

RESOLUTION 18-24

A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF DUNEDIN, FLORIDA ESTABLISHING A DEBT MANAGEMENT POLICY FOR THE CITY OF DUNEDIN PROVIDING SEVERABILITY, PROVIDING FOR REPEALER; PROVIDING FOR AN EFFECTIVE DATE.

BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF DUNEDIN, FLORIDA, as follows:

SECTION 1. AUTHORITY FOR THIS RESOLUTION. This Resolution is adopted pursuant to the provisions of Article VIII, Section 2(b) of the Constitution of the State of Florida, Chapter 166, Part II, Florida Statutes, the municipal charter of the City of Dunedin, Florida (the "City") and other applicable provisions of law (collectively, the "Act").

SECTION 2. FINDINGS. It is hereby ascertained, determined and declared that:

A. The City of Dunedin hereby adopts the "City of Dunedin Debt Management Policy", attached hereto as Exhibit A, and hereby directs the City Manager to implement said policy.

SECTION 3. DECLARATION OF INTENT. The City hereby expresses its intention to adopt the revised Debt Management Policy.

SECTION 4. SEVERABILITY. If any one or more of the covenants, agreements or provisions of this Resolution should be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separate from the remaining covenants, agreements or provisions of this Resolution.

SECTION 5. REPEALER. This Resolution supersedes all prior actions of the City inconsistent herewith. All resolutions or portions thereof in

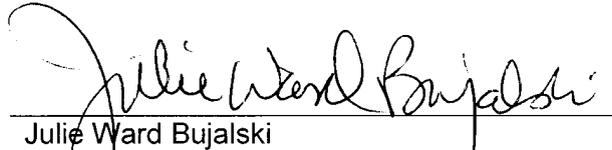
conflict with the provisions of this Resolution are hereby repealed to the extent of any such conflict.

SECTION 6. EFFECTIVE DATE. This resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED BY THE CITY COMMISSION OF THE CITY OF DUNEDIN, FLORIDA, THI 20th day of September, 2018.

CITY OF DUNEDIN, FLORIDA

APPROVED AS TO FORM:


Julie Ward Bujalski
Mayor


Thomas J. Trask
City Attorney

ATTEST:


Denise M. Kirkpatrick
City Clerk

**RESOLUTION 18-24
EXHIBIT A**

CITY OF DUNEDIN

DEBT MANAGEMENT POLICY

I. PURPOSE

The purpose of the City of Dunedin (“City”) debt policy is to establish guidelines to address long-term capital improvement projects and establish parameters governing the issuance, management, continuing evaluation and reporting on all debt obligations issued by the City. The City is committed to strong financial management practices, including maintaining the financial viability of the City and the full and timely repayment of all borrowings.

An important goal of the debt policy is to maximize the City’s credit ratings when issued by nationally recognized statistical-rating organizations. By maintaining the highest practicable credit rating, the City can issue its debt at lower interest rates.

The City will also seek to minimize borrowing costs by taking advantage of favorable economic conditions. Timing debt issuance to accommodate market rates and investor sentiment is an important means of minimizing the cost of debt and the tax burden on the citizens of the City. To accomplish this, the City will seek input on market conditions from financial consultants who closely monitor financial market conditions.

The Finance Director of the City is charged with overseeing and implementing the provisions of this policy.

II. DEBT ISSUANCE POLICY

The City Manager and the Finance Director are responsible for the administration of the City’s financial policies. The City Commission is responsible for the approval of any form of the City’s borrowing and the details associated therewith. Prior to the issuance of any debt, the City Manager and Finance Director must:

- Justify the reason for the issuance of debt obligations;
 - Present the debt proposal to the Finance Board for their review and comment;
 - Ensure that the life of the debt is less than the life of the assets acquired or constructed with debt proceeds;
 - Identify the resources committed to paying the principal and interest on the debt;
 - Will not issue debt obligations or use debt proceeds to finance current operations;
 - Properly account for the use of the debt proceeds and repayment of the debt.
- A. **Short Term Debt** – Short-term debt can be used to diversify a debt portfolio, reduce interest costs, provide interim funding for capital projects and improve the match of assets to liabilities. The City will not issue short-term debt for operating needs; however, use of short-term debt in emergency situations is not precluded. The City may issue commercial paper and other forms of variable rate debt from time to time, the City will favor fixed rate debt over variable rate debt but its use will generally be restricted to providing interim financing for capital projects.
- B. **Long Term Debt** – Long term debt will be used to finance essential capital projects and certain equipment where it is cost effective and prudent. Long term debt, which includes lease financings, will not be used to fund the City's operations. The City will avoid the use of long-term debt to finance items traditionally funded in the annual operating budget such as retirement contributions, facility maintenance, repairs, recurring equipment purchases, etc. The useful life of the asset or project shall exceed the payout schedule of any debt issued by the City.
- C. **Tax-Exempt and Taxable Debt** - The City may issue debt as tax-exempt debt or taxable debt. The City has traditionally issued tax-exempt debt, which results in significant interest cost savings compared with the interest

cost on taxable debt. Accordingly, all of the City's debt should be issued to take advantage of the exemption from federal income taxes unless prohibited by federal law or applicable federal regulations.

III. LIMITATIONS ON INDEBTEDNESS

The Florida Constitution, Florida Statutes and the City Charter do not set any limitations on the amount of debt that can be issued. For debt issued by the City, the following limitations will apply:

- The City will strive to maintain a high reliance on pay-as-you-go financing for its capital improvements and capital assets.
- For the issuance of revenue bonds backed by special revenues received by the city, the revenues must be sufficient to meet the minimum debt service coverage requirements in the bond covenants.
- For the issuance of revenue bonds supported by business-type activities, the net revenues of business-type activities pledged for debt service must be sufficient to meet the minimum debt service coverage requirements in the bond covenants.
- For the issuance of special assessment bonds, the City shall adopt assessments on the benefitting properties sufficient to pay the annual debt service of the bonds.

When analyzing the appropriateness of a debt issuance, the City shall compare generally accepted measures of affordability to current values for the City. These measures shall include, but not be limited to the following targets, which the City will generally strive to maintain:

- For the issuance of debt backed by ad valorem taxes, the Florida State Constitution requires approval by a majority of electors in the City. As a goal, the City will maintain its net direct debt at a level not to exceed five percent (5%) of the assessed valuation of taxable property within the City unless otherwise directed by the City Commission.

- The City's overall outstanding ratio of annual governmental fund debt service as a percent of total annual governmental fund revenues shall not exceed twenty percent (20%).

In assessing affordability, the City shall also examine the direct costs and benefits of the proposed project. The decision of whether or not to assume new debt shall be based on these costs and benefits, current conditions of the municipal bond market, and the City's ability to afford new debt as determined by the aforementioned measurements.

IV. DEBT STRUCTURE

- A. The City will utilize various debt structures to accomplish its financing goals, including the use of premium bonds, discount bonds, capital appreciation bonds and capitalized interest when appropriate.
- B. Call provisions for the City's bond issues shall be made as short as possible consistent with the lowest interest cost to City. When possible, all City bonds shall be callable only at par.
- C. Bond insurance will be used when it provides a suitable economic savings for the City. Credit enhancement may take other forms such as Letters of Credit (LOC) and may be used if economically beneficial to the City.
- D. The final maturity of a long-term debt issue should generally not exceed thirty (30) years unless otherwise directed by the City Commission.
- E. The City shall not use interest rate derivatives, or swaps, as a debt management tool, unless the City separately adopts a swap policy.

V. METHOD OF SALE

The City's debt obligations may be sold by competitive or negotiated sale methods. The selected method of sale depends upon the option which is expected to result in the lowest cost and most favorable terms to the City given the financial structure used, market conditions, and prior experience. A determination of the appropriate method of sale will be made by City staff prior to each financing working in concert with the City's Financial Advisor.

VI. SELECTION OF FINANCIAL CONSULTANTS AND SERVICES PROVIDERS

The Finance Director, with input from the City Manager, will be responsible for the establishment of the debt financing team including bond counsel, municipal advisor, and disclosure counsel. The nature and composition of the debt financing team may depend on several factors, including the type of debt issued and procedural requirements for the type of debt. Any consultant or service provider contracting with the City must meet the City's contract and insurance requirements, and must meet any regulatory requirements applicable to the services being provided. The City will maintain professional service agreements with qualified professionals related to the issuance and management of debt, which may include but not be limited to, bond counsel, municipal advisor, disclosure counsel, arbitrage rebate consultant, and dissemination agent, among others.

VII. DEBT REFUNDINGS

The City's staff and the Financial Advisor shall monitor the municipal bond market for opportunities to obtain interest savings by refunding outstanding debt. Current tax law does not allow the issuance of tax-exempt advance refunding bonds. 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:

- Current refunding's should have a minimum target savings level measured on a present value basis equal to 3% of the par amount of bonds being refunded.
- Advance refunding's, if and when applicable, should have a minimum target savings level measured on a present value basis equal to 5% of the par amount of bonds being refunded.

There may be compelling public policy objectives to move forward with refunding that do not exceed these savings guidelines, such as eliminating restrictive bond covenants or providing additional financial flexibility.

VIII. CONTINUING DISCLOSURE

To ensure clear, comprehensive, and accurate financial information, the City is committed to meeting secondary disclosure requirements on a timely and comprehensive basis, cooperating fully with the rating agencies, institutional and individual investors, County departments and agencies, other levels of government, and the general public. Complete and accurate disclosure supports the taxable or tax-exempt status of bonds issued by the City and provides transparency regarding the City financials and operations. The City is committed to providing continuing disclosure of financial and pertinent credit information relevant to the City's outstanding securities and will abide by provisions of Securities and Exchange Commission (SEC) Rule 15c2-12 concerning primary and secondary market disclosure.

IX. POST ISSUANCE COMPLIANCE

The City understands the importance of post-issuance compliance requirements applicable to tax-advantaged bonds. To ensure the continued tax-advantaged status of the City's bond issues, the City will monitor (1) the qualified use of proceeds and financed property and (2) arbitrage yield restriction and rebate requirements of the Federal tax code. Arbitrage in the municipal bond market is the difference in the interest paid on the tax-exempt bonds and the interest earned by investing the bond proceeds in taxable securities