RESOLUTION 20-R90

A RESOLUTION OF THE CITY OF PORT ST. LUCIE, FLORIDA, TO ESTABLISH THE CITY OF PORT ST LUCIE'S DEBT MANAGEMENT POLICY; PROVIDING FOR CONFLICT; PROVIDING FOR SEVERABILITY; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, in s. 2(b), Art. VIII of the State Constitution, municipalities shall have the governmental, corporate and proprietary powers to enable them to conduct municipal government, perform municipal functions, and render municipal services (s. 166.021, F.S.); and

WHEREAS, the governing body of every municipality may borrow money, contract loans, and issue bonds as defined in s. 166.101, F.S., from time to time to finance the undertaking of any capital or other project for the purposes permitted by the State Constitution and may pledge the funds, credit, property and taxing power of the municipality for the payment of such debts and bonds (s. 166.111, F.S.); and

WHEREAS, the City Council desires to standardize and rationalize the issuance and management of debt by the City of Port St. Lucie as well as enhance the City's ability to operate within credit markets with a view to maintain and enhance credit ratings; and

WHEREAS, the City Council desires to establish a policy to standardize and rationalize the issuance and management of debt by the City of Port St. Lucie as well as enhance the City's ability to operate within credit markets with a view to maintain and enhance credit ratings; and

WHEREAS, the City Council has determined that this policy serves a municipal purpose and benefits the tax payers of the City of Port St. Lucie,

NOW, THEREFORE, BE IT RESOLVED BY THE CITY OF PORT ST. LUCIE, FLORIDA:

<u>Section 1. Ratification of Recitals.</u> The foregoing recitals are hereby ratified and confirmed as true and correct and are hereby made a part of this Resolution.

<u>Section 2. Conflict.</u> If any resolutions, or parts of resolutions, are in conflict herewith, this Resolution shall control to the extent of the conflicting provisions.

<u>Section 3. Severability.</u> The provisions of this Resolution are intended to be severable. If any part of this Resolution is determined to be void or is declared illegal, invalid, or unconstitutional by a Court of competent jurisdiction, the remainder of this Resolution shall remain in full force and effect.

RESOLUTION 20-R90

Section 4. Policy. The City Council hereby adopts the City's Debt Management Policy, approved in substantially the form attached hereto as Exhibit "A" and incorporated herein by reference.

Section 5. Effective Date. This Resolution shall become effective immediately upon adoption.

PASSED AND ADOPTED by the City Council of the City of Port St. Lucie, Florida, this 28th day of September, 2020.

CITY COUNCIL
CITY ST. LUCIE

By:_ ({ W Oravec, Mayor

ATTEST:

Karen A. Phillips

Karen A. Phillips, City Clerk

CITY OF PORT ST. LUCIE
CORPORATE
SEAL
1961
FLORIDA

APPROVED AS TO FORM:

James D. Stokes, City Attorney

CITY COUNCIL DIRECTED POLICY
Policy # 20-01 CCD

TO: ALL EMPLOYEES

FROM: RUSS BLACKBURN, CITY MANAGER

EFFECTIVE DATE: 9/1/2020

AUTHORIZATION: Action Item TBD

POLICY TITLE: DEBT MANAGEMENT POLICY

PURPOSE STATEMENT

To establish City of Port St Lucie's Debt Management Policy.

As provided in s. 2(b), Art. VIII of the State Constitution, municipalities shall have the governmental, corporate and proprietary powers to enable them to conduct municipal government, perform municipal functions, and render municipal services (s. 166.021, F.S.). The governing body of every municipality may borrow money, contract loans, and issue bonds as defined ins. 166.101, F.S., from time to time to finance the undertaking of any capital or other project for the purposes permitted by the State Constitution and may pledge the funds, credit, property and taxing power of the municipality for the payment of such debts and bonds. (s. 166.111, F.S.) The City Council adopted Resolution 20-R_ to establish the City's Debt Management Policy (hereinafter referred to as the "Policy") pursuant to the authority set forth in the Constitution of the State of Florida, Chapter 166, Part II, Florida Statutes, and other applicable provisions of law. This Policy is intended to standardize and rationalize the issuance and management of debt by the City of Port St. Lucie as well as enhance the City's ability to operate within credit markets with a view to maintain and enhance credit ratings. This Policy supersedes and replaces any prior adopted policies on the same subject matter. This Policy may be amended by Resolution adopted by the City Council.

DEFINITIONS

See Attachment "A."

POLICY

I. Introduction
II. Purpose
III. Purposes and uses of debt
IV. Limitations of City Indebtedness
V. Selection of Finance Consultants and Service Providers
VI. Method of Sale
VII. Refunding of City Indebtedness
VIII. Use of Credit Enhancements
IX. Credit Ratings
X. Rebate Compliance and other Post Issuance Responsibilities
XI. Reporting and Continued Disclosure
XII. Debt Policy Implementation

Attachment A: Glossary - Key Debt Management Terms

CITY COUNCIL DIRECTED POLICY
Policy# 20-01 CCD

I. INTRODUCTION

The Policy provides a general framework under which the City plans for and manages the use of debt financing. This Policy should be considered within the broader scope of the City's Comprehensive Financial Policies (adopted via Resolution 17-R30) and other City rules and regulations. The City of Port St Lucie, Florida, is a municipal corporation of the State of Florida duly authorized pursuant to the Constitution of the State of Florida, Chapter 166, Part 11, Florida Statutes, and other applicable provisions of law to borrow money to finance capital projects and refund existing debt.

Section 9.09 of the City Charter requires an ordinance be enacted to "authorize the borrowing of money". Adoption of an ordinance establishes the framework for the borrowing of money. A resolution is adopted to establish the amount of bonds to be issued, the purpose of the borrowing and other pertinent details for the issuance of the bonds.

II. PURPOSE

The purpose of this Policy is to establish parameters and provide guidance governing issuance, management, continuing evaluation of and reporting on all debt obligations issued by the City of Port St Lucie, and to provide for the preparation and implementation necessary to ensure compliance and conformity with this Policy, the City's Charter, the City's code of ordinances and Florida law.

III. PURPOSES AND USES OF DEBT

The City may issue commercial paper and other forms of variable rate short-term debt (debt with less than 12 months of maturity) from time to debt.

Incurring long-term debt serves to obligate future taxpayers ("long-term debt" is defined as debt with greater than 12 months of maturity). Excessive reliance on long-term debt obligations can cause debt levels to reach or exceed the government's ability to pay. There are many categories of long-term debt available, therefore, the City's conscientious use of long-term debt will provide assurance that future residents will be able to service the City's debt obligations.

General obligation debt which is supported by property tax revenues will be utilized as authorized by voters. Debt secured by legally available non ad valorem revenues may be utilized for other types of enterprise debt (i.e. water, sewer, solid waste and storm water) when supported by dedicated revenue sources (i.e user charges).

IV. LIMITATIONS ON CITY INDEBTEDNESS

As a matter of good public policy and budgetary considerations, the City will continue to maintain institutionalized control over its debt issuance.

The City will attempt to maintain primarily a "pay as you go" financing program for capital improvements. Debt financing, to include general obligation bonds, revenue bonds, certificate of participation, lease/purchase agreements, and other obligations permitted to be issued under Florida state law, shall only be used to purchase capital assets and infrastructure that cannot be acquired from either current revenues or fund balance.

Borrowings by the City should be of a duration that does not exceed economic life of the improvement or asset that it finances and, where feasible, should be shorter than the expected economic life of the asset(s) being financed.

Long term debt will not be issued in order to finance current operating costs or normal, routine maintenance. Further, debt financing will be used for major, non-recurring items with a minimum of four years of useful life.

The City shall not assume more tax-supported general-purpose debt without conducting an objective analysis as to the community's ability to assume and support additional debt service payments.

For the City to issue additional pari-passu bonds, covenants as authorized in the respective bond issues must be complied with.

When appropriate, self-supporting revenue bonds shall be issued in lieu of general obligation bonds.

The City will strive to maintain a gross bonded general obligation principal debt at a level not to exceed 2% of the assessed value of taxable property within the City.

The City will strive to prudently reduce the par amount of debt outstanding each year by paying scheduled principal payments and/ or via early redemption.

The City will strive to ensure that annual general bonded debt service costs (principal and interest) will not exceed 15% of the City's General Fund Expenditures (excluding one-time bond and extraordinary expenses).

Any repayment provisions shall be structured to achieve level debt service payments to the extent possible. Scheduling larger payments during the later years shall be avoided, unless used to wrap around existing pari-passu bonds.

V. SELECTION OF FINANCE CONSULTANTS AND SERVICE PROVIDERS

The City shall employ an outside professional financial advisor, other than the City's underwriter, who is familiar with and abreast of the conditions of the municipal market, and is available to assist in structuring the issue, pricing, and monitoring sales procedures. The City shall not use a firm to serve as both the financial advisor and underwriter.

The City's Chief Financial Officer or designee shall be responsible for establishing a solicitation and selection process for securing professional services that are required to develop and implement the City's debt program. The solicitation and selection process for such services must comply with City's Code of Ordinances and other adopted policies and for such services, including procurement requirements for professional and technical services, if appropriate.

Financial Advisor: The Chief Financial Officer or designee, upon consultation of a review committee (defined below), shall make a recommendation to the City Council regarding the selection of a financial advisor to be engaged and the duration of such engagement. The time period for engagement may be related to an individual or a series offinancings, orfor a specified period. The City Council shall make such selections taking into consideration the recommendation of the review committee. A financial advisor under contract with the City will not be eligible to serve as underwriter for City bond issues during the term of the contract and for the successive two years. Any firm acting as financial advisor to the City regarding debt issuance must be a registered Municipal Advisor (as defined by the Municipal Securities Rulemaking Board) and must remain in compliance with all securities regulations.

Bond Counsel: As part of its responsibility to oversee and coordinate the marketing of all City indebtedness, the Chief Financial Officer, or designee, shall consult with the City Attorney's Office and the Chief Financial Officer, or designee, shall make recommendation to the City Council regarding the selection of one or more Bond Counsel firms to be engaged and the duration of the engagement. Bond Counsel may be selected for an individual financing, for a series of financings, or for a specified period of time. The City Council shall make such selection, taking into consideration these recommendations.

Underwriters. The Financial Advisor, at the direction of the Chief Financial Officer or designee, shall solicit proposals for underwriting services for all long-term debt issued in a negotiated or private placement sale mode. The solicitation process shall include formation of a review committee made up of the Chief Financial Officer and City Treasurer to review written proposals and, if deemed necessary, conduct oral interviews. The selection of underwriters may be for an individual or series of financings or for a specified period of time. The review committee serves as a fact-finding and shall not render final decisions on selection of an underwriter.

Commercial Banks. The Chief Financial Officer, in consultation with the City Treasurer, may solicit proposals from commercial banks to provide lines of credit, letters of credit, direct loans and direct bank placements as needed. Selection of such providers will be based upon the proposed financial terms deemed most advantageous to the City, including, but not limited to, lowest cost.

Other Service Providers. The Financial Advisor, in consultation with the Chief Financial Officer, or designee, shall periodically solicit for providers of other services necessary to carry out the City's Council's directive in compliance with this Policy and other directives.

VI. METHOD OF SALE

The Chief Financial Officer and Treasurer shall consult with the City's Financial Advisor prior to each financing. The Chief Financial Officer will bring forward a recommendation to the City Council who shall render a determination of the appropriate method of sale of City's long-term debt obligations"

Presumption of Competitive Sale. The City, as a matter of policy, shall issue its long-term debt obligations through a competitive sale unless the Chief Financial Officer upon advice from the Financial Advisor and City Attorney determines that such a sale method is unlikely to produce the best results or is otherwise not in the best interests of the City, subject to City Council authorization and approval. In some instances, the City may enter into negotiation with an underwriter (or syndicate of underwriters) for sale of the securities.

Negotiated Sale. The City may elect to sell its debt obligation through a negotiated sale. Such determination may be made on an issue by issue basis, for a series of issues, or for part or all of a specific financing program. Selection of the underwriting team shall be made pursuant to selection procedures set forth in this policy, consistent with City Code and policies, and as may be adjusted by the Chief Financial Officer or designee.

VII. REFUNDING OF CITY INDEBTEDNESS

Debt refunding involves monitoring the markets, interest rates and other conditions against the existing debt portfolio; all debt refundings need City Council authorization and approval.

Monitoring of Refunding Opportunities. The Chief Financial Officer or designee, in conjunction with the Financial Advisor, shall be responsible for monitoring the interest rates and optional redemption provisions of the City's outstanding debt in order to identify potential current or advance refunding opportunities.

Debt Service Savings-Advance Refundings. The City may issue advance refunding bonds (as defined by federal tax law) when advantageous, legally permissible and prudent, and when net present value savings equals or exceeds 5 percent of the refunded bonds par amount. In addition, issuance of advance refunding bonds that generate at least 3 percent, but less than 5 percent, net present value debt service savings may be allowed with the approval of the Chief Financial Officer or designee, in consultation with the City's Financial Advisor. Such approval shall be based upon an opportunity cost analysis of the net present value savings benefits of executing the advance refunding versus waiting for a possible future decline in interest rates or possible increase in the available escrow account yield.

Debt Service Savings-Current Refundings. The City may issue current refunding bonds (as defined by federal tax law) when advantageous, legally permissible and prudent, and when net present value savings equal or exceed 3 percent of the refunded bonds par amount.

Restructuring of Debt. The City may choose to refund outstanding indebtedness when existing bond covenants or other financial structures impinge on prudent and sound financial management. Savings requirements for current or advance refundings undertaken to restructure debt may be waived by the Chief Financial Officer and the City Treasurer upon finding that such a restructuring is in the City's best financial interests.

Open Market Purchase of City Securities. The City may choose to defease its outstanding indebtedness through purchases of its securities on the open market when market conditions make such an option financially feasible. The Chief Financial Officer and the City Treasurer shall be responsible for developing procedures for executing open market purchases and the savings objectives to be achieved by underta"king such actions, pursuant and subject to state and federal law.

VIII. USE OF CREDIT ENHANCEMENT

Credit enhancements are mechanisms which guarantee principal and interest payments. They include bond insurance, letters of credit and surety bonds. The City may use these credit enhancements when such credit enhancement proves cost effective or is otherwise beneficial to the City.

IX. CREDIT RATINGS

The City will seek to maintain and, if possible, improve the City's current bond rating in order to minimize borrowing costs and preserve access to credit.

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

Use of Rating Agencies. The Chief Financial Officer or designee along with the City's Financial Advisor shall be responsible for determining whether or not a rating shall be requested on a particular financing, and which of the major rating agencies shall be asked to provide such a rating.

X. REBATE COMPLIANCE AND OTHER POST-ISSUANCE RESPONSIBILITIES

The Chief Financial Officer or designee shall establish and maintain a system of record keeping and reporting to meet the arbitrage compliance requirements of the federal tax code and Florida law. Additionally, the Chief Financial Officer or designee should employ the services of third-party consultants for arbitrage reporting.

XI. REPORTING AND CONTINUING DISCLOSURE

The City will comply with the standards of the Government Finance Officers Association for financial reporting and budget presentation and the disclosure requirements of the Securities and Exchange commission. The City is committed to continuing disclosure of financial and pertinent credit information relevant to the City's outstanding debt and will maintain compliance with disclosure standards promulgated by state and national regulatory bodies.

Primary Market Disclosure. The Chief Financial Officer or designee shall be responsible for the review, approval and publication of official primary market disclosure information, including review by debt-issuing staff, the City Attorney, Bond Counsel and the City Council as appropriate. Such processes shall be periodically reviewed to ensure that the City is complying with legal requirements and following accepted best practices with respect to primary market disclosure.

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

XII. DEBT POLICY IMPLEMENTATION

This debt management policy shall be implemented by the Chief Financial Officer. The Chief Financial Officer or designee shall review the policy at least every two years and shall bring proposed amendments to the City Council for their consideration.

ATTACHMENT "A"

**CITY OF PORT ST LUCIE
DEBT MANAGEMENT POLICY**

GLOSSARY: KEY DEBT MANAGEMENT TERMS

ADVANCED REFUNDING: A financing technique that allows an issuer to obtain the benefit of lower interest rates when the outstanding bonds are not currently callable. The proceeds from the sale of the refunding bonds are used to purchase taxable government securities, which are deposited in an escrow account.

ARBITRAGE REBATE COMPLIANCE: Tax-Exempt bonds issued on or after Sept 1, 1986 are monitored to determine if the interest rate differential that exists when proceeds from a municipal bond-which is tax-free and carries a lower yield - are invested in taxable securities with a yield that is higher. Any profit or "arbitrage" is "rebated" to the IRS.

ASSESSED VALUE: A valuation set upon real estate or other personal property by a government as a basis of levying taxes. The assessed value is set by the Property Appraiser.

GROSS BONDED DEBT: The sum of the total bonded debt and any unfunded debt (typically short-term notes) of the issuer.

CURRENT REFUNDING: A transaction in which the outstanding bonds to be refunded are called and paid off within 90 days of the date of issuance of the refunding bonds.

DEBT OBLIGATIONS: Bonds, notes, letters and lines of credit issued against a pledge of a specific revenue source or sources with proceeds used to fund a project providing for a public benefit.

DEBT SERVICE: Required payments for principal and interest.

GENERAL OBLIGATION BONDS (G.O. BONDS): Bonds which are secured by the full faith and credit of the issuer. General obligation bonds issued by local units of government are secured by a pledge of the issuer's ad valorem taxing power. Ad valorem taxes necessary to pay debt service on general obligation bonds are typically not subject to the constitutional property tax millage limits. Such bonds constitute debts of the issuer and normally require approval by election prior to issuance. In the event of default, the holders of general obligation bonds have the right to compel a tax levy or legislative appropriation, by mandamus or injunction, in order to satisfy the issuer's obligation.

GOVERNMENT FINANCE OFFICERS' ASSOCIATION: A national organization that, for over a century, has provided government finance professionals information on all aspects of public finance, educational opportunities, best practices, and public policies.

ISSUANCE COSTS: Costs associated with issuing debt (loans and bonds) such as various fees and commissions paid to investment banks, law firms, auditors, regulators and so on.

NEGOTIATED SALE: The sale of a new issue of municipal securities by an issuer through an exclusive agreement with a previously selected underwriter or underwriting syndicate. A negotiated sale should be distinguished from a competitive sale, which requires public bidding by underwriters. Primary points of negotiation are the interest rate and purchase price, which reflect the issuer's costs of offering its securities in the market. The sale of a new issue of bonds in this manner is also known as a negotiated underwriting.

PARI-PASSU BONDS: Equal footing that describes situations where two or more assets, securities, creditors or obligations are equally managed without any display of preference.

PAY-AS-YOU-GO: A term used to describe the financial policy of a governmental unit which finances all of its capital outlays from current revenues rather than by borrowing. A governmental unit which pays for some improvements from current revenues and for others by borrowing it on a partial or modified pay-as-you-go.

RATING AGENCIES: Provide credit ratings on corporate and bank debt issues. Includes Moody's, S&P and Fitch.

REVENUE BONDS: Revenue bonds are municipal bonds that finance income-producing projects and are secured by the specified revenue source of the project or can be secured by non-ad valorem revenues of the City.