the proposed bonds meet the City's self-supporting requirement. At least annually, the Debt Manager shall review the adequacy of amounts in the Reserve Subfund of the Bancroft Bond Interest and Sinking Fund to ensure the continued self-sufficiency of the improvement district and assessment contract program.

E. **Exception to Limits on Debt Structure.** Improvement district and assessment contract financings shall typically be structured in a manner aligned with the structure of the assessment contracts that provide repayment revenues for the financing. Therefore, improvement district and assessment contract financings may be structured outside the principal repayment targets identified in Section III.A.

VI. URBAN RENEWAL FINANCING

A. **Financing Policies.** Recognizing the uncertainty created by Oregon's property tax system, assessed value growth, and Oregon's initiative environment, the City will adopt a conservative approach under these policies when~~to~~ issuing urban renewal bonds, notes and interim financing. The Debt Manager, in consultation with the Portland Development Commission, shall develop ~~policies and~~ planning standards to guide capital project planning and financing in urban renewal ~~districts~~areas ("URAs").

B. **Commitment to Self-Supporting Tax Increment Financings.** The City shall strive to maintain its tax increment obligations as self-supporting indebtedness. Prior to the issuance of tax increment bonds or interim financing, the Debt Manager, in consultation with the Portland Development Commission, shall review historical and reasonably projected tax increment collections to ensure that the proposed bonds or interim financing will meet the City's self-supporting requirement. No long-term debt shall be issued until the district has a five-year history of tax increment collections which demonstrate that the debt can be supported.

C. **Limitation on Short-Term Indebtedness.** The City shall limit the outstanding short-term indebtedness incurred on behalf of an ~~urban renewal area (~~URA~~)~~ to an amount that, when converted to long-term debt using ~~reasonable~~ borrowing assumptions that are reasonable and in conformance with these Debt Management Policies, is fully self-supporting either from existing available tax increment revenues or from future available tax increment revenues that have ~~been~~ reasonably been projected by the Debt Manager to be sufficient to fully support the outstanding short-term debt. Available tax increment revenues shall mean those tax increment revenues remaining after the payment of any long-term bonded indebtedness of the URA.

~~D.~~ D. **Tax Increment Revenue Projections.** In projecting future tax increment revenues, the Debt Manager may:

1. Determine current borrowing capacity by projecting tax increment revenues for a five-year period. Projections will include analysis of historical assessed value and tax increment revenue collections, will use reasonable assumptions regarding assessed value growth and will account for legal constraints that may limit future assessed value growth. Short-term indebtedness may be incurred in amounts which are projected to be fully self supporting by the projected available tax increment revenues available in the fifth year of the forecast.

2. Consider the value of an existing development agreement or similar contractual obligation that provides the City with reasonable assurance that the timing and assessed value of new taxable, non-abated development will be sufficient to support indebtedness in excess of that which can be paid from existing available tax increment revenues. The extent to which the Debt Manager will support additional indebtedness will be based on the particular nature of the contractual obligations of the private developers; speculative development shall not be included.

Exceptions to these limitations may be approved by a specific action of the City Council. If City Council deems a project to be sufficiently important to allow borrowing in a URA in amounts in excess of the limits contained in this section, it may do so by acknowledging that tax increment revenues are not reasonably projected to be sufficient to support the indebtedness and the City's General Fund may be at an increased risk for the ultimate repayment of the indebtedness. In this circumstance, the Debt Manager may further recommend that a loss reserve be included as a contingent expenditure in the General Fund Financial Forecast. Any amounts included as contingent General Fund expenditures for this purpose shall be included in calculations of debt limitations set forth in Section II.B above.

E. **Debt Service Coverage Standards Based on Type of Urban Renewal District.** Because each type of urban renewal district carries a different risk profile~~different levels of risk~~, the Debt Manager ~~City~~ shall adopt appropriate debt service coverage planning standards for each type of district, including Option 3 districts, ~~"window" districts~~standard rate plans (approved between December 6, 1996 and October 6, 2001), reduced rate plans, and other types of districts as may be created through the Oregon legislative process. These standards may consider the availability of the urban renewal Special Levy (for Option 3 districts), non-tax increment sources of debt repayment, diversity of property ownership, mix of property types, impacts of revenue sharing to overlapping taxing jurisdictions or other credit factors as determined by the Debt Manager.

VII. 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, Portland Housing Bureau or other appropriate bureaus. All conduit financings must insulate the City completely from any direct credit risk or exposure and must first be approved by the Debt Manager and the CAO (or designee)~~Director of the Bureau of Financial Services~~ before being submitted to City Council for authorization~~ and implementation~~. The obligated borrower shall be responsible for paying all bond sale costs associated with the financing, including any debt management fee imposed by the City. The obligated borrower shall also be responsible for funding of any debt reserve requirement, if applicable.

Conduit financings shall either:

1. Carry a rating not lower than "A3" or "A-"~~-"~~ by Moody's Investors Service and/or Standard & Poor's Corporation, respectively. Exceptions to this requirement may only be made by the Debt Manager and the CAO (or designee)~~Director of the Bureau of Financial Services~~.

2. Be sold via a private sale only to 'accredited investors" as defined in 15 United States Code Section 77b (15)~~pursuant to City Code Section 5.72.080~~.

The obligated borrower in a conduit financing shall be responsible for complying with all arbitrage rebate requirements associated with the bonds and shall, prior to the closing of the bonds, enter into a contract for rebate services with a firm recognized as having expertise in performing arbitrage rebate calculations for tax-exempt or tax-advantaged bonds.

Conduit financings are additionally subject to review and administration as described in City Code Chapter 5.72.

~~VIII. 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 Bureau of Financial Services the required action to be taken.~~

~~IX~~VIII. 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. The solicitation and selection process for such services will comply with City Code requirements for such services, including procurement requirements for Professional, Technical, and Expert Services, if appropriate.

A. **Bond Counsel.** As part of its responsibility to oversee and coordinate the marketing of all City indebtedness, the City Attorney, ~~with advice of~~upon consultation with 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 one or more Bond Counsel firms to be engaged~~mployed~~ and the duration of the engagement.~~mployment~~ Bond Counsel may be selected for an individual financing, ~~or~~ for a series of financings or for a specified period of time. The City Council shall make such selection, taking into consideration these recommendations.

B. **Underwriters.** The Debt Manager shall solicit proposals for underwriting services for all long-term debt issued in a negotiated or private placement sale mode. The solicitation process shall include formation of a review committee selected by the Debt Manager 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 for a specified period of time~~ period~~. The City Council shall make such selections taking into consideration the recommendations of the review committee.

~~B.~~C. **Commercial Banks.** The Debt Manager, in consultation with the CAO (or designee), may solicit proposals from commercial banks to provide lines of credit, letters of credit, direct loans and direct bank placements as needed. Selection of such providers will be based upon the proposed financial terms deemed most advantageous to the City, including, but not limited to, lowest cost.

D~~C~~. **Financial Advisor.** The Debt Manager, ~~with advice of a committee representing City Bureaus, Agencies, and Commissions with capital financing needs~~upon consultation of a review committee including issuing Bureau staff as appropriate or otherwise required, shall make recommendations to the City Council regarding the selection of financial advisors to be engaged~~mployed~~ and the duration of such engagement~~employment~~. The time period for ~~employment~~ engagement may relate to an individual or a series of financings, or for a specified period of time. The City Council shall make such selections taking into consideration the recommendations of the review committee. Only independent financial advisors (defined as firms that are not engaged in the buying and selling of municipal securities) shall be retained by the City unless the Debt Manager determines that, due to the specialized nature of a proposed financing, the City will be better represented by a non-independent financial advisor. A financial advisor under contract with the City will not be eligible to serve as an underwriter for City bond issues during the term of the contract and for the successive two years.

~~**DE.** **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 selecting a Paying Agent.~~

E. **Other Service Providers.** The Debt Manager shall periodically solicit for providers of other services necessary to carry out the debt issuance activities of the City (paying agents, escrow agents, verification agents, feasibility consultants, rebate consultants, trustees, etc.). The Debt Manager in selecting such additional service providers shall evaluate the cost and perceived quality of service of the proposed service provider.

IX. METHOD OF SALE

A. **Presumption of Competitive Sale.** The City, as a matter of policy, shall issue its long-term debt obligations through a competitive sale unless the Debt Manager determines that such a sale method ~~will not~~ is unlikely to produce the best results or is otherwise not in the best interests of~~ for~~ the City. In such instances, or when the Debt Manager ~~where the City~~ deems the bids received through a competitive sale process as unsatisfactory or does not receive bids, ~~it~~ the City 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, in consultation with the CAO (or designee)~~and approved by the Director of the Bureau of Financial Services~~, 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 Management Policies, consistent with City Code, and as may be adjusted by the Debt Manager and CAO (or designee). It is the City's policy that negotiated sale underwriters receive fair and reasonable compensation for actual expenses incurred as part of the bond transaction, but underwriters will not be compensated for travel expenses that are not requested by the City.

The Debt Manager will be responsible for monitoring pricing results to confirm that bond price behavior after the pricing date is consistent with reasonable market expectations.

C. **Private Placement.** When determined appropriate by the Debt Manager and approved by the CAO (or designee)~~Director of the Bureau of Financial Services~~, the City may elect to sell its debt obligations through a direct 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 Section VIII.C of these Debt Management Policies and with City Code, as applicable.

~~E. Use of Technology in Bond Sale Process. The City shall encourage the use of electronic bidding systems, electronic dissemination of disclosure information and other technological methods whenever the use of such technology is expected to reduce sale costs and enhance market participation in City financings.~~

XI. REFUNDING OF CITY INDEBTEDNESS

A. **Monitoring of Refunding Opportunities.** The Debt Manager shall be responsible for monitoring the interest rates and optional redemption provisions of the City's outstanding debt in order to identify potential current or advance refunding opportunities.

~~A.~~B. **Debt Service Savings--Advance Refundings.** The City may issue advance refunding bonds (as defined for federal tax law purposes) when advantageous, legally permissible~~,~~ and prudent, and when net present value savings equals or exceeds 5 percent, calculated in accordance with Oregon Administrative Rules on Advance Refundings. In addition, issuance of advance refunding bonds that generate at least 3 percent, but less than 5 percent, net present value savings may be allowed with the approval of the Debt Manager, in consultation with the CAO (or designee) ~~and the Director of the Bureau of Financial Services~~. Such approval, if given, shall be based upon an opportunity cost analysis of the net present value savings benefits of executing the advance refunding versus waiting for a possible future decline in interest rates or possible increase in the available escrow account yield.

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

~~C~~D. **Restructuring of Debt.** The City may choose to refund outstanding indebtedness 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 CAO (or designee) ~~Director of the Bureau of Financial Services~~ upon a finding that such a restructuring is in the City's overall best financial interests.

E.
~~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.

~~XII.~~ USE OF CREDIT ENHANCEMENT

The City ~~shall~~ may use credit enhancement (letters of credit, bond insurance, surety bonds, etc.) when such credit enhancement proves cost-effective or is otherwise beneficial to a financing transaction. 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~~ otherwise facilitates the City's debt financing goals and objectives.

~~XIII.~~ 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 not lower than "A3" by Moody's Investors Service or "A-" by Standard & Poor's Corporation. 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~~disadvantageous to the City, then the obligations may be issued without a rating~~.~~, however, bonds that are rated below A3/A- shall be sold via a private sale only to 'accredited investors" pursuant to City Code Section 5.72.080, unless waived by the Debt Manager and the CAO (or designee).

~~A lower rating standard may be accepted for indirect or conduit obligations, subject to the approval of the Debt Manager and the Director of the Bureau of Financial Services.~~

~~XIV~~XIII. REBATE COMPLIANCE~~REPORTING AND COVENANT COMPLIANCE~~ AND OTHER POST-ISSUANCE RESPONSIBILITIES

The Debt Manage~~ment Group~~r shall establish and maintain 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 tax-exempt or tax advantaged debt issues.

It shall be the primary responsibility of debt-issuing Bureaus to ensure that appropriate accounting records of tax-exempt and tax advantaged bond expenditures are maintained for a period ~~that~~ of time that allows the City to comply with its arbitrage rebate requirements. The Debt Manage~~ment Group~~r shall advise Bureaus on appropriate record-retention timeframes based upon current legal requirements and industry best practices. Bureaus are further responsible to promptly notify ~~the~~ Debt Management ~~Group~~ of any concerns ~~issues~~ surrounding the appropriate use of tax-exempt and tax advantaged bond proceeds or facilities financed with tax-exempt or tax advantaged bonds. In particular, it is the responsibility of the debt-issuing Bureau to notify Debt Management of any planned or potential sale of or change in use of assets financed with tax-exempt or tax advantaged bonds, so long as the bonds are currently outstanding.

Additionally, general financial reporting and certification requirements embodied in bond covenants shall be monitored by the appropriate debt-issuing Bureau and the Debt Manager to ensure that all covenants are complied with. Debt-issuing Bureaus will be responsible for providing relevant data and information to Debt Management to assure ongoing compliance.

XIV. ~~ONGOING~~ DISCLOSURE

A. **Primary Market Disclosure.** The Debt Manager and the CAO (or designee) shall be responsible for establishing a process for the review, approval and publication of official primary market disclosure information, including review by debt-issuing Bureau staff and the City Council as appropriate. Such process shall be periodically reviewed to ensure that the City is complying with legal requirements and following accepted best practices with respect to primary market disclosure.

B. **Continuing Disclosure.** The Debt Manager shall be responsible for preparing and providing ~~ongoing~~ required continuing disclosure information to the Electronic Municipal Market Access ("EMMA") or any such successor organization designed to assist issuers in ~~established national information repositories and for~~ maintaining compliance with disclosure standards promulgated by state and national regulatory bodies. The Debt Manager shall be responsible for establishing and maintaining a process to guide continuing disclosure actions and responsibilities. Additionally, the Debt Manager may determine that it is in the City's best interest to prepare and provide information beyond the minimum continuing disclosure requirements, and may prepare and provide such information from time-to-time.

XVII. 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. The use of such products shall conform to the City's Interest Rate Exchange Agreement Policy.

~~XVIII. 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.~~

RESOLUTION No. **REFERRED TO COMMISSIONER OF FINANCE AND ADMINISTRATION**

Update and replace City of Portland Debt Management Policies (Resolution)

WHEREAS, City of Portland issues debt to finance the City's capital projects; and

WHEREAS, the Public Finance and Treasury Division of the Office of Management and Finance is charged with responsibility for managing the City's Debt Management program; and

WHEREAS, there is a need to clearly define the criteria for management and operation of the City's Debt Management program; and

WHEREAS, the City of Portland's Comprehensive Financial Management Policy FIN 2.12 Debt Management provides a general framework under which the City plans for and manages the use of debt financing, and sets forth the various responsibilities and authorities in managing the City's Debt Management program; and

WHEREAS, in Ordinance No. 181829 of May 14, 2008 Council updated and replaced FIN 2.12; and

WHEREAS, FIN 2.12 is now out-of-date and need to be revised to reflect the City the availability of new financing tools, new regulatory concerns and evolving best practices.

NOW, THEREFORE, BE IT RESOLVED that the Comprehensive Financial Management Policy FIN 2.12 Debt Management be updated and replaced as shown in the attached Exhibit A; and

BE IT FURTHER RESOLVED that this resolution is binding City Policy.

Adopted by the Council:

Mayor Charlie Hales
Prepared by: Jennifer Cooperman, City Treasurer
Date Prepared: September 19, 2013

LaVonne Griffin-Valade
Auditor of the City of Portland
By

Deputy

938

Agenda No.

RESOLUTION NO.

Title

Update and Replace City of Portland Debt Management Policies (Resolution)

INTRODUCED BY Commissioner/Auditor: **Mayor Charlie Hales**	CLERK USE: DATE FILED SEP 27 2013
COMMISSIONER APPROVAL	LaVonne Griffin-Valade Auditor of the City of Portland By: ______ Deputy
Mayor—Finance and Administration - Hales	
Position 1/Utilities - Fritz	
Position 2/Works - Fish	
Position 3/Affairs - Saltzman	
Position 4/Safety - Novick	**ACTION TAKEN:**
BUREAU APPROVAL	OCT 02 2013 **REFERRED TO COMMISSIONER OF FINANCE AND ADMINISTRATION**
Bureau: OMF Bureau Head: Jack D. Graham	
Prepared by: Jonas Biery JB Date Prepared: September 18, 2013	
Financial Impact & Public Involvement Statement Completed ☒ Amends Budget ☐	
Portland Policy Document If "Yes" requires City Policy paragraph stated in document. Yes ☒ No ☐	
City Auditor Office Approval: required for Code Ordinances	
City Attorney Approval: required for contract, code. easement, franchise, charter, Comp Plan	
Council Meeting Date **October 2, 2013**	

AGENDA

TIME CERTAIN ☐
Start time: _____

Total amount of time needed: _____
(for presentation, testimony and discussion)

CONSENT ☐

REGULAR ☒
Total amount of time needed: **10 minutes**
(for presentation, testimony and discussion)

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:	YEAS	NAYS
1. Fritz	1. Fritz		
2. Fish	2. Fish		
3. Saltzman	3. Saltzman		
4. Novick	4. Novick		
Hales	Hales		