DEBT MANAGEMENT POLICY
CITY OF FORT LAUDERDALE, FLORIDA

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Finance Department

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TABLE OF CONTENT

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I. PURPOSE

The purpose of the City of Fort Lauderdale, Florida Debt Management Policy (or "Policy") is to establish guidelines, and a framework for the issuance and management of the City's debt. The City is committed to strong financial management practices, including maintaining the financial viability of the City, and the full and timely repayment of all borrowings.

This Policy establishes specific guidelines to ensure that the City adheres to sound financial practices whenever it incurs debt. The City should consider this Policy when recommending the issuance of debt. This Policy may be amended from time to time by the City Commission (to reflect innovative, but prudent financial and business practices. This Policy:

a) sets forth a management structure to facilitate sound and efficient management of City debt;
b) provides guidelines to control the overall debt management processes such that all liabilities are managed in accordance with stated business and financial objectives; and
c) encourages and requires communication between the Commission, the City Manager, the City Attorney, the Finance Director, Financial Advisor, and Underwriter(s), if any.

This Policy was developed in accordance with generally accepted practices as outlined by the Government Finance Officers Association (GFOA) and national rating agencies.

II. POLICY STATEMENT

Under the governance and guidance of federal and state laws, the City's charter, ordinances, and resolutions, the City may periodically enter into debt obligations to finance the construction or acquisition of infrastructure, and other assets or to refinance existing debt and unfunded liabilities for the purpose of meeting its governmental obligation to its neighbors. It is the City's desire and direction to ensure that such debt obligations are issued and administered to obtain the best long-term financial advantage to the City and its neighbors, while making every effort to maintain and improve the City's bond ratings and reputation within the investment community.

The City may also decide to issue debt obligations on behalf of external agencies or authorities for the purpose of constructing facilities or assets which further the goals and objectives of city government. In such case, the City shall take reasonable steps to confirm the financial feasibility of the project, and the financial solvency of the borrower. The City shall take all reasonable precautions to ensure the public purpose, and financial viability of such transactions.

III. LEGAL CONSIDERATIONS

The primary use of debt by the City has been to fund capital projects; however, other debt may be issued as necessary and appropriate. Because the use of public facilities will occur over many years, it is appropriate to allocate the cost of the facilities over the useful life of the financed projects. Such events shall be considered, but are not limited to, the following:

a) Bonds shall only be issued for capital improvements including infrastructure and equipment with a useful life in excess of three years.
b) Whenever possible, the City shall use special assessment, revenue, or self-supporting bonds instead of General Obligation Bonds.
c) The term of any bonds shall not exceed the useful life of the expenditure being financed, and should not exceed 40 years unless there are extenuating circumstances that justify the longer term.
d) The City shall not issue debt to subsidize or finance current operations.
e) The City shall publish and distribute an official statement for each publicly traded Bond issue.
f) The City should consider the purchase of private bond insurance at the time of issuance, if it is financially beneficial to the transaction.
g) General Obligation debt shall only be used to finance capital expenditures.
h) The City shall monitor existing bond issues for refunding opportunities.
i) The City shall seek to maintain the highest bond rating practical to ensure that borrowing costs are minimized and access to credit is preserved.
j) The City shall not issue General Obligation debt with a maturity of more than 12 months without a referendum.
k) Other than General Obligation debt, the City shall not issue debt without enacting an authorizing resolution after conducting a duly noticed public hearing.

In most cases, Bond issues shall be scheduled to level annual debt service requirements, either on a series or aggregate basis, so that borrowing costs are minimized. This may be modified to spread improvement costs equally over a long period of time so that future neighbors become responsible for portions of the cost.

IV. IMPLEMENTATION AND WAIVER

The City Manager shall be responsible for implementation of the policies set forth in this Policy. To the extent permitted by law, the Commission may waive all or any part of this Policy with respect to a particular debt issuance provided that it can be demonstrated that such waiver would result in a benefit to the City.

V. DEBT CAPACITY

The determination of how much indebtedness the City can afford begins by assessing the sufficiency of future revenues through the use of a long term financial projection. Factors such as debt service coverage requirements outlined in the bond indentures, the impact on the neighbors' tax or utility rates, and any impact on the bond ratings shall be carefully considered.

Measurement of Future Flexibility

The City continually evaluates ongoing needs; therefore, it is prudent to ensure that future elected officials shall have the flexibility to meet the capital needs of the City. Since neither state law nor the City charter provides any limits on the amount of non-General Obligation debt which may be incurred, this Policy (Appendix A) establishes targets for debt, as well as spending to ensure future flexibility.

VI. CAPITAL IMPROVEMENT PLAN AND DEBT ISSUANCE

Pursuant to the charter, code, and state statutes, the Commission utilizes a five year Community Investment Plan (CIP) that identifies and prioritizes the City's capital. The CIP identifies the means and methods of meeting such capital needs through funding sources such as cash on hand or proceeds from the issuance of debt. The CIP guides capital expenditures and funding requirements, and generally includes:

a) All capital projects, including outside funding sources such as grant funding, and those proposed to be financed, as available.
b) The fiscal impact these capital projects, once completed, will have on the City's operating budget.

The City shall issue debt obligations for acquiring, constructing or renovating community investments, or for refinancing existing debt obligations.

Prior to issuing debt for capital projects, the City Manager shall submit the current market interest rates and projected debt service schedules. The submittal shall include:

a) Current market interest rates provided by the City's Financial Advisor.
b) Projected annual interest and principal payments on the proposed debt.
c) Total annual debt service payments on all outstanding debt that have a prior or equal lien on the revenues that are being pledged to support the proposed new parity debt.
d) Projected debt service coverage on the combined total debt service for the proposed debt, and any outstanding parity debt.

VII. TYPES OF SECURITY TO BE USED FOR DEBT SERVICE

The City shall utilize one or more of the following types of security when it incurs debt. The security shall be based on the nature of the capital projects to be financed:

a) *Ad Valorem Revenues* - These are property tax revenues generated from a millage rate assessed against all taxable real property in the City which have been approved by the voters. Any debt secured by such ad valorem revenues constitutes a general obligation of the City (General Obligation debt).

b) *Enterprise Revenues* - Non-ad valorem revenues derived from fees and charges set by the City with respect to its Enterprise Operations (i.e. water and wastewater revenues, etc.) which can only be used for Enterprise Operation purposes such as security for revenue bond/debt issued to finance capital projects for the related Enterprise Operation.

c) *Non-Enterprise Revenues* - Legally available non-ad valorem revenues derived from sources other than Enterprise Revenues such as communications services tax, sales tax, public service tax, and traffic fees which are pledged individually or debt issued to finance the needs of the City.

d) *Covenant to Annually Budget and Appropriate Legally Available Non-Ad Valorem Revenues* - a covenant by the City to appropriate in its annual budget a sufficient amount of legally available non-ad valorem revenues from all sources to pay the debt service on debt issued for capital projects (Covenant Debt). Legally available non-ad valorem revenues are all revenues other than ad valorem revenues on deposit in the City's General Fund (or any successor fund), including any excess Enterprise Funds transferred to the General Fund that are unrestricted and available after all direct obligations with respect to the lien on specific non-ad valorem revenues (such as sales tax, public services taxes, franchise taxes, gas taxes, etc.) have been satisfied, and all essential services of the City have been addressed.

VIII. DEBT ISSUANCE POLICY

The City shall consider the recommendations of the City Manager or Finance Director, and its Financial Advisor when contemplating the type of debt to incur, (short term, medium term, and long term debt).

a) *Short Term Debt* - Short term debt has a maturity that ranges from 1 day to 365 days.

Short Term Debt Issuance Criteria

1. Short-term debt can be used to diversify a debt portfolio, reduce interest costs, provide interim funding for capital projects, and improve the match of assets to liabilities.
2. The City may issue commercial paper, other forms of variable rate debt and synthetic variable rate debt from time to time, but its use will generally be restricted to providing interim financing for capital projects.
3. The amount of unhedged variable rate debt will generally not exceed 20 percent of all outstanding debt.

b) Medium and Long Term Debt - Long term debt has a maturity of more than 365 days (one year), but less than the maximum permitted by law. The actual maturity is dependent upon the useful life of the capital projects being financed with debt proceeds.

Long Term Debt Issuance Criteria

1. Long term debt may be used to finance essential capital projects and certain equipment where it is cost effective and prudent.
2. Long term debt, which includes lease financings, will not be used to fund the City's operations.
3. The useful life of a financed asset or project shall meet or exceed the payout schedule of any debt issued by the City.
4. The maximum amortization on any debt issue should not exceed 40 years unless there are extenuating circumstances that justify the longer term.

IX. TYPES OF DEBT

The City is authorized to issue the following types of debt, depending on market conditions, the City's cash flow needs, and the purpose for issuing the debt.

Fixed and Variable Rate Debt - The City may issue debt with either fixed or variable interest rates. At no time shall outstanding variable rate debt be greater than 20 percent of the outstanding City direct debt without the prior approval of the Commission. Additionally, within each Enterprise Fund, at no time shall outstanding variable rate debt be greater than 20 percent of outstanding debt for the applicable Enterprise Fund, without the prior approval of the Commission.

Given the possibility that the need for project financing may not coincide with attractive market interest rates, a variable rate program to provide for the timely initiation of certain projects may be prudent. The City uses variable rate debt for the following purposes: (1) as an interim financing device (during construction periods or during periods of relatively high long-term fixed rates), (2) as an integral portion of overall long-term debt strategy, and (3) to better match shorter lived assets to liabilities. The aggregate principal amount of non-self-supporting debt bearing a variable rate will not exceed 20 percent of the aggregate principal amount of all non-self-supporting debt.

The City may utilize a mix of fixed and variable rate debt to lower the overall cost of capital. Variable rate debt can sometimes be used as an efficient way to fund new construction requirements, and as a permanent component of a long-term funding strategy.

Tax-Exempt and Taxable Debt - The City may issue debt as tax-exempt debt or taxable debt. Taxable debt shall only be approved by the Commission upon a favorable recommendation from the City Manager, the Financial Advisor, and a demonstration by the City Manager that there is an economic benefit to the City from issuing taxable debt, or there is no other economically feasible alternative. Taxable debt may include debt such as Build America Bonds (BABS), or any other taxable debt structure permitted under existing or future U.S. tax legislation.

State Revolving Loan Fund Program - The Florida Department of Environmental Protection operates a federally funded, below-market interest rate loan pool. This program provides funds for projects involving water supply and distribution facilities, storm water control and treatment projects, air and water pollution control, and solid waste disposal facilities. Whenever financial beneficial to the City, this program should be utilized since the costs associated with issuing the notes are low and local agencies benefit from the strength of the state's credit.

Bank Term Loan Program - this program provides for the funding of projects over a prolonged period of time, up to 20 years or longer.

Lease purchases - Lease/Purchase (LPs) agreements are commonly used by U.S. municipal entities to finance equipment purchases. LPs contain an appropriation clause – meaning that the agreement is subject to annual appropriation of funds by the Lessee. With an appropriation clause, the Lessee's general obligation is not pledged to the Lessor. Instead, the Lessor's security in a LP is a lien on the financed equipment. LPs are commonly issued as a direct financing between the Lessee and Lessor (the lender).

The term of a LP is agreed upon by the Lessee and Lessor, and is typically based on the useful life of the equipment, but of course the term could be considerably less based on the finance objectives of the Lessee. Maximum permissible terms under IRS requirements apply if the transaction is tax-exempt.

X. FINANCING STRUCTURES FOR ISSUING CITY DEBT

The City shall utilize various debt structures to accomplish its financing goals, including the use of premium bonds, discount bonds, capital appreciation bonds, and capitalized interest when appropriate. Additionally, the City may consider interest rate swap transactions only as they relate to its debt management program, and not as an investment instrument or hedge.

The financing structure of city debt includes consideration of factors such as principal amortization, call provisions, coupons/yields, and credit enhancement. The structure of each debt issuance shall be developed with input from the Financial Advisor, and will include consideration of the capital projects to be financed, the security being pledged, debt service coverage requirements, and market conditions. The goal is to provide the lowest effective financing cost while providing the greatest flexibility to realize added value as market conditions change over time. Some conditions that affect the structure of any debt issuance include the following:

Debt Service Payments - The City shall structure its long term debt with level debt service payments, either on a series or aggregate basis, unless the City's assigned Financial Advisor recommends an alternative structure. An alternate structure may be a preferred course of action due to factors such as the projected growth in revenues pledged to service the debt, the nature of the capital projects being financed and current cash flow positions.

Maturity - The City's obligations on long term debt shall mature no later than the limitation set forth in Florida law, or the useful life of the capital projects being financed as required by the code and related regulations.

Premium and Discount Bonds - The City may sell both Premium and Discount Bonds depending on market conditions and the City's needs. These bonds shall only be issued upon the recommendation of the Financial Advisor, and upon a determination by the City Manager that such sale shall not negatively impact the amount of bond proceeds available to fund the capital projects approved for funding.

Bond Insurance/Credit Enhancement - Bond insurance will be used when it provides an economic savings for the City, and does not limit the City's financing flexibility. The City may purchase bond insurance and/or reserve fund surety policies which guarantee timely debt service payments on debt to be issued to enhance the attractiveness of the debt to the financial markets. Such credit enhancement shall only be used if the City Manager can demonstrate that at the time the debt is priced, there is an economic benefit to the City which exceeds the cost of the credit enhancement.

Call Provisions - Call provisions for the City's bond issues shall be made as short as possible, consistent with the lowest interest cost to the City. When possible, all of the City's bonds shall be callable only at par.

Debt Service Coverage Targets and Limits - For the City to issue new bonds or bonds on a parity basis, the City shall need to demonstrate that revenues shall be sufficient to cover the existing and new debt service by a comfortable coverage ratio:

A. Limits for direct and non-self-supporting debt
   - Less than four (4) percent of taxable valuation

B. Target for direct and non-self-supporting debt
   - Less than three (3) percent of taxable valuation

C. Debt Service Safety Margin (DSSM)
   - DSSM at or above the standard rating agency median

D. Debt Ratio
   - Debt Ratio at or above the standard industry median

XI. DEBT REFUNDING

The City staff and the Financial Advisor shall monitor the municipal bond market for opportunities to obtain interest savings by refunding outstanding debt.

As a general rule, the present value savings of a particular refunding should exceed:

- Three (3) percent of the refunded maturities and $250,000 for current refundings.
- At least Five (5) percent of the refunded maturities and $250,000 for advance refundings.

The City shall only issue debt or refund existing debt obligation when the present value savings meets the present value savings criteria or more, and the final maturity of the proposed refunding obligations is no longer than the maturity of the debt obligations to be refunded. If the present value savings is less than the stipulated present value savings criteria or will result in a present value loss and/or the maturity is greater than the maturity on the debt obligations to be refunded, a determination must be made that a compelling public policy objective would be achieved by the refunding, such as eliminating restrictive bond covenants or providing additional financial flexibility.

XII. CONTINUING DISCLOSURE

The City is committed to providing continuing disclosure of financial and pertinent credit information relevant to City's outstanding securities, and shall abide by provisions of Securities and Exchange Commission (SEC) Rule 15c2-12 concerning primary and secondary market disclosure.

Disclosure (Primary and Secondary Market) - The City shall provide the annual financial information, and any material disclosure notices pursuant to the provisions of the secondary disclosure requirements of Rule 15c2-12, and other applicable provisions of the Securities and Exchange Commission as amended from time to time.

Report to Bondholders

Annually, the City shall prepare and release to all interested parties an Annual Secondary Market Disclosure Report required under the Continuing Disclosure Rules promulgated by the SEC [SEC Rule 15c2-12 (b) (5)]. The information presented to the General Government and on each Enterprise System shall comply with the disclosure obligations set forth in the Disclosure Certificates issued with its debt obligations, and other information as the City shall be required to disclose to the investment community. The report will also include, by attachment, the most recent audited financial statements of the City.

XIII. INVESTMENT OF DEBT PROCEEDS AND DEBT FUNDS AND ACCOUNTS

The City Manager, in consultation with the appropriate Financial Advisor and Investment Advisor, shall adhere to the written City Investment Policy, Debt Agreements, and State Section 218.415, Florida Statues when investing the proceeds from issued debt, and when managing moneys on deposit in funds and accounts set aside to pay debt service on City debt.

XIV. CREDIT CONSIDERATIONS

The City shall obtain a rating from one or more of the national credit rating agencies each time the City issue publically issued bonds. The City shall not issue bonds with a rating of less than investment grade without the City Manager's recommendation to the Commission demonstrating a compelling reason to issue bonds that are below investment grade. Accordingly, the City shall exercise prudence and diligence in preparing its budget, and managing its finances to maintain satisfactory credit ratings. The City shall seek to maintain the highest bond ratings that are practical.

XV. PROFESSIONAL CONSULTANTS

The City shall work with financial consultants to advise the City, structure, price and sell city debt. The City shall employ the following financial professionals to assist with debt management:

a. *Financial Advisors* - The City shall utilize qualified firms, selected from time to time through a competitive process, to serve as Financial Advisor to the City. The City shall select all other ancillary services (paying agents, registrars, escrow agents, printers, etc.) in accordance with the City's policies and ordinance for each debt issuance. All professional services are paid from debt proceeds.

b. *Bond Counsel and Disclosure Counsel* - The City shall utilize law firms as Bond Counsel and Disclosure Counsel to represent both the City and its peripheral authorities.

c. *Underwriters* - In all Negotiated Sales, the City shall appoint Underwriters pursuant to Section 2-10.6 of the City Code, as amended from the City established Underwriters Pool, which shall be established from time to time pursuant to a qualification process.

Appendix A

CITY OF FORT LAUDERDALE, FLORIDA

Measure of Future Flexibility

Description	Targets
General Government	
Debt Service as a percentage of General Government expenditures:	
Debt Limit	20% max
Goal/Target	10% - 15%
Pay-as-you-go funding for Capital (adj. annually for CIP growth):	
Capital Investment Plans (i.e. building(s)/structure(s), maintenance, roads, curbs, and sidewalks)	1% min
General Fund Balance Reserve as a percentage of operating expenditures:	
City Resolution	16.67% min
Goal/Target	20% - 25%

APPENDIX B

GLOSSARY OF TERMS

Advance/Current Refunding - A procedure whereby outstanding debt is refinanced with the proceeds of new debt provided that a current refunding occurs within 90 days of the next call date of the debt being refunded and an advance refunding occurs more than ninety (90) days from the next call date of the debt being refunded.

Bond or Bonds - Tax exempt or taxable bond or bonds issued by the City to fund a capital project.

Bond Counsel - An attorney who writes an official opinion stating that a local government is legally permitted to issue a municipal bond. A new issue of a municipal bond is required to have this statement from a Bond Counsel.

Bond Insurance - A municipal insurance policy purchased by the City which guarantees the timely payment of principal of, and interest on debt.

Bond Purchase Agreement/Purchase Contract - An agreement/contract between the City and the Senior Underwriter setting forth the terms of a negotiated sale of city debt, including the price of the debt, the interest rate or rates which the debt are to bear, and the conditions of closing.

Build America Bonds (BABS) - Taxable municipal bonds that feature tax credits and/or federal subsidies for bondholders and state and local government bond issuers.

Callable - Means debt that is eligible to be called prior to maturity, with or without payment of a Call Premium.

Call Premium - A dollar amount stated as a percentage of the principal amount of the debt called before maturity paid to the holder of the debt at the time the debt is redeemed.

Capital Project(s) - Any capital project or capital projects of the City or its Enterprise Operations that the Commission deems to be for a public purpose.

Closing Date - The date on which the debt is delivered to the purchaser and all or a portion of the sales proceeds are received by the City.

Community Investments Plan - Annually prepared summary plan and list of capital improvement projects proposed during the next five fiscal years, such as street or park improvements, building construction, and various kinds of major facility maintenance.

Continuing Disclosure - The requirement by the Securities and Exchange Commission that the City make certain annual filings.

Credit Enhancement - Means bond insurance, Debt Service Reserve Fund surety, letter of credit or any other third party guaranty of the debt**.**

Debt - Means bonds, commercial paper, bond anticipation notes, revenue anticipation notes, tax anticipation notes, variable rate demand obligations, notes and any form of indebtedness of the City other than a capital lease.

Debt Service - Required principal and interest payments due on debt at any point in time before such debt is retired.

Debt Service Reserve Fund - The fund into which moneys or a credit facility are deposited which may be used to pay debt service on debt if pledged revenues are insufficient to **satisfy the debt service requirements when due.**

Defeasance - The termination of the rights and interests of the holders of the debt in the pledged revenues because the City has deposited sufficient revenues with an escrow agent to be used to pay principal and interest on the debt as it becomes due and/or to redeem the debt on a specific date.

Direct City Debt - Means General Obligation debt, Special Obligation debt and Covenant debt less all self-supporting debt, any sinking funds and short-term debt.

Discount - Amount (stated in dollars or as a percentage) by which the selling or purchase price of a bond is less than its face amount and/or amount bid for a bond that is less than the aggregate principal amount of that bond.

Discount Bond - A bond that is sold at less than its principal amount.

Financial Advisor - A consultant who advises and makes recommendations to the City on matters pertinent to debt including compliance, issuance and market conditions.

General Obligation Bonds – G.O. bonds are backed by the full-faith and credit of the City and are secured by secondary property taxes. G.O. bonds are recommended by a Citizen's Bond Committee and referred to the voters for approval.

Investment Advisor - Any person or group that makes investment recommendations or conducts securities analysis in return for a fee, whether through direct management of client assets or via written publications.

Parity Debt - Debt issued or to be issued with equal and ratable claim on the same underlying security and source of repayment for debt service as other outstanding debt.

Revenue Bonds - Revenue bonds are supported solely from fees generated from non-ad valorem revenue. The City's various enterprise funds: water, storm water, sanitation, and wastewater issue bonds backed by revenues of the enterprise.

Underwriter(s) - Are investment banking firms and/or dealers which purchase bonds for resale.