



**MONROE CITY COUNCIL**  
**Finance & Human Resources Committee Meeting**  
Tuesday, April 10, 2018, 6 P.M.  
Monroe City Hall, Council Conference Room

**2018 Committee**  
Councilmembers  
Jason Gamble  
Kevin Hanford  
Kirk Scarboro

# AGENDA

- I. Call to Order** (Councilmember Gamble)
  
- II. Approval Minutes** (Meeting of Tuesday, March 13, 2018) (Page 2)
  
- III. New Business**
  - A. Lake Tye Synthetic Fields Project Funding Update (Page 4)  
(Parks & Recreation/Finance)
  
- IV. Unfinished Business**
  - A. Debt Policy - Continued (Finance) (Page 6)
  
- V. Other**
  
- VI. Next Committee Meeting** (May 8, 2018)
  
- VII. Adjournment**



**MONROE CITY COUNCIL**  
**Finance & Human Resources Committee Meeting**  
Tuesday, March 13, 2018, 6:00 P.M.  
Monroe City Hall, Council Conference Room

**2018 Committee**  
Councilmembers  
Jason Gamble  
Kevin Hanford  
Kirk Scarboro

## MINUTES

### I. Call to Order

A regular meeting of the Monroe City Council Finance & Human Resource Committee was held on March 13, 2018, in the Council Conference Room of City Hall. The Meeting was called to order by Councilmember Gamble at 6:05 p.m.

Committee Present: Councilmembers Jason Gamble, Kevin Hanford,<sup>1</sup> and Kirk Scarboro  
Mayor Present: Geoffrey Thomas  
Staff Present: Pam Baker, Executive Assistant; Becky Hasart, Finance Director; and Deborah Knight, City Administrator;  
Citizens Present: Heather Rousey, Monroe Planning Commissioner.

*(The meeting recessed after Call to Order at 6:05 p.m. for approximately five minutes.)*

### II. Approval Minutes (Meeting of Tuesday, February 13, 2018)

Councilmember Scarboro moved to approve the Finance & Human Resources Committee Meeting minutes of Tuesday, February 13, 2018; the motion was seconded by Councilmember Gamble. Motion carried (3-0).

### III. Unfinished Business - NONE.

### IV. New Business

#### A. Procurement Policy – Proposed Amendments

Ms. Hasart provided background information on the City's current procurement policy; including: federal level requirements versus the City's current policy and restrictions in comparison to current state law.

Discussion ensued regarding history of the procurement policy, current process, purchasing limitations, Council approval and vetting process for projects, budget allowance, formal bidding and authority levels, and purchase card policies. Ms. Hasart stated she will prepare a resolution and ordinance for the March 20, 2018, City Council Regular Business Meeting for Council consideration.

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<sup>1</sup> CLERK'S NOTE: Councilmember Hanford arrived at approximately 6:14 p.m. during Approval of the Minutes.

## B. 2x/Month Payroll

Ms. Hasart provided background information on establishing a twice a month payroll for City employees; including: effective date (July 2018), pay dates, and employee option for being grandfathered in for once a month payroll.

Discussion ensued regarding notification to employee unions.

## C. Debt Policy - Introduction

Ms. Hasart provided background information on the benefits of establishing a formal debt policy, and provided the five recommended topics; including: debt limits, debt structuring practices, debt issuance practices, debt management practices, and use of derivatives. Ms. Hasart will bring additional information at a future committee meeting.

**Other – NONE.**

## V. Next Committee Meeting (April 10, 2018, 6 p.m.)

Councilmember Gamble noted he will be absent for the April 10, 2018, Committee meeting.

## VI. Adjournment

Councilmember Scarboro moved to adjourn the March 13, 2018, City Council Finance & Human Resources Committee Meeting; the motion was seconded by Councilmember Hanford. Motion carried (3-0); and the meeting adjourned at 6:48 p.m.



**MONROE CITY COUNCIL**  
**Finance & Human Resources Committee Meeting**  
**Tuesday, April 10, 2018, 6:00 P.M.**  
**Agenda Bill**

**2018 Committee**  
 Councilmembers  
 Jason Gamble  
 Kevin Hanford  
 Kirk Scarboro

<b>SUBJECT:</b>	<b><i>Lake Tye Synthetic Fields Project Funding Update</i></b>
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<b>DATE:</b>	<b>DEPT:</b>	<b>CONTACT:</b>	<b>PRESENTER:</b>	<b>ITEM:</b>
04/10/2018	Parks & Rec. Finance	Mike Farrell Becky Hasart	Mike Farrell Becky Hasart	<b>New Business A</b>

**Discussion:** 03/27/2018, 04/10/2018  
**Attachments:** 1. None

**REQUESTED ACTION:** None - information only. No action is required for this item.

**DESCRIPTION/BACKGROUND**

This project will renovate two baseball/soccer fields, originally constructed at Lake Tye Park in 1996, to all-synthetic, lighted, multipurpose fields that will accommodate year-round play and practice for youth baseball, softball, soccer, lacrosse, and rugby. The existing fields are comprised of a non-lighted natural grass soccer field and a natural grass ballfield with a dirt infield. In addition to community and regional recreation use, the fields are also utilized by the adjacent Fryelands Elementary School for physical education and play through an Inter-agency Agreement with the Monroe School District. After twenty-one years of play, the existing irrigated fields are worn and have limited accessibility features. The project will improve the capacity, diversity and accessibility of use of the two fields at our community park.

The project is listed in the current Park Plan 6-year Capital Improvement Program as an identified 2021 project with a listed budget of \$1.8 million (in 2015 dollars). In 2017, a master plan for Lake Tye Park was created, and a master plan-level budget for this project revised the total design and construction cost estimate to \$2.5 million.

Currently, bids are being solicited for architectural design services for engineered construction drawings and to identify and attain any/all necessary development permits for the project, funded through 2018 Parks CIP budget of \$300,000. The design phase will occur through 2018 and is anticipated to be completed by early 2019, with bidding for construction phase to follow, and an anticipated completion of the project by 2021. This design phase will result in further refinement of the budget that may raise or lower the cost of the project.

In January 2018, the City was notified that it has been awarded a State Legislature Capital Appropriation for the project of \$800,000.

Staff are preparing two grant applications to the State Recreation Conservation Office (RCO).

- Washington Wildlife and Recreation Program Local Parks Grant: \$500,000 (max)
- Youth Athletic Facilities Grant: \$350,000 (max)

Both grant applications require a minimum fifty percent/fifty percent match. Grant applications are due May 1, 2018.

This being a listed project in the Parks 6-year CIP allows for REET and Park Mitigation Fees from new development to be utilized for this project. Staff will continue to pursue other grant funding opportunities as applicable.

**Cost:**

Field development:	\$2,200,000	(Master Plan-level estimates)
A&E:	\$300,000	
<b>Total:</b>	<b>\$2,500,000</b>	

**Funding Sources:**

Appropriation (State)	\$800,000 (awarded)
Grant (RCO WWRP)	\$500,000 (2018 application underway; requires 50% match)
Grant (RCO YAF)	\$350,000 (2018 application underway; requires 50% match)
2018 Budget (City)	\$300,000 (in-hand-Fund 317-budgeted for A&E)
2018 Budget (City)	\$ 45,000 (in-hand-Fund 317)
<b>Remaining need:</b>	<b>\$505,000</b>

The state appropriation may not be accessed until all project resources have been committed. If the City is not successful with the RCO applications, our remaining preliminary need for this project would be **\$1,355,000**, which would have to be identified and committed prior to receiving the State appropriation.



**MONROE CITY COUNCIL**  
**Finance & Human Resources Committee Meeting**  
**Tuesday, April 10, 2018, 6:00 P.M.**  
**Agenda Bill**

**2018 Committee**  
 Councilmembers  
 Jason Gamble  
 Kevin Hanford  
 Kirk Scarboro

<b>SUBJECT:</b>	<b><i>Debt Policy Provision discussion</i></b>
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<b>DATE:</b>	<b>DEPT:</b>	<b>CONTACT:</b>	<b>PRESENTER:</b>	<b>ITEM:</b>
04/10/2018	Finance	Becky Hasart	Becky Hasart	<b>Unfinished Business A</b>

**Discussion:** 03/13/2018, 04/10/2018  
**Attachments:**

1. City of Poulsbo Debt Policy
2. Exert from City of North Bend Policies – Debt
3. Exert from Alderwood Water and Wastewater District (AWWD) financial policies

**REQUESTED ACTION:** Discussion only.

**DESCRIPTION/BACKGROUND**

For tonight’s discussion, it is recommended that we begin to go through the City of Poulsbo Debt Policy’s various sections to determine how or if they would be appropriate for Monroe. If time allows, we will also discuss the pertinent sections from the City of North Bend’s policy and the newly attached AWWD financial policies.

From March 13, 2018:

{The terms debt and bond(s) are used interchangeably and mean the same thing – a long term outstanding liability of the City.}

The City Council is responsible for all fiscal policies. While the City has used debt to support its capital and operational needs, the City does not have an adopted formal debt policy.

Establishing a debt policy will help insure that any bonds issued/debt incurred by the City is done in a systematic manner that is prudent and cost effective. Having a formally adopted policy is also considered a financial best practice that is viewed favorably by debt rating services. Attached to this packet is the Government Finance Officers Association’s (GFOA) best practice recommendations. GFOA’s recommendations include addressing the following five topics:

- Debt limits.
- Debt structuring practices.
- Debt issuance practices.
- Debt management practices.
- Use of derivatives.

It is a goal of this administration to work with the Council toward adoption of an appropriate debt policy no later than October 2018.

Total debt outstanding for the City, inclusive of both GO and revenue bonds, is \$28,058,799. The following breaks down the types and amount of debt that makes up this total:

As of the end of fiscal year 2017, the City currently has \$5,972,600 in non-voted general obligation (GO) debt outstanding. Although the City may dedicate specific funding sources to pay GO debt, the underlying security for all non-voted GO debt is the City’s existing property tax revenues. The City currently does not have any voted GO debt. If we did, this debt would be paid by an incremental increase in property taxes as approved by the voters (payment would not be the responsibility of the existing property tax revenue stream).

As of the end of fiscal year 2017, the City currently has \$22,086,199 in revenue debt outstanding. Revenue debt is paid from the rate revenue generated by our utilities. Revenue debt is not an obligation of the City's property taxes. Revenue bonds typically pay a higher interest rate than GO bonds because they are not secured by property taxes.

Attached is a draft schedule of liabilities for debt only that is prepared each year as part of our annual reporting requirements. This schedule lists out the individual debt owing as of the end of each year. Also attached is a debt capacity schedule for the City. This capacity schedule shows the statutory limitations of general obligation debt the City may incur based on our assessed valuation. Revenue debt is not subject to statutory limitations as the utility can raise rates as needed to satisfy its debt requirements.

Finally, attached are two examples of debt policies from other jurisdictions, specifically City of Poulsbo and City of North Bend. Staff feels that these two examples will serve well as our template as we move forward in developing a debt policy for Monroe that will meet our specific needs.

## City of Poulsbo Debt Policy

### SECTION I – INTRODUCTION & GUIDING PRINCIPLES

#### **Purpose and Overview**

The Debt Policy for the City of Poulsbo is established to help ensure that all debt is issued both prudently and cost effectively. The Debt Policy sets forth comprehensive guidelines for the issuance and management of all financings of the City Council. Adherence to the policy is essential to ensure that the Council maintains a sound debt position and protects the credit quality of its obligations.

#### **Capital Planning:**

The City shall integrate its debt issuance with its Capital Improvement Program (CIP) spending to ensure that planned financing conforms to policy targets regarding the level and composition of outstanding debt. This planning considers the long-term horizon, paying particular attention to financing priorities, capital outlays and competing projects. Long term borrowing shall be confined to the acquisition and/or construction of capital improvements and shall not be used to fund operating or maintenance costs. For all capital projects under consideration, the City shall set aside sufficient revenue from operations to fund ongoing normal maintenance needs and to provide reserves for periodic replacement and renewal. The issuance of debt to fund operating deficits is not permitted.

#### **Legal Governing Principles**

In the issuance and management of debt, the City shall comply with the state constitution and with all other legal requirements imposed by federal, state, and local rules and regulations, as applicable.

- State Statutes – The City may contract indebtedness as provided for by [RCW 35A.40.090](#). General Obligation indebtedness is subject to the limitations on indebtedness provided for in [RCW 39.36.020\(2\)\(b\)](#) and [Article VIII of the Washington State Constitution](#). Bonds evidencing such indebtedness shall be issued and sold in accordance with chapter 39.46.
- Federal Rules and Regulations – The City shall issue and manage debt in accordance with the limitations and constraints imposed by federal rules and regulations including the [Internal Revenue Code of 1986](#), as amended; the Treasury Department regulations there under; and the [Securities Acts of 1933 and 1934](#).
- Local Rules and Regulations – The City shall issue and manage debt in accordance with the limitations and constraints imposed by local rules and regulations.

#### **Roles & Responsibilities**

The City Council shall:

- Approve indebtedness;
- Approve appointment of independent financial advisor and bond counsel;
- Approve the Debt Policy;
- Approve budgets sufficient to provide for the timely payment of principal and interest on all debt; and



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- In consultation with the City's General Counsel, financial advisor, and bond counsel, shall determine the most appropriate instrument for a proposed bond sale.

The Finance Director in consultation with the Finance Committee, the Mayor and full Council shall:

- Assume primary responsibility for debt management
- Provide for the issuance of debt at the lowest possible cost and risk;
- Determine the available debt capacity;
- Provide for the issuance of debt at appropriate intervals and in reasonable amounts as required to fund approved capital expenditures;
- Recommend to the City Council the manner of sale of debt;
- Monitor opportunities to refund debt and recommend such refunding as appropriate.
- Comply with all Internal Revenue Service ([IRS](#)), [Securities and Exchange \(SEC\)](#), and [Municipal Securities Rulemaking Board \(MSRB\)](#) rules and regulations governing the issuance of debt.
- Provide for the timely payment of principal and interest on all debt and ensure that the fiscal agent receives funds for payment of debt service on or before the payment date;
- Provide for and participate in the preparation and review of offering documents;
- Comply with all terms, conditions and disclosure required by the legal documents governing the debt issued;
- Submit to the City Council all recommendations to issue debt;
- Distribute to appropriate repositories information regarding financial condition and affairs at such times and in the form required by law, regulation and general practice, including [Rule 15c2-12](#) regarding continuing disclosure;
- Provide for the distribution of pertinent information to rating agencies; and
- Apply and promote prudent fiscal practices.

### **Ethical Standards Governing Conduct**

The members of the City staff, the Mayor and the City Council will adhere to the standards of conduct as stipulated by the Public Disclosure Act, [RCW 42.17](#) and Ethics in Public Service, [RCW 42.52](#).

## **SECTION II – PROFESSIONAL SERVICES**

### **Professional Services**

The City's Finance Department shall be responsible for the solicitation and selection of professional services that are required to administer the City's debt.

- Bond Counsel – With the exception of debt issued by the State, all debt issued by the City will include a written opinion by bond counsel affirming that the City is authorized to issue the proposed debt. The opinion shall include confirmation that the City has met all city and state constitutional and statutory requirements necessary for issuance, a determination of the proposed debt's federal income tax status and any other components necessary for the proposed debt.
- Financial Advisor – A Financial Advisor may be used to assist in the issuance of the City's debt. The Financial Advisor will provide the City with the objective advice

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- and analysis on debt issuance. This includes, but is not limited to, monitoring of market opportunities, structuring and pricing of debt, and preparing official statements of disclosure.
- Underwriters – An Underwriter will be used for all debt issued in a negotiated sale method. The Underwriter is responsible for purchasing negotiated debt and reselling the debt to investors.
  - Fiscal Agent – A fiscal agent will be used to provide accurate and timely securities processing and timely payment to bondholders. As provided under RCW 43.80, the City will use the Fiscal Agent that is determined by the State.
  - Professional Service providers may be selected through a competitive selection process conducted by the Finance Director in consultation with the Finance Committee and Legal Counsel; the City Council shall approve the most qualified financial advisor/underwriter and bond counsel.
  - These services shall be regularly monitored by the Finance Director.

### **SECTION III – DEBT STRUCTURE**

#### **Types of Debt Instruments:**

The City may utilize several types of municipal debt obligations to finance long-term capital projects. Subject to the approval of City Council, the City is authorized to sell:

- **Unlimited Tax General Obligation Bonds** – The City shall use Unlimited Tax General Obligation Bonds, also known as “Voted General Obligation Bonds” as permitted under [RCW 35A.40.090](#) for the purpose of general purpose, open space and parks, and utility infrastructure. Voted issues are limited to capital purposes only. Every project proposed for financing through general obligation debt should be accompanied by a full analysis of the future operating and maintenance costs associated with the project. UTGO Bonds are payable from excess tax levies and are subject to the assent of 60% of the voters at an election to be held for that purpose.
- **Limited Tax General Obligation Bonds** – A Limited-Tax General Obligation debt (LTGO), also known as “Non-Voted General Obligation Debt”, requires the City to levy a property tax sufficient to meet its debt service obligations but only up to a statutory limit. The City shall use Limited Tax General Obligation (LTGO) Bonds as permitted under [RCW 35A.40.090](#) for general capital purposes only. General Obligation debt is backed by the full faith and credit of the City and is payable from General Fund reserves and taxes collected by the City. LTGO Bonds will only be issued if:
  - A project requires funding not available from alternative sources;
  - Matching fund monies are available which may be lost if not applied for in a timely manner; or,
  - Emergency conditions exist.
- **Revenue Bonds** – The City shall use Revenue Bonds as permitted under [RCW 35A.40.090](#) for the purpose of financing construction or improvements to facilities of enterprise systems operated by the City in accordance with the Capital Improvement Plan. No taxing power or general fund pledge is provided as security.
- **Special Assessment/Local Improvement District Bonds** – The City shall use Special Assessment Bonds as permitted under [RCW 35A.40.090](#) for the purpose of

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- assuring the greatest degree of public equity in place of general obligation bond where possible. Local Improvement District (LID) Bonds represent debt that is repaid by the property owners who specifically benefit from the capital improvements through annual assessments paid to the City. LID's are formed by the City Council after a majority of property owners agree to the assessment. No taxing power or general fund pledge is provided as security, and LID Bonds are not subject to statutory debt limitations. The debt is backed by the value of the property within the district and an LID Guaranty Fund, as required by State Law.
- **Short Term Debt** – The City shall use short term debt as permitted under [RCW 39.50](#), for the purpose of meeting any lawful purpose of the municipal corporation, including the immediate financing needs of a project for which long term funding has been secured but not yet received. The City may use inter-fund loans rather than outside debt instruments to meet short-term cash flow needs for the project. Inter-fund loans will be permitted only if an analysis of the affected fund indicates excess funds are available and the use of the funds will not impact the fund's current operations. All inter-fund loans will be subject to Council approval and will bear interest at prevailing rates.
  - **Leases** – The City is authorized to enter into capital leases under [35A.40.090 RCW](#), subject to the approval of City Council.
  - **Public Works Trust Fund Loans** – The City shall use Public Works Trust Fund Loans as provided under [RCW 43.155](#) for the purpose of repairing, replacing or creating domestic water systems, sanitary sewer systems, storm sewer systems, roads, streets, solid waste/recycling facilities and bridges.
  - **Local Option Capital Asset Lending (LOCAL) Program Debt** – The City is authorized to enter into a financing contract with the Office of the State Treasurer under [RCW 39.94](#), for the purpose of financing equipment and capital needs through the State Treasurer's Office subject to existing debt limitations and financing considerations. The LOCAL Program is an expanded version of the state agency lease/purchase program that allows the pooling of funding into larger offerings of securities.

## SECTION IV – TRANSACTION SPECIFIC POLICIES

**Method of Sale - The City shall evaluate the best method of sale for each proposed bond issue.**

1. **Competitive Bid Method** – Any competitive sale of the City's debt will require the approval of City Council. City debt issued on a competitive bid basis will be sold to the bidder proposing the lowest true interest cost to the City.
2. **Negotiated Bid Method** – When a negotiated sale is deemed advisable (in consultation with the Mayor and City Council) the Finance Director shall negotiate the most competitive pricing on debt issues and broker commissions in order to ensure the best value to the City.
  - If debt is sold on a negotiated basis, the negotiations of terms and conditions shall include, but not be limited to, prices, interest rates, underwriting or remarketing fees and commissions.
  - The City, with the assistance of its Financial Advisor, shall evaluate the terms offered by the underwriting team. Evaluations of prices, interest rates, fees and commissions

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- shall include prevailing terms and conditions in the marketplace for comparable issuers.
- No debt issue will be sold on a negotiated basis without an independent financial advisor.
3. The City shall use refunding bonds in accordance with the Refunding Bond Act, [RCW 39.53](#). Unless otherwise justified, the City will refinance debt to achieve true savings as market opportunities arise. Refunding debt shall never be used for the purpose of avoiding debt service obligations. A target 5% cost savings (discounted to its present value) over the remainder of the debt must be demonstrated for any “advance refunding”, unless otherwise justified. The City, in consultation with its Financial Advisor, may approve a “current refunding” transaction of an existing debt issue if the refunding demonstrates a positive present value savings over the remaining life of the debt.
  4. With Council approval, interim financing of capital projects may be secured from the debt financing marketplace or from other funds through an inter-fund loan as appropriate in the circumstances.
  5. When issuing debt, the City shall strive to use special assessment, revenue or other self supporting bonds in lieu of general obligation bonds.

### **Limitations on Debt Issuance**

1. The City shall remain in compliance with all debt limitations. As part of the annual budgeting process, a current summary of outstanding debt and compliance targets is prepared. The City shall observe the following limitations on debt issuance:
  - **General Obligation** – 2.5% of Assessed Value ([RCW 39.36.020\(2\)\(b\)](#))
    - **Non-Voted: 1.5%**
    - **Voted: 2.5%**
  - **Open Space and Park Facilities** – 2.5% of Assessed Value ([RCW 39.36.020\(4\)](#))
2. Debt payments shall not extend beyond the estimated useful life of the project being financed. The City shall keep the average maturity of general obligations bonds at or below 20 years, unless special circumstances arise warranting the need to extend the debt schedule.
3. Debt Limit Target: The City shall not exceed 90% of the legal debt limits from above.

### **Debt Structuring Practices**

The following terms shall be applied to the City’s debt transactions, as appropriate. Individual terms may change as dictated by the marketplace or the unique qualities of the transaction.

- **Maturity** – The City shall issue debt with an average life less than or equal to the average life of the assets being financed. Unless otherwise stated in law, the final maturity of the debt shall be no longer than 40 years ([RCW 39.46.110](#)).
- **Debt Service Structure** – Unless otherwise justified, debt service should be structured on a level basis. Refunding bonds should be structured to produce equal savings by fiscal year. Unless otherwise justified, debt shall not have capitalized interest. If appropriate, debt service reserve funds may be used for revenue bonds.
- **Price Structure** – The City’s long-term debt may include par, discount, and premium bonds. Discount and premium bonds must be demonstrated to be advantageous relative to par bond structures, given market conditions.

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- **Call Provisions** – For each transaction, the City shall evaluate the costs and benefits of call provisions. In general, the City shall opt for the shortest possible optional call consistent with optimal pricing.
- **Bond Insurance** – For each transaction, the City shall evaluate the costs and benefits of bond insurance or other credit enhancements. Any credit enhancement purchases by the City shall be competitively priced.
- **Tax-exemption** – Unless otherwise justified and deemed necessary, the City shall issue its debt on a tax-exempt basis.
- **Reimbursement resolution** – Must be adopted by City Council if the project hard costs are advanced prior to the bond sale.

## SECTION V – COMMUNICATION

It is the policy of the City to remain as transparent as possible. The City shall manage relationships with the rating analysts assigned to the City's credit, using both informal and formal methods to disseminate information.

- The City's Comprehensive Financial Report (CAFR) shall be the primary vehicle for compliance with continuing disclosure requirements. The CAFR may be supplemented with additional documentation as required. Each year included in the CAFR, the City will report its compliance with debt targets and the goals of this Debt Management Policy.
- The City will issue a material event notice in accordance with provisions of [SEC Rule 15c2-12](#). Prior to issuance of any material event, the Finance Director will discuss the materiality of any event with the Mayor, City Attorney and designated Council members, to ensure equal, timely and appropriate disclosure to the marketplace.
- The City shall seek to maintain and improve its current bond rating.

## SECTION VI - COMPLIANCE

### **Investment of Proceeds**

The City shall comply with all applicable Federal, State and contractual restrictions regarding the investment of bond proceeds. This includes compliance with restrictions on the types of investment securities allowed, restrictions on the allowable yield of invested funds as well as restrictions on the time period over which some of the proceeds may be invested.

### **Arbitrage Liability Management**

Due to the complexity of arbitrage rebate regulations and the severity of non-compliance penalties, the City shall solicit the advice of bond counsel and other qualified experts about arbitrage rebate calculations. The City shall, when deemed necessary or required, contract with a third party for preparation of the arbitrage rebate calculation.

The City shall maintain an internal system for tracking expenditure of bond proceeds and investment earnings by opening a separate account in the state pool. The expenditure of bond proceeds shall be tracked in the financial system by issue. Investments may be pooled for

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financial accounting purposes and for investment purposes. When investment of bond proceeds are co-mingled with other investments, the City shall adhere to IRS rules on accounting allocations.

**Bond Users Clearinghouse**

The City shall ensure that the Bond Users Clearinghouse receives municipal bond information for all debt sold as provided by [RCW 39.44.200 – 39.44.240](#) and [WAC 365-130](#).

**Legal Covenants**

The City shall comply with all covenants and conditions contained in governing law and any legal documents entered into at the time of a bond offering.

**Periodic Policy Review**

At a minimum, the debt policy will be reviewed and updated every five years.

**RESOLUTION 20106**

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF POULSBO, WASHINGTON, ADOPTING A DEBT POLICY GOVERNING THE [ISSUANCE AND ADMINISTRATION OF ALL DEBT ISSUED BY THE CITY.

**WHEREAS**, the City Council of the City of Poulsbo deems to have its debt issued and administered in compliance with all applicable Federal and RCW requirements, and

**WHEREAS**, the City Council of the City of Poulsbo desires to maintain a debt policy to guide the issuance and administration of its debt, and

**WHEREAS**, the City's Finance Director has conducted a thorough review of its current debt practices in effort to develop this policy for the issuance and administration of City debt, and

**WHEREAS**, the City of Poulsbo's debt policy has been written in accordance with the Washington Municipal Treasurer's Association Model Debt Policy,

**THE CITY COUNCIL OF THE CITY OF POULSBO, WASHINGTON RESOLVES AS FOLLOWS:**

**Section 1. Debt Policy Adopted.** The policy for investment of City funds set forth in document entitled "City of Poulsbo Debt Policy" dated August 1, 2010 which is attached hereto as Exhibit "A" and incorporated herein by reference as if set forth in full is hereby adopted as official policy for issuance and administration of City debt.

RESOLVED this 1<sup>st</sup> day of September, 2010.

APPROVED:

Q)g  
MAYOR; ECCA ER CKSON

ATTEST/AUTHENTICATED

\_\_\_\_\_  
CITY CLERK  
..... JILOA BOLTZ

FILED WITH THE CITY CLERK: 08/25/2010  
PASSED BY THE CITY COUNCIL: 09/01/2010  
RESOLUTION NO. 20106

## Debt Management Policies

The amount of debt issued by the City is an important factor in measuring its financial performance and condition. Proper use and management of borrowing can yield significant advantages. From a policy perspective, the City of North Bend uses debt in two ways: (1) as a mechanism to equalize the costs of needed improvements to both present and future citizens; and (2) as a mechanism to reduce the costs of substantial public improvements.

- City Council approval is required prior to the issuance of debt.
- An analytical review shall be conducted prior to the issuance of debt.
- The City will use the services of a legally certified and credible bond counsel in the preparation of all bond representations.
- The City of North Bend will not use long-term debt to support current operations.
- Long-term borrowing will only be used for capital improvements that cannot be financed from current revenues.
- Short-term borrowing will only be used to meet the immediate financing needs of a project for which long-term financing has been secured but not yet received.
- The issuance of bonds shall be financed for a period not to exceed a conservative estimate of the asset's useful life.
- Non-capital furnishings, supplies, and personnel will not be financed from bond proceeds.
- The City will use refunding bonds where appropriate, when restructuring its current outstanding debt.
- Reserves, interest costs, operating costs, and/or maintenance expenses will be capitalized only for enterprise activities; capitalized operating expenses will be strictly limited to those expenses incurred prior to actual operation of the facilities.
- The City will maintain a good credit rating at all times.
- Assessment bonds will be issued in place of general obligation bonds, where possible, to assure the greatest degree of public equity.
- Under most circumstances, the maturity of all assessment bonds shall not exceed 12 years.
- General Obligation bonds will be issued with maturities of 20 years or less.
- The voter approved general obligation debt of North Bend will not exceed an aggregated total of 7.5% of the assessed valuation of the taxable property within the City.
- The following individual percentages shall not be exceeded in any specific debt category:
  - General Debt – 2.5% of assessed valuation
  - Utility Debt – 2.5% of assessed valuation
  - Open Space and Park Facilities – 2.5% of assessed valuation
- Limited-tax general obligation bonds will not exceed one and 1.5% of the City's current assessed property valuation.



- Limited-tax general obligation bonds will be issued only if:
  - A project requires funding not available from alternative sources;
  - Matching fund monies are available which may be lost if not applied for in a timely manner;  
or
  - Emergency conditions exist.

Rate Stabilization Reserve will be from a surplus of operating funds from the prior year or as a budgeted expense by the Board. Use of the Rate Stabilization Reserve funds will, when allowed by the Board, be considered revenue for purposes of debt coverage. The following Rate Stabilization Reserves targets are established.

- Water Utility – 15% of annual rate revenue
- Wastewater Utility – 10% of annual rate revenue

♦ Bond Reserve Fund and Bond Redemption Funds

AWWD will maintain Bond Reserve Funds and Bond Redemption Funds as required by bond covenants or loan agreements, and shall maintain Fund balances consistent with those corresponding debt covenants/agreements.

**5. Fixed Asset Inventories**

AWWD will maintain accurate inventories of all physical assets, to include the condition, life span and cost to ensure proper stewardship of public property. The Director of Finance will establish policies and appropriate procedures to manage fixed assets, including establishing the threshold dollar amount for which fixed asset records are maintained and how often physical inventories will be taken.

**6. Accounting**

AWWD is to maintain a uniform system of accounts, and maintain accounting practices that follow Generally Accepted Accounting Principles (GAAP) for its accounting procedures and financial statement preparation.

- ♦ AWWD will comply with the Uniform System of Accounts for Class A Water Utilities and the National Association of Regulatory Utility Commissioners accounting manuals and practices. AWWD will cooperate and comply with all audits and investigations by the Washington State Auditor's Office.

**7. Investment Policy**

AWWD has adopted an Investment Policy which complies with the State of Washington's eligible investments for public funds per the Revised Code of Washington (RCW) 39.59.020 and 39.59.030. The Board adopted Investment Policy will be reviewed and modified periodically to ensure that it continues to meet the financial objectives of the District and continues to serve the best interest of the District.

**8. Debt Issuance**

♦ Rates for Debt Service Coverage

Water and wastewater rates shall be maintained at a level necessary to provide annual combined (water and wastewater) net revenues that satisfy a debt service coverage factor of no less than 1.25 times annual debt

service. The District will budget for a factor of 1.75 to further protect AWWD's financial risk and provide a favorable measure for rating agencies.

♦ Arbitrage

AWWD should engage an arbitrage consultant to assist the District in meeting IRS arbitrage compliance and reporting requirements when applicable.

♦ IRS Post Bond Issuance Compliance

AWWD should maintain and comply with the IRS checklist of post-bond issuance compliance requirements.

♦ Competitive Bond Sale

All bond sales should be issued on a competitive rather than a negotiated basis. The Board may authorize the use of a negotiated sale if conditions are such that it is in the best interests of the District to issue a bond on a negotiated basis. Competitive and negotiated bond sales shall be conducted with the assistance of a Financial Advisor who only represents the District's interests. The Financial Advisor's only compensation shall be a fixed fee.

♦ Annual Reporting NRMSIR

AWWD should comply with bond covenants regarding the annual undertaking of reporting to the Nationally Recognized Municipal Securities Information Repository (NRMSIR) by electronically filing with the Electronic Municipal Market Access system (EMMA) or its successor. Refer to the bond resolutions for a complete list of filing requirements.