Resolution – 2020-XXX
Approved – May 26, 2020

CITY OF POMPANO BEACH
DEBT MANAGEMENT POLICY

OVERVIEW

This debt management policy (the "policy") is adopted by the City Commission of the City of Pompano Beach (the City) to assist in improving the quality of decisions governing debt issuance. More specifically, the policy establishes parameters for issuing debt and managing a debt portfolio that encompass existing legal, economic, financial and capital market conditions, the City's capital improvement needs, and its ability to repay financial obligations as they become due. The policy:

- Assists the City in maintenance, acquisition and replacement of appropriate capital assets for present and future needs;
- Guides the City in policy and debt issuance decisions;
- Provides a framework within which each potential issuance can be evaluated;
- Assists in controlling the types and levels of outstanding obligations;
- Outlines a mechanism to ensure ongoing compliance requirements governing outstanding obligations;
- Ensures that the costs of debt issuance are borne equitably by each generation of taxpayers, rate payers, users, and other beneficiaries; and
- Promotes sound financial management.

As a result of the importance of complying with all legal and regulatory requirements, the Finance Director or designee and the City Attorney will coordinate all activities necessary to issue debt, including but not limited to:

- Selection of bond counsel;
- Review of ordinances and resolutions provided by bond counsel;
- Review of all documents necessary to issue debt provided by bond counsel; and
- Verify compliance with the City Charter and/or City Ordinances.

It is also important to note that each proposed debt financing structure and related financing documents must be approved by the City Commission.

SCOPE

This policy shall apply to all debt obligations of the City, whether for the purpose of the acquisition or construction of assets or for the refunding of existing debt.

GRANT FUNDING AND/OR PAY-AS-YOU-GO

When practical, the City will pursue grant funding or utilize pay-as-you-go financing for its capital improvements and capital assets. However, whenever grant funding is not available and the nature of the capital project(s) being funded necessitates the need to raise immediate capital, the City will pursue debt financing.

PUBLIC/PRIVATE PARTNERSHIPS

A public–private partnership (PPP or P3) is a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies. PPP involves a contract between a public sector authority and a private party, in which the private party provides a public service or project and assumes substantial financial, technical and operational risk in the project. In some types of PPP, the cost of using the service is borne exclusively by the users of the service and not by the taxpayer. In other types (notably the private finance initiative), capital investment is made by the private sector on the basis of a contract with a government to provide agreed services and the cost of providing the service is borne wholly or in part by the government. Government contributions to a PPP may also be in kind (notably the transfer of existing assets). In projects that are aimed at creating public goods like in the infrastructure sector, the government may provide a capital subsidy in the form of a one-time grant, so as to make it more attractive to the private investors. In some other cases, the government may support the project by providing revenue subsidies, including tax breaks or by removing guaranteed annual revenues for a fixed time period.

There are usually two fundamental drivers for PPPs. Firstly, PPPs are claimed to enable the public sector to harness the expertise and efficiencies that the private sector can bring to the delivery of certain facilities and services traditionally procured and delivered by the public sector. Secondly, a PPP is structured so that the public sector body seeking to make a capital investment does not incur any borrowing. Rather, the PPP borrowing is incurred by the private sector vehicle implementing the project and therefore, from the public sector's perspective, a PPP is an "off-balance sheet" method of financing the delivery of new or refurbished public sector assets.

The Finance team will evaluate this financing tool on a project need basis, taking care to recognize certain criteria "sometimes" inherent in these types of arrangements, notably the relinquishment of control of public assets (operations, fees etc.) for some time period.

PURPOSES FOR DEBT ISSUANCE

The City may issue debt for the purposes of:

- Constructing or acquiring capital improvements in accordance with an approved capital improvement or master plan;
- Making major renovations to existing capital improvements, as defined in the City's Capital Improvement Plan;
- Acquiring land;
- Refunding outstanding debt when feasible and desirable; and
- Generating a net economic benefit for the City.

AUTHORITY FOR DEBT ISSUANCE

The City Commission shall have the authority to issue debt in accordance with the provisions of the Constitution of the State of Florida and the general laws of the State and the Charter/Ordinances of the City. However, approval by voter referendum shall be required prior to the issuance of any of the following categories of bonds per City Charter:

1. General Obligation Bonds, which pledge the full faith and credit of the taxing power of the City and the levying of ad valorem taxes is utilized as the pledge for repayment of the debt.
2. General Obligation Bonds/Certificates which pledge any General Fund revenues as security for repayment (i.e. utility taxes, franchise taxes, business tax receipts etc.).

CAPITAL PLANNING

To enhance creditworthiness and prudent financial management, the City is committed to systematic capital planning, intergovernmental cooperation and coordination, and long-term financial planning. The City has a Five Year Capital Improvement Plan, which is adopted by the City Commission as part of the City's annual budget process. Projects included in the Capital Improvement Plan incorporate the priorities and needs of the City.

Decisions are made on prioritization of proposed projects using sound judgment and criteria such as:

- Requirements on operations to meet anticipated growth;
- Need for an orderly replacement of existing capital facilities and equipment;
- Current levels of capital repair and replacement, including obsolescence;
- Projects that demonstrate an ultimate cost/recovery savings;
- Ongoing and projected future maintenance requirements; and
- The extent to which a project addresses a public health or safety issue, or court order/mandate.

In addition, from time to time the City Commission will adopt master plans (i.e. parks, stormwater etc.) as part of a Citywide focused initiative. To the extent practicable, debt will not be authorized by the City Commission for the purpose of funding capital projects unless those projects are included in the Capital Improvement Plan or an approved Master Plan or has been vetted in some detail with the City Commission via public meetings or workshops. Projects may also be prioritized in accordance with stated objectives/initiatives in the City's Strategic Plan.

Once a prioritized capital needs list is available, an anticipated draw schedule is developed to determine the timeline for when funds for each project might be needed. An assessment is also performed to determine availability of resources needed for project monitoring, implementation and ultimate operation of the assets being financed.

DEBT STRUCTURE

TERM

Different maturity strategies can materially affect (a) interperiod equity (how the burden of debt is borne by multiple fiscal years or distributed to benefiting generations), (b) future borrowing capacity (the flexibility that future generations of elected officials have to address their then present capital requirements) and (c) the total costs incurred (the future or present value of the cumulative payments required). Debt issued to finance capital improvements will be amortized over a period that does not exceed the estimated useful life of the improvements. The City's overall debt structure at the time of issue will also be contemplated in making a determination as to the term for each debt issue. In addition, the source of repayment will be analyzed, any coverage requirements and any reserve requirements or internal contingency reserve guidelines in determining the appropriate maturity strategy for a particular debt issue.

USE OF DEBT SERVICE FUNDS

Separate and distinct debt service funds may be used to account for the annual debt service related to each individual debt issuance, as required. The City will establish a debt service reserve when economically advantageous or when required by bond covenants or to enhance credit ratings.

INTEREST

In accordance with Section 36.041 of City Ordinance, all bonds issued may not bear an interest rate exceeding 6% per annum. Interest is to be payable annually or semi-annually. Should market conditions demand a higher interest rate and the City's capital needs cannot be deferred, the City's Finance Director, upon conferring with the City's Financial Advisor, may make a written recommendation to the City Commission, via the City Manager, on a case by case basis, to exceed the parameters herein.

CAPITALIZED INTEREST

In some instances certain financings may require the use of capitalized interest from the issuance date until the City has beneficial use and/or occupancy of the financed project. Capitalized interest is typically used when the issuer needs a couple years of revenue generation or when a new project that will increase revenue is being built and these revenues are projected to make the payments on the debt that funded the project.

DISCOUNT

In accordance with Section 36.045 of City Ordinance, no bonds issued shall be sold for less than 95% of the par value and accrued interest.

CALL PROVISIONS

In general, where practical the City's securities will include a call feature, which is no later than 10 years from the date of delivery of the bonds. The City will avoid the issuance of non-callable bonds absent an evaluation with respect to the value versus the cost of the call option.

TAX STATUS

The City traditionally issues tax-exempt debt, which usually results in significant interest cost savings compared to the interest cost associated with taxable debt. The decision to issue taxable debt, as opposed to tax-exempt debt must be evaluated against the perceived advantages of such (i.e. flexibility in operation of the asset to be financed).

FIXED VERSES VARIABLE DEBT

The City may, whenever possible, maintain a mix of fixed and variable rate instruments to facilitate asset/liability management. The City will use a target ratio between 0% and 25% variable rate debt, with a maximum of 25%. Issuing variable rate debt permits the City to access rates on the very short end of the yield curve. The difference between short vs. long term rates varies with the shape of the yield curve and has typically ranged from 100-350 basis points (or 1.0% to 3.5%). By issuing variable rate debt, the issuer is subject to interest rate risk. However, variable rate debt has historically been at lower interest rate levels than recognized fixed rate indices.

Variable Rate Debt should be used for two purposes: (1) as an interim financing device (during construction periods) and (2), subject to limitations, as an integral portion of a long-term strategy to lower the City's effective cost of capital. The City's interim variable rate program allows the City to avoid the inefficiency of borrowing for small projects and allows for an aggregation of small projects and, thus, a more cost effective debt management program. Under either circumstance, when the cycle of long-term rates moves down to or near historic lows, consideration should be given to fixing (converting to a fixed rate to maturity alternative) a portion of the then outstanding Variable Rate Debt to take advantage of the attractive long-term fixed rates. The decision to issue variable rate debt must be vetted with the City's Financial Advisor.

DEBT LIMITATIONS

In accordance with Section 158 of the City's Charter, the City's total general obligation debt outstanding will not exceed 15% of the City's taxable property value. In addition, absent a compelling reason to the contrary (including but not limited to the issuance of Pension Obligation Bonds), annual debt service is limited to 15% of budgeted General Fund revenues.

This restriction will be tested prior to any new debt issuance and will be based on the most recent available data.

TYPES OF DEBT/BORROWINGS

General

Long-Term Debt

The City may issue long-term debt for capital improvements that cannot be financed from available sources or in such cases where it is more equitable to finance such improvements over their useful lives. Long-term borrowing will not be used to finance current operations. The City may issue either revenue debt or general obligation debt for such capital improvements. Projects funded as part of the operating budget and infrastructure that receive a majority of funding from fees and charges are generally not appropriate for general obligation bond issuance.

Short-term debt (3 Year or less)

The City may utilize short-term borrowing for capital improvement projects or to fund anticipated cash flow needs due to the timing of the receipt of anticipated revenues such as ad-valorem tax collections from Broward County. Permissible short-term instruments include tax anticipation notes, bond anticipation notes, and revenue anticipation notes.

Specific

General Obligation Bonds

General obligation bonds are issued for general purpose capital improvements when benefits accrue to the community, as a whole, and the expectation of the project being financed is that it will not generate significant revenues. These bonds are secured by a pledge to use legally available resources, including tax revenues, to repay bond holders. Most general obligation pledges at the local government level include a pledge to levy a property tax to meet debt service requirements, in which case holders of general obligation bonds have a right to compel the borrowing government to levy that tax to satisfy the local government's obligation. Because property owners are usually reluctant to risk losing their holding due to unpaid property tax bills, credit rating agencies often consider a general obligation pledge to have very strong credit quality and frequently assign them investment grade ratings. If local property owners do not pay their property taxes on time in any given year, a government entity is required to increase its property tax rate by as much as is legally allowable in a following year to make up for any delinquencies. In the interim between the taxpayer delinquency and the higher property tax rate in the following year, the general obligation pledge requires the local government to pay debt service coming due with its available resources.

Revenue Bonds

These bonds are secured by a specific revenue source for repayment of the debt. That revenue source may be from general revenues, such as franchise fees or utility taxes or may be from the rates or fees generated specifically from the asset/system being improved or constructed. Because the pledge of security is not as great as that of general obligation bonds, revenue bonds may carry a slightly higher interest rate than G.O. bonds; however, they are usually considered the second-most secure type of municipal bonds.

CERTIFICATES OF PARTICIPATION (COPS)

COPs are issued to finance the construction of new assets or the acquisition of equipment. Under this type of financing, payments to holders of the securities are made from rental payments or other revenues, which are subject to annual appropriation by the City Commission. Holders in essence buy a share of the lease revenue of an agreement made among participating entities. The holders typically have no legal recourse against the City if it fails to make the necessary appropriation. Although this type of financing is not technically considered debt under a legal analysis, it is viewed as a financial obligation of the City and failure to make timely payments would damage the City's reputation in the credit markets and increase the cost of future borrowings. Accordingly, the City may utilize this financing vehicle, but it should be considered as debt of the City from a practical standpoint, and, absent compelling extraordinary circumstances, non-appropriation should not be considered.

STATE REVOLVING FUND PROGRAM

This program provides funds for projects involving, among other programs, stormwater control. When feasible, the City may utilize this program since the cost associated with issuing this debt is low and the City can benefit from the strength of the state's credit.

ANTICIPATION TIME WARRANTS

In accordance with City Ordinance, the City Commission has the authority to issue and sell anticipation time warrants in an amount, not exceeding 50% of the amount established to be realized in a given fiscal year as proceeds of department revenues and ad valorem taxes. Except in the case of an emergency, the warrants shall be payable within the current fiscal year from proceeds of departmental receipts and ad valorem taxes.

In the case of an emergency seriously threatening the public health, safety, morals or general welfare, the City Commission is empowered to borrow money and issue warrants re-payable from non-advalorem revenue sources, subsequent to the close of the fiscal year in which issued, if funds would not otherwise be available to meet the emergency. Warrants may bear interest and shall mature not later than April 1st of the fiscal year next following that, in which the warrants were issued, provided, however, that by a majority plus one vote, the City Commission may set any other re-payment term that it deems appropriate. Whereby funds remain unpaid at the end of the fiscal year in which issued, the City Commission shall include a provision for the payment of these warrants in its budget for the following fiscal year.

INTERFUND BORROWING

In an effort to provide for reduced cost of borrowing, interfund borrowing, rather than external debt instruments, to finance short term capital needs will be contemplated on a case-by-case basis, as appropriate, and is subject to approval by the City Commission. An analysis of the affected fund must indicate excess funds are available and the use of these funds will not impact the fund's current operations. The rate of borrowing will be determined by the Finance Director, in conjunction with the City's Financial Advisor.

TAX INCREMENT FUND FINANCING

The City may approve the issuance of debt by the Community Redevelopment Agency (the Agency) to fund improvement projects in Tax Increment Fund districts. Such proposed issuance shall be evaluated by the Finance Director and the Agency's Financial Advisor in order to ensure the availability of sufficient tax increment in future years to ensure repayment of the debt. The repayment term of the debt should not exceed the lesser of the life of the projects being financed or the life of each Agency District, unless an agreed upon back up pledge from the City is provided, subject to City Commission approval and in accordance with the City's Charter requirements.

LEASE OBLIGATIONS

The City may enter into lease agreements for buildings, land, equipment or any other purpose when financially feasible, in accordance with the City's Charter. In accordance with Section 251 of the City's Charter, the lease term, whereby City is the lessee, may not exceed five (5) year increments.

DERIVATIVES

A derivative is a special type of contract that derives its value from the performance of an underlying entity. This underlying entity can be an asset, index, or interest rate, and is often called the "underlying". Derivatives can be used for a number of purposes - including insuring against price movements (hedging), increasing exposure to price movements for speculation or getting access to otherwise hard to trade assets or markets. Interest rate swaps, caps, collars, and other financial products can be effective tools to hedge interest rate risk, reduce financing costs, or manage the City's asset/liability profile. Although the City may use such instruments or similar or successor types when such utilization will result in a comparative borrowing or financial advantage and potential risks can be quantified and are acceptable, derivatives generally are a risky form of financing and require in depth knowledge and expertise. Should the use of such instruments be contemplated it must be accompanied by an in depth analysis performed by a subject matter expert for consideration by the City Commission.

DEBT REFUNDINGS

City staff and advisors will undertake periodic reviews of all outstanding debt to identify refunding opportunities. Generally, the City issues refunding bonds to achieve debt service savings on its outstanding bonds by redeeming high interest rate debt with lower interest rate debt. Refunding bonds may also be issued to restructure debt or modify covenants contained in the bond documents. Current tax law limits to one time the issuance of tax-exempt advance refunding bonds to refinance bonds issued after 1986. There is no similar limitation for tax-exempt current refunding bonds. The following guidelines should apply to the issuance of refunding bonds, unless circumstances warrant a deviation therefrom:

- Refunding bonds should generally be structured to achieve level annual debt service savings;

- The life of the refunding bonds should not exceed the remaining life of the bonds being refunded or the assets financed, whichever is longer. However, per Section 36.049 of City Ordinance, under no circumstances should refunding bonds maturity exceed 40 years;
- Advance refunding bonds issued to achieve debt service savings should have a minimum target savings level measured on a present value basis equal to 5% of the par amount of the bonds being refunded;
- Current refunding bonds issued to achieve debt service savings should have a minimum target savings level measured on a present value basis equal to 3% of the par amount of the bonds being refunded; and
- Refunding bonds which do not achieve the debt service savings thresholds may be issued to restructure debt or provisions of bond documents only if such refunding serves a compelling City interest or under extraordinary conditions.

CREDIT QUALITY AND CREDIT ENHANCEMENTS

The City's debt management activities will be managed to receive the highest credit ratings possible, consistent with the City's management and financing objectives. The City shall always strive to obtain and maintain a rating equivalent to a "AAA" or equivalent from one or more of the major rating agencies. In this regard, the City's Finance Director will advise management of the potential for any negative impact to the City's credit rating, as various City policies and directives are being contemplated, on an ongoing basis. The City will notify market participants of any material change in the City's financial condition, in accordance with continuing disclosure requirements. Non-rated securities may be issued if the credit rating on the issue does not perform any economic benefit or add any value to capital market participants.

The City will consider the use of rating or credit enhancements on a case-by-case basis, evaluating the economic benefit versus cost for each case. Generally, credit enhancements, which include bond insurance, letters of credit, etc., will be used only in those instances where the anticipated present value savings in terms of reduced interest expense exceeds the cost of the credit enhancement. Bond insurance may be purchased directly by the City prior to the bond sale (direct purchase) or at the underwriter's option and expense (bidder's option).

DISCLOSURE

The City's Financial Advisor will normally assist the City in the preparation of the Official Statement in conjunction with the issuance of debt in the open market. The Official Statement contains relevant economic, financial and debt information to prospective purchasers of the new issue. Underwriters are required by the Securities and Exchange Commission (the "SEC) Rule 15c2-12 to obtain a copy of the Official Statement that is "deemed final" within 7 business days following the bidding or purchasing a new issue of securities. The senior underwriter files a copy of each Official Statement with the Municipal Securities Rule Making Board (MSRB) Electronic Municipal Market Access (EMMA) online database.

The SEC also requires certain ongoing disclosures from entities that have issued debt in the open market. The current requirements are set forth under SEC Rule 15c2-12 and include annual financial filing of audited financial statements, material event notices, failure to file notices and other relevant bond disclosures. To this end, the City will provide full and fair disclosure in connection with the initial sale and distribution of its publicly marketed debt instruments, as well as ongoing secondary market information.

It will be the responsibility of the Finance Director or designee to monitor and file required notices and other relevant bond disclosures on a timely basis.

Material Event notices include:

- Principal and interest payment delinquencies;
- Non-payment related defaults, if material;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers, or their failure to perform;
- Adverse tax opinions, IRS notices or material events affecting the tax status of the security;
- Modifications to rights of security holders, if material;
- Bond calls, if material;
- Tender offers;
- Defeasances, release, substitution, or sale of property securing repayment of the securities, if material;
- Rating changes;
- Bankruptcy, insolvency, receivership or similar event;
- Merger consolidation, or acquisition, if material; and appointment of a successor or additional trustee, or the change of a name of a trustee, if material; and notices of failures to provide annual financial information on or before the date specified in the written agreement.

Annual audited financial statements are submitted by the Finance Director or designee to the MSRB EMMA online database, thereby affording access to all stakeholders. In addition, all other disclosure requirements are monitored and will also be submitted via this medium by the Finance Department, as required.

The City's continuing disclosure commitment for a particular bond issue shall be set forth in the authorizing resolution or ordinance related to such bond issue or in a continuing disclosure certificate or agreement to be executed and delivered at the time of issuance of such bonds. Additional ongoing market and investor relations efforts will be developed on a per debt issue basis.

METHODS OF ISSUANCE

The City determines on a case-by-case basis whether to sell its bonds competitively or through negotiation.

COMPETITIVE SALE

In a competitive sale, the City's bonds shall be awarded to the bidder providing the lowest true interest cost as long as the bid adheres to the requirements set forth in the official notice of sale. Competitive method sale should be preferred and considered when the following conditions are present:

- Municipal market conditions are stable and suitable for the proposed financing;
- There is an active competitive market for the City's debt;
- The proposed borrowing has an underlying credit rating in the A category or above;
- The issue is neither too large to be absorbed by the market or too small to attract investors;
- The issue is not composed of complex or innovative features; and
- Interest rates are stable, market demand is strong and the market is able to absorb reasonable levels of buying and selling with reasonable price reliability.

NEGOTIATED SALE

If conditions for a competitive bond sale are not available then the following practice will apply to negotiated bond sales:

- A competitive underwriter-selection process that ensures that multiple proposals are considered will be used;
- The City's staff and the Financial Advisor will remain actively involved in each step of the negotiation and sale processes to uphold the public trust;
- The City's staff and Financial Advisor, who are familiar with and abreast of the condition of the municipal market, shall assist in structuring the issue, pricing, and monitoring sales activities;
- The Financial Advisor will not serve as an underwriter in any circumstance; and
- The City will require that financial professionals disclose the name(s) of any person or firm compensated to promote the selection of the underwriter; any

existing or planned arrangements between outside professionals to share tasks, responsibilities and fees; the name(s) of any person or firm with whom the sharing is proposed; and the method used to calculate the fees to be earned.

Private Placement

In certain circumstances the City may wish to privately place its debt. Such placement shall only be considered if this method results in a cost savings to the City relative to other methods of debt issuance or if current credit conditions of the City make it appropriate not to market the debt to the general public. Generally, the City will consider the following criteria when determining the appropriate method of sale for any debt issue:

- Complexity of the issue
- Volatility of bond yields
- Familiarity of underwriters with the City's credit quality
- Size of the issue
- Costs of issuance

In the case of private placement with banking institutions, the Finance team will be cognizant of its ability to issue bank qualified debt. Under the Tax Reform Act of 1986 (the "Act"), now under section 265(b) of the Internal Revenue Code of 1986, as amended (the "Code"), banks may deduct 80% of the carrying cost of a "qualified tax-exempt obligation." In order for bonds to be qualified tax-exempt obligations the bonds must be (i) issued by a "qualified small issuer," (ii) issued for public purposes, and (iii) designated as qualified tax-exempt obligations. A "qualified small issuer" is (with respect to bonds issued during any calendar year) an issuer that issues no more than $10 million of tax-exempt bonds during the calendar year.

Participation in Governmental Financing Consortia

The City will contemplate participating in governmental consortia such as the First Florida Governmental Financing Commission when appropriate in order to minimize the cost of debt issuance, particularly in the event of small issuances.

PROFESSIONAL SERVICES

Financial Advisor

The City shall retain an external financial advisor to assist in the process of debt issuance, administration and analysis. The advisor will be selected through a competitive process and serves under a multi-year contractual agreement. Evaluation factors for selection of the financial advisor include knowledge and experience in structuring and analyzing complex debt issues, experience in providing services to municipal issuers, and experience and qualifications of assigned personnel. The Financial Advisor should not also provide underwriting services to the City, or other municipalities. Services provided to the City by the financial advisor include but are not limited to the following:

- Presenting all available financing alternatives
- Structuring, pricing, and timing of issues

- Preparation of formal solicitations associated with debt financing
- Evaluation of proposals submitted to the City by investment banking firms
- Comprehensive analyses for debt refinancing
- Monitoring of marketing opportunities
- Preparation of requests for proposals for other financial services (e.g., paying agent and registrar, printing, credit facilities)
- Advice, assistance and preparation for presentations with rating agencies

BOND COUNSEL

The Finance Director will coordinate with the City Attorney on the selection of bond counsel for any debt issue. The City shall retain external bond counsel through a multi-year contractual agreement or may engage bond counsel on a bond issue basis. Selection criteria will include extensive experience in public finance issues. Bond counsel provides necessary legal services to the City in negotiation and preparation of required documents connected with the issuance of debt. All debt issued by the City includes a written opinion by the City's bond counsel concerning the validity and binding nature of the agreements, as well as the determination of the debt's federal income tax status. Overall bond counsel is responsible for coordinating with the City Attorney's Office, City Clerk's Office, Financial Advisor and Finance Department to ensure that all tasks associated with the bond issuance are completed within prescribed timeframes.

Bond counsel will continue to be retained by the City, and consulted as needed, as issues arise throughout a given year regarding proposed bond issues, tax issues, new laws/guidelines etc.

DISCLOSURE COUNSEL

The City shall retain external disclosure counsel for all open market debt offerings. Disclosure counsel may be selected through a competitive process and retained under a multi-year contractual agreement or may be negotiated on a case by case debt issue basis. Counsel renders an opinion to the City in connection with each debt issue. That opinion will assert, with certain conditions, that official bond documents do not contain any untrue statements or omitted material facts required to be included. Additionally, disclosure counsel assists the City in meeting continuing disclosure requirements required by the SEC for secondary market information. Selection criteria include extensive experience in public finance issues.

UNDERWRITER

Underwriters will be retained by the City on an individual financing basis. In certain circumstances, firms that bring innovative ideas to the City for consideration will be retained as the senior manager for the proposed issuance. In the absence of these instances, underwriters will be selected through a competitive process. Selection criteria may include, but not be limited to, the following:

- Knowledge and prior experience with municipal issuers
- Ability and experience in managing complex transactions
- Willingness to utilize the underwriting firm's capital

- Financing plan
- Underwriting fees
- Ability and experience of personnel assigned

PAYING AGENT/REGISTRAR

The City's Finance Director or the City's Financial Advisor may conduct a request for proposal process to select the paying agent/registrar for each new issue. The bond registrar is responsible for maintaining records for bondholders from a particular bond issue. The paying agent is responsible for making timely payments of principal and interest to all bond holders.

BOND RATING AGENCY APPLICATION

Prior to issuing debt in the open market, the City will submit a rating application to one or more nationally recognized rating agencies, which are Moody's Investors Service, Standard & Poor's Rating Service and Fitch Ratings. As part of the application process, City staff will assemble information relevant to the City's economy/tax base, financial and management policies and debt/pension policies and all other information relative to making a case for the City obtaining the highest justifiable rating possible. Once all relative information has been assembled, an appropriate medium for presenting this information to each rating agency's credit analyst will be determined. Depending on the development of additional information, prior to the rating agency issuing an official credit rating, it may be necessary for the City to provide supplemental information which may impact the rating. Annually, the City will distribute the CAFR and the current operating and capital budgets to each rating agency that maintain ratings on the City's outstanding debt obligations, as required. This information will also be available on the City's website under the Finance Department.

INVESTMENT OF DEBT PROCEEDS

Debt proceeds are invested in permitted investments, as defined in financing agreements, escrow agreements, resolution or the City's investment policy, as applicable. The City will not invest any proceeds in a manner that would cause the City's bonds to be deemed private activity bonds or arbitrage bonds. The City will comply with all federal tax arbitrage regulations and remit any required payments on a timely basis. The City Commission has adopted separate Tax Exempt/Tax Credit Debt and Post-Issuance Compliance Policies and Procedures.

CONDUIT BONDS

Conduit financing is debt issued by a state or local government for the express purpose of providing capital financing for a specific third party, such as a 501(C) Corporation or a private entity, in accordance with governing regulations. Although conduit debt obligations bear the name of the governmental issuer, the issuer has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued. The City will contemplate the issuance of conduit debt on a case-by-case basis and may contemplate the following factors:

1. The underlying credit rating of the conduit borrower (a minimum of an Investment Grade rating ~~"A" rating or equivalent~~ is required at time of issuance). Other credit enhancements may be considered (i.e. letter of credit or bond insurance);
2. For existing businesses in the City, the history and past contribution to the City's economic growth and the welfare of its residents;
3. The nature of the project to be financed. The City Commission may review the existing facilities, resources, and conditions in the City with relation to the encouragement of industry and business to locate in the City and shall use such means as it deems advisable in making a determination to approve such debt;
4. Earning trends, as applicable (profitability in the past three years, as applicable; net worth; ratio of current assets to current liabilities etc.);
5. The projected impact of the project to the City's local economy (i.e. jobs created, tax base etc.), public infrastructure and servicing levels;
6. The conduit borrower will be responsible for any non-refundable application and administrative fees established by the City for any time and internal resources invested in the reviewing and processing of documentation associated with the request, regardless of closing on a conduit financing;
7. Mandate that the entity issuing conduit financing commit to provide for related continuing disclosure information;
8. The conduit borrower will be responsible for 100% of all costs incurred by the City's consultants (i.e. financial advisor, bond counsel, tax counsel etc.) in reviewing all documents associated with the conduit financing; and
9. The City will assess a minimum non-refundable administrative fee for each agreed upon conduit deal of $3,500. In addition, a closing fee of .1% of the PAR value of debt to be issued will also be assessed, should the conduit financing be completed..

The financing team reserves the right to contemplate additional factors/fees on a case by case basis.

DEBT SERVICING AND COVENANTS COMPLIANCE

It shall be the responsibility of the Finance Director or designee to ensure the proper budgeting and timely remittance of all debt service (including sinking fund) payments. The Finance Director must establish a system to ensure such timely remittance. In addition, it is the responsibility of the Finance Director or designee to ensure continued compliance with all bond covenants to include debt service coverage, reserve funds, renewal and replacements funds, rate stabilization funds, reporting and submittal of information to all regulatory and creditor agencies etc.

POLICY IMPLEMENTATION AND AMENDMENTS

This debt management policy was drafted factoring in the City's existing laws (charter, ordinances etc.) and has been adopted by the City Commission. The Finance Director, as designated by the City Manager, is responsible for implementing the policies set forth in this document and for maintaining proper oversight to ensure compliance with this debt management policy. Amendments to this policy will be proposed to accommodate changing market conditions, as well as evolving economic, regulatory and financial factors. Any amendments to this policy must be approved by the Commission. This debt management policy is intended for internal use by, and to provide guidance for, the City and its professional staff. Nothing contained in this debt management policy shall be deemed to alter, affect the validity of, or modify terms of, or impair any contract or agreement made or entered into in violation of, or without compliance with, the provisions hereof.