2015 Financial Review and Update

City of Annapolis, Maryland

January 20, 2015

Davenport & Company

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A. Executive Summary

Executive Summary– General Fund and CIP

- Following the reforms of 2010 – 2011, the City has been able to bring its Unassigned Fund Balance back in compliance with its policy.
- $47.5 million of the City's current 5-Year CIP is to be bond-funded.
- A large portion of the City's existing debt profile is tied to bonds with at least 5 years of call protection; in addition, the City's debt profile is relatively level for the next 10 years.
- As such, any future debt issuances will likely increase the City's annual debt service requirement for the General Fund versus the current (FY 2015) level, with the possibility for non-compliance with one ore more Debt Policies.
- One potential for mitigating these concerns would be the dedication of a portion of the City's Unassigned Fund Balance to create a **capital reserve fund** as well as **structuring** the new CIP debt.
- The capital reserve would have the effect of **reducing the Tax Equivalent impact of the debt service increases in the early years**, and the structuring of the new debt service provides some flexibility to **remain in compliance with Debt Policies.**

Executive Summary– General Fund and CIP

- Regarding the City's Debt and Fiscal Policies, Davenport recommends the following:

1) For all Debt Policies, substitute the phrase "**Tax Supported Debt**" for "**Net Bonded Debt.**"

2) For the Debt Service to Expenditures Policy, **raise the Target ratio from 8% to 10%** and the **Ceiling ratio from 10% to 12%.**

3) Lower **the 10-Year Payout Ratio Target to 55**%, or remove altogether.

4) The Unassigned Fund Balance Policy currently in the City's Fiscal Polices needs to be updated to reflect the use of **Government Wide Expenditures** as the denominator of the ratio (rather than General Fund Revenues).

5) Additionally, Davenport recommends **expanding the current Unassigned Fund Balance Policy** to place restrictions on the use of reserves and a mechanism to replenish the reserve fund in the event balances are utilized (See page 23, "Proposed Amendment to Unassigned Fund Balance Policy").

6) Finally, Davenport recommends the City consider **the adoption of a Capital Reserve Policy** calling for the creation and maintenance of a Capital Reserve Fund (See page 25, "Additional Policy Recommendation: Capital Reserve Fund ").

Executive Summary–Enterprise Funds

- Following rate increases in FY 2012, each of the City's major Enterprise Funds have returned to structural balance.

- While the Enterprise Funds have in aggregate operated at a surplus for the past three fiscal years (2012-2014), the General Fund still serves as the primary Reserve Fund, as the Enterprise Funds themselves have little to no cash.

- The City's Enterprise Fund Debt Profile mirrors that of the General Fund – its decline in debt service and 10-Year Payout Ratio would be considered rapid for a Utility/Enterprise Fund credit.

  - *The median 10-Year Payout Ratio for pure revenue bonds it 39%, as compared to the current 10-Year Payout Ratio for the City's aggregate enterprise fund debt of 62%.**

- The City may wish to explore the possibility of creating a Revenue Credit whereby Revenue Bonds could be issued to fund its Enterprise Fund Projects. The benefits of such a credit structure are explored on the following page.

** Source: Fitch Ratings, "2014 Water and Sewer Medians," December 2013.*

Executive Summary–Enterprise Funds

- The establishment of a Revenue Credit would have the following benefits vs. the current system whereby the City issues General Obligation Bonds for both Tax-Supported and Self-Supporting debt:

1. Permanently remove debt from tax support and eliminate General Fund subsidies;
2. Establish rigid standards for operational self-sufficiency of enterprise funds;
3. Revenue bonds may achieve ratings over time nearly equal to the City's G. O. bond ratings;
4. Remove political considerations from annual budget process;
5. Establishes a more reasonable legal basis for rate increases including outside customers (e.g., USNA);
6. Market acceptance of longer final maturities for revenue bonds promotes intergenerational equity - the principle that each generation should pay its fair share of long-lived assets.
   – *For example, D.C. WASA, the utility provider in the nation's capital, recently sold a 100-year bond issue.*

B. General Fund Analysis and Peer Comparatives

Overview

- Like many jurisdictions in the region, the City of Annapolis (the "City") has a series of Financial and Debt Policy Guidelines.

- These policies were developed over time to:

  A. Ensure compliance with state and local law;

  B. Respond to guidance offered by the credit rating agencies in order to enhance ratings; and

  C. Promote consistency and stability to the City's finances over time, from one administration to the next.

- Over the past four fiscal years, the City's focus has been toward recapitalizing fund balance reserves and restoring General Fund working capital to return the City to compliance with its Reserve Policy.

  – *This objective has been largely accomplished.*

Overview, cont.

- Of priority to the City going forward will be continued compliance with its financial policies while still meeting the City's capital needs.

- The first section of this presentation will test the City's compliance with its existing policies for tax-supported debt and then look forward using the current CIP as a guide to evaluate future compliance.

- Based on these initial findings, we will explore potential adjustments to debt policies in the context of the following:

  1. Debt profile/debt burden relative to regional peer communities;

  2. Best practices recommended and promoted by the Government Finance Officers Association; and*

  3. The standards and expectations of the rating agencies.

** See Appendix for GFOA Debt Management Policy "Best Practice" adopted in October 2012.*

Peer Group Overview

- Throughout this study Annapolis will be compared to the following Peer Group so as to provide a frame of reference for the City's performance vs. similarly-sized and rated cities in the region:

  – *Annapolis (Aa3 Positive Outlook/AA+/AA+ – Moody's/S&P/Fitch)*

  – *Bowie, MD (Aaa/AAA/AAA)*

  – *Fairfax, VA (Aaa/AAA/NR)*

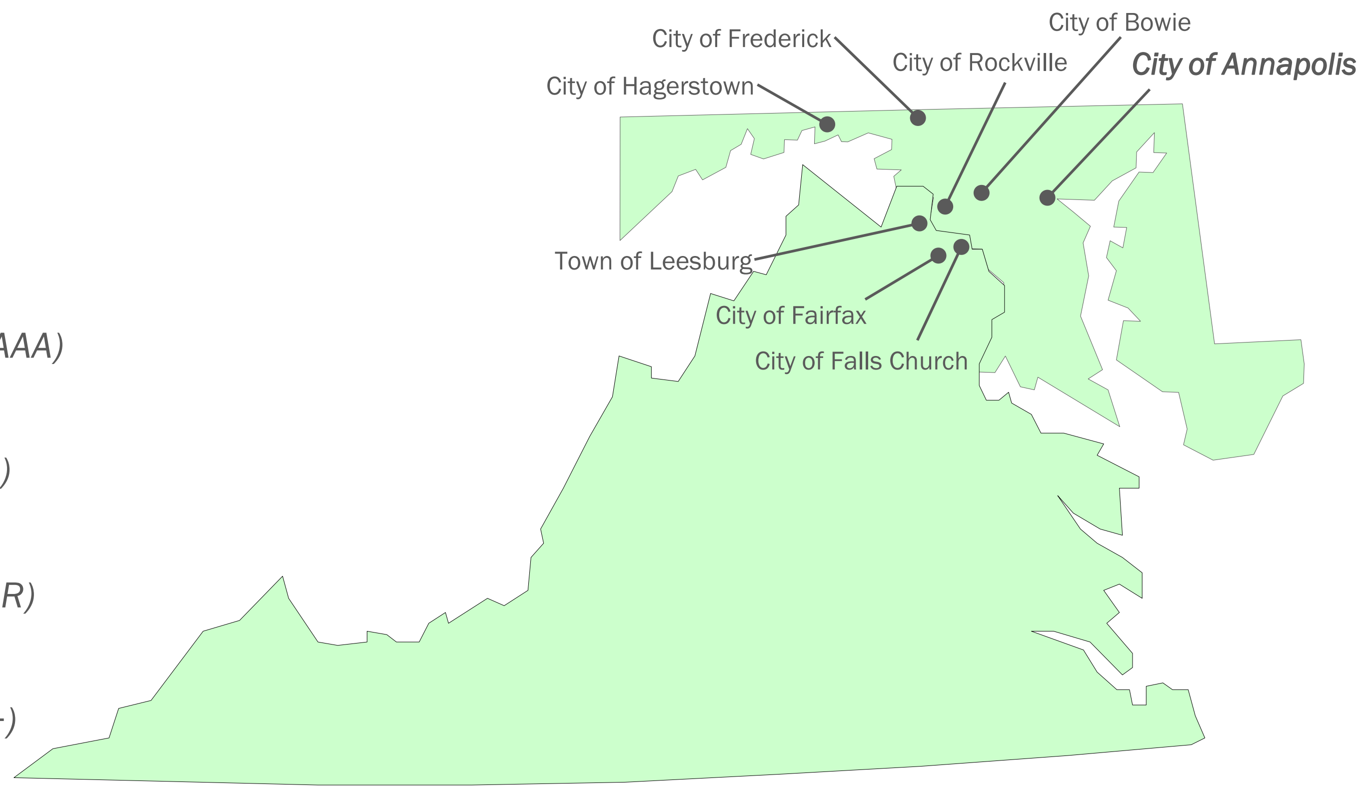
  – *Falls Church, VA (Aa1/AAA/AAA)*

  – *Frederick, MD (Aa2/AA/AA+)*

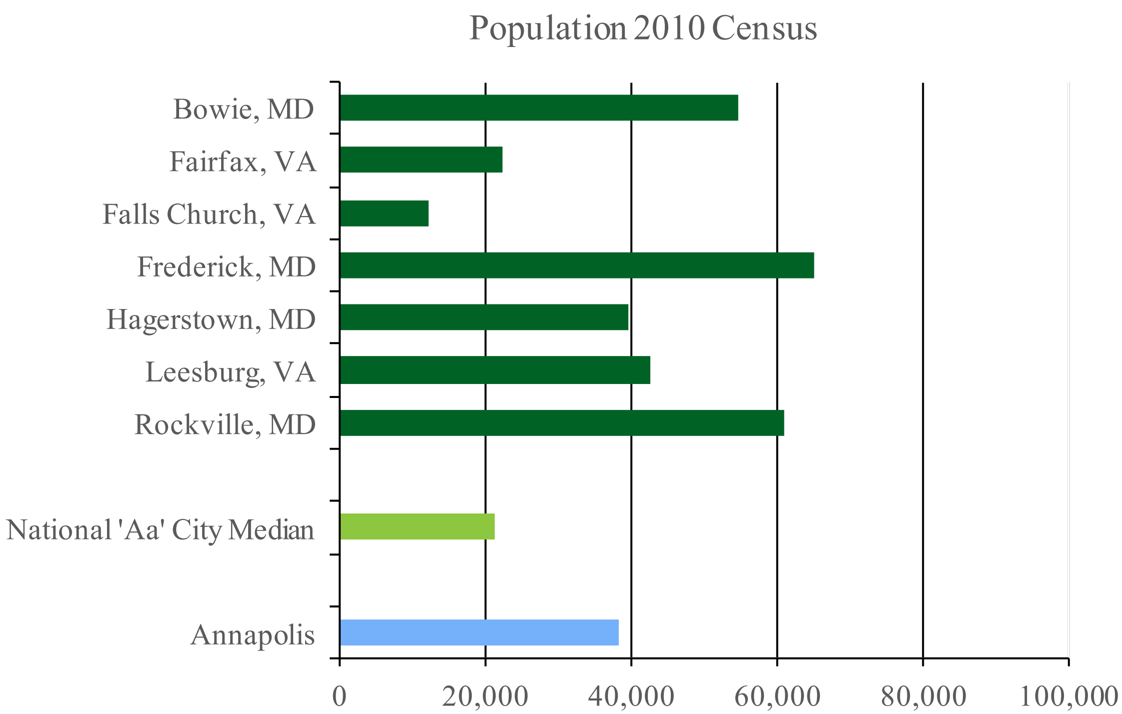
  – *Hagerstown, MD (Aa3/AA/NR)*

  – *Leesburg, VA (Aa1/AAA/AA+)*

  – *Rockville, MD (Aaa/AAA/NR)*



Population



Source: US Census Bureau

City/Town	Population (2010 Census)
Bowie	54,727
Fairfax	22,565
Falls Church	12,332
Frederick	65,239
Hagerstown	39,662
Leesburg	42,616
Rockville	61,209
National 'Aa' City Median	**21,348**
Annapolis	**38,394**

Historical Financials – General Fund

- The City's audited 2010-2013 Statement of Revenues, Expenditures and Changes in Fund Balance for the General Fund have been summarized below along with the 2015 Adopted Budget:

		Audted Fiscal Year				Adopted
		2010	2011	2012	2013	2015
1	**Total Revenues**	**$55,326,363**	**$54,995,861**	**$61,818,895**	**$59,288,384**	**$59,301,754**
2	**Total Expenditures**	**$60,313,111**	**$50,627,948**	**$53,173,675**	**$60,184,447**	**$63,749,921**
3	**Excess of revenues over expenditures**	**($4,986,748)**	**$4,367,913**	**$8,645,220**	**($896,063)**	**($4,448,167)**
4	**OTHER FINANCING SOURCES (USES)**					
5	Bond Premium	-	-	-	1,739,312	-
6	Proceeds from debt issue	-	22,538,856	-	15,087,521	-
7	Proceeds from debt issuance premium	-	1,792,759	-	-	-
8	Bond Issuance Cost	-	(306,760)	-	-	-
9	Payment to escrow agent	-	(20,792,636)	-	(9,310,147)	-
10	Transfers In	5,167,442	1,073,390	4,391,600	5,121,513	8,353,931
11	Transfers Out	(1,506,570)	(425,000)	(1,112,684)	(2,890,144)	(3,092,799)
13	**Total other financing sources (uses)**	**$3,660,872**	**$3,880,609**	**$3,278,916**	**$9,748,055**	**$5,261,132**
14	**Net change in fund balances**	**($1,325,876)**	**$8,248,522**	**$11,924,136**	**$8,851,992**	**$812,965**
15	**Fund balances - beginning**	**$5,118,862**	**$3,792,986**	**$12,041,508**	**$23,965,644**	**$32,817,636**
16	**Fund balances - end of year**	**$3,792,986**	**$12,041,508**	**$23,965,644**	**$32,817,636**	**$33,630,601**

Source: CAFRs, 2015 Budget

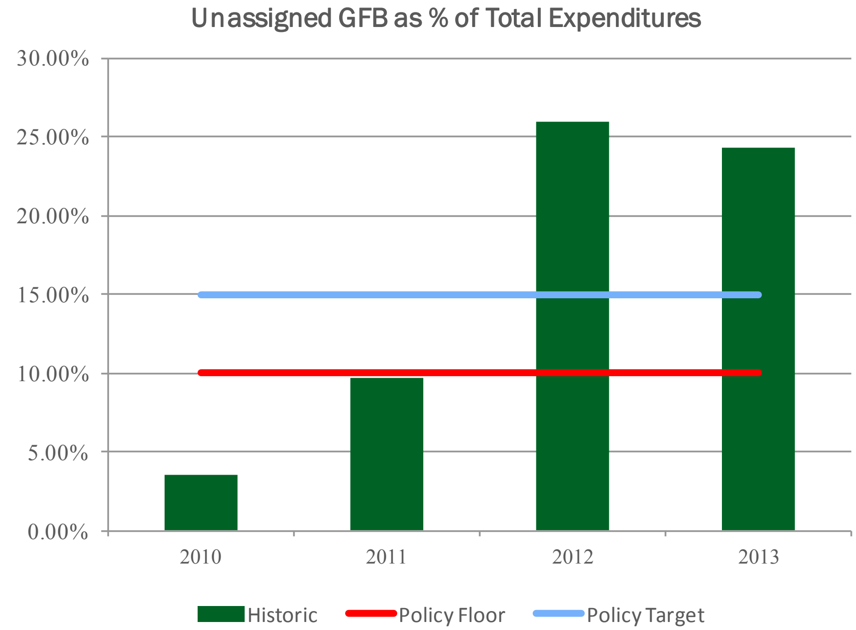
See Appendix A for line item detail of General Fund financials.

Fund Balance

- The City remains in compliance with its Fund Balance Policy:

  – <u>Unassigned General Fund Balance as a Percentage of Government Wide Expenditures (i.e., including Enterprise Funds):</u> *"The City will maintain an unreserved General Fund balance at a level not less than a low of ten percent and a target of fifteen percent."*

- **The City expects Unassigned Fund Balance to remain at or above its current level for FY 2014.**

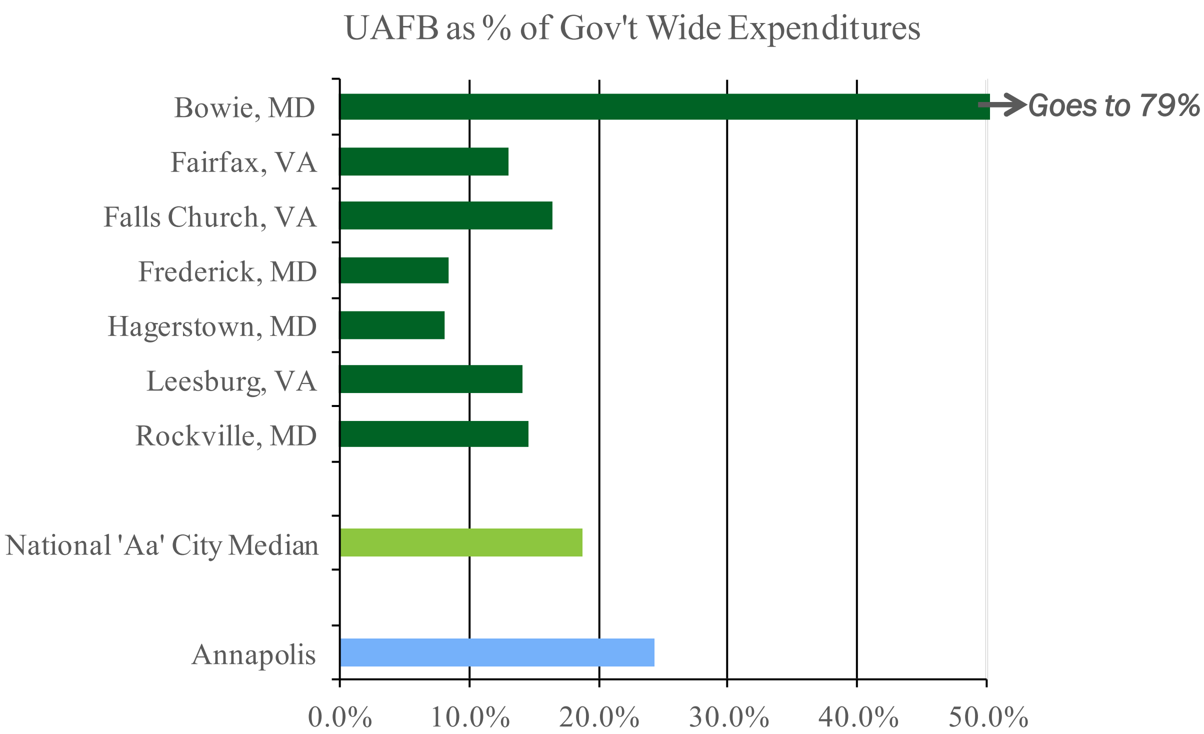


Fiscal Year	Total Expenditures	General Fund Balance: Non-spendable	Reserved/ Restricted*	Committed	Assigned	Unassigned	Total Fund Balances	Unassigned GFB as a % of GF Revenue
2010	97,060,845	-	314,552	-	-	3,478,434	3,792,986	3.58%
2011	85,527,393	225,660	-	-	3,536,307	8,279,541	12,041,508	9.68%
2012	90,057,973	214,329	-	-	364,208	23,387,107	23,965,644	25.97%
2013	104,685,419	218,712	7,107,625	-	-	25,491,299	32,817,636	24.35%

Source: CAFRs

Unassigned Fund Balance Compared

- At $25 million, or 24% of Government-Wide Expenditures as of FY 2013, The City's General Fund Unassigned Fund Balance position compares favorably with the Peer Group.



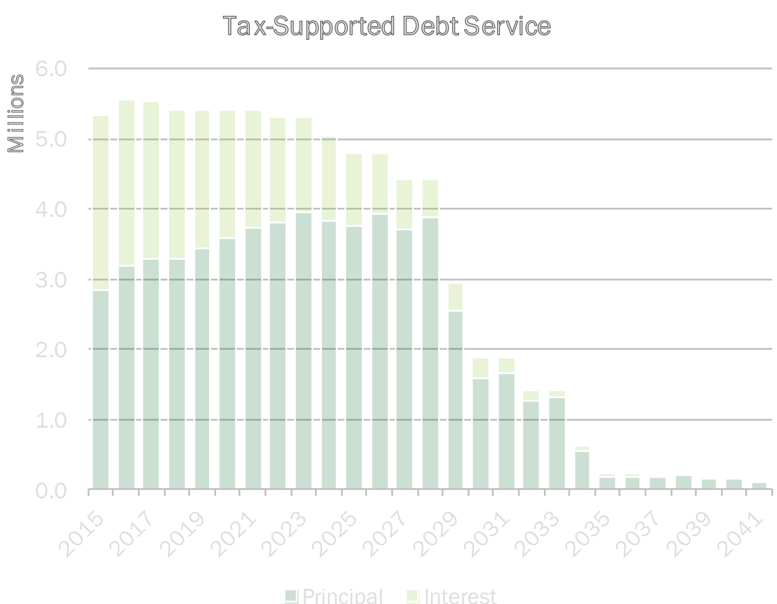
Source: FY 2013 CAFRs, Moody's Municipal Financial Ratio Analysis

City/Town	Unassigned F.B. as a % of Revenues
Bowie	78.8%
Fairfax	13.1
Falls Church	16.4
Frederick	8.4
Hagerstown	8.2
Leesburg	14.1
Rockville	14.5
National 'Aa' City Median	**35.0**
Annapolis	**24.4**

Current Tax-Supported Debt Profile

- The City does not experience meaningful decline in debt service until FY 2024. Additionally, the majority of the City's debt (88%) has at least five years remaining to the call date (Series 2009, 2011, 2012, 2013 Bonds).

Series	Outstanding 6/30/14	Interest Rate	Final Maturity (FY)	Call Date
Refunding Bond of 2003 (SunTrust)	$287,928	2.650%	4/1/2015	N/A
Public Improvement Bonds of 2005	1,234,698	4.000%	8/1/2016	8/1/15 @ 100%
Public Improvement Bonds of 2007	5,770,786	4.5 - 5.0%	8/1/2020	8/1/17 @ 100%
Public Improvement Bonds of 2009	15,406,378	2.75 - 4.25%	6/1/2029	6/1/19 @ 100%
Public Improvements and Refunding Bonds of 2011	20,974,089	2.5 - 5.0%	8/1/2040	8/1/21 @ 100%
Public Improvements and Refunding Bonds of 2012	11,172,487	3.0 - 4.0%	8/1/2032	8/1/22 @ 100%
Public Improvement Bonds of 2013	5,556,251	3.0 - 4.0%	5/1/2034	5/1/23 @ 100%
Total	**$60,402,617**			



Source: City Finance Staff.

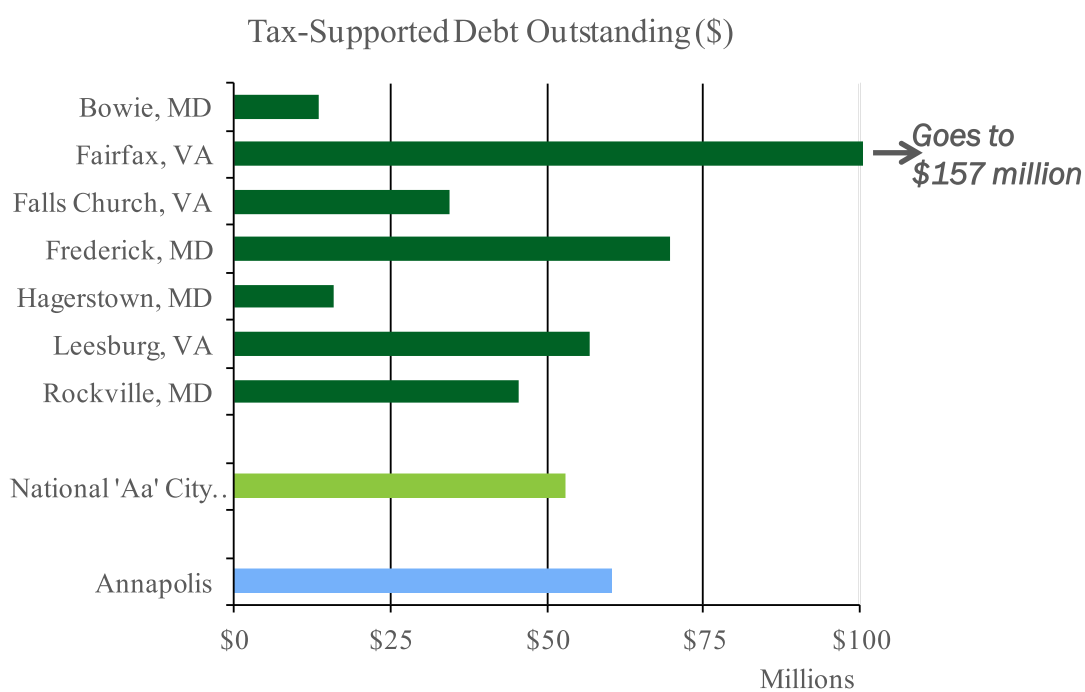
General Fund Debt

FY	Principal	Interest	Total
Total	**$60,402,617**	**$23,332,938**	**$83,735,555**
2015	2,853,329	2,478,324	5,331,653
2016	3,202,806	2,365,212	5,568,018
2017	3,299,763	2,242,926	5,542,689
2018	3,300,463	2,107,603	5,408,066
2019	3,441,933	1,971,264	5,413,197
2020	3,583,845	1,827,585	5,411,430
2021	3,728,675	1,674,336	5,403,011
2022	3,807,080	1,512,842	5,319,922
2023	3,966,081	1,354,402	5,320,483
2024	3,844,182	1,190,713	5,034,895
2025	3,769,112	1,030,167	4,799,279
2026	3,932,733	872,631	4,805,364
2027	3,718,540	711,228	4,429,768
2028	3,878,202	544,516	4,422,718
2029	2,542,442	406,429	2,948,871
2030	1,592,974	291,932	1,884,906
2031	1,666,631	222,623	1,889,254
2032	1,265,988	161,582	1,427,570
2033	1,316,060	109,545	1,425,605
2034-2041	1,691,778	257,078	1,948,856

Debt Service starts to decline

Current Tax-Supported Debt Comparison

- The City's **Tax-Supported** debt outstanding is compared below to the Peer Group.
  - *Note: Figures do not include Enterprise Fund debt (even if such debt is General Obligation/Double Barreled),* because the enterprise fund debt is self supporting. *Figure for Annapolis as of 6/30/14, all others as of 6/30/13.*



Town	Tax-Supported Debt Outstanding (2013)
Bowie	$13,502,021
Fairfax*	157,447,156
Falls Church	34,485,000
Frederick	69,619,446
Hagerstown	15,947,902
Leesburg	56,889,341
Rockville	45,381,206
National 'Aa' City Median	**52,961,000**
Annapolis (2014)	**60,402,617**

** Note: City of Fairfax number includes School Debt.*

Source: FY 2013 CAFRs, , Moody's Municipal Financial Ratio Analysis

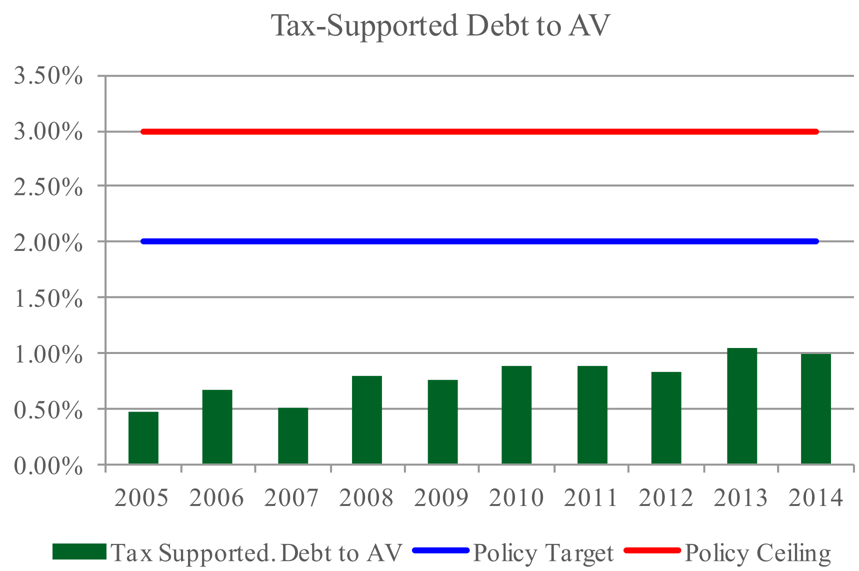
Tax-Supported Debt vs. Assessed Value

- The City's Fiscal Policies state that *"the City will maintain its net bonded debt at a level not to exceed a ceiling of three percent of the assessed valuation of taxable property within the City, with a target ratio of two percent."*

- For purposes of this ratio and others going forward, the term "***net bonded debt"*** *will refer to the City's T**ax-Supported Debt**, that is, its Governmental Funds debt (not Enterprise Fund Debt).*

- The City's Tax-Supported debt as a percent of Assessed Value remains well below the Policy Target.

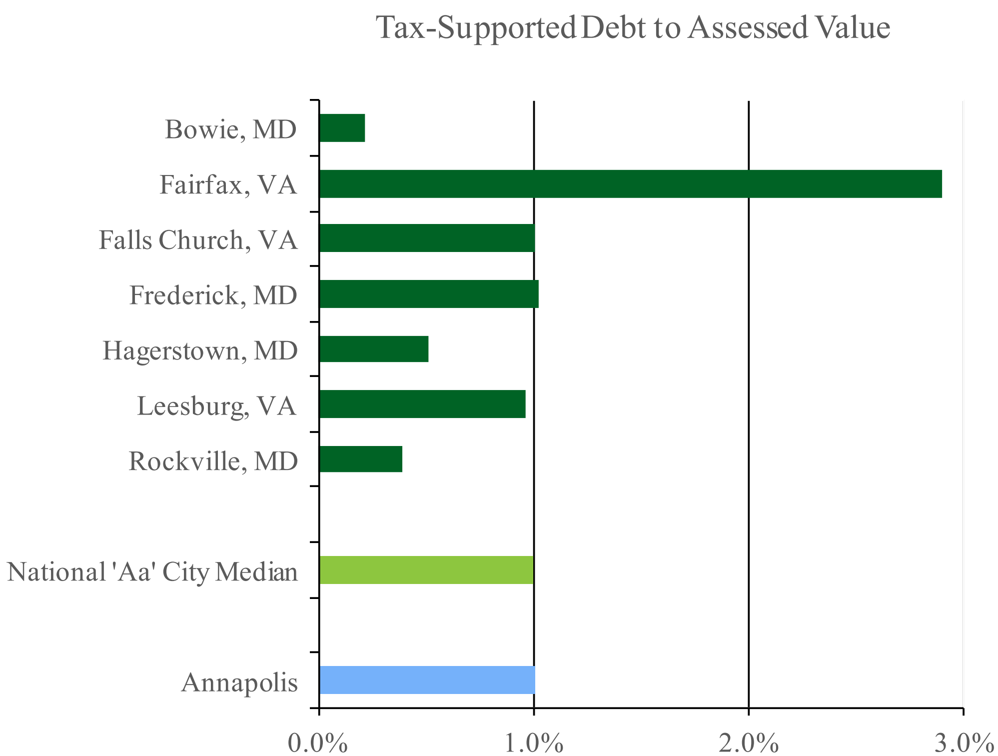
Fiscal Year	Assessed Value	General Gov. (Tax Supported) Debt	Tax Supported. Debt to AV
2005	3,709,072,022	17,798,144	0.48%
2006	4,150,982,690	28,107,195	0.68%
2007	5,043,267,785	25,847,457	0.51%
2008	5,911,023,962	46,790,499	0.79%
2009	6,040,939,755	45,630,831	0.76%
2010	6,323,061,027	55,958,005	0.88%
2011	6,437,267,368	57,303,796	0.89%
2012	6,640,303,945	55,607,385	0.84%
2013	6,105,379,175	63,823,948	1.05%
2014	6,026,544,482	60,402,617	1.00%



Source: CAFRs. Assessed Value refers to Real and Personal Property.

Tax-Supported Debt Comparison

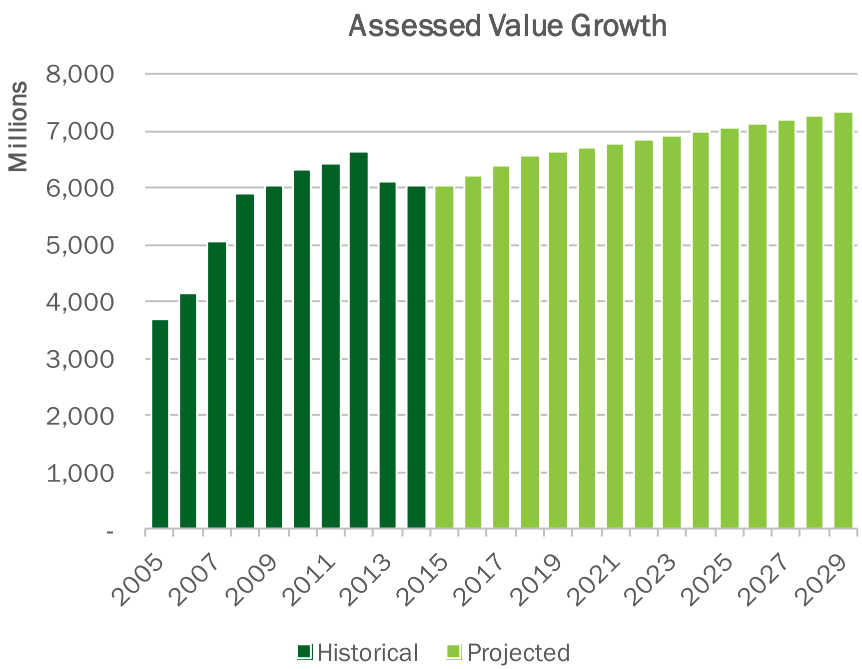
- Tax-Supported Debt vs. Assessed Value for the Peer Group as of 6/30/13 is shown below.
  - *Note: Figures do not include Enterprise Fund debt (even if such debt is General Obligation/Double Barreled),* because the enterprise fund debt is self supporting. *Figure for Annapolis as of 6/30/14, all others as of 6/30/13.*



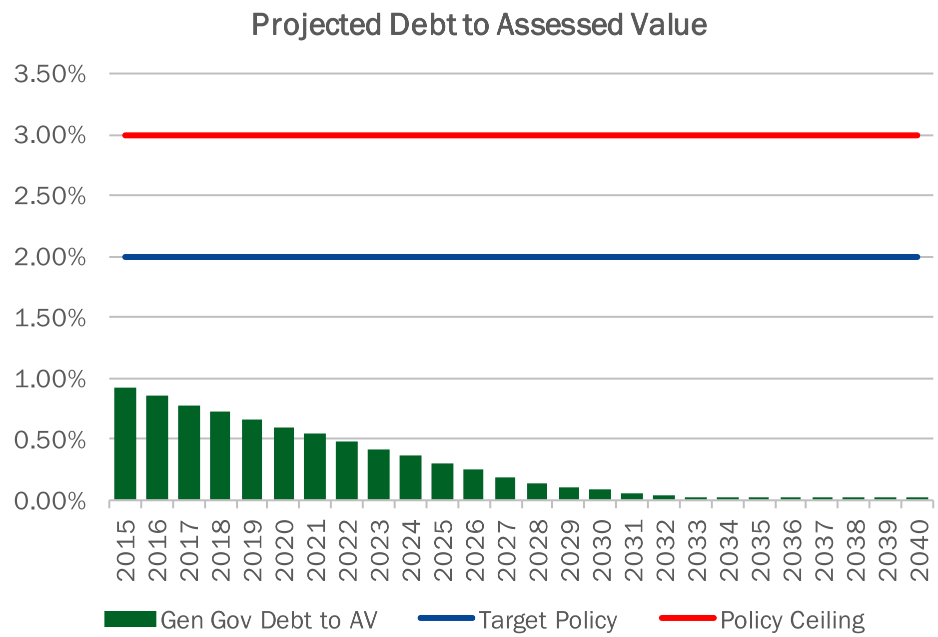
Source: FY 2013 CAFRs, Moody's Municipal Financial Ratio Analysis

City/Town	Debt to Assessed Value (6/30/13)
Bowie	0.2%
Fairfax	2.9
Falls Church	1.0
Frederick	1.0
Hagerstown	0.5
Leesburg	1.0
Rockville	0.4
National 'Aa' City Median	**1.0**
Annapolis (2014)	**1.0**

Projected Tax-Supported Debt to Assessed Value (No CIP)



- 10-Year Average Growth 4.97%
- Assumed Growth:
  - FY 2016-18 3.00%
  - FY 2019 and After 1.00%



- *Note: Does not include Enterprise Fund debt as this debt is assumed to be self-supporting.*

Source: CAFRs, Budget

Projected Tax-Supported Debt Service to Expenditures

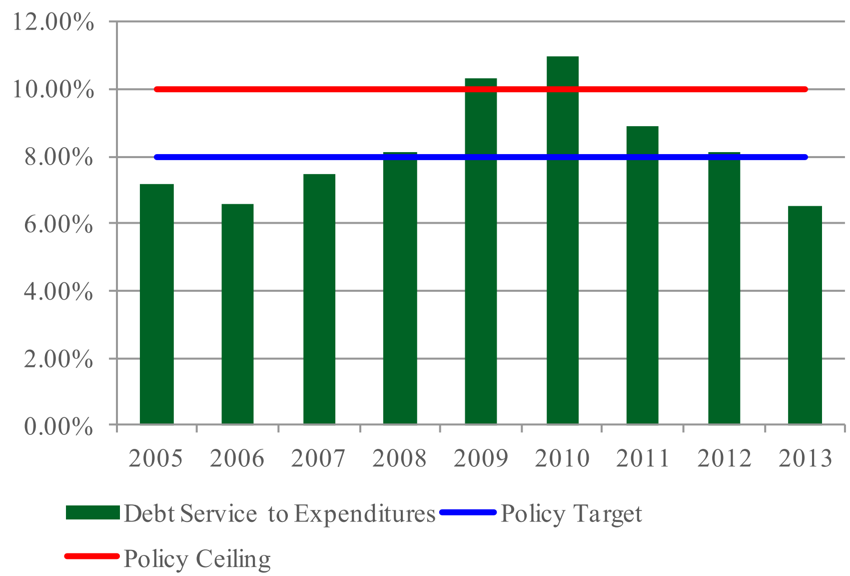
- The City's Fiscal Policies state that *"The City will maintain its annual net bonded debt service costs at a ceiling of ten percent of the General Fund expenditures, with a target ratio of eight percent."*

- *As noted previously, "net bonded debt service" refers to debt to be paid out of general public revenues, as opposed to Enterprise Fund revenues.*

- Standard & Poor's Criteria for General Obligation Credits defines Debt Service as a Percent of Expenditures between 8% and 15% as "Strong" (2nd highest category).

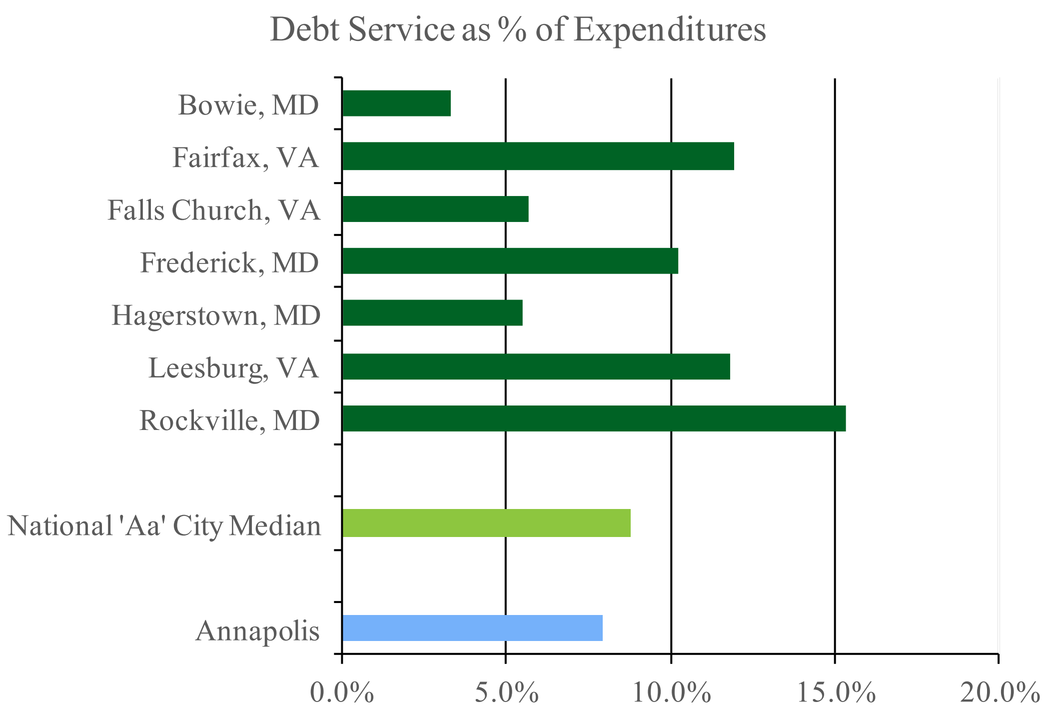
Fiscal Year	General Government Debt Service	General Fund Expenditures	Debt Service to Expenditures
2005	2,786,989	38,745,129	7.19%
2006	2,838,210	43,026,881	6.60%
2007	3,315,079	44,507,379	7.45%
2008	4,024,243	49,578,770	8.12%
2009	6,029,119	58,555,154	10.30%
2010	6,702,986	61,011,983	10.99%
2011	4,489,773	50,627,948	8.87%
2012	4,306,950	53,173,675	8.10%
2013	3,930,050	60,184,447	6.53%

Source: CAFR



Tax-Supported Debt Service to Expenditures Comparison

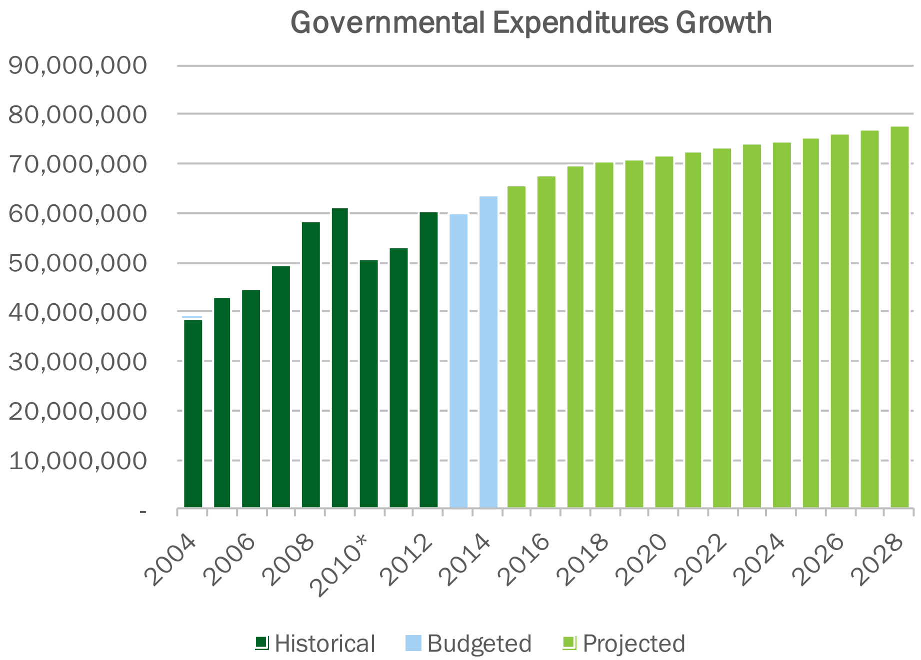
- Tax-Supported Debt Service vs. Expenditures for the Peer Group as of 6/30/13 is shown below.
  - *Note: Figures do not include Enterprise Fund debt (even if such debt is General Obligation/Double Barreled),* because the enterprise fund debt is self supporting. *Figure for Annapolis as of 6/30/14, all others as of 6/30/13.*

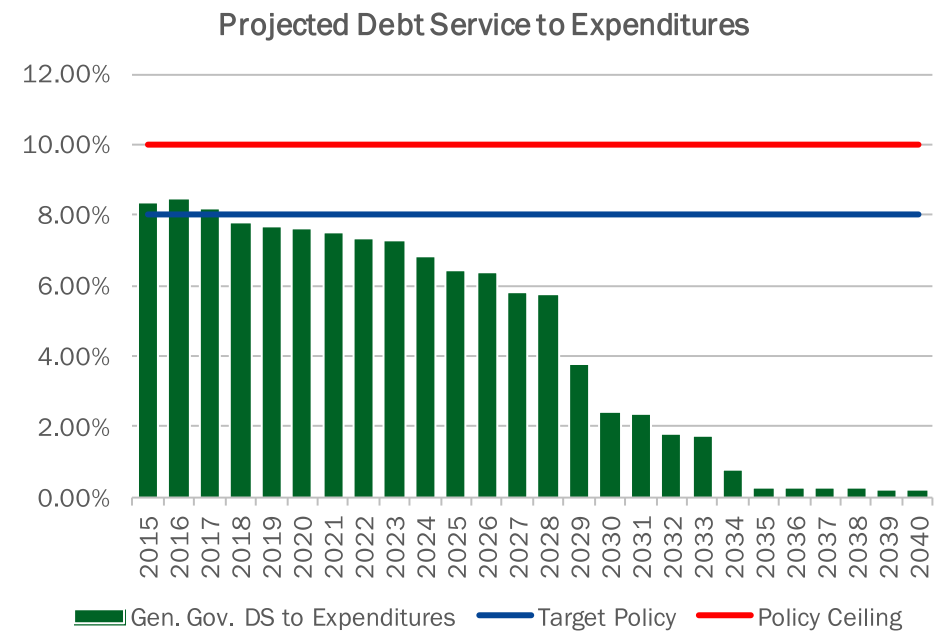


City/Town	Debt Service vs. Expenditures (6/30/13)
Bowie	3.3%
Fairfax	11.9
Falls Church	5.7
Frederick	10.2
Hagerstown	5.5
Leesburg	11.8
Rockville	15.3
National 'Aa' City Median	**8.8**
Annapolis (2014)	**7.9**

Source: FY 2013 CAFRs, Moody's Municipal Financial Ratio Analysis. Figure for Annapolis uses 2014 debt service and 2013 Expenditures.

Projected Tax-Supported Debt Service to Expenditures





- 10-Year Average Growth 4.63%
- Assumed Growth:
  - FY 2016 -18 3.00%
  - FY 2019 and After 1.00%

- *Notes:*
  - *Does not include Enterprise Fund debt service;*

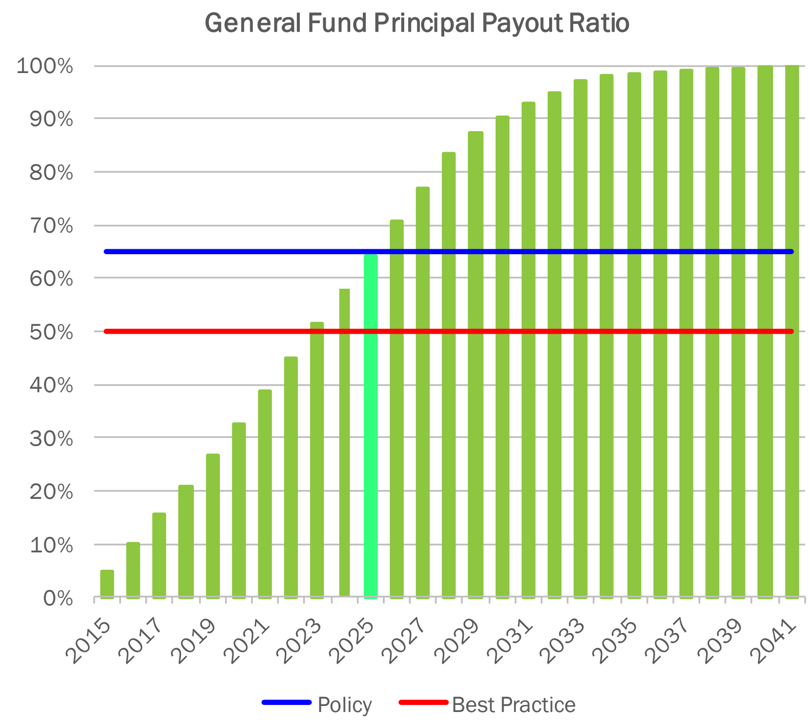
Source: CAFRs, Budgets

Tax-Supported Principal Payout Ratio

- The City's Fiscal Policies state that *"The City will maintain a ten-year payout ratio (ie; rate of principal amortization) for its net bonded debt of not less than 65%."*

Tax-Supported Debt

FY	Principal	Payout Ratio
Total	**$60,402,617**	
2015	2,853,329	4.7%
2016	3,202,806	10.0%
2017	3,299,763	15.5%
2018	3,300,463	21.0%
2019	3,441,933	26.7%
2020	3,583,845	32.6%
2021	3,728,675	38.8%
2022	3,807,080	45.1%
2023	3,966,081	51.6%
2024	3,844,182	58.0%
2025	3,769,112	64.2%
2026	3,932,733	70.7%
2027	3,718,540	76.9%
2028	3,878,202	83.3%
2029	2,542,442	87.5%
2030	1,592,974	90.2%
2031	1,666,631	92.9%
2032	1,265,988	95.0%
2033	1,316,060	97.2%
2034	555,470	98.1%
2035	174,572	98.4%
2036	177,747	98.7%
2037	184,095	99.0%
2038	196,791	99.3%
2039	146,006	99.6%
2040	152,354	99.8%
2041	104,743	100.0%



General Fund Financial Policies – Summary and Recommendations

Current City Policy

- Debt to AV:
  - *"The City will maintain its net bonded debt at a level not to exceed a ceiling of three percent of the assessed valuation of taxable property within the City, with a target ratio of two percent."*

Davenport Recommendation

- Debt to AV:
  - **The City's current policy is appropriate;** however Davenport recommends the City universally substitute the term "**Tax-Supported Debt**" for "**Net Bonded Debt**" in its formal financial policies.
  - While the term "Net Bonded Debt" can potentially apply to the debt of self-supporting enterprises, the term Tax-Supported Debt is used by the industry to describe debt of the General Government that is to be repaid from General Tax Revenues.

General Fund Financial Policies – Summary and Recommendations

Current City Policy

- Debt Service to Expenditures:
  - *"The City will maintain its annual net bonded debt service costs at a ceiling of ten percent of the General Fund expenditures, with a target ratio of eight percent."*

Davenport Recommendation

- Debt Service to Expenditures:
  - Davenport recommends increasing the Ceiling to 12% and the target ratio to 10%, based upon the following:
    1. A ratio of 12% is in line with selected Peers;
    2. A ratio of up to 15% is viewed as "Strong" by Standard and Poor's;
    3. Increasing the ratio provides flexibility for a growing City with upcoming capital needs while still demonstrating proper internal controls and adherence to formal policies.

General Fund Financial Policies – Summary and Recommendations

Current City Policy

- **Payout Ratio:**
  - *"The City will maintain a ten-year payout ratio (i.e; rate of principal amortization) for its net bonded debt of not less than 65%."*

Davenport Recommendation

- **Payout Ratio:**
  - **Davenport would advise lowering the Payout Ratio Policy to 55%, or dropping it from the City's formalized policies altogether.**
  - A 10-Year Payout Ratio of above 50% is viewed as "Best Practice," however, instituting a formalized policy of 65% constrains the City's ability to structure new debt and/or restructure existing debt to conform with the City's Debt Service to Expenditure policy.
  - Debt to Assessed Value and Debt Service vs. Revenues/Expenditures are viewed by the industry as the two primary ratios in evaluating the strength of a government's Tax- Supported debt profile.
  - The Payout Ratio, while helpful in determining debt retirement, is of secondary importance with regard to the evaluation of a government's debt profile.

General Fund Financial Policies – Summary and Recommendations

Current City Policy

- Fund Balance:
  - *"The City will maintain an unreserved General Fund balance at a level not less than a low of ten percent and a target of fifteen percent" of Government-Wide Expenditures.*

Davenport Recommendation

- Fund Balance:
  - **The City's current policy level of 15% of Government-Wide Expenditures is appropriate,** given the negligible cash/reserve balances in the various Enterprise Funds.
  - However, In light of some of the City's recent past problems with general operating cash flow and credit rating pressures, Davenport recommends the City consider amending its fund balance reserve policy to place some restrictions on the use of reserves and a mechanism to replenish the reserve fund in the event balances are utilized. Such policy restrictions and mechanisms are common for highly rated credits in the mid-Atlantic region and have been uniformly well-received by the credit rating agencies.
  - An example of such a revised policy is shown on the following page.

Proposed Amendments/Additions to Unassigned Fund Balance Policy

- Current City Policy: "*The City will maintain an unreserved General Fund balance at a level not less than a low of ten percent and a target of fifteen percent of Government-Wide Expenditures.*"*

- ***Proposed Amendments to Policy:***

  A. "If the City Council, upon the recommendation of the City's Mayor and Finance Director, wishes to appropriate Unassigned General Fund Balance such that the amount would fall below its target of 15% of Government Wide Expenditures, such appropriation will require an affirmative super-majority vote (majority plus one) of the City Council.

  B. If the City Council, upon the recommendation of the City's Mayor and Finance Director, wishes to appropriate Unassigned General Fund Balance such that the amount would fall below its minimum threshold of 10% of Government Wide Expenditures, such appropriation must be accompanied by a reserve replenishment plan that restores the Fund Balance Reserve to its minimum level within the subsequent three fiscal years. The appropriation from reserves AND the reserve replenishment plan will both require an affirmative super-majority vote (majority plus one) of the City Council.

  C. The City shall establish a Budget Stabilization Fund ("BSF") within the assigned portion of General Fund balance. At the close of each audited fiscal year, the BSF shall receive one-half (50%) of any prior year operating surplus as calculated as part of the prior fiscal year audit. Balances in the BSF will be allowed to accumulate until they reach an amount equal 3% of Government Wide Expenditures as defined in the City's Fund Balance Policy. If the BSF reaches the maximum 3% level, the portion of any surplus normally allocated to the BSF will be allowed to fall to Unassigned Fund Balance, which may be appropriated by City Council for any one-time expenditure. Balances in the BSF are available for appropriation by the City Council for any purpose of City government."

**Note: It appears that the City's official policies need to be updated to reflect the use of Government Wide Expenditures, rather than General Fund Revenues as the denominator for the ratio.*

Additional Policy Recommendation: Capital Reserve Fund

- In addition to the amendment/expansion of the City's Unassigned Fund Balance policy, Davenport recommends the City adopt a policy for the creation and maintenance of a Capital Reserve Fund.

- Given the magnitude of the City's upcoming capital needs the Capital Reserve Fund could be strategically used over time to offset planned increases in debt service, helping to limit/delay the budgetary impact of new debt and aid in financial policy compliance (i.e. Debt Service vs. Expenditures).

- A preliminary analysis exploring the implementation of a Capital Reserve Fund is explored in detail in the next section.

- The proposed policy language for the creation and maintenance of a Capital Reserve Fund is provided on the following page.

Additional Policy Recommendation: Capital Reserve Fund (cont)

- ***Proposed Capital Reserve Fund Policy:***

   A. "The City recognizes that continued, periodic reinvestment and maintenance of capital infrastructure is critical to maintaining the quality of life for the residents and minimizing the additional cost associated with deferred maintenance.

   B. Furthermore, the City recognizes that funding capital maintenance and capital improvements should have an annual, on-going funding mechanism in addition to the use of one-time monies and prudent use of long-term borrowing to fund capital expenditures.

   C. As such, the City has established a Capital Reserve Fund that will be funded as follows:

      1. The initial funding for the Capital Reserve Fund shall come from a one-time commitment of $5 million that are currently over and above the City's Unassigned Fund Balance Policy.

      2. Directly funding capital for the Capital Reserve Fund shall come from 50% of any annual operating surpluses in the City's Governmental Funds, **so long as the City's 15% Unassigned Fund Balance Target is being met**.

      3. In addition, the City may determine that it wishes to dedicate future revenue sources (whether one-time or on-going) to the Capital Reserve Fund, **so long as the City's 15% Unassigned Fund Balance Target is being met**.

   D. The Capital Reserve Fund shall be accounted for separately from the City's Unassigned Fund Balance.

   E. Monies in the Capital Reserve Fund shall be used only towards:

      1. Payment of debt service that was incurred to fund capital projects;

      2. To directly fund capital expenditures; and,

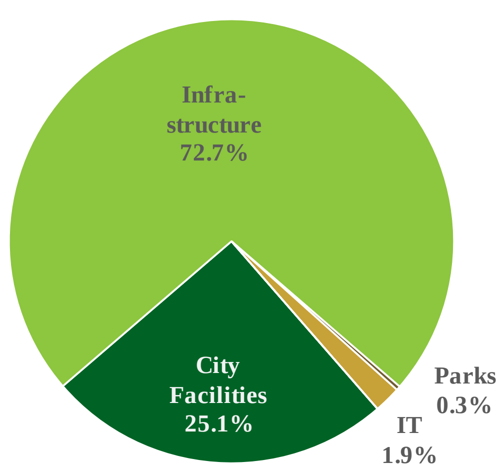
      3. Other one-time non-recurring expenditures."

C. Capital Improvement Plan

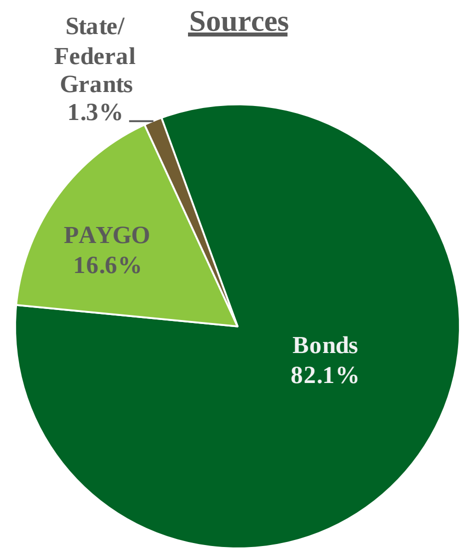
General Fund CIP

Summary of Project Estimates							
Project Category	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**5-Yr Totals**
City Facilities	$ 5,136,000	$ 4,640,000	$ 658,640	$ 4,066,799	$ -	$ -	$ 14,501,439
Infrastructure	3,100,000	8,346,820	7,134,500	4,626,000	10,308,200	8,516,000	42,031,520
Parks	25,000	35,000	115,000	-	-	-	175,000
IT	276,132	850,000	-	-	-	-	1,126,132
Total Uses of Funding	**$ 8,537,132**	**$ 13,871,820**	**$ 7,908,140**	**$ 8,692,799**	**$ 10,308,200**	**$ 8,516,000**	**$ 57,834,091**
Source of Funding	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**5-Yr Totals**
Bonds	**$ 7,636,132**	**$ 13,271,820**	**$ 7,308,140**	**$ 5,964,799**	**$ 7,381,000**	**$ 5,916,000**	**$ 47,477,891**
PAYGO	600,000	600,000	600,000	2,600,000	2,600,000	2,600,000	9,600,000
State/Federal Grants	301,000	-	-	128,000	327,200	-	756,200
Total Sources of Funding	**$ 8,537,132**	**$ 13,871,820**	**$ 7,908,140**	**$ 8,692,799**	**$ 10,308,200**	**$ 8,516,000**	**$ 57,834,091**

Uses



Sources



Bond-Funded CIP by Project

- The City's **Bond-Funded** CIP totaling $47.5 million is broken out among the following projects:

Fiscal Year Issued	2015	2016	2017	2018	2019	2020	Total
Project							
Landfill Gas Mitigation	$210,000	$2,365,000	$0	$0	$0	$0	$2,575,000
Maintenance Facilities	4,375,000	-	-	-	-	-	4,375,000
Facility/Infr Asset Mgmt Prog.	-	200,000	-	-	-	-	200,000
Truxtun Swimming Pool	-	2,075,000	-	-	-	-	2,075,000
Police Dept Indoor Range	250,000	-	-	-	-	-	250,000
Eastport Fire Station Replacement	-	-	200,000	4,006,320	-	-	4,206,320
Fire Station Door Replacement	-	-	-	60,479	-	-	60,479
Taylor Ave FS HVAC/Roof Replacement	-	-	458,640	-	-	-	458,640
General Roadways	2,000,000	2,000,000	2,000,000	-	-	-	6,000,000
General Sidewalks	-	250,000	-	-	-	-	250,000
Trail Connections	-	-	87,000	42,000	964,000	-	1,093,000
Admiral Heights Entrance Median	-	181,500	-	-	-	-	181,500
City Dock Infrastructure	500,000	4,800,000	3,000,000	-	-	-	8,300,000
Wayfinding Signage	-	305,320	90,500	-	-	-	395,820
Russell Street	-	110,000	159,000	670,000	-	-	939,000
Sixth Street	-	-	348,000	-	6,254,000	-	6,602,000
Fourth Street	-	-	-	173,000	-	4,696,000	4,869,000
Smithville Street	-	-	-	300,000	163,000	1,220,000	1,683,000
Barbud Lane	-	-	-	713,000	-	-	713,000
West Annapolis Intersection Impr.	-	100,000	850,000	-	-	-	950,000
Truxtun Park Skatepark	25,000	35,000	115,000	-	-	-	175,000
IT Payroll Time & Attendance System	276,132	-	-	-	-	-	276,132
RMS/CAD System - Law Enforcement	-	850,000	-	-	-	-	850,000
Annual Totals	**$7,636,132**	**$13,271,820**	**$7,308,140**	**$5,964,799**	**$7,381,000**	**$5,916,000**	**$47,477,891**

* *For purposes of this analysis, projects to be funded via operating and/or grant funds have not been included.*

CIP Needs – Key Assumptions

- The Total annual bond-funded capital needs of the City, therefore, are as follows:

FY Issued	Amount
2015	$7,636,132
2016	13,271,820
2017	7,308,140
2018	5,964,799
2019	7,381,000
2020	5,916,000
Total	**$47,477,891**

- In addition to the City's Bond-Funded CIP, funding for on-going projects (i.e., Road, Sidewalk Maintenance) should be paid from recurring revenues.

- **The following pages show the estimated impact on the City's debt profile and key debt ratios of financing the City's Bond-Funded CIP as well as an assumed $2 million in cash Pay-Go funding for on-going/recurring projects.**

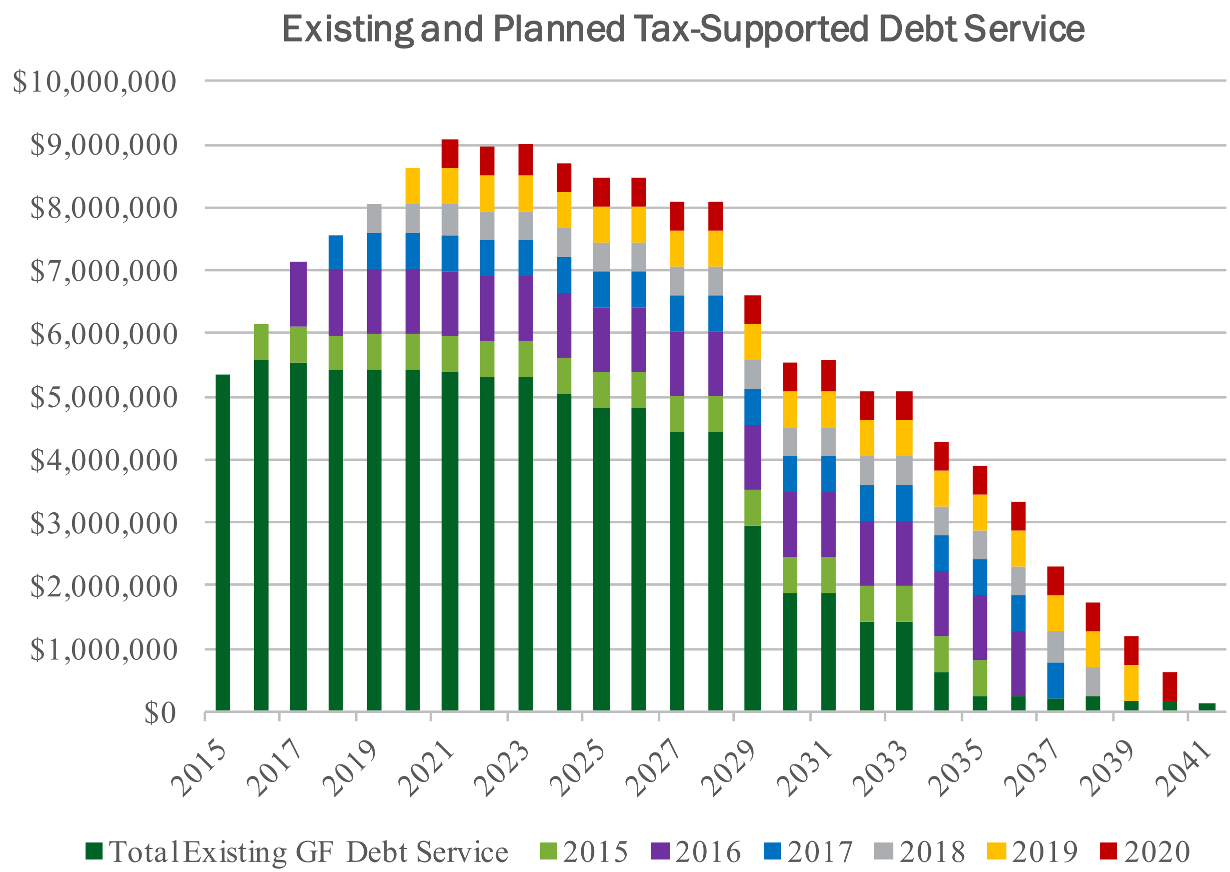
- **Assumptions:**
  - *Debt Service payments begin in the fiscal year after issuance;*
  - *All projects are assumed to be issued at level debt service for 20 years;*
  - *FY 15 issuance assumes 4% all-in interest cost; all other issuances assume 5% all-in interest cost..*

Resulting Debt Profile – General Fund Projects "Base Case"

A	B	C	D	E	F	G	H	I
	Existing GF Debt	General Fund Bond-Funded CIP Debt Service: Fiscal Year Issued*						Resulting
FY	Service	2015	2016	2017	2018	2019	2020	Debt Service
Total	$83,735,555	$11,377,696	$20,651,812	$11,371,940	$9,281,614	$11,485,314	$9,205,679	$157,109,609
2015	5,331,653	-	-	-	-	-	-	5,331,653
2016	5,568,018	568,885	-	-	-	-	-	6,136,903
2017	5,542,689	568,884	1,032,591	-	-	-	-	7,144,164
2018	5,408,066	568,885	1,032,591	568,597	-	-	-	7,578,138
2019	5,413,197	568,885	1,032,591	568,597	464,080	-	-	8,047,350
2020	5,411,430	568,884	1,032,591	568,597	464,081	574,266	-	8,619,849
2021	5,403,011	568,885	1,032,590	568,597	464,081	574,266	460,284	9,071,714
2022	5,319,922	568,885	1,032,591	568,597	464,081	574,266	460,284	8,988,625
2023	5,320,483	568,885	1,032,590	568,597	464,081	574,266	460,284	8,989,185
2024	5,034,895	568,885	1,032,591	568,597	464,081	574,265	460,284	8,703,599
2025	4,799,279	568,885	1,032,591	568,597	464,080	574,266	460,284	8,467,983
2026	4,805,364	568,885	1,032,590	568,597	464,081	574,265	460,284	8,474,067
2027	4,429,768	568,885	1,032,591	568,597	464,081	574,265	460,284	8,098,471
2028	4,422,718	568,885	1,032,591	568,596	464,080	574,265	460,284	8,091,420
2029	2,948,871	568,885	1,032,591	568,597	464,081	574,266	460,284	6,617,574
2030	1,884,906	568,885	1,032,591	568,597	464,081	574,266	460,284	5,553,610
2031	1,889,254	568,885	1,032,590	568,597	464,080	574,266	460,284	5,557,956
2032	1,427,570	568,884	1,032,590	568,597	464,081	574,265	460,284	5,096,272
2033	1,425,605	568,884	1,032,591	568,597	464,081	574,265	460,284	5,094,308
2034	628,612	568,884	1,032,590	568,596	464,080	574,266	460,284	4,297,313
2035	227,023	568,885	1,032,591	568,597	464,080	574,265	460,284	3,895,725
2036	221,390	-	1,032,590	568,597	464,081	574,266	460,284	3,321,208
2037	218,692	-	-	568,597	464,081	574,266	460,284	2,285,920
2038	221,866	-	-	-	464,081	574,265	460,284	1,720,497
2039	162,511	-	-	-	-	574,265	460,284	1,197,060
2040	161,400	-	-	-	-	-	460,283	621,683
2041	107,362							107,362

* *Assumptions: Debt Service payments begin in the fiscal year after issuance; All projects are assumed to be issued at level debt service for 20 years; FY 15 issuance assumes 4% all-in interest cost; all other issuances assume 5% all-in interest cost..*

Resulting Debt Profile – General Fund Projects "Base Case"



General Fund CIP– Estimated Tax-Equivalent Impact – Base Case

Projects Financed	**$47,477,891**
Current (FY 15) 1¢ Value	**$602,432.87**
Assumed 1¢ Growth Rate:	
FY 16-18	**3.0%**
FY 19 and After	**1.5%**
Deposit to Capital Reserve	**$ -**

A	B	C	D	E	F	G	H	I	J	K	L	M
Fiscal Year	**Existing Tax Supported Debt**	**Recurring Revenue for Paygo Capital (1)**	**5-Year CIP Debt Service (2)**	**Resulting Capital Requirements (B + C + D)**	**Draws for Cash-Funded Capital**	**Debt Service Increase vs. Current FY 15 Level**	**Equivalent Pennies Raised**	**Revenue from Equivalent Pennies Raised**	**(Draws from) Capital Reserve**	**1/2 Potential Future Operating Surplus (3)**	**Capital Reserve Balance**	**Resulting 10-Year Payout Ratio**
2015	$ 5,331,653	2,000,000	$ -	$ 7,331,653	$ (2,000,000)	$ -		$ -	$ -	$ -	$ -	58.0%
2016	5,568,018	2,000,000	568,885	8,136,903	(2,000,000)	805,250	**2.0**	1,241,012	435,762	-	435,762	59.8%
2017	5,542,689	2,000,000	1,601,475	9,144,164	(2,000,000)	1,812,511	**1.0**	1,917,363	104,852	-	540,614	60.0%
2018	5,408,066	2,000,000	2,170,072	9,578,138	(2,000,000)	2,246,485	**1.0**	2,633,179	386,693	-	927,307	61.9%
2019	5,413,197	2,000,000	2,634,153	10,047,350	(2,000,000)	2,715,697		2,672,676	(43,021)	-	884,286	64.8%
2020	5,411,430	2,000,000	3,208,419	10,619,849	(2,000,000)	3,288,196	**1.0**	3,390,958	102,762	-	987,048	65.8%
2021	5,403,011	2,000,000	3,668,703	11,071,714	(2,000,000)	3,740,061		3,441,822	(298,239)	-	688,810	66.4%
2022	5,319,922	2,000,000	3,668,703	10,988,625	(2,000,000)	3,656,972		3,493,450	(163,522)	-	525,288	69.6%
2023	5,320,483	2,000,000	3,668,702	10,989,185	(2,000,000)	3,657,532		3,545,852	(111,681)	-	413,607	72.8%
2024	5,034,895	2,000,000	3,668,704	10,703,599	(2,000,000)	3,371,946		3,599,039	227,094	-	640,701	76.8%
2025-2045	29,982,191			78,498,428								
Total	$ 83,735,555	20,000,000	$ 73,374,054	$ 177,109,609			**5.0**					

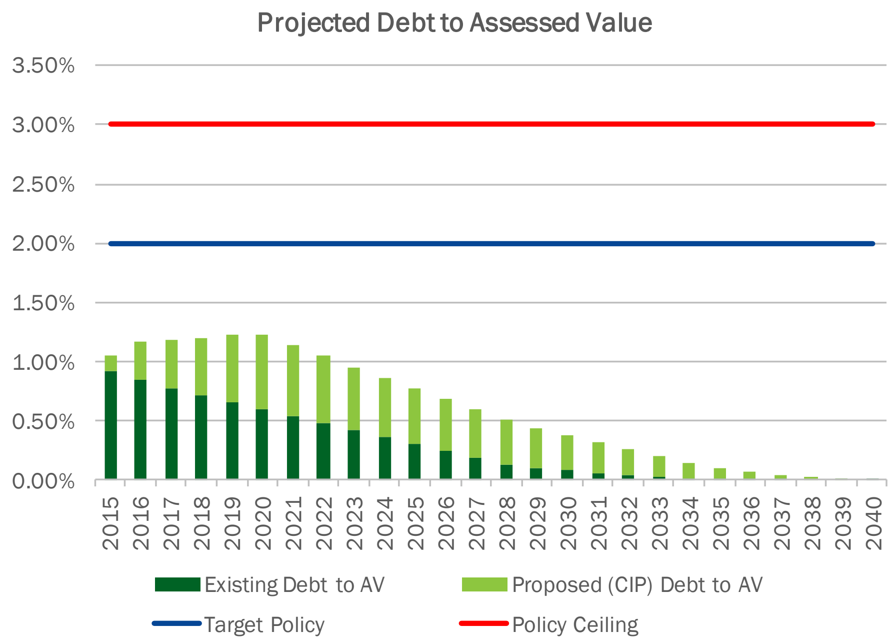
(1) Recurring Revenue to be determined (dedicated property tax or other revenue)

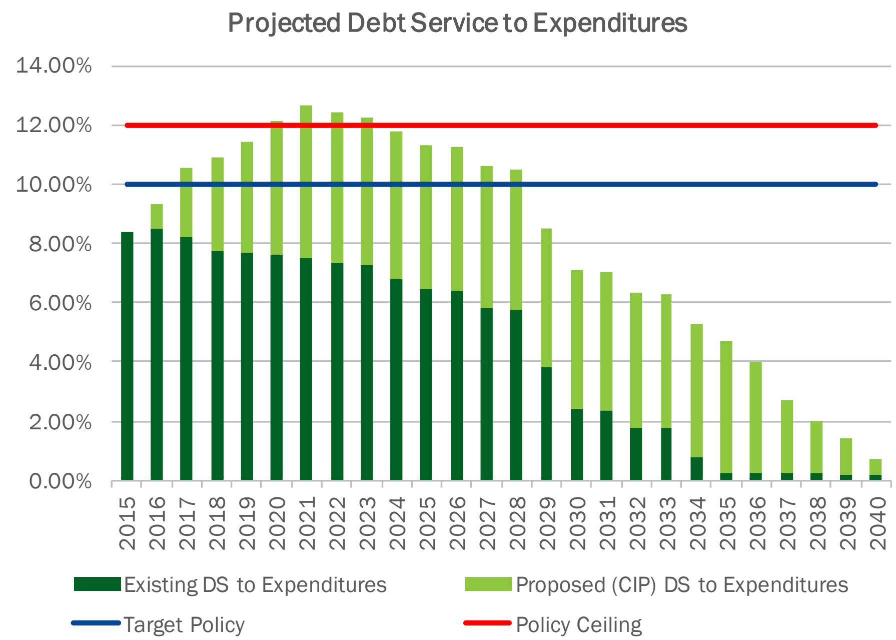
(2) Assumptions:
– Debt Service payments begin in the fiscal year after issuance;
–All projects are assumed to be issued at level debt service for 20 years;
–FY 15 issuance assumes 4% all-in interest cost; all other issuances assume 5% all-in interest cost..

(3) Per proposed Capital Reserve Fund policy.

Updated Key Debt Ratios – General Fund CIP Base Case

- The projected impact on the City's Key Debt Ratios of issuing the City's full $48 Million CIP at level debt service is shown below, assuming the same AV and Expenditure Growth Assumptions presented previously.*





- ***The impact on the City's Debt Ratios, particularly Debt Service to Expenditures ratio, can be mitigated by:***

  1. *Structuring of the New Debt (since all numbers in this discussion have assumed 20-Year level debt service); and/or*
  2. *Establishment of a **Capital Reserve Fund** to pay debt service in targeted years (as proposed in Section A) .*

** Assumed Growth in Assessed Value and Governmental Expenditures: FY 2016-18 – 3.00%; FY 2019 and After – 1.00%*

Scenario 2: Structured Debt Service + Capital Reserve

- On the following pages Davenport has demonstrated the impact of the debt funded portion of the City's CIP on the City's Debt Affordability (i.e. Budget / Equivalent Tax Impact) and Debt Capacity (i.e. Compliance with Debt Policies / Ratios) assuming implementation of **Structured debt service**, and a **Capital Reserve Strategy**.

- Structuring Assumptions: The New Money CIP debt service has been structured in every year of issuance (2015 – 2020) to achieve a 5-Year Principal Payout Ratio of 10%, and a 10-Year Principal Payout Ratio of 25%, so long as the City's Aggregate 10-Year Payout Ratio never falls below 55%.

- Capital Reserve Assumptions:

  - As introduced in Section A, given the magnitude of the City's upcoming capital needs, the City may consider establishing a Capital Reserve Fund with a portion of the Unassigned Fund Balance to strategically offset planned increases in debt service.

  - This would have the effect of helping to limit/delay the budgetary impact of new debt and aid in financial policy compliance (i.e. Debt Service vs. Expenditures).

  - For initial planning purposes, Davenport has demonstrated the impact of using **$5 million of Unassigned Fund Balance** (i.e., an amount over and over the policy level) for the initial creation of the Capital Reserve.

- The following pages apply the same framework just shown for the Base Case to the Structured Debt Service + Capital Reserve Scenario,

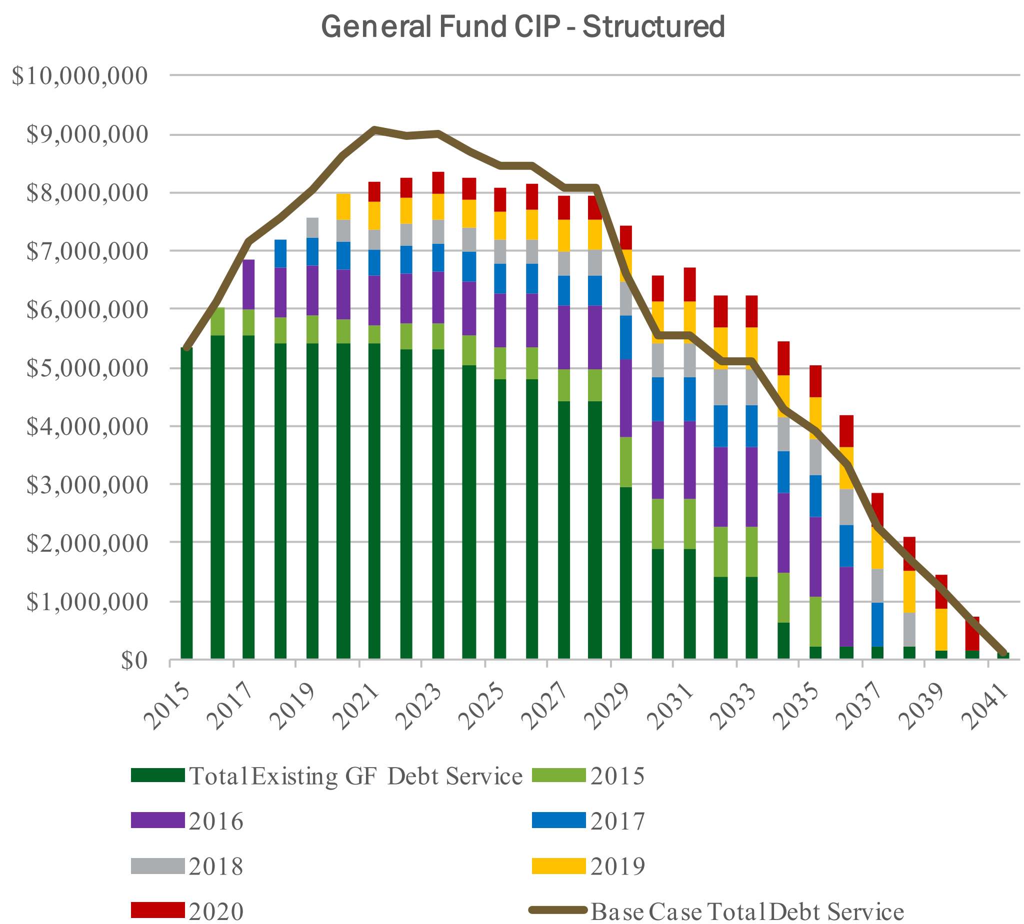
Resulting Debt Profile – General Fund Projects – Structured

- Columns C – H below show how the planned debt service has been **structured** for the first 10 years of each issuance.

A	B	C	D	E	F	G	H	I
	Total Existing GF	General Fund Bond-Funded CIP Debt Service: Fiscal Year Issued*						Resulting
FY	Debt Service	2015	2016	2017	2018	2019	2020	Debt Service
Total	$83,735,555	$12,091,458	$21,841,764	$12,014,322	$9,791,085	$12,096,233	$9,681,301	$161,251,719
2015	5,331,653	-	-	-	-	-	-	5,331,653
2016	5,568,018	477,179	-	-	-	-	-	6,045,197
2017	5,542,689	457,399	836,616	-	-	-	-	6,836,704
2018	5,408,066	463,551	846,666	470,122	-	-	-	7,188,405
2019	5,413,197	469,831	856,716	475,172	367,555	-	-	7,582,471
2020	5,411,430	423,809	852,141	460,722	372,506	461,166	-	7,981,774
2021	5,403,011	330,009	829,020	449,013	367,706	447,466	354,984	8,181,210
2022	5,319,922	425,457	883,280	453,263	373,156	454,266	360,384	8,269,728
2023	5,320,483	435,282	893,680	491,557	378,606	461,066	365,784	8,346,457
2024	5,034,895	523,672	918,705	506,808	405,506	487,365	380,934	8,257,886
2025	4,799,279	530,636	928,355	511,808	409,855	508,766	385,834	8,074,534
2026	4,805,364	528,329	938,004	516,807	414,206	513,765	418,034	8,134,511
2027	4,429,768	540,343	1,092,627	521,807	418,556	518,765	421,534	7,943,401
2028	4,422,718	552,605	1,102,627	506,747	422,905	523,765	425,034	7,956,402
2029	2,948,871	847,622	1,357,916	738,943	586,052	528,766	428,534	7,436,704
2030	1,884,906	847,622	1,357,915	738,944	586,053	719,108	432,034	6,566,582
2031	1,889,254	847,622	1,357,916	738,944	586,053	719,107	570,821	6,709,717
2032	1,427,570	847,622	1,357,916	738,944	586,053	719,108	570,821	6,248,034
2033	1,425,605	847,622	1,357,916	738,943	586,053	719,107	570,821	6,246,068
2034	628,612	847,622	1,357,916	738,944	586,053	719,107	570,821	5,449,075
2035	227,023	847,622	1,357,916	738,944	586,053	719,108	570,821	5,047,487
2036	221,390	-	1,357,916	738,944	586,053	719,108	570,821	4,194,232
2037	218,692	-	-	738,944	586,053	719,108	570,821	2,833,617
2038	221,866	-	-	-	586,053	719,108	570,821	2,097,848
2039	162,511	-	-	-	-	719,107	570,821	1,452,439
2040	161,400	-	-	-	-	-	570,821	732,221
2041	107,362							107,362

Resulting Debt Profile – General Fund Projects Structured

- The Structured Scenario is compared below to the Base Case Scenario (Brown Line).



General Fund CIP Structured– Estimated Tax-Equivalent Impact

- With the Capital Reserve Fund, the City does not experience an Equivalent Tax Impact (Column H) until FY 2018.

Projects Financed	**$47,477,891**
Current (FY 15) 1¢ Value	**$602,432.87**
Assumed 1¢ Growth Rate:	
FY 16-18	**3.0%**
FY 19 and After	**1.5%**
Deposit to Capital Reserve	**$ 5,000,000**

A	B	C	D	E	F	G	H	I	J	K	L	M
Fiscal Year	Total Existing Tax Supported Debt Service	Recurring Revenue for Paygo Capital [1]	5-Year CIP Debt Service [2]	Resulting Capital Requirements (B + C + D)	Draws for Cash-Funded Capital	Debt Service Increase vs. Current FY 15 Level	Equivalent Pennies Raised	Revenue from Equivalent Pennies Raised	(Draws from) Capital Reserve	1/2 Potential Future Operating Surplus [3]	Capital Reserve Balance	Resulting 10-Year Payout Ratio
2015	$ 5,331,653	2,000,000	$ -	$ 7,331,653	$ (2,000,000)	$ -		$ -	$ -	$ -	**$5,000,000**	58.0%
2016	5,568,018	2,000,000	477,179	8,045,197	(2,000,000)	713,544		-	(713,544)	-	4,286,456	57.7%
2017	5,542,689	2,000,000	1,294,015	8,836,704	(2,000,000)	1,505,051		-	(1,505,051)	-	2,781,405	55.2%
2018	5,408,066	2,000,000	1,780,339	9,188,405	(2,000,000)	1,856,752	**2.0**	1,316,589	(540,162)	-	2,241,243	56.0%
2019	5,413,197	2,000,000	2,169,274	9,582,471	(2,000,000)	2,250,818		1,336,338	(914,480)	-	1,326,763	57.7%
2020	5,411,430	2,000,000	2,570,344	9,981,774	(2,000,000)	2,650,121	**2.0**	2,712,766	62,646	-	1,389,409	58.5%
2021	5,403,011	2,000,000	2,778,199	10,181,210	(2,000,000)	2,849,557		2,753,458	(96,099)	-	1,293,310	59.4%
2022	5,319,922	2,000,000	2,949,806	10,269,728	(2,000,000)	2,938,075		2,794,760	(143,315)	-	1,149,995	63.5%
2023	5,320,483	2,000,000	3,025,974	10,346,457	(2,000,000)	3,014,804		2,836,681	(178,123)	-	971,872	67.8%
2024	5,034,895	2,000,000	3,222,991	10,257,886	(2,000,000)	2,926,233		2,879,231	(47,001)	-	924,871	72.8%
2025-2045	29,982,191			87,230,234								
Total	$ 83,735,555	20,000,000	$ 77,516,163	$ 181,251,719			**4.0**					

(1) Recurring Revenue to be determined (dedicated property tax or other revenue)

(2) Assumptions:
– Debt Service payments begin in the fiscal year after issuance;
–All projects are assumed to be issued at level debt service for 20 years;
–FY 15 issuance assumes 4% all-in interest cost; all other issuances assume 5% all-in interest cost..

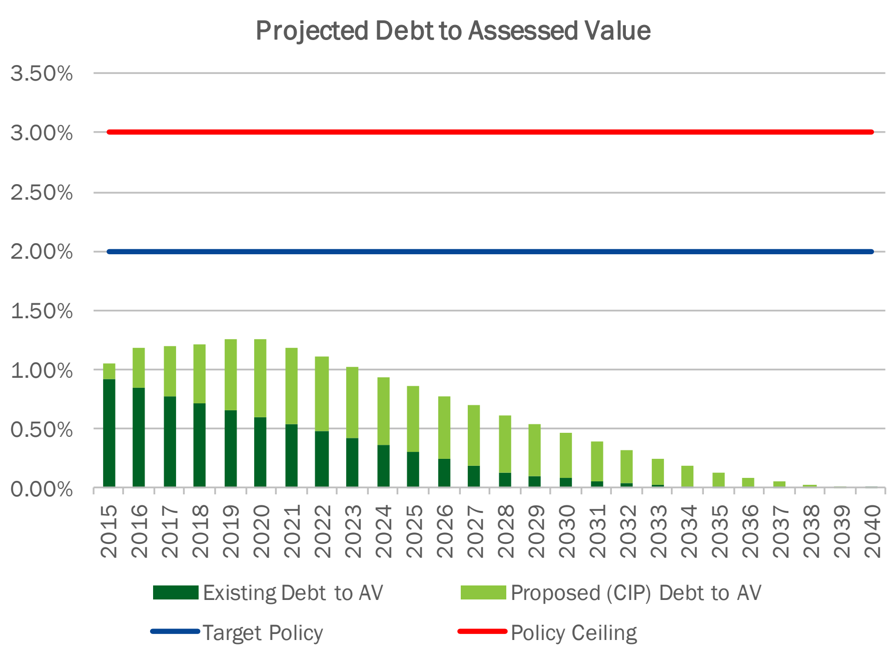
(3) Per proposed Capital Reserve Fund policy.

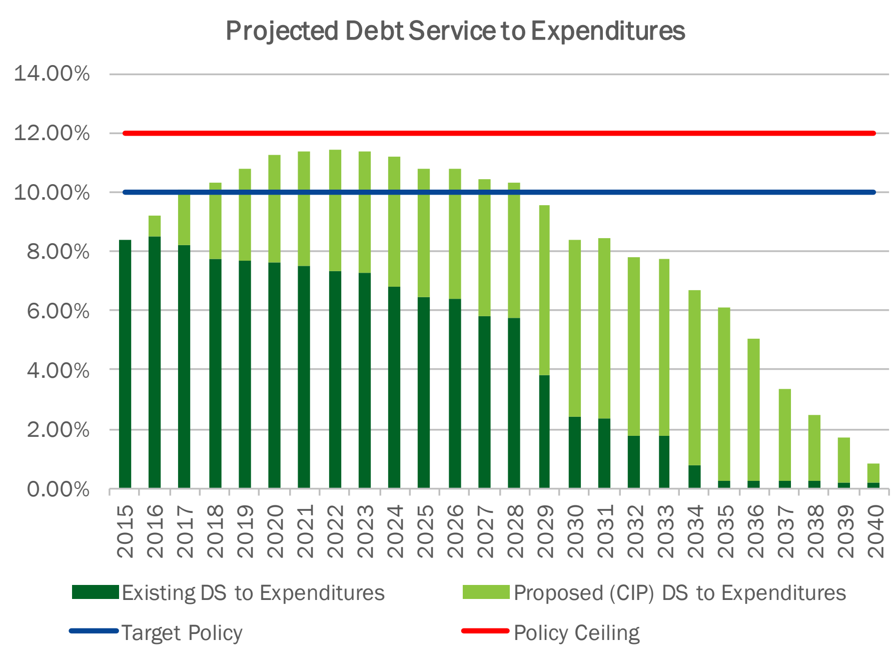
Updated Key Debt Ratios – General Fund Projects Structured

- As shown below, the structuring of the CIP debt service has allowed the City to remain within the 12% Debt Service to Expenditures Policy (as recommended by Davenport in Section A).

- The City's Debt to Assessed Value is estimated to continue to remain within the 2% Target Ratio.

- The following page summarizes the key differences between the Base Case and Structured CIP Strategies.





Note: Assumed Growth in Assessed Value and Governmental Expenditures: FY 2016-18 – 3.00%; FY 2019 and After – 1.00%

Summary of CIP Scenarios

- The projected Tax-Equivalent Impact and Debt Policy Implications of the General Fund CIP under the Base Case and Structured Scenarios are summarized below.

Tax Impact (FY)	Base Case	Structured
2015	-	-
2016	2¢	-
2017	1¢	-
2018	1¢	2¢
2019	-	-
2020	1¢	2¢
2021	-	-
2022	-	-
2023	-	-
Total	**5¢**	**4¢**
Capital Reserve?	***No***	***$5 million***
Maximum Debt to AV	***1.23% (FY19)***	***1.26% (FY20)***
Maximum DS to Exp.	***12.64% (FY21)***	***11.41% (FY22)***
Minimum 10-Year Payout	***58.0% (FY15)***	***55.2% (FY17)***

D. General Fund Summary

Summary– General Fund and CIP

- Following the reforms of 2010 – 2011, the City has been able to bring its Unassigned Fund Balance back in compliance with its policy.
- $47.5 million of the City's current 5-Year CIP is to be bond-funded.
- A large portion of the City's existing debt profile is tied to bonds with at least 5 years of call protection; in addition, the City's debt profile is relatively level for the next 10 years.
- As such, any future debt issuances will likely increase the City's annual debt service requirement for the General Fund versus the current (FY 2015) level, with the possibility for non-compliance with one ore more Debt Policies.
- One potential for mitigating these concerns would be the dedication of a portion of the City's Unassigned Fund Balance to create a **capital reserve fund** as well as **structuring** the new CIP debt.
- The capital reserve would have the effect of **reducing the Tax Equivalent impact of the debt service increases in the early years**, and the structuring of the new debt service provides some flexibility to **remain in compliance with Debt Policies.**

Summary– General Fund and CIP

- Regarding the City's Debt and Fiscal Policies, Davenport recommends the following:

1) For all Debt Policies, substitute the phrase "**Tax Supported Debt**" for "**Net Bonded Debt.**"

2) For the Debt Service to Expenditures Policy, **raise the Target ratio from 8% to 10%** and the **Ceiling ratio from 10% to 12%.**

3) Lower **the 10-Year Payout Ratio Target to 55**%, or remove altogether.

4) The Unassigned Fund Balance Policy currently in the City's Fiscal Polices needs to be updated to reflect the use of **Government Wide Expenditures** as the denominator of the ratio (rather than General Fund Revenues).

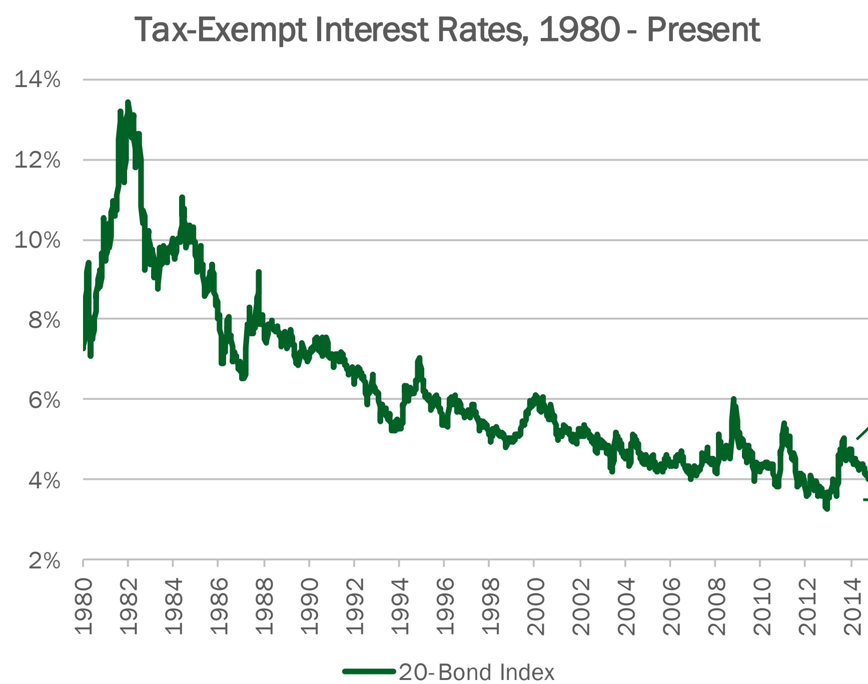
5) Additionally, Davenport recommends **expanding the current Unassigned Fund Balance Policy** to place restrictions on the use of reserves and a mechanism to replenish the reserve fund in the event balances are utilized (See page 23, "Proposed Amendment to Unassigned Fund Balance Policy").

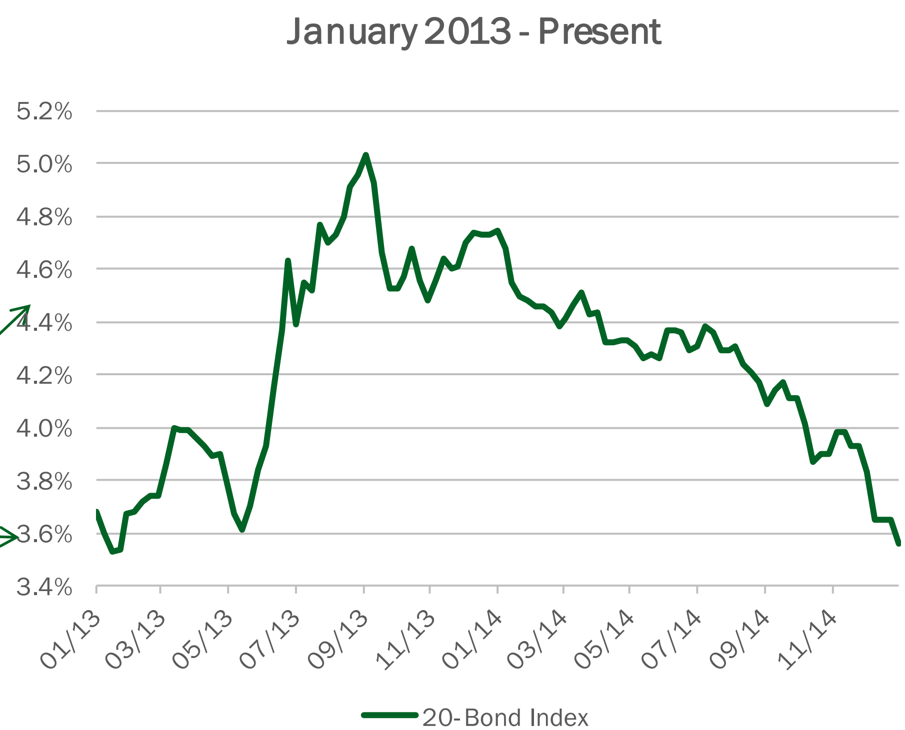
6) Finally, Davenport recommends the City consider **the adoption of a Capital Reserve Policy** calling for the creation and maintenance of a Capital Reserve Fund (See page 25, "Additional Policy Recommendation: Capital Reserve Fund ").

E. Refunding Opportunities

Tax-Exempt Interest Rates

- Interest-rates for tax-exempt borrowing remain near all-time lows, and have continued to move lower over the past year.
- The City may be able take advantage of this favorable rate environment to refinance some of its long-term debt for interest savings.





The "20-Bond Index" shown above consists of 20 tax-exempt bonds with an average rating of 'Aa2'/'AA' (Moody's / S&P) that mature in 20 years and serves as a general indicator of prevailing interest rates for tax-exempt borrowers.

Preliminary Results

- Based on current market conditions, the City has an opportunity to refund the callable outstanding maturities of its series 2005 and 2007 G.O. Bonds for debt service savings. The details of these bonds are as follows:

Summary of Bonds Refunded				
Series	Par Refunded	Maturities Refunded (FY)	Avg Coupon	Call Provision
2005 G.O.	$740,000	2017	4.00%	8/1/2015 @ par
2007 G.O.	4,815,000	2019-2021	4.73%	8/1/2017 @ par
Total	**$5,555,000**		**4.70%**	

- *Note: Based on recent market movements, the City may also have additional refunding opportunities in its Series 2009 G.O. Bonds, and 2013B&C Bonds (Park Place Refunding). Davenport will continue to monitor these opportunities.*

- The estimated results of a refunding of the callable 2005 and 2007 Bonds is shown below.

Summary of Refunding Results*			
Gross Savings	Net Present Value Savings	Percent Net P.V. Savings	All-in True Interest Cost
$168,769	$170,736	3.07%	1.72%

Debt Service Comparison			
Fiscal Year	Prior Debt Service	Refunding Debt Service	Savings*
2016	$258,163	$144,900	$113,263
2017	983,363	937,150	46,213
2018	228,563	223,900	4,663
2019	1,734,938	1,732,450	2,488
2020	1,720,200	1,719,200	1,000
2021	1,704,544	1,703,400	1,144
Total	**$6,629,769**	**$6,461,000**	**$168,769**

- The City is estimated to save roughly **$170,000** in debt service, lowering the average interest rate by **nearly 300 basis points, from an average coupon of 4.7% on the bonds being refunded to an all-in TIC of 1.7% on the new Refunding Bonds.***

- On a net present value basis, these savings translate to **3%** of refunded principal, in line with the industry-standard benchmark for a successful refunding.

** Results shown assume a Public Issuance. All figures are preliminary, subject to change based on market conditions. Actual results may vary significantly. All figures shown net of estimated costs of issuance of $75,000.*

F. Enterprise Fund Analysis

Enterprise Funds Observations

- Following rate increases in FY 2012, each of the City's major Enterprise Funds have returned to structural balance.

- While the Enterprise Funds have in aggregate operated at a surplus for the past three fiscal years (2012-2014), the General Fund still serves as the primary Reserve Fund, as the Enterprise Funds themselves have little to no cash.

- The City's Enterprise Fund Debt Profile mirrors that of the General Fund – its decline in debt service and 10-Year Payout Ratio would be considered rapid for a Utility/Enterprise Fund credit.

  - *The median 10-Year Payout Ratio for pure revenue bonds it 39%, as compared to the current 10-Year Payout Ratio for the City's aggregate enterprise fund debt of 62%.**

- The City may wish to explore the possibility of creating a Revenue Credit whereby Revenue Bonds could be issued to fund its Enterprise Fund Projects. The benefits of such a credit structure are explored on the following page.

** Source: Fitch Ratings, "2014 Water and Sewer Medians," December 2013.*

Benefits of Revenue Bonds

- The establishment of a Revenue Credit would have the following benefits vs. the current system whereby the City issues General Obligation Bonds for both Tax-Supported and Self-Supporting debt:

1. Permanently remove debt from tax support and eliminate General Fund subsidies;
2. Establish rigid standards for operational self-sufficiency of enterprise funds;
3. Revenue bonds may achieve ratings over time nearly equal to the City's G. O. bond ratings;
4. Remove political considerations from annual budget process;
5. Establishes a more reasonable legal basis for rate increases including outside customers (e.g., USNA);
6. Market acceptance of longer final maturities for revenue bonds promotes intergenerational equity - the principle that each generation should pay its fair share of long-lived assets.
   - *For example, D.C. WASA, the utility provider in the nation's capital, recently sold a 100-year bond issue.*

Enterprise Funds Cash Balances

- The City's Cash & Equivalents as reported in the City's Enterprise Funds for the past five fiscal years are shown below.

- Aside from Restricted Cash in its Water and Parking funds, the City's Enterprise Funds carry little to no cash reserves.

Year	Enterprise Funds Cash and Equivalents					
	Water	Sewer	Parking	Transportation	Nonmajor	Total
2010	-	-	750	50	500	1,300
2011	2,767,743*	-	750	50	500	2,769,043
2012	2,767,991*	-	-	50	500	2,768,541
2013	1,888,943*	-	5,275,398*	-	0	7,164,341
2014						0

**Restricted*

Source: CAFRs

Detailed Financials – Water Fund

	Water Fund	Audted Fiscal Year 2010	2011	2012	2013	2014
1	**OPERATING REVENUE**	**$3,265,715**	**$3,992,807**	**$7,560,170**	**$8,056,317**	
2	**OPERATING EXPENSES***	**$4,394,060**	**$4,012,035**	**$3,838,118**	**$4,434,965**	**$0**
3	**Net operating income**	**($1,128,345)**	**($19,228)**	**$3,722,052**	**$3,621,352**	**$0**
4	**DEBT SERVICE**					
5	Principal	($876,793)	($533,607)	($448,455)	($457,525)	
6	Interest	(362,585)	(325,645)	(609,179)	(1,034,119)	
		($1,239,378)	**($859,252)**	**($1,057,634)**	**($1,491,644)**	**$0**
7	**Debt Service Coverage (Net Operating Income/DS)**	**-0.91**	**-0.02**	**3.52**	**2.43**	**#DIV/0!**
8	**NONOPERATING REVENUES (EXPENSES)**					
9	Refunding and transfers of long term debt	-	(3,352,461)	-	(696,135)	
10	Proceeds from issuance of long-term debt	7,131,756	5,982,168	-	10,776,361	
11	Acquisition of capital assets	(3,150,098)	(373,449)	(5,100)	(1,247,974)	
12	Proceeds from sale and retirement of capital assets	-	-	-	-	
13	Intergovernmental	-	5,377	(151,152)	-	
14	Capital grants	-	-	-	-	
15	Interest income	2,048	918	742	11,620	
16	Capital contributions	1,101,638	356,258	3,750	61,500	
17	Transfers in	1,350,000	634,660	-	-	
18	Transfers out	-	-	(1,700,000)	(1,631,513)	
19	**Total other financing sources (uses)**	**$6,435,344**	**$3,253,471**	**($1,851,760)**	**$7,273,859**	**$0**
20	**Net Revenues (Expenses)**	**$4,067,621**	**$2,374,991**	**$812,658**	**$9,403,567**	**$0**

** Net of Depreciation. Source: CAFRs, Budgets*

Detailed Financials – Sewer Fund

Sewer Fund	Audted Fiscal Year				
	2010	2011	2012	2013	2014
1 OPERATING REVENUE	$4,663,955	$4,394,523	$7,426,839	$7,187,154	
2 OPERATING EXPENSES*	$5,289,005	$4,926,969	$4,477,245	$5,323,808	$0
3 Net operating income	($625,050)	($532,446)	$2,949,594	$1,863,346	$0
4 DEBT SERVICE					
5 Principal	($766,736)	($511,536)	($173,207)	($452,105)	
6 Interest	(256,753)	(208,302)	(283,741)	(539,110)	
	(1,023,489)	(719,838)	(456,948)	(991,215)	-
7 Debt Service Coverage (Net Operating Income/DS)	-0.61	-0.74	6.45	1.88	#DIV/0!
8 NONOPERATING REVENUES (EXPENSES)					
9 Refunding and transfers of long term debt		(3,026,611)	-	(386,547)	
10 Proceeds from issuance of long-term debt	3,610,289	2,209,192	-	6,196,678	
11 Acquisition of capital assets	(1,060,983)	(9,526)	-	(1,534,802)	
12 Proceeds from sale and retirement of capital assets	-	-	-	-	
13 Intergovernmental	(938,662)	(912,484)	-	-	
14 Capital grants	-	-	-	-	
15 Interest income	535	1,584	308	11,828	
16 Capital contributions	347,792	456,585	-	37,500	
17 Transfers in	-	-	-	-	
18 Transfers out	(1,350,000)	(634,660)	(1,100,000)	(300,000)	
19 Total other financing sources (uses)	$608,971	($1,915,920)	($1,099,692)	$4,024,657	$0
20 Net Revenues (Expenses)	($1,039,568)	($3,168,204)	$1,392,954	$4,896,788	$0

** Net of Depreciation. Source: CAFRs, Budgets*

Detailed Financials – Parking Fund

Off Street Parking Fund	Audted Fiscal Year 2010	2011	2012	2013	2014
1 OPERATING REVENUE	$3,213,469	$3,150,184	$3,293,267	$6,129,050	
2 OPERATING EXPENSES*	$1,548,221	$1,520,945	$1,508,358	$1,995,689	$0
3 Net operating income	$1,665,248	$1,629,239	$1,784,909	$4,133,361	$0
4 DEBT SERVICE					
5 Principal	($796,956)	($307,400)	($173,207)	($1,491,084)	
6 Interest	(299,353)	(191,198)	(283,741)	(1,507,036)	
	(1,096,309)	(498,598)	(456,948)	(2,998,120)	-
7 Debt Service Coverage (Net Operating Income/DS)	1.52	3.27	3.91	1.38	#DIV/0!
8 NONOPERATING REVENUES (EXPENSES)					
9 Refunding and transfers of long term debt	-	(4,532,412)	-	(906,698)	
10 Proceeds from issuance of long-term debt	1,127,146	4,855,592	-	1,045,931	
11 Acquisition of capital assets	(1,335,622)	(15,000)	-	(22,010)	
12 Proceeds from sale and retirement of capital assets	-	-	-	-	
13 Intergovernmental	-	(557,001)	-	1,851,873	
14 Capital grants	559,288	-	-	-	
15 Interest income	1,439	646	308	2,467	
16 Capital contributions	1,433	-	-	-	
17 Transfers in	-	-	-	-	
18 Transfers out	(2,300,000)	(500,000)	(1,100,000)	(2,840,000)	
19 Total other financing sources (uses)	($1,946,316)	($748,175)	($1,099,692)	($868,437)	$0
20 Net Revenues (Expenses)	($1,377,377)	$382,466	$228,269	$266,804	$0

** Net of Depreciation. Source: CAFRs, Budgets*

Aggregate Enterprise Funds Summary

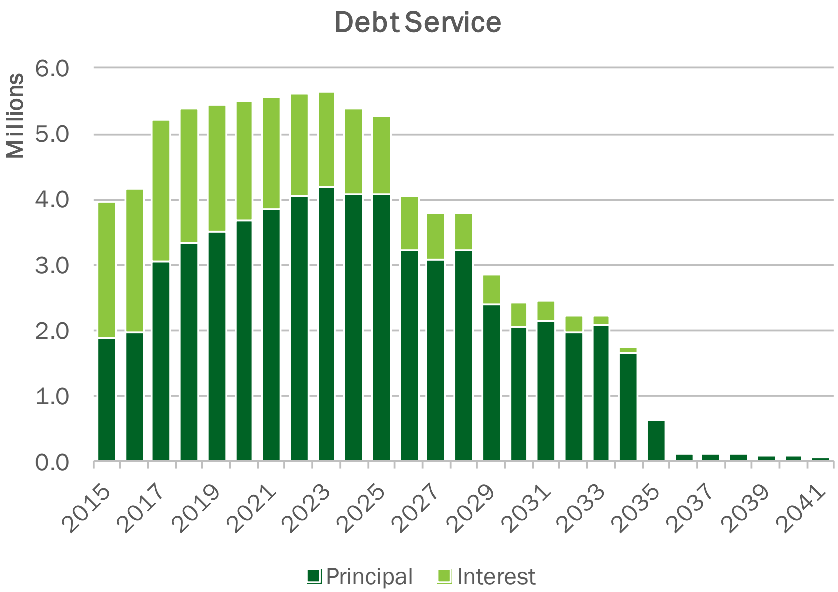
		Audted Fiscal Year				
		2010	**2011**	**2012**	**2013**	**2014**
1	**OPERATING REVENUE**	**$18,821,242**	**$19,084,271**	**$26,705,715**	**$29,234,097**	
2	**OPERATING EXPENSES***	**$21,857,077**	**$18,804,287**	**$19,461,030**	**$22,514,178**	**$0**
3	**Net operating income**	**($3,035,835)**	**$279,984**	**$7,244,685**	**$6,719,919**	**$0**
4	**DEBT SERVICE**					
5	Principal	($2,767,769)	($1,672,196)	($1,122,408)	($2,702,772)	
6	Interest	(1,103,646)	(899,205)	(1,304,915)	(3,261,837)	
		(3,871,415)	**(2,571,401)**	**(2,427,323)**	**(5,964,609)**	**-**
7	**Debt Service Coverage (Net Operating Income/DS)**	**-0.78**	**0.11**	**2.98**	**1.13**	**#DIV/0!**
8	**NONOPERATING REVENUES (EXPENSES)**					
9	Refunding and transfers of long term debt	-	(10,669,958)	-	(3,157,889)	
10	Proceeds from issuance of long-term debt	12,255,843	13,281,144	-	19,540,727	
11	Acquisition of capital assets	(18,015,758)	(1,584,262)	(2,319,458)	(3,281,039)	
12	Proceeds from sale and retirement of capital assets	11,926,842	-	(29,088)	57,710	
13	Intergovernmental	(1,861,398)	(1,517,973)	(171,618)	1,851,873	
14	Capital grants	1,808,382	-	2,947,330	205,759	
15	Interest income	4,312	3,527	1,231	26,132	
16	Capital contributions	1,450,863	2,215,084	3,750	99,000	
17	Transfers in	6,525,800	1,134,660	1,059,615	2,840,144	
18	Transfers out	(7,630,840)	(1,798,910)	(4,391,600)	(5,121,513)	
19	**Total other financing sources (uses)**	**$6,464,046**	**$1,063,312**	**($2,899,838)**	**$13,060,904**	**$0**
20	**Net Revenues (Expenses)**	**($443,204)**	**($1,228,105)**	**$1,917,524**	**$13,816,214**	**$0**

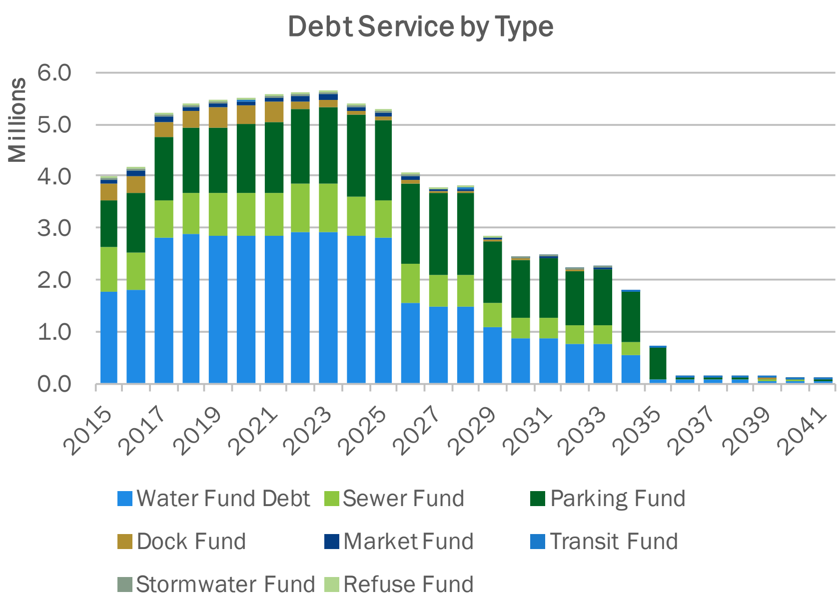
•Net of Depreciation.

•See Appendix for Water, Sewer, and Parking Enterprise Fund Financials broken out.

Source: CAFRs,

Enterprise Funds Debt Service





Enterprise Funds Debt

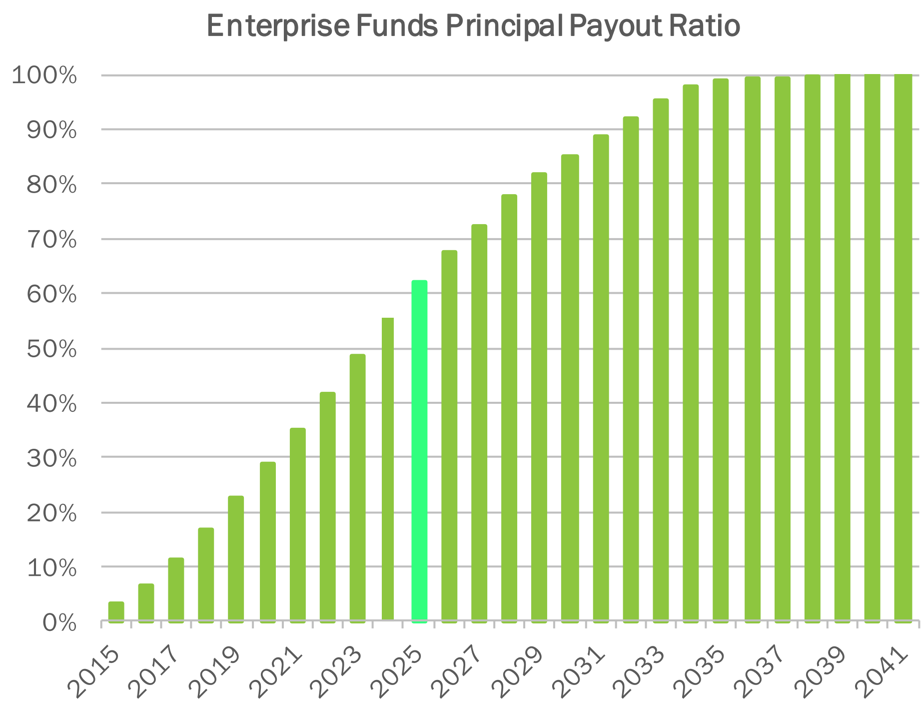
FY	Principal	Interest	Total
Total	**$60,674,134**	**$23,318,734**	**$83,992,868**
2015	1,876,672	2,098,920	3,975,591
2016	1,977,193	2,179,206	4,156,399
2017	3,038,419	2,165,043	5,203,462
2018	3,340,153	2,046,327	5,386,480
2019	3,512,192	1,940,944	5,453,136
2020	3,683,869	1,826,512	5,510,380
2021	3,847,703	1,704,928	5,552,632
2022	4,043,042	1,575,213	5,618,255
2023	4,202,861	1,443,465	5,646,325
2024	4,068,662	1,309,268	5,377,930
2025	4,082,710	1,181,205	5,263,915
2026	3,227,268	821,603	4,048,871
2027	3,081,459	700,268	3,781,727
2028	3,226,799	575,601	3,802,400
2029	2,382,560	468,101	2,850,661
2030	2,047,026	376,131	2,423,157
2031	2,148,369	299,429	2,447,798
2032	1,974,012	243,761	2,217,773
2033	2,068,941	154,943	2,223,884
2034	1,659,531	91,746	1,751,277
2035	630,429	40,482	670,911
2036	102,253	25,107	127,360
2037	105,906	19,903	125,809
2038	113,210	14,425	127,635
2039	83,993	9,495	93,488
2040	87,645	5,203	92,848
2041	61,258	1,506	62,764

Note: Annual debt service schedules by fund can be found in Appendix. Calculated from Bond Documents, City Finance Staff.

Enterprise Funds Principal Payout Ratio

Enterprise Funds Debt

FY	Principal	Payout Ratio
Total	**$60,674,134**	
2015	1,876,672	3.1%
2016	1,977,193	6.4%
2017	3,038,419	11.4%
2018	3,340,153	16.9%
2019	3,512,192	22.7%
2020	3,683,869	28.7%
2021	3,847,703	35.1%
2022	4,043,042	41.7%
2023	4,202,861	48.7%
2024	4,068,662	55.4%
2025	4,082,710	62.1%
2026	3,227,268	67.4%
2027	3,081,459	72.5%
2028	3,226,799	77.8%
2029	2,382,560	81.7%
2030	2,047,026	85.1%
2031	2,148,369	88.6%
2032	1,974,012	91.9%
2033	2,068,941	95.3%
2034	1,659,531	98.0%
2035	630,429	99.1%
2036	102,253	99.3%
2037	105,906	99.4%
2038	113,210	99.6%
2039	83,993	100.0%
2040	87,645	100.0%
2041	61,258	100.0%

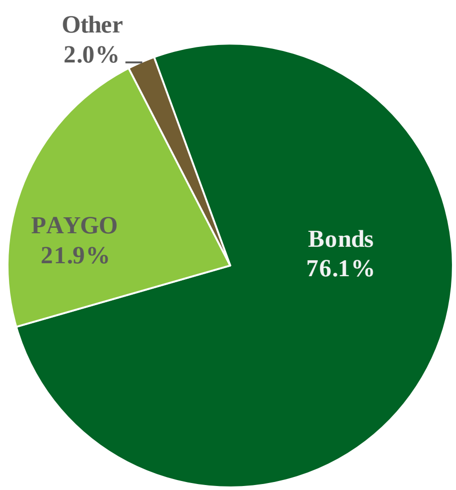


Enterprise Funds CIP

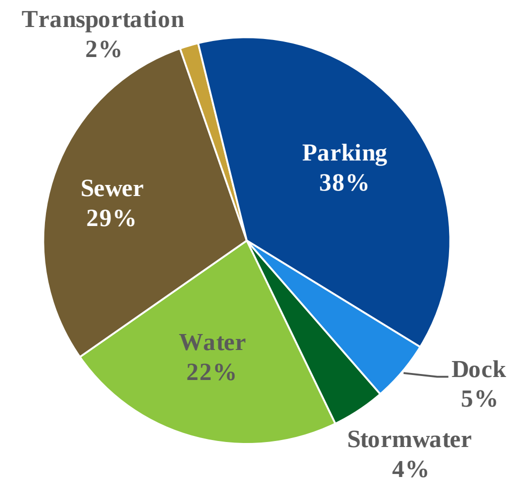
Summary of Project Estimates							
Project Category	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**5-Yr Totals**
Stormwater	435,000	$1,094,875	$201,000	$100,000	$405,000	$100,000	2,335,875
Water	1,930,000	1,990,000	2,050,000	2,110,000	2,170,000	2,170,000	12,420,000
Sewer	3,290,000	2,460,000	2,530,000	2,600,000	2,680,000	2,680,000	16,240,000
Transportation	817,222	-	-	-	-	-	817,222
Parking	-	1,530,360	19,257,610	-	-	-	20,787,970
Dock	600,549	40,000	2,040,000	-	-	-	2,680,549
Total Uses of Funding	**7,072,771**	**7,115,235**	**26,078,610**	**4,810,000**	**5,255,000**	**4,950,000**	**55,281,616**

Source of Funding	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**5-Yr Totals**
Bonds	5,460,000	$6,020,360	$25,877,610	$4,710,000	$0	$0	42,067,970
PAYGO	516,222	1,094,875	201,000	100,000	5,255,000	4,950,000	12,117,097
State/Federal Grants	1,096,549	-	-	-	-	-	1,096,549
Total Sources of Funding	**$7,072,771**	**$7,115,235**	**$26,078,610**	**$4,810,000**	**$5,255,000**	**$4,950,000**	**$55,281,616**

Sources



Uses by Fund



G. Next Steps

Potential Next Steps

- Amend this presentation as necessary based on feedback from elected officials and staff.

- If agreeable, bring policy amendments to Financial Advisory Commission, along with Capital Reserve approach and Plan of Finance for calendar year 2015 New Money and Refunding Bond issue.

- Further explore Revenue Bond structures for one or more enterprise funds (i.e., combined water, sewer, stormwater and/or parking)
  - Engage rate/feasibility consultants for input
  - Davenport to work with the above to model cash flows and test various rate and additional debt covenants
  - Evaluate restructuring of enterprise debt to provide rate relief and/or additional capacity
  - See shadow ratings on proposed credits to further refine credit structure
  - Revenue Bond Timeline = 6 – 9 months.

- Execute 2015 G.O. New Money & Refunding sale while rates remain low (i.e., as soon as possible).

Appendix–Historical Financials

Detailed Financials – General Fund

		Audted Fiscal Year					Adopted
		2010	2011	2012	2013	2014	2015
1	**REVENUES**						
2	Taxes	$34,681,916	$35,335,848	$37,931,675	$40,132,899		$42,339,839
3	Licenses and permits	2,772,254	2,665,256	2,664,044	2,697,107		2,865,000
4	Fines and forfeitures	897,914	829,371	1,435,632	416,035		401,000
5	Money and property	927,311	820,868	1,845,211	1,122,180		309,000
6	Intergovernmental	12,470,586	11,245,223	13,348,548	12,064,386		10,106,915
7	Current services	3,576,382	4,099,295	4,593,785	2,855,777		3,280,000
8	**Total Revenues**	**$55,326,363**	**$54,995,861**	**$61,818,895**	**$59,288,384**	**$0**	**$59,301,754**
9	**EXPENDITURES**						
10	General government	10,032,462	7,888,621	7,662,771	6,532,872		9,143,607
11	Public safety	35,960,535	31,265,195	32,780,903	36,176,980		32,591,949
12	Community services	3,685,663	3,880,465	3,707,559	4,308,369		4,422,029
13	Community development			-	281,336		-
14	Public works	4,630,337	3,103,894	4,715,492	8,103,021		7,423,400
15	Interfund charges (credits)	-	-	-	-		-
16	Debt service:						5,581,653
17	Principal	4,390,146	3,066,709	1,696,411	1,221,718		-
18	Interest	1,613,968	1,423,064	2,610,539	2,708,332		-
19	Bond issuance costs	-	-	-	851,819		-
20	Capital outlays	-	-	-	-		-
21	Contingency, Insurance, Retirement	-	-	-	-		4,587,283
22	**Total Expenditures**	**$60,313,111**	**$50,627,948**	**$53,173,675**	**$60,184,447**	**$0**	**$63,749,921**
23	**Excess of revenues over expenditures**	**($4,986,748)**	**$4,367,913**	**$8,645,220**	**($896,063)**	**$0**	**($4,448,167)**
24	**OTHER FINANCING SOURCES (USES)**						
25	Bond Premium	-	-	-	1,739,312		-
26	Proceeds from debt issue	-	22,538,856	-	15,087,521		-
27	Proceeds from debt issuance premium	-	1,792,759	-	-		-
28	Bond Issuance Cost	-	(306,760)	-	-		-
29	Payment to escrow agent	-	(20,792,636)	-	(9,310,147)		-
30	Transfers In	5,167,442	1,073,390	4,391,600	5,121,513		8,353,931
31	Transfers Out	(1,506,570)	(425,000)	(1,112,684)	(2,890,144)		(3,092,799)
32	**Total other financing sources (uses)**	**$3,660,872**	**$3,880,609**	**$3,278,916**	**$9,748,055**	**$0**	**$5,261,132**
33	**Net change in fund balances**	**($1,325,876)**	**$8,248,522**	**$11,924,136**	**$8,851,992**	**$0**	**$812,965**
34	**Fund balances - beginning**	**$5,118,862**	**$3,792,986**	**$12,041,508**	**$23,965,644**	**$32,817,636**	**$32,817,636**
35	**Fund balances - end of year**	**$3,792,986**	**$12,041,508**	**$23,965,644**	**$32,817,636**	**$32,817,636**	**$33,630,601**

Source: CAFRs, Budgets

Appendix – Debt Detail

Existing City Debt Profile

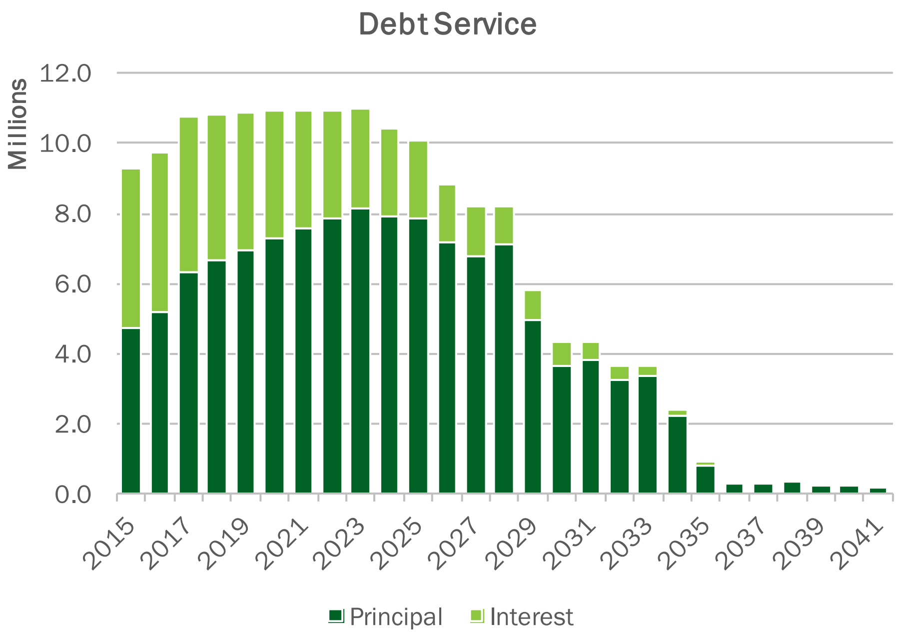
- The City's outstanding debt profile as of June 30, 2014 is comprised of the following obligations:

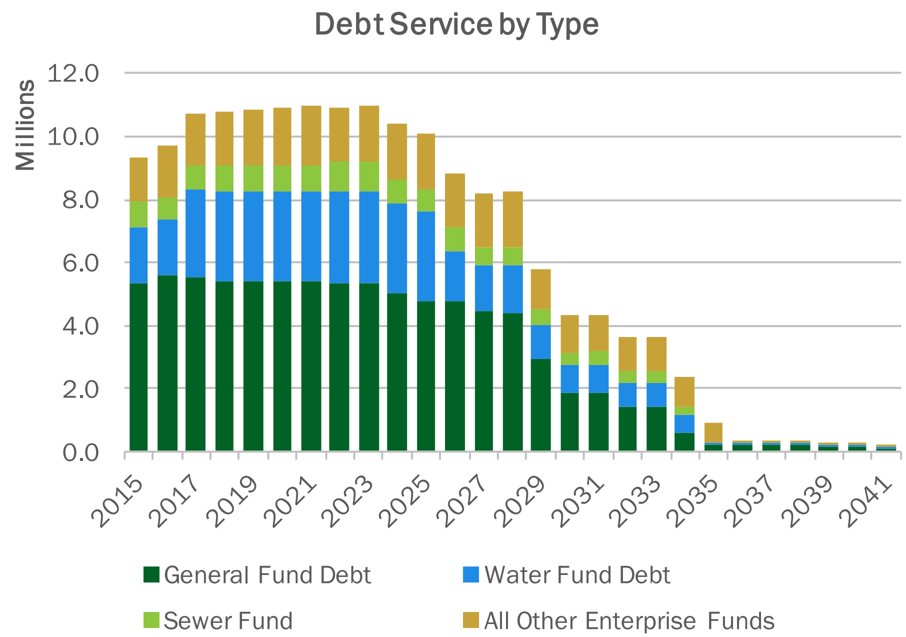
Long-Term Debt Outstanding

	Series/Project	Original Par	Outstanding 6/30/14	Interest Rate	Final Maturity (FY)	Call Date
1	Refunding Bond of 2003 (SunTrust)	3,571,236	620,000	2.650%	4/1/2015	N/A
2	Public Improvement Bonds of 2005	15,000,000	1,595,000	4.000%	8/1/2016	8/1/15 @ 100%
3	Public Improvement Bonds of 2007	28,900,000	9,235,000	4.5 - 5.0%	8/1/2020	8/1/17 @ 100%
4	Public Improvement Bonds of 2009	26,970,000	21,470,000	2.75 - 4.25%	6/1/2029	6/1/19 @ 100%
5	Public Improvements and Refunding Bonds of	35,820,000	33,040,000	2.5 - 5.0%	8/1/2040	8/1/2021 @
6	Public Improvements and Refunding Bonds of	19,245,000	18,930,000	3.0 - 4.0%	8/1/2032	8/1/22 @ 100%
7	Public Improvement Bonds of 2013	15,370,000	15,370,000	3.0 - 4.0%	5/1/2034	5/1/23 @ 100%
8	MDE	8,745,743	8,745,743	0.900%	TBD	Anytime @ 100%
9	2013B TIF - Tax-Exempt	4,925,000	4,925,000	2.540%	7/1/2033	Anytime @ 100%
10	2013C TIF - Taxable	7,145,000	7,145,000	3.890%	7/1/2034	Anytime @ 100%
	Total	**$165,691,979**	**$121,075,743**			

Note: Annual debt service schedules for each obligation can be found in the Appendix. Calculated from Bond Documents, City Finance Staff.

Existing City Debt Profile





Est. Par Outstanding 6/30/14	
Tax-Supported Debt	**$60,402,617**
Water Fund Debt	28,443,936
Sewer Fund Debt	9,731,288
All Other Enterprise Funds	22,498,911
Subtotal, Enterprise Funds	***60,674,135***
Grand Total (GF + Enterprise Funds)	**$121,076,752**

Note: Annual debt service schedules by fund can be found in Appendix. Calculated from Bond Documents, City Finance Staff.

Debt Breakout by Fund

General Fund Debt

FY	Principal	Interest	Total
Total	$60,402,617	$23,332,938	$83,735,555
2015	2,853,329	2,478,324	5,331,653
2016	3,202,806	2,365,212	5,568,018
2017	3,299,763	2,242,926	5,542,689
2018	3,300,463	2,107,603	5,408,066
2019	3,441,933	1,971,264	5,413,197
2020	3,583,845	1,827,585	5,411,430
2021	3,728,675	1,674,336	5,403,011
2022	3,807,080	1,512,842	5,319,922
2023	3,966,081	1,354,402	5,320,483
2024	3,844,182	1,190,713	5,034,895
2025	3,769,112	1,030,167	4,799,279
2026	3,932,733	872,631	4,805,364
2027	3,718,540	711,228	4,429,768
2028	3,878,202	544,516	4,422,718
2029	2,542,442	406,429	2,948,871
2030	1,592,974	291,932	1,884,906
2031	1,666,631	222,623	1,889,254
2032	1,265,988	161,582	1,427,570
2033	1,316,060	109,545	1,425,605
2034	555,470	73,142	628,612
2035	174,572	52,451	227,023
2036	177,747	43,643	221,390
2037	184,095	34,597	218,692
2038	196,791	25,075	221,866
2039	146,006	16,505	162,511
2040	152,354	9,046	161,400
2041	104,743	2,619	107,362

Water Fund Debt

FY	Principal	Interest	Total
Total	$28,443,936	$10,616,884	$39,060,819
2015	894,782	878,313	1,773,095
2016	802,201	1,001,055	1,803,256
2017	1,767,622	1,033,924	2,801,547
2018	1,897,784	969,954	2,867,738
2019	1,935,065	924,795	2,859,859
2020	1,986,798	875,660	2,862,458
2021	2,039,049	823,864	2,862,913
2022	2,143,070	768,186	2,911,255
2023	2,201,073	711,250	2,912,323
2024	2,206,067	652,217	2,858,284
2025	2,203,185	595,731	2,798,916
2026	1,247,150	307,663	1,554,813
2027	1,208,202	259,304	1,467,506
2028	1,257,886	209,270	1,467,156
2029	914,063	166,654	1,080,717
2030	746,436	130,052	876,488
2031	776,252	102,002	878,254
2032	683,053	75,819	758,872
2033	708,427	51,642	760,069
2034	526,830	31,139	557,969
2035	45,927	13,799	59,726
2036	46,762	11,482	58,244
2037	48,432	9,102	57,534
2038	51,772	6,597	58,369
2039	38,411	4,342	42,753
2040	40,081	2,379	42,460
2041	27,556	689	28,245

Sewer Fund

FY	Principal	Interest	Total
Total	$9,731,288	$3,564,173	$13,295,461
2015	481,794	369,230	851,024
2016	369,699	353,002	722,701
2017	381,872	339,674	721,546
2018	498,307	322,642	820,949
2019	524,088	302,781	826,869
2020	546,020	280,960	826,980
2021	569,572	257,942	827,514
2022	725,977	231,064	957,041
2023	756,574	201,221	957,795
2024	587,890	173,755	761,645
2025	589,313	151,363	740,676
2026	612,370	129,636	742,006
2027	501,598	108,801	610,399
2028	520,957	88,791	609,748
2029	402,532	71,312	473,844
2030	336,498	55,872	392,370
2031	349,442	43,733	393,175
2032	319,179	32,124	351,303
2033	330,723	21,113	351,836
2034	221,482	12,096	233,578
2035	16,193	4,865	21,058
2036	16,487	4,048	20,535
2037	17,076	3,209	20,285
2038	18,254	2,326	20,580
2039	13,543	1,531	15,074
2040	14,132	839	14,971
2041	9,716	243	9,959

Source: City Finance Staff

Debt Breakout by Fund

Parking Fund

FY	Principal	Interest	Total
Total	**$18,506,690**	**$8,090,254**	**$26,596,944**
2015	223,090	687,023	910,113
2016	489,500	674,065	1,163,565
2017	563,492	654,631	1,218,123
2018	599,361	632,208	1,231,569
2019	636,748	609,292	1,246,040
2020	719,087	584,684	1,303,771
2021	790,311	557,357	1,347,668
2022	919,151	525,470	1,444,621
2023	979,803	490,893	1,470,696
2024	1,122,728	451,560	1,574,288
2025	1,134,091	408,115	1,542,206
2026	1,206,251	363,746	1,569,997
2027	1,276,047	316,179	1,592,226
2028	1,348,972	265,304	1,614,276
2029	971,786	221,650	1,193,436
2030	928,176	185,449	1,113,625
2031	985,415	150,173	1,135,588
2032	935,988	133,551	1,069,539
2033	992,805	81,169	1,073,974
2034	910,244	48,151	958,395
2035	567,278	21,509	588,787
2036	37,955	9,319	47,274
2037	39,311	7,388	46,699
2038	42,022	5,354	47,376
2039	31,178	3,524	34,702
2040	32,533	1,932	34,465
2041	23,367	559	23,926

Dock Fund

FY	Principal	Interest	Total
Total	**$2,536,296**	**$594,244**	**$3,130,539**
2015	210,251	109,519	319,770
2016	219,638	99,062	318,700
2017	226,456	88,246	314,702
2018	264,890	76,333	341,223
2019	332,590	61,869	394,459
2020	345,400	46,146	391,546
2021	358,723	30,159	388,882
2022	114,257	19,513	133,770
2023	119,041	14,833	133,874
2024	59,270	11,233	70,503
2025	60,374	9,027	69,401
2026	62,312	7,020	69,332
2027	26,861	5,497	32,358
2028	27,598	4,471	32,069
2029	22,368	3,561	25,929
2030	20,072	2,741	22,813
2031	20,841	2,031	22,872
2032	19,603	1,323	20,926
2033	20,265	628	20,893
2034	696	257	953
2035	736	221	957
2036	749	184	933
2037	776	146	922
2038	830	105	935
2039	615	70	685
2040	642	38	680
2041	442	11	453

Market Fund

FY	Principal	Interest	Total
Total	**$893,347**	**$266,937**	**$1,160,284**
2015	31,866	33,205	65,071
2016	68,088	31,473	99,561
2017	70,170	28,966	99,136
2018	45,516	26,781	72,297
2019	47,094	25,080	72,174
2020	48,701	23,300	72,001
2021	50,765	21,364	72,129
2022	97,542	18,406	115,948
2023	101,581	14,436	116,017
2024	56,397	11,286	67,683
2025	58,304	9,183	67,487
2026	60,266	7,193	67,459
2027	34,344	5,552	39,896
2028	35,524	4,245	39,769
2029	36,212	2,876	39,088
2030	12,071	1,467	13,538
2031	12,493	1,081	13,574
2032	12,675	672	13,347
2033	13,084	248	13,332
2034	83	31	114
2035	88	26	114
2036	89	22	111
2037	93	17	110
2038	99	13	112
2039	73	8	81
2040	77	5	82
2041	53	1	54

Source: City Finance Staff

Debt Breakout by Fund

Transit Fund

FY	Principal	Interest	Total
Total	**$32,784**	**$13,586**	**$46,370**
2015	8,718	1,382	10,100
2016	902	1,141	2,043
2017	929	1,107	2,036
2018	985	1,064	2,049
2019	812	1,024	1,836
2020	861	986	1,847
2021	899	946	1,845
2022	944	900	1,844
2023	985	857	1,842
2024	2,012	787	2,799
2025	1,827	691	2,518
2026	1,925	597	2,522
2027	2,320	491	2,811
2028	2,429	372	2,801
2029	760	293	1,053
2030	1,177	244	1,421
2031	1,241	184	1,425
2032	741	134	875
2033	775	96	871
2034	196	72	268
2035	207	62	269
2036	211	52	263
2037	218	41	259
2038	233	30	263
2039	173	20	193
2040	180	10	190
2041	124	3	127

Stormwater Fund

FY	Principal	Interest	Total
Total	**$281,234**	**$86,734**	**$367,968**
2015	13,031	10,817	23,848
2016	13,678	10,339	24,017
2017	14,043	9,830	23,873
2018	19,070	9,165	28,235
2019	21,151	8,368	29,519
2020	21,894	7,516	29,410
2021	22,755	6,603	29,358
2022	25,951	5,606	31,557
2023	27,017	4,553	31,570
2024	16,932	3,680	20,612
2025	17,556	3,039	20,595
2026	18,181	2,415	20,596
2027	12,522	1,863	14,385
2028	13,000	1,374	14,374
2029	13,537	850	14,387
2030	2,596	306	2,902
2031	2,685	225	2,910
2032	2,773	138	2,911
2033	2,862	47	2,909
2034	-	-	-
2035	-	-	-
2036	-	-	-
2037	-	-	-
2038	-	-	-
2039	-	-	-
2040	-	-	-
2041	-	-	-

Refuse Fund

FY	Principal	Interest	Total
Total	**$248,560**	**$85,922**	**$334,482**
2015	13,140	9,431	22,571
2016	13,487	9,069	22,556
2017	13,835	8,665	22,500
2018	14,240	8,180	22,420
2019	14,645	7,735	22,380
2020	15,108	7,260	22,368
2021	15,629	6,693	22,322
2022	16,150	6,068	22,218
2023	16,787	5,422	22,209
2024	17,366	4,750	22,116
2025	18,060	4,056	22,116
2026	18,813	3,333	22,146
2027	19,565	2,581	22,146
2028	20,433	1,774	22,207
2029	21,302	905	22,207
2030	-	-	-
2031	-	-	-
2032	-	-	-
2033	-	-	-
2034	-	-	-
2035	-	-	-
2036	-	-	-
2037	-	-	-
2038	-	-	-
2039	-	-	-
2040	-	-	-
2041	-	-	-

Source: City Finance Staff

Outstanding Debt Detail – By Series

$3,571,236
Refunding Bond of 2003 (SunTrust)

FY	Coupon	Principal	Interest	Total
Total		620,000	16,431	636,431
2015	2.650%	620,000	16,431	636,431
2016		-	-	-
2017		-	-	-
2018		-	-	-
2019		-	-	-
2020		-	-	-
2021		-	-	-
2022		-	-	-
2023		-	-	-
2024		-	-	-
2025		-	-	-
2026		-	-	-
2027		-	-	-
2028		-	-	-
2029		-	-	-
2030		-	-	-
2031		-	-	-
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-
2040		-	-	-
2041		-	-	-

Dated Date: 6/26/2003
Next Call:
Purpose:
Insurance: N/A
Coupon Dates: Semiannual
Maturity Date: Apr 1

$15,000,000
Public Improvement Bonds of 2005

FY	Coupon	Principal	Interest	Total
Total		1,595,000	119,698	1,714,698
2015	4.000%	140,000	61,000	201,000
2016	4.000%	715,000	43,899	758,899
2017	4.000%	740,000	14,799	754,799
2018		-	-	-
2019		-	-	-
2020		-	-	-
2021		-	-	-
2022		-	-	-
2023		-	-	-
2024		-	-	-
2025		-	-	-
2026		-	-	-
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2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-
2040		-	-	-
2041		-	-	-

Dated Date: 8/1/2005
Next Call: 8/1/15 @ 100%
Purpose:
Insurance: N/A
Coupon Dates: Semiannual
Maturity Date: Aug 1

Source: City Finance Staff

Outstanding Debt Detail – By Series

$28,900,000
Public Improvement Bonds of 2007

FY	Coupon	Principal	Interest	Total
Total		9,235,000	1,714,927	10,949,927
2015	5.000%	1,010,000	424,313	1,434,313
2016	5.000%	1,095,000	371,686	1,466,686
2017	5.000%	1,130,000	316,064	1,446,064
2018	5.000%	1,185,000	258,188	1,443,188
2019	5.000%	1,545,000	189,934	1,734,934
2020	4.500%	1,605,000	115,200	1,720,200
2021	4.750%	1,665,000	39,542	1,704,542
2022		-	-	-
2023		-	-	-
2024		-	-	-
2025		-	-	-
2026		-	-	-
2027		-	-	-
2028		-	-	-
2029		-	-	-
2030		-	-	-
2031		-	-	-
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-
2040		-	-	-
2041		-	-	-

Dated Date: 8/15/2007 Next Call: 8/1/17 @ 100%

Purpose: Insurance: N/A

Coupon Dates: Semiannual Maturity Date: Aug 1

$26,970,000
Public Improvement Bonds of 2009

FY	Coupon	Principal	Interest	Total
Total		21,470,000	7,421,223	28,891,223
2015	2.750%	1,135,000	814,600	1,949,600
2016	3.000%	1,165,000	783,388	1,948,388
2017	3.500%	1,195,000	748,436	1,943,436
2018	3.125%	1,230,000	706,073	1,936,073
2019	3.250%	1,265,000	668,178	1,933,178
2020	3.750%	1,305,000	627,064	1,932,064
2021	4.000%	1,350,000	578,125	1,928,125
2022	4.000%	1,395,000	524,125	1,919,125
2023	4.000%	1,450,000	468,325	1,918,325
2024	4.000%	1,500,000	410,324	1,910,324
2025	4.000%	1,560,000	350,325	1,910,325
2026	4.000%	1,625,000	287,923	1,912,923
2027	4.125%	1,690,000	222,926	1,912,926
2028	4.250%	1,765,000	153,211	1,918,211
2029	4.250%	1,840,000	78,200	1,918,200
2030		-	-	-
2031		-	-	-
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-
2040		-	-	-
2041		-	-	-

Dated Date: 6/15/2009 Next Call: 6/1/19 @ 100%

Purpose: Insurance: N/A

Coupon Dates: Semiannual Maturity Date: Jun 1

Source: City Finance Staff

Outstanding Debt Detail – By Series

$35,820,000
Public Improvements and Refunding Bonds of 2011

FY	Coupon	Principal	Interest	Total
Total		33,040,000	17,807,226	50,847,226
2015	5.000%	1,040,000	1,558,351	2,598,351
2016	2.500%	1,200,000	1,517,349	2,717,349
2017	5.000%	1,235,000	1,471,477	2,706,477
2018	4.000%	1,310,000	1,414,400	2,724,400
2019	5.000%	1,080,000	1,361,201	2,441,201
2020	4.000%	1,145,000	1,311,300	2,456,300
2021	5.000%	1,195,000	1,258,524	2,453,524
2022	5.000%	1,255,000	1,197,275	2,452,275
2023	4.000%	1,310,000	1,139,700	2,449,700
2024	5.000%	2,675,000	1,046,624	3,721,624
2025	5.000%	2,430,000	918,999	3,348,999
2026	5.000%	2,560,000	794,250	3,354,250
2027	5.000%	3,085,000	653,125	3,738,125
2028	5.000%	3,230,000	495,249	3,725,249
2029	5.000%	1,010,000	389,250	1,399,250
2030	5.000%	1,565,000	324,876	1,889,876
2031	5.000%	1,650,000	244,499	1,894,499
2032	5.000%	985,000	196,779	1,181,779
2033	5.000%	1,030,000	128,250	1,158,250
2034	5.000%	260,000	96,000	356,000
2035	5.000%	275,000	82,624	357,624
2036	5.000%	280,000	68,750	348,750
2037	5.000%	290,000	54,500	344,500
2038	5.000%	310,000	39,500	349,500
2039	5.000%	230,000	26,000	256,000
2040	5.000%	240,000	14,249	254,249
2041	5.000%	165,000	4,125	169,125

Dated Date: 3/23/2011 Next Call: 8/1/2021 @ 100%

Purpose: Insurance: N/A

Coupon Dates: Semiannual Maturity Date: Aug 1

$19,245,000
Public Improvements and Refunding Bonds of 2012

FY	Coupon	Principal	Interest	Total
Total		18,930,000	5,884,694	24,814,694
2015	3.000%	295,000	687,179	982,179
2016	3.000%	310,000	677,657	987,657
2017	3.000%	315,000	668,731	983,731
2018	4.000%	1,090,000	642,745	1,732,745
2019	4.000%	1,135,000	597,708	1,732,708
2020	4.000%	1,175,000	551,505	1,726,505
2021	4.000%	1,230,000	503,408	1,733,408
2022	4.000%	2,985,000	419,106	3,404,106
2023	4.000%	3,110,000	297,205	3,407,205
2024	4.000%	1,350,000	208,007	1,558,007
2025	3.000%	1,395,000	160,082	1,555,082
2026	3.000%	1,435,000	117,633	1,552,633
2027	3.000%	410,000	89,956	499,956
2028	3.000%	415,000	77,581	492,581
2029	3.000%	430,000	64,907	494,907
2030	3.000%	440,000	51,855	491,855
2031	3.125%	455,000	38,146	493,146
2032	3.250%	470,000	23,401	493,401
2033	3.250%	485,000	7,882	492,882
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-
2040		-	-	-
2041		-	-	-

Dated Date: 6/12/2012 Next Call: 8/1/22 @ 100%

Purpose: Insurance: N/A

Coupon Dates: Semiannual Maturity Date: Aug 1

Source: City Finance Staff

Outstanding Debt Detail – By Series

$15,370,000
Public Improvement Bonds of 2013

FY	Coupon	Principal	Interest	Total
Total		15,370,000	5,725,696	21,095,696
2015	3.000%	490,000	495,050	985,050
2016	3.000%	510,000	480,352	990,352
2017	3.000%	535,000	465,050	1,000,050
2018	3.000%	560,000	449,000	1,009,000
2019	4.000%	590,000	432,198	1,022,198
2020	4.000%	620,000	408,601	1,028,601
2021	4.000%	650,000	383,800	1,033,800
2022	4.000%	685,000	357,799	1,042,799
2023	4.000%	715,000	330,400	1,045,400
2024	3.000%	755,000	301,800	1,056,800
2025	3.000%	785,000	279,150	1,064,150
2026	3.000%	815,000	255,600	1,070,600
2027	3.000%	845,000	231,148	1,076,148
2028	3.000%	875,000	205,801	1,080,801
2029	3.000%	905,000	179,549	1,084,549
2030	3.000%	940,000	152,400	1,092,400
2031	3.000%	970,000	124,200	1,094,200
2032	3.000%	1,005,000	95,099	1,100,099
2033	3.000%	1,040,000	64,949	1,104,949
2034	3.125%	1,080,000	33,750	1,113,750
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-
2040		-	-	-
2041		-	-	-

Dated Date: 5/16/2013 Next Call: 5/1/23 @ 100%

Purpose: Insurance: N/A

Coupon Dates: Semiannual Maturity Date: May 1

$8,745,743
MDE

FY	Coupon	Principal	Interest	Total
Total		8,745,743	2,895,674	11,641,417
2015	0.900%	-	117,284	117,284
2016	0.900%	-	270,650	270,650
2017	0.900%	938,181	332,098	1,270,280
2018	0.900%	945,616	302,284	1,247,900
2019	0.900%	954,127	293,774	1,247,900
2020	0.900%	962,714	285,187	1,247,901
2021	0.900%	971,378	276,522	1,247,900
2022	0.900%	980,121	267,780	1,247,900
2023	0.900%	988,942	258,959	1,247,901
2024	0.900%	997,842	250,058	1,247,900
2025	0.900%	1,006,823	241,078	1,247,900
2026		-	-	-
2027		-	-	-
2028		-	-	-
2029		-	-	-
2030		-	-	-
2031		-	-	-
2032		-	-	-
2033		-	-	-
2034		-	-	-
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-
2040		-	-	-
2041		-	-	-

Dated Date: Next Call:

Purpose: Insurance:

Coupon Dates: Maturity Date:

Source: City Finance Staff

Outstanding Debt Detail – By Series

$4,925,000
2013B TIF - Tax-Exempt

FY	Coupon	Principal	Interest	Total
Total		4,925,000	1,562,672	6,487,672
2015	2.540%	-	125,095	125,095
2016	2.540%	-	125,095	125,095
2017	2.540%	50,000	124,460	174,460
2018	2.540%	100,000	122,555	222,555
2019	2.540%	150,000	119,380	269,380
2020	2.540%	200,000	114,935	314,935
2021	2.540%	240,000	109,347	349,347
2022	2.540%	255,000	103,061	358,061
2023	2.540%	275,000	96,330	371,330
2024	2.540%	290,000	89,154	379,154
2025	2.540%	310,000	81,534	391,534
2026	2.540%	330,000	73,406	403,406
2027	2.540%	350,000	64,770	414,770
2028	2.540%	370,000	55,626	425,626
2029	2.540%	325,000	46,800	371,800
2030	2.540%	300,000	38,862	338,862
2031	2.540%	320,000	30,988	350,988
2032	2.540%	335,000	22,670	357,670
2033	2.540%	355,000	13,907	368,907
2034	2.540%	370,000	4,699	374,699
2035		-	-	-
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-
2040		-	-	-
2041		-	-	-

Dated Date: 10/16/2013
Next Call: Anytime
Purpose: Refund 2005 Park Place
Insurance: N/A
Coupon Dates: Semiannual
Maturity Date: Jul 1

$7,145,000
2013C TIF - Taxable

FY	Coupon	Principal	Interest	Total
Total		7,145,000	3,503,432	10,648,432
2015	3.890%	-	277,941	277,941
2016	3.890%	185,000	274,342	459,342
2017	3.890%	200,000	266,854	466,854
2018	3.890%	220,000	258,685	478,685
2019	3.890%	235,000	249,835	484,835
2020	3.890%	255,000	240,305	495,305
2021	3.890%	275,000	229,996	504,996
2022	3.890%	295,000	218,910	513,910
2023	3.890%	320,000	206,948	526,948
2024	3.890%	345,000	194,014	539,014
2025	3.890%	365,000	180,204	545,204
2026	3.890%	395,000	165,422	560,422
2027	3.890%	420,000	149,571	569,571
2028	3.890%	450,000	132,649	582,649
2029	3.890%	415,000	115,825	530,825
2030	3.890%	395,000	100,070	495,070
2031	3.890%	420,000	84,219	504,219
2032	3.890%	445,000	67,394	512,394
2033	3.890%	475,000	49,500	524,500
2034	3.890%	505,000	30,439	535,439
2035	3.890%	530,000	10,309	540,309
2036		-	-	-
2037		-	-	-
2038		-	-	-
2039		-	-	-
2040		-	-	-
2041		-	-	-

Dated Date: 10/16/2013
Next Call: Anytime
Purpose: Refund 2005 Park Place
Insurance: N/A
Coupon Dates: Semiannual
Maturity Date: Jul 1

Source: City Finance Staff

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Version 01.13.14 MM/KL/JM/SK

Appendix – GFOA Recommended Practice – Debt Management Policy

GFOA RECOMMENDED PRACTICE

Debt Management Policy* (1995 and 2003)

Background. Debt management policies are written guidelines and restrictions that affect the amount and type of debt issued by a state or local government, the issuance process, and the management of a debt portfolio. A debt management policy improves the quality of decisions, provides justification for the structure of debt issuance, identifies policy goals, and demonstrates a commitment to long-term financial planning, including a multi-year capital plan. Adherence to a debt management policy signals to rating agencies and the capital markets that a government is well managed and should meet its obligations in a timely manner.

Debt levels and their related annual costs are important long-term obligations that must be managed within available resources. An effective debt management policy provides guidelines for a government to manage its debt program in line with those resources.

Recommendation. The Government Finance Officers Association (GFOA) recommends that all state and local governments adopt comprehensive written debt management policies, and that governments review them at least annually and revise them as necessary. A Debt Management Policy should address:

- *Direct Debt* - debt payable from general revenues, including capital leases,
- *Revenue Debt* - debt payable from a specific pledged revenue source,
- *Conduit Debt* - debt payable by third parties for which the government does not provide credit or security,
- *State Revolving Loan Funds and Pools*
- *Other Types of Hybrid Debt* – debt payable from special revenues or containing other unique security pledges, and
- *Interfund Borrowing* – loans for short-term cash flow needs.

1. ***Debt Limits.*** The Policy should define specific limits or acceptable ranges for each type of debt. Limits are generally set for legal, public policy, and financial reasons.

   a. *Legal limits* may be determined by:

   - State constitution or law,
   - Local charter, by-laws, resolution or ordinance, or covenant.

   b. *Public Policy limits* can include:

   - Purposes for which debt proceeds may be used or prohibited,
   - Types of debt that may be issued or prohibited,
   - Relationship to and integration with the Capital Improvement Program, and
   - Policy goals related to economic development, capital improvement financings, tax increment financing, and public-private partnerships.

   c. *Financial limits* generally reflect public policy or other financial resource constraints, such as reduced use of a particular type of debt due to changing financial conditions. Appropriate debt limits can positively impact bond ratings, if the government demonstrates adherence to such policies over time. Financial limits are often expressed as ratios customarily used by credit analysts. Different financial limits are used for different types of debt. Examples include:

- *Direct Debt* can be measured or limited by the following ratios:

  - ✓ Debt per capita,
  - ✓ Debt to personal income,
  - ✓ Debt to taxable property value, and
  - ✓ Debt service payments as a percentage of general fund revenues or expenditures.

- *Revenue Debt* levels are often limited by debt service coverage ratios (e.g., annual net pledged revenues to annual debt service) or credit rating impacts (e.g., additional bonds should not lower ratings) contained in bond covenants.

- *Conduit Debt* limitations may reflect the right of the issuing government to approve the borrower's creditworthiness, the purpose of the borrowing issue, or a minimum credit rating. Such limitations reflect sound public policy, particularly if there is a contingent impact on the general revenues of the government or marketability of the government's direct debt.

- *Short-Term Debt Issuance* should describe the specific purposes and circumstances under which it can be used, as well as limitations in term or size of borrowing.

2. ***Use of Derivatives.*** The Policy should:

- Specify how derivatives fit within the overall debt management program.
- State the conditions under which derivatives can be utilized.
- Identify the types of derivatives that may be employed or are prohibited.
- Identify approach(es) for measuring, evaluating, and managing derivative risk, including basis risk, tax risk, counter-party risk, termination risk, liquidity renewal risk, remarketing risk, and credit risk.
- State the methods for procuring and selecting derivative products.

3. ***Debt Structuring Practices.*** The Policy should include specific policies regarding the debt structuring practices for each type of bond, including:

- Maximum term (often stated in absolute terms or based on the useful life of the asset(s)),
- Average maturity,
- Debt service pattern such as equal payments or equal principal amortization,
- Use of optional redemption features that reflect market conditions and/or needs of the government,
- Use of variable or fixed-rate debt, credit enhancements, derivatives, and short-term debt, and limitations as to when each can be used, and
- Other structuring practices should be considered such as capitalized interest, deferral of principal and/or other internal credit support, including general obligation pledges.

4. ***Debt Issuance Practices***. The Policy should provide guidance regarding the issuance process, which may differ for each type of debt. These practices include:

    - Criteria for determining the sale method (competitive, negotiated, placement) and investment of proceeds,
    - Criteria for issuance of advance refunding and current refunding bonds,
    - Selection and use of professional service providers,
    - Use of comparative bond pricing services or market indices as a benchmark in negotiated transactions, as well as to evaluate final bond pricing results, and
    - Use of credit ratings, minimum bond ratings, determination of the number of ratings, and selection of rating services.

5. ***Debt Management Practices.*** The Policy should provide guidance for ongoing administrative activities including:

    - Investment of bond proceeds,
    - Primary and secondary market disclosure practices, including annual certifications as required,
    - Arbitrage rebate monitoring and filing,
    - Federal and state law compliance practices, and
    - Market and investor relations efforts.

References

- *A Guide for Preparing a Debt Polic*y, Patricia Tigue, GFOA, 1998.
- *Benchmarking and Measuring Debt Capacity*, Rowan Miranda and Ron Picur, GFOA, 2000.

Recommended for Approval by the Committee on Governmental Debt and Fiscal Policy, January 24, 2003.

Approved by the GFOA's Executive Board, February 28, 2003.

* This RP replaces the GFOA's RPs **–** Development of a Debt Policy and Analyzing Debt Capacity and Establishing Debt Limits.