

**CITY OF GAINESVILLE**  
**GENERAL GOVERNMENT**  
**GENERAL FUND RESERVE POLICY**

**PURPOSE**

This reserve policy is adopted by the Gainesville City Commission to ensure General Government's orderly provision of services to its citizens, availability of adequate working capital, plan for contingencies, and retain the City's good standing with the rating agencies and the credit markets.

**GENERAL FUND UNDESIGNATED, UNRESERVED FUND BALANCE**

For each fiscal year, the undesignated, unreserved Fund Balance of the General Fund will be at least 8.33% (one month) of the Proposed General Fund Revenue Budget (excluding one-time appropriations from fund balance). This balance is to provide for the following:

- Budget fluctuations
- Electric Deregulation
- Unanticipated emergencies (e.g., natural disasters, public safety emergencies, capital emergencies, etc.)
- Any other financial uncertainties

**SPENDING AUTHORITY**

The General Fund undesignated, unreserved fund balance will not be used to solve recurring revenue shortfalls.

That portion of the General Fund undesignated, unreserved fund balance that exceeds the minimum required level of 8.33% may be appropriated as needed and expended. No amount of the minimum required level of the General Fund undesignated, unreserved fund balance may be expended unless it meets the purposes stated above and until appropriated by the City Commission, except as provided below for unanticipated emergencies.

In those unanticipated emergency situations which demand immediate government action in the interest of public safety and welfare, the City Manager is authorized by the City Commission to spend up to a maximum of 20% of the minimum required level of General Fund undesignated, unreserved fund balance in accordance with procedures provided in the City of Gainesville Purchasing Policies. A financial accounting related to

such emergency expenditures will be submitted to the City Commission by the City Manager as expeditiously as possible after the end of the emergency.

### **RENEWAL/REPLACEMENT OF EXPENDED RESERVES**

During the budget process, the required level of General Fund undesignated, unreserved fund balance shall be calculated by the Office of Management and Budget based on the Proposed General Fund Revenue Budget. The additional amount required each year shall be included as a line item appropriation in the General Fund Uses Budget.

Upon completion of the audited financial statements, the Finance Director will review the final year-end results. If the General Fund undesignated, unreserved fund balance falls below the required 8.33% minimum level, the shortfall, if less than five percent, will be budgeted in its entirety in the succeeding budget year.

In the case of an event that creates a differential between the required General Fund undesignated, unreserved fund balance amount and current available funds of equal to, or more than five percent, a funding plan will be developed to meet the requirements of the General Fund Reserve Policy within three years of the event.

It is the policy of the City of Gainesville that any excess General Fund undesignated, unreserved fund balance remaining after meeting financial reserve requirements may be appropriated to finance any one-time expenses, as determined by the City Commission.

### **FORMAL REVIEW**

At least every five years, a review of this reserve policy will be completed by the City Manager or designee, and recommendations for changes, if appropriate, will be submitted to the City Commission.

### **THIS POLICY TO CONTROL**

This policy supersedes and replaces all previous General Fund reserve policies for General Government, which are hereby rescinded.

**General Fund Reserve Policy Sample Calculation**

**Part I - Initial OMB Calculation for Budget Preparation**

	FY2005 Budget	Reserve Calc.	FY2006 Plan	Reserve Calc.
Proposed General Fund Revenue Budget - FY2005 & FY2006	\$ 81,138,737		\$ 85,079,794	
Required Undesignated, Unreserved Fund Balance of 8.33%		6,758,857		7,087,147
Proposed General Fund Revenue Budget - FY2004 & FY2005	77,609,403		81,138,737	-
8.33% of Proposed Revenue Budget - Previous Fiscal Year		6,464,863		6,758,857
FY2005 & FY2006 Appropriation Required to Meet Required Level		<u>\$ 293,994</u>		<u>\$ 328,290</u>

**Part II - Verification by Finance Director - Shortfall less than 5%**

Undesignated, Unreserved Fund Balance (audited) @ 9/30/2004	\$ 6,744,693
Required Undesignated, Unreserved Fund Balance FY2005	6,758,857
Shortfall in required level/ (Excess Fund Balance over Required Level)	14,164
Shortfall or (Excess) Undesignated, Unreserved Fund Balance	Shortfall
Shortfall Less than 5%?	Yes
Additional Appropriation required in FY2006 Budget	<u>\$ 14,164</u>
Additional Appropriation required in FY2007 Budget	<u>\$ -</u>
Additional Appropriation required in FY2008 Budget	<u>\$ -</u>

*Note: Any amounts calculated in Parts II and III are the result of year-end deficits and will be appropriations required in addition to the amount calculated in Part I.*

**Part III - Verification by Finance Director - Shortfall greater than 5%**

Undesignated, Unreserved Fund Balance (audited) @ 9/30/2004	\$ 6,042,333
Required Undesignated, Unreserved Fund Balance FY2005	6,758,857
Shortfall in required level/ (Excess Fund Balance over Required Level)	716,524
Shortfall or (Excess) Undesignated, Unreserved Fund Balance	Shortfall
Shortfall Less than 5%?	No
Additional Appropriation required in FY2006 Budget	<u>\$ 238,841</u>
Additional Appropriation required in FY2007 Budget	<u>\$ 238,841</u>
Additional Appropriation required in FY2008 Budget	<u>\$ 238,841</u>

**Part IV - Verification by Finance Director - Excess Fund Balance**

Undesignated, Unreserved Fund Balance (audited) @ 9/30/2004	\$ 7,150,225
Required Undesignated, Unreserved Fund Balance FY2005	6,758,857
Shortfall in required level/ (Excess Fund Balance over Required Level)	391,368 Available for One-time Appropriation
Shortfall or (Excess) Undesignated, Unreserved Fund Balance	Excess



**CITY OF GAINESVILLE**  
**GENERAL GOVERNMENT**  
**GENERAL INSURANCE FUND RESERVE POLICY**

**PURPOSE**

This policy is adopted by the Gainesville City Commission to ensure that sufficient current assets are available in this Fund to cover:

- Current liabilities
- Contingent liabilities associated with the self-insured Worker's Compensation and Third Party Liability programs, including those claims incurred but not reported as valued by the Fund's actuary
- Unanticipated insurance events, including but not limited to storms or catastrophic property losses
- Externally imposed legal reserves
- Encumbrances

**POLICY**

The General Insurance Fund will maintain fiscal year-end current assets equal to the current liabilities plus the reserves for SFCC Police Officers Training Program Insurance and for encumbrances. Also, actuarially determined contingent liabilities will be expensed as they are identified.

The status of the current assets to adequately meet the above goal will be determined by the Finance Director at the end of the fiscal year utilizing the audited financial statements and most recent actuarial valuation.

**SPENDING AUTHORITY**

In cases of unanticipated insurance events, the City Manager is authorized by the City Commission to spend up to a maximum of 20% of the current assets in accordance with the City's Purchasing Policies. A financial accounting of such spending will be submitted to the City Commission by the City Manager through the quarterly monitoring report prepared for the Audit and Finance Committee.

## **RENEWAL/REPLACEMENT CURRENT ASSETS**

The original increase in current assets required due to the adoption of this policy will be accomplished by the end of Fiscal Year 2010.

Once the original reserve levels have been met, any future increases in current assets due to an actuarial review of the self-insurance program will be funded over the next three fiscal years.

In those cases where current assets are drawn down due to an unanticipated insurance event, the assets will be replenished over the next three fiscal years.

## **POLICY IMPLEMENTATION AND AMENDMENTS**

This reserve policy has been adopted by the Gainesville City Commission. Any amendments to this policy must be similarly approved by the Commission. The Risk Management 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.

**CITY OF GAINESVILLE**  
**GENERAL GOVERNMENT**  
**BUDGET ADMINISTRATION POLICY**

**GENERAL PRINCIPLES**

The budget is the primary financial planning tool for the City. It is used to set forth the City's estimates of resources available to fund services and to specify the way in which those resources will be applied.

Like any plan, the budget must be carefully monitored as the year progresses so that material variances are identified and corrective action taken. Further, since no plan will prove to be an absolutely accurate prediction of future events, management must have sufficient flexibility to make adjustments during the year that do not materially alter the general intent of the City Commission when adopting the budget.

This Policy is intended to provide flexibility, to establish adequate controls through budget monitoring and periodic reporting, and to ensure that the overall distribution of resources achieves the results contemplated by the City Commission.

**ROLES AND RESPONSIBILITIES**

**CITY COMMISSION**

The City Commission establishes policies regarding service levels and priorities that provide guidance to management in preparing the recommended budget. Through its legislative authority to approve and adopt the budget, the Commission ensures that the budget reflects those policies. It also reviews budget compliance and approves budget amendments throughout the year.

**AUDIT AND FINANCE COMMITTEE**

The Audit and Finance Committee acts on behalf of the Commission to review budget monitoring reports and recommended amendatory budget ordinances throughout the year to ensure compliance with the adopted budget and City Commission policies.

**ADVISORY BOARDS AND COMMITTEES**

Advisory Boards and Committees render advice to the City Commission and management regarding the establishment of service level priorities and must submit annual work plans that outline any budgetary requests for City Commission consideration.

**CITY MANAGER**

The City Manager is responsible for proposing to the City Commission a balanced budget that is consistent with established service level priorities and sound business practices, and for establishing a system for the preparation, execution, and control of the budget that provides reasonable assurance that the intent of this policy is met.

**CITY AUDITOR**

The City Auditor provides assurance to the City Commission, through the expression of a professional opinion, that the projected General Fund revenues adopted by the budget resolution and/or ordinance are within reasonable parameters.

**CITY ATTORNEY**

The City Attorney is responsible for preparing the budget ordinance in a form consistent with all legal requirements.

**CLERK OF THE COMMISSION**

The Clerk is responsible for maintaining records of all City Commission proceedings relating to the budget, including all documents filed as part of those proceedings.

**STATEMENT OF POLICY**

**1. GENERAL**

This Policy is intended to require that systematic procedures be used in the development, review, adoption, monitoring, and revision of the budget, and to set forth the general nature of those procedures. The City Manager shall establish, maintain and revise such detailed procedures as appropriate.

**2. BUDGET CALENDAR**

A budget calendar shall be provided to the City Commission each year at the beginning of the budget process. The calendar shall set forth, at a minimum, dates for the following:

- Review, discussion, and adoption of service level priorities by the City Commission
- Submission of work plans and funding requests by advisory boards and committees
- Presentation of the City Manager's proposed budget to the Commission, which shall be no later than the end of the first week in July, except in the second year of the biennial budget
- Actions of the City Commission required by law



### **3. FORM AND CONTENT OF THE CITY MANAGER'S PROPOSED BUDGET**

The City Manager's proposed budget shall be presented in a form which is sufficient to allow the City Commission to review:

- Projected revenues by major category within and across all funds
- Operating expenditures and disbursements by fund, department and program
- Staffing levels
- Summary of all personnel changes (new positions, reclassifications, etc.) with assigned job titles
- Capital improvement expenditures by project

Comparisons with the preceding year's actual results and current year's projected results shall be provided for each category of revenue and expenditure shown in the budget. The Proposed and Adopted Financial and Operating Plan shall include a description of the service levels to be provided, a statement of changes to the service levels as compared to the current year, and accompanying departmental performance measures under the proposed budget and a five-year General Fund financial forecast.

### **4. ADOPTION OF THE BUDGET**

The budget shall be prepared on a biennial basis, and the City Commission shall adopt the budget, in the form and on the schedule required by Florida Statutes.

### **5. BUDGET AUTHORITY OF THE CITY MANAGER**

The City Manager shall have the authority to amend appropriations within and among the various departments and projects within a fund, except the Law Enforcement Contraband Forfeiture Trust Funds, consistent with legal requirements, in order to achieve the general objectives contemplated in fund level budgets.

Interfund transfers (except for short-term loans and their settlements) and intrafund transfers within the Law Enforcement Contraband Forfeiture Trust Funds require prior approval of the City Commission. No expenditures may be made from the undesignated, unreserved fund balance of a fund or from City Commission Contingency without an appropriation by the City Commission except as authorized in the General Fund Reserve Policy and in specific purpose funds.

In those cases where a fund is established for a specific purpose (e.g., Downtown Parking Garage Construction Fund), the City Manager shall have the authority to expend available but unappropriated revenues recognized in the fund (e.g., interest income, donations, etc.) to accomplish the specific purpose for which the fund was created. These revenues and expenditures will be incorporated in a subsequent amendatory budget resolution and/or ordinance.

The City Manager shall have the authority to reasonably deviate from the budgeted personnel schedule, within the parameters set forth in Personnel Policy No. 3. But, at

no time will the number of permanent, full-time employees authorized by the City Commission in the adopted budget be exceeded without City Commission approval.

**6. BUDGET AMENDMENTS BY THE CITY COMMISSION**

The City Commission may from time to time approve amendments to the adopted budget. All budget amendments approved during the year must be balanced and adopted in a manner consistent with Florida Statutes.

**7. BUDGET AMENDMENTS DUE TO ADVISORY BOARD OR COMMITTEE RECOMMENDATIONS**

Advisory Boards and Committees (e.g., Pension Advisory Boards) that make recommendations which mandate expenditures of dollars (for all operating funds, including the General Fund) outside of the budget process will be required to submit a fiscal impact analysis to the full City Commission for review with their recommendation. The analysis will identify the budgetary impact for all funds affected by their recommendation.

**8. AUTOMATIC ADJUSTMENTS AND REAPPROPRIATIONS**

- Outstanding encumbrances – the new year's budget will automatically be adjusted to incorporate the encumbrances carried forward from the prior year.
- Unfinished multiple year projects – the unfinished multiple year project budget will automatically be reappropriated.

**9. BUDGET MONITORING AND REPORTING**

The City Manager shall prepare and submit to the Audit and Finance Committee, a quarterly budget compliance report in substantially the same form as the final budget document, for all major operating funds, including the status of General Fund fund balance. With the report, the City Manager shall provide recommendations to the Committee regarding any action that should be taken by the City Commission to amend the budget. The Audit and Finance Committee shall report its recommendations to the City Commission on matters of this kind.

**THIS POLICY TO CONTROL**

This policy supersedes and replaces all previous budget policies adopted by the City Commission, which are hereby rescinded.

**CITY OF GAINESVILLE**  
**GENERAL GOVERNMENT**  
**DEBT MANAGEMENT POLICY**

**OVERVIEW**

This debt management policy is adopted by the Gainesville City Commission to assist the government in meeting its goals and objectives by contributing to the ongoing financial health and stability of the organization. It facilitates access to the debt markets to meet both scheduled and unscheduled needs, assists the organization in controlling the types and levels of outstanding obligations, and provides a framework within which each potential issuance can be evaluated.

This debt management 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:

- Guides the City in policy and debt issuance decisions
- Assists the City in maintenance, acquisition and replacement of appropriate capital assets for present and future needs
- Promotes sound financial management
- Enhances the City's credit rating

**PURPOSES FOR DEBT ISSUANCE**

The City may issue debt for the purposes of:

- constructing or acquiring capital improvements
- 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
- generating a net economic benefit for the City

The City has a Capital Improvement Plan that is adopted by the City Commission as part of the City's biennial budget process. Projects included in the Capital Improvement Plan incorporate the priorities and needs identified in the Capital Improvement Element of the City's Comprehensive Plan. 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.

## **DEBT STRUCTURE**

### **TERM**

Debt issued to finance capital improvements will be amortized over the lesser of the estimated useful life of the improvements or 30 years, taking into account the City's overall debt structure at the time of issue.

### **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. Interest will not be funded (capitalized) beyond three years.

### **DEBT SERVICE STRUCTURE**

Debt will be structured to achieve the lowest possible net cost to the City given market conditions and the urgency of the capital project. Generally, debt repayments shall be structured to achieve relatively level debt service. To the extent possible, the repayment schedule should permit rapid recapture of the City's credit capacity for future use. Absent a compelling economic or policy reason to the contrary, the City will structure its payment streams to repay 50 percent of its outstanding principal within 10 years.

### **USE OF DEBT SERVICE FUNDS**

Separate and distinct debt service funds will be used to account for the annual debt service related to each individual debt issuance. The City will establish a debt service reserve when economically feasible or when required by bond covenants.

### **CALL PROVISIONS**

In general, 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.

### **FIXED VERSES VARIABLE DEBT**

The City will, whenever possible, maintain a mix of fixed and variable rate instruments to facilitate asset/liability management. The City will use a target ratio between 20% and 30% variable rate debt, with a maximum of 30%.

### **DERIVATIVE STRUCTURES**

Interest rate swaps, caps, collars, and other financial products can be effective tools to hedge future interest rate risk, reduce financing costs, or take advantage of unique market conditions. 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. Use of hedging instruments would be appropriate to achieve any of the following results:

- To achieve savings as compared to a traditional debt structure available in the bond market
- To achieve diversification within a particular debt offering
- To reduce net interest expense within prudent risk guidelines

- To hedge risk in the context of a particular financing or within the overall asset/liability management structure of the City
- To incur variable rate exposure
- To achieve more flexibility in meeting overall financial objectives than can be produced in conventional markets

The following stipulations will be observed when utilizing derivative instruments:

- Swap counterparties must have at least a AA rating from a nationally recognized rating agency
- The swap term will be no longer than necessary to achieve the hedging purpose for which it was designed
- Positive cash flows resulting from a swap will be set aside to provide a source of funding for potential termination payments
- The Finance Director shall be responsible for negotiating, monitoring and annually reporting the impact of changing market conditions on variable rate instruments
- The value of derivative instruments will be marked-to-market on at least a quarterly basis
- Derivative products will not be employed on a purely speculative basis

## **DEBT LIMITATIONS**

Absent a compelling economic or policy reason to the contrary, the City of Gainesville's total outstanding debt service (principal and interest) will not exceed the lesser of the following:

- 10% of the City's taxable property value, or
- \$3,000 in per capita total outstanding debt service, or
- Per capita debt (principal only) will not exceed 6% of per capita income.

Absent a compelling economic 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.

These restrictions will be tested prior to any new debt issuance and will be based on the most recent available data. Any deviations from the criteria for compelling reasons will be fully documented.

## **TYPES OF DEBT**

### **LONG-TERM DEBT**

The City may issue long-term debt for capital improvements that are not to be financed from available sources or in such cases where it is more equitable to finance such improvements over their useful lives. Absent specific legislative authority, long-term borrowing will not be used to finance current operations or normal maintenance. 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**

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 the County. Permissible short-term instruments include tax anticipation notes, bond anticipation notes, and revenue anticipation notes.

**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 costs associated with issuing these bonds are low and the City can benefit from the strength of the state's credit.

**INTERFUND BORROWING**

Interfund borrowing to finance capital projects will be approved on a case-by-case basis as appropriate and is subject to approval by the City Commission.

**TAX INCREMENT FUND FINANCING**

The City may in conjunction with the Community Redevelopment Agency issue debt to fund improvement projects in Tax Increment Fund districts.

**LEASE OBLIGATIONS**

The City may enter into lease agreements for buildings, land, or any other purpose when financially feasible.

**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 strive to maintain a rating equivalent to an "A" or better from one or more of the major rating agencies. The City will notify the rating agencies immediately of any material change in the City's financial condition.

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.

## **DEBT REFUNDINGS**

City staff and advisors will undertake periodic reviews of all outstanding debt to identify refunding opportunities. Within federal tax law constraints, refunding will be considered if and when:

- there is a net economic benefit from the refunding
- when the refunding is necessary in order to modernize covenants essential to operations and management or
- to remove burdensome or detrimental covenants.

In general, outstanding debt may be refunded as long as the net present value savings is equal to or greater than 3% of the refunded obligation's par amount. Refundings that require the payment of additional amounts (negative savings issues) will not be considered unless there is a compelling public policy or legal objective for the issue.

## **DISCLOSURE**

The City complies with all requirements of related federal and state securities laws, rules and regulations, including Securities and Exchange Commission Rule 15c 2-12. 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.

## **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.

### **NEGOTIATED SALE**

The City recognizes that in some instances securities are best sold through negotiation. In consideration of a negotiated sale, the City will assess the following characteristics of the issue:

- Does the structure require a strong pre-marketing effort such as a complex transaction or a "story" bond?
- Does the size of the issue limit the number of potential bidders?
- Is market volatility such that the City would be better served by flexibility in timing a sale in a changing interest rate environment?

### **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.

### **PARTICIPATION IN GOVERNMENTAL FINANCING CONSORTIA**

The City of Gainesville will participate 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. Services provided to the City by the financial advisor include but are not limited to the following:

- Evaluation of proposals submitted to the City by investment banking firms
- Monitoring of marketing opportunities
- Structuring, pricing, and timing of issues
- 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 City shall retain external bond counsel through a multi-year contractual agreement for all City-issued debt. 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. Selection criteria will include extensive experience in public finance issues.

#### **DISCLOSURE COUNSEL**

The City shall retain external disclosure counsel for all public offerings issued by the City. Disclosure counsel is selected through a competitive process and retained under a multi-year contractual agreement. Counsel renders an opinion to the City in connection with each debt issue. That opinion will assert, with certain conditions, that the offering document does 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 sole or 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

#### **INVESTMENT OF DEBT PROCEEDS**

Debt proceeds are invested in permitted investments, as defined in financing agreements, escrow agreements, resolutions, and the City's written investment policy. 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.

#### **INDUSTRIAL DEVELOPMENT REVENUE BONDS**

In order to facilitate the issuance of industrial development revenue bonds for the purpose of financing capital projects as defined by the Florida Industrial Development Financing Act, Part II, Chapter 159, Florida Statutes, the City of Gainesville has adopted the following guidelines.

#### **SUPPORT AND CONSIDERATION OF PROJECTS**

The City Commission will review the existing facilities, resources, and conditions of and in the City of Gainesville with relation to the encouragement of industry and business to locate in the City of Gainesville, and shall use such means as it deems advisable, including the issuance of their industrial development revenue bonds or private activity bonds, to encourage desirable industry and business to locate in the City.

Projects to be considered by the City Commission for financing are set forth in the Florida Industrial Development Financing Act, Section 159.27(5).

**USE OF BOND PROCEEDS TO FINANCE COST OF CAPITAL PROJECTS**

In accordance with the statutes of the State of Florida pertaining to the authorization, issuance and sale of industrial development revenue bonds, the proceeds from the sale of such bonds shall be utilized to finance only the cost of capital projects including, but not limited to, the following:

- (1) The cost of construction;
- (2) The cost of acquisition of property, including rights in land and other property, both real and personal, improved and unimproved; provided that, in the case of tax-exempt bonds, no more than 25% (50% in the case of an industrial park issue) of the proceeds are to be used for the acquisition of land. Land acquired by a public agency relating to an airport, port or mass transit project, provided the land is acquired for noise abatement, wetland preservation, future use or other public purpose and there is no other significant use of the land, would not count against the 25%;
- (3) The cost of demolishing, removing or relocating any buildings or structures on land so acquired;
- (4) The cost of all machinery and equipment, financing charges, interest prior to and during construction, and for a reasonable period after completion of construction, to the extent permitted by applicable law, the cost of engineering and architectural surveys, plans, and specifications;
- (5) The cost of consultant and legal services, other expenses necessary or incident to determining the feasibility or practicality of constructing the project, administrative and other expenses necessary or incident to construction of the project, and the cost of securing the financing for the project; and
- (6) Tax-exempt status would be denied to any obligation issued as part of an issue if any portion of the proceeds is to be used for the acquisition of existing facilities, whether real or personal property. An exception to this rule is provided in the case of an acquisition of an existing building (and the equipment therefore) if (i) the purchaser makes rehabilitation expenditures with respect to any building that exceed 15% of the portion of the cost of acquiring such building (and equipment) financed with proceeds of the issue and (ii) such expenditures are made within 2 years of the date of acquisition of the building or the date on which such obligations were issued. Rehabilitation expenditures need not be financed by tax-exempt bond proceeds but must be incurred by the building's purchaser, his seller or his successor in interest. An exception identical to the foregoing applies to the acquisition of existing equipment, except that rehabilitation expenditures must equal 100% of the acquisition cost financed with proceeds of the issue. Expenditures for building fixtures and expenditures for rehabilitating or replacing existing equipment which was part of an integrated operation contained in the building prior to its acquisition, are included in determining whether the 15% test is satisfied.

In general, the costs as defined above which can be financed with the proceeds of industrial development revenue bonds include land and depreciable or reimbursement capital expenses incurred within sixty (60) days prior to the effective date of the inducement resolution only. No working capital financing or non-depreciable expenditures (other than land) can be included.

#### **PROJECT CRITERIA AND REQUIREMENTS**

The Florida Industrial Development Financing Act Section 159.29 stipulates that in undertaking any project pursuant to the Act, the local agency (City) shall observe the following criteria and requirements in determining the project's compliance with the Act:

- (1) The project, in the determination of the City, is appropriate to the needs and circumstances of, and shall make a significant contribution to the economic growth of the City; shall provide or preserve gainful employment; shall protect the environment, or shall serve a public purpose by advancing the economic prosperity, the public health, or the general welfare of the City, the State of Florida and its people.
- (2) No financing agreement for a project shall be entered into with a party that is not financially responsible and fully capable and willing to fulfill its obligations under the financing agreement, including the obligations to make payments in the amounts and at the times required.
- (3) The ability of the City to cope satisfactorily with the impact of the project and its ability to provide, or cause to be provided when needed, the public facilities, including utilities and public services, that will be necessary for the construction, operation, repair and maintenance of the project or due to an increase in population or other circumstances resulting from the project.
- (4) Any other matter which in the opinion of the City Commission relates to the viability of the project, the financing, the applicant or the security of the bonds, including the method of sale of the bonds and the purchaser or purchasers of the bonds.

To aid in evaluating compliance with (2) and (4) above, the following specific criteria have been developed. These criteria focus on two areas - legal structure and security of the bonds, and financial condition of the applicant.

#### **LEGAL STRUCTURE AND SECURITY OF THE BONDS**

- Bonds must be credit-enhanced with either a letter-of-credit or bond insurance or obligations of the borrower must be rated in the top two categories by a nationally recognized rating service.
- Firms providing the credit enhancement must be rated in the top two categories by one or more nationally recognized rating services.
- Letters of credit provided as credit enhancement must be direct-pay and irrevocable, meaning that the bond trustee can draw on the bank in the event of default without impairment.

- An independent bond trustee must be appointed. This trustee may either be a bank or trust company, possessing requisite trust powers and having a minimum unimpaired capital and surplus of at least \$50 million.
- Nationally recognized bond counsel acceptable to the City must be retained by the applicant.
- The Trust Indenture should provide for the assignment of the potential proceeds of any third party to the bondholder.
- The Trust Indenture should also provide that, prior to the release of funds by the trustee, all environmental approvals and permits be received, all plans be completed, all necessary insurance be obtained.
- With respect to tax-exempt bonds, compliance with Section 144 of the Internal Revenue Code of 1986 (as amended) with respect to the proposed application and investment of bond proceeds and compliance with all procedures and regulations promulgated thereunder. Such compliance must be evidenced in a manner satisfactory to bond counsel.

#### **APPLICANT FINANCIAL CONDITION**

In determining the financial responsibility of the applicant, consideration shall be given to the following:

- Ratio of current assets to current liabilities
- Net worth
- Earning trends, i.e. profitability in three of the last five years
- Coverage of all fixed charges

#### **FEE STRUCTURE**

Fees include a non-refundable \$1,000 application fee due and payable with the application for the issuance of the City's industrial development revenue bonds. If the bonds are approved, this application fee will be credited against a total fee of \$1 per \$1,000 in principal issued.

Additionally, the applicant will pay all expenses incurred or incident to the processing of the application and issuance of the bonds if not otherwise paid from the proceeds of the sale of the bonds. This will include all reasonable City fees and expenses, including all charges for services provided by the City such as bond counsel and financial advisor.

#### **WAIVER**

The City Commission reserves the right to waive, modify or add to any of the above guidelines for industrial development revenue bonds upon good cause shown by City personnel or by any applicant for any proposed bond issue, provided, however, that such waiver, modification or addition shall be consistent with the provisions of Florida law and the Code relating to the issuance of industrial development revenue bonds.

## **POLICY IMPLEMENTATION AND AMENDMENTS**

This debt management policy has been adopted by the Gainesville City Commission. Any amendments to this policy must be similarly approved by the 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.

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**CITY OF GAINESVILLE**  
**GENERAL GOVERNMENT**  
**CAPITAL IMPROVEMENT PLANNING POLICY**

**PURPOSE**

The purpose of General Government's Capital Improvement Planning Policy is to:

- Facilitate the timely construction, replacement and maintenance of City-owned capital assets and provide a framework for developing, maintaining and funding the capital needs of General Government.
- Inform the public regarding future needs and the timing of projects of the City.
- Enhance the City's credit rating by anticipating needs, thus avoiding the adverse fiscal impact of unforeseen emergencies and maximizing the potential use of intergovernmental funding.
- Ensure General Government's future service delivery by developing a pay-as-you-go funding basis for asset replacement and maintenance; after the initial funding phase of 30 years or less, the funding for all asset replacements and maintenance is on hand and available as needed.

**DEFINITIONS**

**CAPITAL ASSETS**

Major assets of the City, including but not limited to infrastructure, land, buildings, roads, parks, rolling stock, and equipment.

**CAPITAL BUDGET**

The portion of the CIP funding strategy adopted during each budget process to carry out the projects in the CIP occurring during the budget cycle.

**CAPITAL EXPENDITURES**

Material General Government expenditures of two types:

- (1) Infrequent or non-recurring expenditures. These include the following:
  - Acquisition of land
  - Construction or expansion of General Government facilities, such as buildings, streets, parks or other elements of public infrastructure
  - Non-recurring renovation or rehabilitation of a facility costing more than \$25,000

- Major repairs costing more than \$25,000 that extend the useful life of an asset by 5 years or more
  - Any individual item costing more than \$25,000 and having a life expectancy of 5 years or more
  - Design work or a planning study related to an individual project to be undertaken within five years of the current budget year
- (2) Items or repairs which are individually less than \$25,000 but which are typically purchased in large quantities and are planned expenditures, either recurring or infrequent:
- Vehicles or other equipment with a life expectancy of 5 years or more and a total annual replacement cost exceeding \$25,000. An example would be the annual replacement of fleet items such as police vehicles.
  - Computer equipment, systems, and system software that must be replaced on a periodic basis with a total annual replacement cost exceeding \$25,000. An example would be the annual personal computer replacements through General Government's Computer Services Department.
  - Repairs with a cumulative cost of more than \$25,000 and a life expectancy of 5 years or more. An example would be the replacement of carpet in three City buildings at one time, where the total cost for the three buildings exceeds \$25,000.

#### **CAPITAL IMPROVEMENT PLAN (CIP)**

The 5-year strategic capital plan adopted by the City Commission and updated with each budget process. It is the mechanism for coordinating capital needs and the impact of those capital needs on operating budgets. The CIP details specific projects to be undertaken during the ensuing five years and the funding strategy for each project.

#### **FINANCING OPTIONS**

Capital improvement financing options are comprised of the following:

- any allowable long-term debt structures enumerated in the City's debt policy
- any allowable short-term debt structures enumerated in the City's debt policy
- internal financing through on-hand resources
- intergovernmental grants
- contract or lease obligations
- privatization of service delivery
- any combination of the above

#### **POLICY**

The City will establish capital reserves sufficient to enable pay-as-you-go funding for the timely capital maintenance, renovation and/or replacement of existing assets of the General Government. Such reserves shall be fully funded by September 30, 2036. Once fully funded, reserves will be maintained on a fully funded, pay-as-you-go basis.



The City Commission shall adopt a fully funded 5-year CIP and a Capital Budget during each budget process. The City shall fund the acquisition and construction of new capital assets using the best financial methods available at the time capital needs are identified. Whenever an additional asset is acquired or placed in service, the amortized replacement or maintenance cost of the asset shall be added to the pay-as-you-go annual funding amount.

The City shall inventory the services General Government currently provides, the assets used to provide those services, and the recognized needs for planned future services to determine the following:

- (1) demands for maintenance, repair, rehabilitation or replacement needs of current facilities
- (2) adequacy of existing facilities to meet anticipated future needs, consistent with the considerations identified in the City's Comprehensive Plan

The initial inventory of capital assets shall be completed during fiscal year 2006 or as soon thereafter as practicable; shall be updated no sooner than every five years but no later than every ten years; and shall establish the needs and conditions to be addressed in the General Government's Capital Improvement Plan.

The City shall pay for capital expenditures using the most prudent financial methods, given the City's resources and market conditions at the time payment is required. Any financing of capital expenditures, other than privatization or use of intergovernmental revenues, will comply with the City's Debt Management Policy. Privatization of services may be chosen as an alternative if approved by the City Commission. The City shall establish a 70/30 debt/internal funding target ratio for the Capital Improvement Plan, and the Capital Budget shall be developed in accordance with this goal.

### **CITY MANAGER RESPONSIBILITY**

The City Manager is authorized to implement this Policy and shall do the following:

- Present funding alternatives for consideration by the City Commission to fund the capital reserves within the 30-year time frame
- Present a fully funded 5-year CIP and Capital Budget consistent with this Policy. This shall commence within 18 months after the completion of the initial inventory of assets and shall thereafter be done as part of each budget process.
- Ensure that capital improvements are made in accordance with the adopted CIP and Capital Budget consistent with this Policy
- Develop administrative procedures to enable staff to carry out the purposes of these policies
- Bring to the City Commission for consideration any amendments or additions to the CIP prior to the next ensuing budget process if necessary

