

Debt Management Policy Amendments



Council Presentation
July 30, 2024



Debt Management Policy

- Last updated in 2010 and affirmed by City Council in 2011
- Provides guidance on the management of City debt including:
 - Issuance
 - Management
 - Continuing evaluation
 - Reporting
- Amendments have been requested to:
 - Section 6 - Structure and Type of Debt
 - Section 7 - Debt Limits



Section 6 - Structure and Type of Debt

Requested Change-Add sentence to section 6.3.b-Certificates of Obligation

“Certificates of Obligation should not be considered as the primary financial debt instrument to fund capital projects.”

Staff does not recommend the change, however, should council deem it advisable, staff recommends an alternative stating:

“For debt that is not classified as self-supporting (being paid from a source other than ad valorem taxes) the City shall endeavor to identify alternatives to Certificates of Obligation for financing capital projects.”



Section 6 - Structure and Type of Debt

Requested Change-Add sentence to section 6.3.b-Certificates of Obligation

“Annual use of certificates of obligation debt shall not exceed 20% of the total taxpayer funded general obligation debt.”

Staff does not recommend the change, however, should council deem it advisable, staff recommends an alternative stating:

“Total outstanding non-self-supported certificate of obligation debt should not exceed 20% of the total combined tax supported debt.”



Section 7 - Debt Limits

Requested Change-Add section 7.4

“The City shall evaluate the debt level of individual operational funds (general fund, enterprise funds, internal services funds, and special revenue funds) annually as it relates to the current operational budget level. The amount of debt service for an individual fund shall not exceed thirty-five percent (35%) of the operating budget of the respective fund.”

Staff and the City’s Financial Advisors do not recommend the change

- **GO debt** is supported by its own tax rate, which is subject to different limitations compared to the O&M rate. Additionally, the majority of GO debt is voter-approved, meaning the citizens have already determined that the issuance is allowed and to be paid for by the I&S tax fund.
 - **Revenue-supported debt** must also comply with existing bond covenants requiring a minimum Debt Service Coverage Ratio (“DSCR”) to afford additional debt. At most, as recommended by the rate consultants, the City may set an informal, internal target to maintain a more conservative minimum DSCR.
-



Questions?
