



**REPORT TO CITY COUNCIL**

**DATE:** JUNE 28, 2017  
**TO:** HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL  
**FROM:** GREG RAMIREZ, CITY MANAGER   
**BY:** CHRISTY PINUELAS, DIRECTOR OF FINANCE   
**SUBJECT:** ADOPT RESOLUTION NO. 17-1847 ADOPTING A LOCAL DEBT POLICY

---

At the June 14, 2017, Budget Workshop the City Council recommended adoption of a new Local Debt Policy. This policy repeals the existing Debt Policy and replaces it with new language required by SB 1029. The new legislation requires that the City follow required reporting guidelines on any debt issued after January 1, 2017. While the City does not have any plans to issue debt in the near future, it is prudent to amend our policy to comply with the new legislation.

Additionally, the Financial Policy, adopted in May, 2014, requires that each financial policy be updated every three years. The Finance Committee reviewed the Independent Auditor Policy and the Financial Policy at their May, 2017, meeting and recommended no changes. The Council additionally reviewed the policies at the Budget Workshop, recommending no changes.

**RECOMMENDATION**

Staff respectfully recommends the City Council adopt Resolution No. 17-1847 adopting a Local Debt Policy.

Attachments: Resolution No. 17-1847

**RESOLUTION NO. 17-1847**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
AGOURA HILLS, CALIFORNIA, ADOPTING A LOCAL DEBT  
POLICY**

RECITALS:

WHEREAS, the City of Agoura Hills (the "City") or its related entities (such as the Agoura Hills Public Financing Authority or the Successor Agency to the City of Agoura Hills Redevelopment Agency) has issued bonds or other financing obligations (collectively, "Local Debt") subject to the filing of reports with the California Debt and Investment Advisory Commission ("CDIAC") pursuant to Section 8855 of the California Government Code ("Section 8855"); and

WHEREAS, Senate Bill No. 1029 ("SB 1029"), effective January 1, 2017, amended Section 8855 to augment the information that must be provided by municipal issuers of Local Debt to CDIAC; and

WHEREAS, prior to SB 1029, Section 8855 has required municipal issuers of Local Debt to file a Report of Proposed Debt Issuance at least 30 days prior to the sale of any Local Debt issue; and

WHEREAS, SB 1029 amends the requirements of the Report of Proposed Debt Issuance to require that this report include a certification by the municipal issuer that it has adopted local debt policies concerning the use of Local Debt and that the contemplated Local Debt issuance is consistent with those local debt policies; and

WHEREAS, the City or its related entities (such as the [Agoura Hills Public Financing Authority] or the [Successor Agency to the City of Agoura Hills Redevelopment Agency]) may also, in the future, issue Local Debt for which a Report of Proposed Debt Issuance, including the aforementioned certification, will need to be filed with CDIAC; and

WHEREAS, to facilitate issuance of Local Debt in the future and the ability of the City and its related entities to make the requisite local debt policies certification required in connection therewith by subdivision (i) of Section 8855, as amended by SB 1029, the City desires to adopt the Local Debt Policy (the "Policy"), as set forth in Exhibit A hereto;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF AGOURA HILLS, CALIFORNIA DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. The above recitals, and each of them, are true and correct.

Section 2. The Policy, as set forth in Exhibit A, is hereby approved and adopted and shall be made applicable to all Local Debt issued by or on behalf of the City and its related entities (such as the [Agoura Hills Public Financing Authority] or the [Successor Agency to the City of Agoura Hills Redevelopment Agency]). This Policy is intended to supersede and to replace in its entirety the debt management policy dated May 2016.

Section 3. The City Manager, the City Treasurer, the Director of Finance, and all other officers of the City are hereby authorized and directed, jointly and severally, to do any and all things to effectuate the purposes of this Resolution and to implement the Policy, and any such actions previously taken by such officers are hereby ratified and confirmed.

Section 4. This Resolution shall take effect immediately upon adoption.

**PASSED, APPROVED and ADOPTED** this 28th day of June, 2017 by the following vote to wit:

AYES:        (  
NOES:        (  
ABSTAIN:    (  
ABSENT:     (  
                  )

By: \_\_\_\_\_  
Denis Weber, Mayor

ATTEST:

By: \_\_\_\_\_  
Kimberly M. Rodrigues, City Clerk

## **CITY OF AGOURA HILLS, CALIFORNIA LOCAL DEBT POLICY**

### **A. PURPOSE**

The purpose of this Local Debt Policy (this "Policy") is to establish guidelines and parameters for the effective governance, management and administration of debt and other financing obligations issued by the City and its related entities (such as the Agoura Hills Public Financing Authority] or the [Successor Agency to the City of Agoura Hills Redevelopment Agency]).

As used in this Policy, "City" shall mean the City and/or the City and its related entities, as the context may require. As used in this Policy, "debt" shall be interpreted broadly to mean bonds, notes, certificates of participation, financing leases, or other financing obligations, but the use of such term in this Policy shall be solely for convenience and shall not be interpreted to characterize any such obligation as an indebtedness or debt within the meaning of any constitutional debt limitation where the substance and terms of the obligation comport with exceptions thereto.

### **B. BACKGROUND**

The City and its related entities are committed to fiscal sustainability by employing long-term financial planning efforts, maintaining appropriate reserves levels and employing prudent practices in governance, management, budget administration and financial reporting.

Debt levels and their related annual costs are important long-term obligations that must be managed within available resources. A disciplined thoughtful approach to debt management includes policies that provide guidelines for the City and its related entities to manage their collective debt program in line with those resources. Therefore, the objective of this policy is to provide written guidelines and restrictions concerning the amount and type of debt and other financing obligations issued by the City and its related entities and the ongoing management of the debt portfolio.

This Policy is intended to improve the quality of decisions, assist with the determination of the structure of debt issuance, identify policy goals, and demonstrate a commitment to long-term financial planning, including a multi-year capital plan. Adherence to a local debt policy signals to rating agencies and the capital markets that a government is well managed and should meet its obligations in a timely manner.

## **C. CONDITIONS AND PURPOSES OF DEBT ISSUANCE**

### **1. Acceptable Conditions for the Use of Debt**

The City believes that prudent amounts of debt can be an equitable and cost-effective means of financing major infrastructure and capital project needs of the City. Debt will be considered to finance such projects if:

- a) The capital project has been, or will be, included in the City's capital improvement plan or has otherwise been coordinated with the City's planning goals and objectives.
- b) The capital project can be financed with debt not exceeding the term specified in Section E.1. of this Policy, to assure that long-term debt is not issued to finance projects with a short useful life.
- c) It is the most cost-effective funding means available to the City, taking into account cash flow needs and other funding alternatives.
- d) It is fiscally prudent and meets the guidelines of this Policy. Any consideration of debt financing shall consider financial alternatives, including pay-as-you-go funding, proceeds derived from development or redevelopment of existing land and capital assets owned by the City, and use of existing or future cash reserves, or combinations thereof.

### **2. Acceptable Uses of Debt and Proceeds of Debt**

The primary purpose of debt is to finance one of the following:

- a) The City will consider financing for the acquisition, substantial refurbishment, replacement, or expansion of physical assets, including land improvements, for the following purposes:
  - i. Acquisition and or improvement of land, right-of-way or long-term easements.
  - ii. Acquisition of a capital asset with a useful life of 3 or more years.
  - iii. Construction or reconstruction of a facility.
  - iv. Although not the primary purpose of the financing effort, project reimbursables that include project planning design, engineering and other preconstruction efforts; project-associated furniture fixtures and equipment; capitalized interest, original issue discount, underwriter's discount, and other costs of issuance.

- b) Refunding, refinancing, or restructuring debt (including without limitation the refinancing or advance funding of City pension obligations), subject to refunding objectives and parameters discussed in Section G.
- c) In the event of temporary shortfalls in cash flow for City operation costs due to timing of receipt of revenues and the lack of cash on hand to cover the temporary deficit, the City may consider interim or cash flow financing, such as anticipation notes. In compliance with applicable state law, any such notes shall be payable either (i) not later than the last day of the fiscal year in which it is issued, or (ii) during the fiscal year succeeding the fiscal year in which issued, but in no event later than 15 months after the date of issue, and only if such note is payable only from revenue received or accrued during the fiscal year in which it was issued.

### **3. Prohibited Uses of Debt and Proceeds of Debt**

Prohibited uses of debt include the following:

- a) Financing of operating costs, except for anticipation notes satisfying the criteria set forth in Section C.2.c.
- b) Debt issuance used to address budgetary deficits.
- c) Debt issued for which the term of the debt exceeds the term specified in Section E.1. of this Policy.

### **4. Internal Control Procedures Concerning Use of Proceeds of Debt**

One of the City's priorities in the management of debt is to assure that the proceeds of the debt will be directed to the intended use for which the debt has been issued. In furtherance of this priority, the following procedures shall apply:

- a) The Director of Finance shall retain, for the applicable period specified in Section H.4. of this Policy, a copy of each annual report filed with the California Debt and Investment Advisory Commission (CDIAC) pursuant to Section 8855(k) of the California Government Code concerning (1) debt authorized during the applicable reporting period (whether issued or not), (2) debt outstanding during the reporting period, and (3) the use during the reporting period of proceeds of issued debt.
- b) In connection with the preparation of each annual report to be filed with CDIAC pursuant to Section 8855(k) of the California Government Code, the Director of Finance or the designee of the Director of Finance shall keep a record of the original intended use

for which the debt has been issued, and indicate whether the proceeds spent during the applicable one-year reporting period for such annual report comport with the intended use (at the time of original issuance or as modified pursuant to the following sentence). If a change in intended use has been authorized subsequent to the original issuance of the debt, the Director of Finance or the designee of the Director of Finance shall indicate in the record when the change in use was authorized and whether the City Council, City Manager, or another City official has authorized the change in intended use. The [Finance Director] shall report apparent deviations from the intended use in debt proceeds to the City Manager for further discussion, and if the City Manager determines appropriate in consultation with legal counsel (which may be bond counsel, if applicable, or the City Attorney), to the City Council.

- c) If the debt has been issued to finance a capital project and the project timeline or scope of project has changed in a way that all or a portion of the debt proceeds cannot be expended on the original project, the Director of Finance shall consult with the City Manager and legal counsel (which may be bond counsel, if applicable, or the City Attorney) as to available alternatives for the expenditure of the remaining debt proceeds (including prepayment of the debt). After such consultation, the Director of Finance shall seek the direction of the City Council as to an alternative for the expenditure or use of such remaining debt proceeds.

#### **D. TYPE OF FINANCING INSTRUMENTS; AFFORDABILITY AND PLANNING POLICIES**

The City recognizes that there are numerous types of financing structures and funding sources available, each with specific benefits, risks, and costs. All potential funding sources are reviewed by management within the context of this Policy and the overall portfolio to ensure that any financial product or structure is consistent with the City's objectives. Regardless of what financing structure(s) is utilized, due diligence review must be performed for each transaction, including the quantification of potential risks and benefits, and analysis of the impact on City creditworthiness and debt affordability and capacity.

Prior to the issuance of debt or other financing obligations to finance a project, the City will carefully consider the overall long-term affordability of the proposed debt issuance. The City shall not assume more debt or other financing obligations without conducting an objective analysis of the City's ability to assume and support additional debt service payments. The City will consider its long-term revenue and expenditure trends, the impact on operational flexibility and the overall debt burden on the taxpayers. The evaluation process shall include a review of generally accepted measures of affordability and will strive to achieve and or maintain debt levels consistent with its current operating and capital needs.

- 1. General Fund-Supported Debt** – General Fund Supported Debt generally include Certificates of Participation (COPs) and Lease Revenue Bonds (LRBs) which are lease obligations that are secured by an installment sale or by a lease-back arrangement between the City and another public entity. The general operating revenues of the City pay the lease payments, which are, in turn, used and typically pledged to pay debt service on the bonds or Certificates of Participation.

General Fund Supported Debt may also include bonds issued to refund obligations imposed by law, such as judgments (judgment obligation bonds (JOBs)) or unfunded accrued actuarial liabilities for pension plans (pension obligation bonds (POBs)).

These obligations do not constitute indebtedness under the state constitutional debt limitation and, therefore, are not subject to voter approval.

Payments to be made under valid leases are payable only in the year in which use and occupancy of the leased property is available, and lease payments may not be accelerated. Lease financing requires the fair market rental value of the leased property to be equal to or greater than the required debt service or lease payment schedule. The lessee (City) is obligated to include in its Annual Budget and appropriate the rental payments that are due and payable during each fiscal year the lessee has use of the leased property.

The City should strive to maintain its net General Fund-backed annual debt service at or less than 10% of General Fund annually budgeted revenue; and in no case should they exceed 15%. Future direct debt will not exceed 2% of assessed valuation. This ratio is defined as the City's annual debt service requirements on General Fund Supported Debt (including, but not limited to, COPs, LRBs, JOBs, and POBs) compared to total annual General Fund Revenues net of interfund transfers.

- 2. Revenue Bonds** – Long-term obligations payable solely from specific special fund sources, in general, are not subject to a debt limitation. Examples of such long-term obligations include those which are payable from a special fund consisting of restricted revenues or user fees (Enterprise Revenues) and revenues derived from the system of which the project being funded is a part.

In determining the affordability of proposed revenue bonds, the City will perform an analysis comparing projected annual net revenues (exclusive of depreciation which is a non-cash related expense) to estimated annual debt service. The City should strive to maintain a coverage ratio of 110% (or such higher coverage ratio included in the City's existing financing documents), using historical and/or projected net revenues to cover annual



debt service for bonds. To the extent necessary, the City shall undertake proceedings for a rate increase to cover both operations and debt service costs, and create debt service reserve funds to maintain the required coverage ratio.

3. **Special Districts Financing** – The City’s special districts primarily consist of Community Facilities Districts (CFDs) and 1913/1915 Act Assessment Districts (Assessment Districts). The City will consider requests for special district formation and debt issuance when such requests address a public need or provide a public benefit. Each application will be considered on a case by case basis, and the Finance Department may not recommend a financing if it is determined that the financing could be detrimental to the debt position or the best interests of the City.
4. **General Obligation Bonds** – Notwithstanding their name, General Obligation Bonds are not general obligations of the City, but instead they are payable from and secured by a dedicated, voter-approved property tax override rate (*i.e.*, a property tax in excess of the 1% basic *ad valorem* property tax rate which has received the approving two-thirds vote of the City’s electorate). While the dedicated revenue stream to repay the debt makes General Obligation Bonds an attractive option, additional considerations for this financing mechanism include the time and expense of an election, the possibility that the electorate will not approve the ballot measure, and the legal bonding capacity limit (for general law cities, 3.75% of the assessed value of all taxable property within the City).
5. **Tax Increment Financing** – Tax Increment Financing is payable from and secured by a portion of *ad valorem* property taxes that are allocated to a successor agency to redevelopment agency (Successor Agency), an enhanced infrastructure financing district (EIFD), or a community revitalization and investment authority (CRIA) subject to a plan adopted for such entity and the applicable law. While tax increment debt for redevelopment agencies and Successor Agencies is entitled to the benefits of Article XVI, Section 16, of the California Constitution, no similar provision exists for EIFDs and CRIsAs at the time of adoption of this Policy. Therefore, when considering EIFD or CRIA financing, debt limit concerns should be analyzed with respect to the proposed structure and taken into account in determining the practical viability of the proposed financing.
6. **Conduit Debt** – Conduit financing provides for the issuance of securities by a government agency to finance a project of a third party, such as a non-profit organization or other private entity. The City may sponsor conduit financings for those activities that have a general public purpose and are consistent with the City’s overall service and policy objectives. Unless a compelling public policy rationale exists, such conduit financings will not in any way pledge the City’s faith and credit.

## E. STRUCTURE OF DEBT

1. **Term of Debt** –The term of a bond issue is not-to-exceed the economic life of the facilities or projects to be financed, unless specific circumstances exist that would mitigate the extension of time to repay the debt and it would not cause the City to violate any covenants to maintain the tax-exempt status of such debt, if applicable.
2. **Rapidity of Debt Payment; Level Payment** – To the extent practical, bonds will be amortized on a level repayment basis, and revenue bonds will be amortized on a level repayment basis considering the forecasted available pledged revenues to achieve the lowest rates possible. Bond repayments should not increase on an annual basis in excess of 2% without a dedicated and supporting revenue funding stream.

Accelerated repayment schedules reduce debt burden faster and reduce total borrowing costs. The Finance Department will amortize debt through the most financially advantageous debt structure and to the extent possible, match the City's projected cash flow to the anticipated debt service payments. "Backloading" of debt service will be considered only when one or more of the following occur:

- a) Natural disasters or extraordinary or unanticipated external factors make payments on the debt in early years prohibitive.
  - b) The benefits derived from the debt issuance can clearly be demonstrated to be greater in the future than in the present.
  - c) Such structuring is beneficial to the City's aggregate overall debt payment schedule or achieves measurable interest savings.
  - d) Such structuring will allow debt service to more closely match projected revenues, whether due to lower project revenues during the early years of the project's operation, inflation escalators in the enterprise user rates, or other quantifiable reasons.
3. **Serial Bonds, Term Bonds, and Capital Appreciation Bonds** – For each issuance, the City will select serial bonds or term bonds, or both. On the occasions where circumstances warrant, Capital Appreciation Bonds (CABs) may be used. The decision to use term, serial, or CAB bonds is driven based on market conditions.
  4. **Reserve Funds** – To the extent a reserve fund provides an economic benefit that offsets the cost of funding the reserve fund, as determined by the Director of Finance in consultation with the City's municipal advisor and, if applicable, the underwriter for the bonds, the City may fund a reserve fund for the proposed bonds, up to the maximum amount permitted by applicable law or regulation. Typically, this amount is equal to the lesser of (i)

maximum annual debt service on the bonds, (ii) 10% of the principal amount of the bonds, or (iii) 125% of average annual debt service on the bonds.

## **F. USE OF ALTERNATIVE DEBT INSTRUMENTS**

Alternative debt instruments and financing structures sometimes can provide a lower cost of borrowing in the short run, but may involve greater medium-term or long-term risk. Due diligence review must be performed for each transaction, including the quantification of potential risks and benefits, analysis of the impact on City creditworthiness and debt affordability and capacity, and an evaluation of the ability of the City to withstand the medium-term or long-term risk attendant to alternative debt instruments, including the feasibility of exit strategies.

### **1. Variable Rate Debt**

Variable rate debt affords the City the potential to achieve a lower cost debt depending on market conditions. However, the City will seek to limit the use of variable-rate debt due to the potential risks of such instruments.

#### **a) Purpose**

The City shall consider the use of variable rate debt for the purposes of:

- i. Reducing the costs of debt issues.
- ii. Increasing flexibility for accelerating principal repayment and amortization.
- iii. Enhancing the management of assets and liabilities (matching short-term "priced debt" with the City's short-term investments).

#### **b) Considerations and Limitations on Variable-Rate Debt**

The City may consider the use of all alternative structures and modes of variable rate debt to the extent permissible under State law and will make determinations among different types of modes of variable rate debt based on cost, benefit, and risk factors. The [Finance Director] shall consider the following factors in considering whether to utilize variable rate debt:

- i. Any variable rate debt should not exceed 20% of total City General Fund supported debt.
- ii. Any variable rate debt should be fully hedged by expected future capital fund reserves or unrestricted General Fund reserve levels.

- iii. Whether interest cost and market conditions (including the shape of the yield curves and relative value considerations) are unfavorable for issuing fixed rate debt.
- iv. The likelihood of projected debt service savings when comparing the cost of fixed rate bonds.
- v. Costs, implementation and administration are quantified and considered.
- vi. Cost and availability of liquidity facilities (lines of credit necessary for variable rate debt obligations and commercial paper in the event that the bonds are not successfully remarketed) are quantified and considered.
- vii. Whether the ability to convert debt to another mode (daily, monthly, fixed) or redeem at par at any time is permitted.
- viii. Cost and availability of derivative products to hedge interest rate risk.
- ix. The findings of a thorough risk management assessment.

**c) Risk Management**

Any issuance of variable rate debt shall require a rigorous risk assessment, including, but not limited to factors discussed in this section. Variable rate debt subjects the City to additional financial risks (relative to fixed rate bonds), including interest rate risk, tax risk, and certain risks related to providing liquidity for certain types of variable rate debt.

The City will properly manage the risks as follows:

- i. ***Interest Rate Risk and Tax Risk*** – The risk that market interest rates increase on variable-rate debt because of market conditions, changes in taxation of municipal bond interest, or reductions in tax rates. Mitigation – Limit total variable rate exposure per the defined limits, match the variable rate liabilities with short term assets, and/or purchase appropriate derivative products to hedge against the risk (see also Section F.2 below).
- ii. ***Liquidity/Remarketing Risk*** – The risk that holders of variable rate bonds exercise their “put” option, tender their bonds, and the bonds cannot be remarketed requiring the bond liquidity facility provider to repurchase the bonds. This will result in the City paying a higher rate of interest to the

facility provider and the potential rapid amortization of the repurchased bonds. Mitigation - Limit total direct variable-rate exposure. Seek liquidity facilities which allow for longer (5-10 years) amortization of any draws on the facility. Endeavor to secure credit support facilities that result in bond ratings of the highest short-term ratings and long-term ratings not less than AA. If the City's bonds are downgraded below these levels (or such other rating levels as provided in the applicable financing documents) as a result of the facility provider's ratings, a replacement provider shall be sought.

- iii. **Liquidity/Rollover Risk** – The risk that arises due to the shorter term of most liquidity provider agreements (1-5 years) relative to the longer-term amortization schedule of the City's variable-rate bonds. Liquidity and rollover risk includes the following risks: (1) the City may incur higher renewal fees when renewal agreements are negotiated, and (2) the liquidity bank market may constrict such that it is difficult to secure third party liquidity at any interest rate. Mitigation – Negotiate longer terms on provider contracts to minimize the number of rollovers.

## **G. REFUNDING GUIDELINES**

The Director of Finance shall monitor at least annually all outstanding City debt obligations for potential refinancing opportunities. The City will consider refinancing of outstanding debt to achieve annual savings or to refinance a bullet payment or spike in debt service. Except for instances in which a bullet payment or spike in debt service is being refinanced, absent a compelling economic reason or financial benefit to the City, any refinancing should not result in an increase to the weighted average life of the refinanced debt.

Except for instances in which a bullet payment or spike in debt service is being refinanced, the City will generally seek to achieve debt service savings which, on a net present value basis, are at least 3% of the debt being refinanced. The net present value assessment shall factor in all costs, including issuance, escrow, and foregone interest earnings of any contributed funds on hand. Any potential refinancing shall additionally consider whether an alternative refinancing opportunity with higher savings is reasonably expected in the future.

## **H. MARKET COMMUNICATION, ADMINISTRATION, AND REPORTING**

1. **Rating Agency Relations and Annual or Ongoing Surveillance** – The Director of Finance shall be responsible for maintaining the City's relationships with S&P Global Ratings, Fitch Ratings and Moody's Investor's Service. The City is committed to maintaining its existing rating levels. In addition to general communication, the Director of Finance shall:

- a) Ensure the rating agencies are provided updated financial statements of the City as they become publically available.
  - b) Communicate with credit analysts at each agency at least once each year, or as may be requested by the agencies.
  - c) Prior to each proposed new debt issuance, schedule meetings or conference calls with agency analysts and provide a thorough update on the City's financial position, including the impacts of the proposed debt issuance.
2. **Council Communication** – The Director of Finance should report feedback from rating agencies, when and if available, regarding the City's financial strengths and weaknesses and areas of concern relating to weaknesses as they pertain to maintaining the City's existing credit ratings.
  3. **Continuing Disclosure Compliance** – The City shall remain in compliance with Rule 15c2-12, promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, by filing (to the extent required by the applicable continuing disclosure undertaking) its annual financial statements and other financial and operating data for the benefit of its bondholders within 270 days of the close of the fiscal year, or by such other annual deadline required in any continuing disclosure agreement or certificate for any debt issue. The City shall maintain a log or file evidencing that all continuing disclosure filings have been made promptly.
  4. **Debt Issue Record-Keeping** – A copy of all debt-related records shall be retained at the City's offices. At minimum, these records shall include all official statements, bond legal documents/transcripts, resolutions, trustee statements, leases, and title reports for each City financing (to the extent available).

Such records shall be retained while any bonds of an issue are outstanding and during the three-year period following the final maturity or redemption of the bond issue or, if later, while any bonds that refund bonds of that original issue are outstanding and for the three year period following the final maturity or redemption date of the latest refunding bond issue.

5. **Arbitrage Rebate** – The use of bond proceeds and their investments must be monitored to ensure compliance with all arbitrage rebate requirements of the Internal Revenue Code and related Internal Revenue Service regulations, in keeping with the covenants of the City and/or related entity in the tax certificate for any federally tax-exempt financing. The Director of finance shall ensure that all bond proceeds and investments are tracked in a manner which facilitates accurate calculation; and, if a rebate payment is due, such payment is made in a timely manner.

## **I. CREDIT RATINGS**

The City will consider published ratings agency guidelines regarding best financial practices and guidelines for structuring its capital funding and debt strategies to maintain the highest possible credit ratings consistent with its current operating and capital needs.