RESOLUTION #2008-46

RESOLUTION ADOPTING A DEBT MANAGEMENT POLICY

WHEREAS, the City Council has determined that it is in the best interest of the City to formally adopt a Debt Management Policy;

WHEREAS, the City Council has enacted these policies in an effort to standardize and rationalize the issuance and management of debt;

WHEREAS, Debt Management Policies can help community leaders integrate the issuance of debt with other long-term planning, financial, and management objectives;

WHEREAS, a carefully crafted and consistently applied Debt Management Policy provides evidence to the rating agencies of the City's commitment as a community, to prudent borrowing practices and is positively regarded in evaluating a jurisdiction's creditworthiness.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WEBSTER GROVES, THAT:

The policy statement attached hereto and marked **Exhibit "A"** entitled **"CITY OF WEBSTER GROVES DEBT MANAGEMENT POLICY,"** is hereby adopted.

ADOPTED this 2nd day of December 2008.

Gerry Welch
MAYOR

ATTEST:

CITY CLERK

EXHIBIT A:

CITY OF WEBSTER GROVES
DEBT MANAGEMENT POLICY

Purpose

The City of Webster Groves has enacted the following policies in an effort to standardize and rationalize the issuance and management of debt. The City's primary objective is to establish conditions for the use of debt and to create procedures and policies that minimize the City's debt service and issuance costs, retain the highest practical credit rating, and maintain full and complete financial disclosure and reporting. The policies apply to all general and limited obligation debt issued by the City of Webster Groves, including bonds, notes, leases, debt guaranteed by the City, and any other forms of indebtedness.

Regular, updated debt policies are an important tool to ensure that City resources are used to meet its commitments, to provide needed services to the citizens of Webster Groves, and to maintain sound financial management practices. These policies are therefore guidelines for general use, and allow for exceptions in extraordinary conditions.

These policies have been approved by the City Manager and Director of Finance & Administration, and adopted by the City Council by Resolution 2008-45. The Debt Management Policies of the City will be reviewed biannually and can be adjusted at any time by action of the City Council.

Creditworthiness Objectives

Policy 1. Credit Ratings: The City of Webster Groves seeks to maintain the highest possible credit ratings for all categories of short and long-term debt that can be achieved. This will be accomplished without compromising delivery of basic City services, by following adopted City policy objectives, and by complying with the City's Charter as well as Missouri and Federal law.

Policy 2. Financial Disclosure: The City is committed to full and complete financial disclosure, and to cooperating fully with rating agencies, institutional and individual investors, City departments and agencies, other levels of government, and the general public to share clear, comprehensible, and accurate financial information. The City is committed to meeting secondary disclosure requirements on a timely and comprehensive basis. Official statements accompanying debt issues, Comprehensive Annual Financial Reports, and continuous disclosure statements will meet (at a minimum), the standards articulated by the Municipal Securities Rulemaking Board (MSRB), the Governmental Accounting Standards Board (GASB), the National Federation of Municipal Analysts (NFMA), the Securities and Exchange Commission (SEC) and Generally Accepted Accounting Principles (GAAP). The City's Department of Finance & Administration shall be responsible for ongoing disclosure to Nationally Recognized Municipal Securities Information Repositories (NRMSIRs) and for maintaining compliance with continuing disclosure requirements promulgated by state and federal regulatory bodies.

Policy 3. Capital Planning: To enhance creditworthiness and prudent financial management, the City of Webster Groves is committed to systematic capital planning, intergovernmental cooperation and coordination, and long-term financial planning. Evidence of this commitment to systematic capital planning will be demonstrated through annual update and adoption of the City's Five-Year Capital Improvement Program (CIP).

Policy 4. Debt Limits: The City will keep outstanding debt within the limits prescribed by the Missouri Constitution, state laws and the City's Charter and at levels consistent with its creditworthiness objectives.

Purposes and Uses of Debt

Policy 5. Capital Financing: The City normally will rely on internally generated funds and/or grants and contributions from other governmental entities or agencies to finance its capital needs. Debt will be issued for a capital project when it is an appropriate means to achieve a fair allocation of costs between current and future beneficiaries or in the case of an emergency. In general, debt shall not be used for projects solely because insufficient funds were budgeted at the time of acquisition or construction.

Policy 6. Asset Life: The City will consider long-term financing for the acquisition, maintenance, replacement, or expansion of physical assets (including land) only if those assets have a useful life of at least five years. Debt will be used only to finance capital projects and equipment, except in case of an emergency. Debt will only be issued for periods less than or equal to the useful lives of the assets or projects to be financed.

Policy 7. Debt Guarantees: To the extent allowed by federal and state law and that does not negatively impact the City's creditworthiness, the City may consider, on a case-by-case basis, the use of its debt capacity for capital projects benefiting the City by authorities or other special purpose units of government.

Debt Standards and Structure

Policy 8. Length of Debt: Debt will be structured for the shortest period consistent with a fair allocation of costs to current and future beneficiaries or users.

Policy 9. Debt Structure: Debt will be structured to achieve the lowest possible net cost to the City given then-prevailing market conditions, the urgency of the capital project, and the nature and type of security provided. Moreover, to the extent possible, the City will structure the repayment of its overall debt so as to recapture rapidly its credit capacity for future use. Whenever possible and/or feasible, the City will seek to structure debt service schedules with level principal and interest costs – over the life of the debt. "Backloading" of costs will be considered only when natural disasters or extraordinary or unanticipated external factors make the short-term cost of the debt prohibitive, when the benefits derived from the debt issuance can clearly be demonstrated to be greater in the future than in the present, when such structuring is beneficial to the City's overall amortization schedule, or when such structuring will allow debt service to more closely match project revenues during the early years of the project's operation.

Policy 10. Variable Rate Debt: The City may choose to issue securities that pay a rate of interest that varies according to a pre-determined formula or results from a periodic remarketing of the securities, consistent with state and federal law, and the City's Charter and covenants of pre-existing bonds, and depending on market conditions. The City will have no more than 15% of its outstanding debt in variable rate form.

Policy 11. Subordinate Debt: The City shall issue subordinate debt only if it is financially beneficial to the City or consistent with creditworthiness objectives.

Policy 12. Derivatives: The City will consider the use of derivative products on a case by case basis and consistent with state and federal law and financial prudence.

Policy 13. Refundings: Periodic reviews of all outstanding debt will be undertaken to determine refunding opportunities. Refunding will be considered (within the constraints of Section 5.26 of the City's Charter and state and federal law) if and when there is a net economic benefit of the refunding or the refunding is essential in order to modernize covenants essential to operations and management of City facilities. In general, advance refundings for economic savings will be undertaken when a net present value savings of at least five percent (5%) of the refunded debt can be achieved. Current refundings that produce a net present value savings of less than five percent will be considered on a case-by-case basis. Refundings with negative savings will not be considered unless there is a compelling public policy objective.

Policy 14. BANs/TANs: Use of short-term borrowing, such as Bond Anticipation Notes (BANs) or Tax Anticipation Notes (TANs) will be undertaken only if the transaction cost plus interest of the debt are less than the cost of internal financing, or available cash is insufficient to meet working capital requirements. Any negotiable note issued by the City will be payable within one year from the issuance date. The total amount of all TANs issued in any fiscal year will not exceed the limitations contained in Section 5.27 of the City's Charter.

Policy 15. Credit Enhancement: Credit enhancement (letters of credit, bond insurance, sureties etc.) may be used, but only in cases where the net debt service payments on the debt secured thereby will be reduced by more than the costs of the credit enhancement.

Policy 16. Conduit Debt: The City may issue special limited obligations of the City, on behalf of another party, for the express purpose of providing capital financing for a specific third party that is not a part of the City's financial reporting entity. An example includes the $1,820,000 Educational Facilities Revenue Bonds issued by the City of Webster Groves in 2006 for the purpose of additions to the College School Association. These bonds are payable solely by the College School Association and are secured by real estate owned by the College School Association. These bonds will not constitute a debt or pledge of the faith and credit of the City.

Debt Administration and Process

The following policies apply to all City debt issuance, including all general obligation and revenue bonds, except where specifically noted.

Policy 17. Investment in Bond Proceeds: All general obligation and revenue bond proceeds shall be invested consistent with existing state and federal law and the City's investment policies.

Policy 18. Costs and Fees: Whenever feasible, bond proceeds should include sufficient funds to cover all costs and fees related to issuance of the bonds.

Policy 19. Competitive Sale: All bonds of the City will be sold at a public sale through a competitive bidding process in accordance with the City's Charter. Bids will be awarded on a true interest cost (TIC) basis, provided other bidding requirements are satisfied. In such instances where the City deems the competitive bids received unsatisfactory, it may reject all bids.

Policy 20. Negotiated Sale: To the extent permitted by the City's Charter, negotiated sales of debt other than bonds will be considered in circumstances when the complexity of the issue requires specialized expertise, when a change of underwriter may result in losses, when the negotiated sale would result in substantial savings in time or money, or when market conditions or City credit are unusually volatile or uncertain.

Policy 21. Underwriters: For all negotiated sales, underwriters or purchasers will be required to demonstrate sufficient capitalization and experience related to the debt issuance and, if the debt is to be underwritten, a strong ability to market the debt securities. Underwriters or purchasers in a negotiated sale are to be held accountable, after the sale of the debt securities is complete, by demonstrating to City staff and the City Council how the firm achieved the most favorable interest rate possible for the City, given market conditions at the time the debt securities were purchased or underwritten.

Policy 22. Bond Counsel: The City will retain nationally recognized bond counsel for all debt issues. All debt issued by the City will include a written opinion by bond counsel affirming that the City is authorized to issue the debt, stating that the City has met all state constitutional, statutory and Charter requirements necessary for issuance, and determining the debt's federal and state income tax status. Bond counsel will be required to have comprehensive municipal debt experience in the State of Missouri.

Policy 23. Compensation for Services: Compensation for bond counsel, underwriter's counsel, financial advisors, and other financial-related services will be as low as possible, given desired qualification levels, and consistent with industry standards.

Policy 24. Arbitrage Compliance: The City's Department of Finance & Administration, along with the City's independent audit staff, shall be responsible for maintaining a system of record keeping and reporting that meets the arbitrage rebate compliance requirements of the federal tax code.