

- 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 or the execution of derivative transactions . 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.

This debt management policy is intended for internal use by, and to provide guidance for, the City and its professional staff. Nothing contained in this debt management policy shall be deemed to alter, affect the validity of, or modify terms of, or impair any contract or agreement made or entered into in violation of, or without compliance with, the provisions hereof.

Debt policy 2005 with bond counsel revisions

**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