City of Alpine

Financial Policy

The City has an important responsibility to its citizens to carefully account for public funds, prudently manage municipal finances, and to plan for the adequate funding of services desired by the public. These financial policies enable the City to achieve a long – term stable and positive financial condition by exercising integrity, prudence, responsible stewardship, planning, accountability, and full and continuous disclosure.

A. REVENUES

Property Tax: All taxable property within the City is subject to the assessment, levy, and collection by the City of a continuing, direct annual ad valorem tax. The ad valorem tax is sufficient to provide payment of principal and interest on all ad valorem tax debt and for operations and maintenance costs as allowed by V.T.C.A. Tax Code § 302.001 (c). An average collection rate of at least 98 percent of current levy shall be maintained.

Sales Tax: The State imposes a 6.25 percent sale and use tax on all retail sales, leases and rentals of most goods, as well as taxable services (a list of taxable services is provided on the State Comptrollers website). Local taxing jurisdictions (cities, counties, special purpose districts and transit authorities) can also impose up to 2 percent sales and use tax for a maximum combined rate of 8.25 percent. The City of Alpine imposes 1.5 percent and Brewster County imposes the other .5 percent for a total of 2 percent. Collection and enforcement of the City's sales tax is handled through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax to the City on a monthly basis, after deduction of a two percent service fee.

Donations/Contributions: Donations from individuals and/or groups are managed in accordance with intended use and restrictions. Assets donated or dedicated to the city are managed as directed by City Council. Assets are to be recorded at estimated fair market value at time of transfer.

Interest Earnings: Investments are managed in accordance with the City of Alpine Investment Policy.

Grants: The City applies for grants that are consistent with the objectives and high priority needs identifies by the City Council. The potential for incurring ongoing costs, including the assumption of support for grant funded positions from local revenue, will be considered prior to applying for a grant. The City recovers indirect costs whenever possible. All grant applications are reviewed for their cash match requirements, their potential impact on the operating budget, and the extent to which they meet City policies. Funding sources for local matches will be identified prior to the application process. The City terminates grant funded programs and associated positions when grant funds expire unless an alternate funding source is identified.

Hotel/Motel Occupancy Tax: Hotel/Motel Occupancy tax is 13 percent of the cost of a room night for hotels, motels, bread and breakfasts, and AirBnb's within the City. There is an amount of six percent that is remitted to the State of Texas and seven percent that is remitted to the City. Hotel/Motel taxes are allocated in accordance with Chapter 90, Article III, Section 90-86 – 90-98 of the City Ordinances. A detailed allocation is provided in the Operating Budget. Changes to this allocation must be approved by City Council.

Enterprise Funds: Enterprise funds are self – supporting from their own source rates, fees, and charges. Cost recovery includes direct operating and maintenance expense, indirect cost recovery, in – lieu of transfers to the General Fund for property taxes and franchise fee payments, capital expenditures and debt service payments, where appropriate. Rate models are maintained to identify all sources and uses of funds and provide a 10-year planning tool for rate setting. Rate increases are proposed for consideration to City Council during the annual budget process.

Collections: The City utilizes a collection firm to collect delinquent property tax revenues. City Council reviews annual the progress of collections.

Uncollectible Debts – Account Write Off: The City shall monitor payments due to the City (accounts receivable) and periodically write-off accounts where collection efforts have been exhausted and or/collection efforts are not feasible or cost effective.

One-Time/Unpredictable Revenue Sources: One-time, unpredictable revenue sources should not be used for ongoing expenses/expenditures. One-time, unpredictable revenue sources will be used for one-time purchases such as increased in fund balance requirements, capital equipment purchases, capital improvements, etc.

Other Revenue Collections: The City monitors and minimizes administrative costs necessary to generate revenues. Delinquent accounts and insufficient checks are turned over to an outside collections agency for collection. As collections are made, the collection agency remits the payments (net of fees) to the City. If insufficient checks are uncollectable, they are returned to the City and turned over to the District Attorney's office for collection. Collection efforts for overdue payments are pursued to the fullest extent of the law.

B. EXPENDITURES

The City operates on a current funding basis. Expenditures are budgeted and controlled so as not to exceed an amount equal to current revenues plus the planned use of appropriable net position accumulated through prior years savings. (Appropriable net position is guided by the Appropriable Net position policy in section C.)

City staff and City management review expenditures on a monthly basis, at a minimum, to ensure that expenditures track budget projections. If at any time operating deficit exists or is projected, corrective action will be recommended. Corrective action may include, but is not limited to, a hiring freeze, expenditure reductions, fee increases, or use of fund balance.

Expenditure deferrals to the following fiscal year, short-term loan, or use of one-time revenue sources will be avoided as attempts to balance the budget.

Purchasing

Purchasing functions include two important aspects:

1. The control aspect or commitment to full compliance with State purchasing statutes, which serve to maintain the public's confidence and trust in all contracting activities.
2. The service commitment of the Finance Department to each City Department.

Purchasing Methods

1. Routine Purchases – Departments may issue purchase orders for all allowable purchases on behalf of the City of Alpine. Purchases must include all necessary documentation to process. Documentation includes, but not limited to, quotes, purchase orders, invoices, tear sheets, contracts, copies of minutes, City reimbursement/travel forms, and all authorized signatures.
    a. | Amount | Approval Requirements |
       |---|---|
       | \$0 - \$2,500 | Department Director or Director Designee |
       | \$2,501-\$10,000 | Department Director, Finance Director (and three quotes) |
       | \$10,001 – \$50,000 | Department Director, Finance Director and City Manager (and three quotes) |
       | \$50,001 + | Department Director, Finance Director, City Manager and City Council |

    b. Departments may make purchases for which there is an approved budget and when the item does not require technical or administrative review by specific departments (i.e. computer hardware and software, radio equipment, telecommunication equipment, fleet vehicle/equipment supplies and services, printing/ reproduction services).

2. Credit Card Purchases– Purchases using City issued credit cards are subject to procedures outlined in the Credit Card Policy adopted and reviewed by City Council.
3. The City of Alpine will follow the State of Texas Purchasing and Procurement laws that pertain to cities competitive bidding procedures under V.T.C.A. Local Government Code Chapter 252.

4. The City Manager shall obtain prior authorization for payment of any bill or obligation owed by the City that has not been previously approved in the City's budget.

5. Emergency Purchases – An emergency condition creates an immediate and serious need for materials, services, or construction that cannot be met through normal procurement methods and that seriously threatens the functioning of the City or the protection of property or the health or safety of any person. In order to qualify as an

emergency purchase, one of the following conditions must apply, as provided by Section 252.022 of the TLGC, as amended:

1. A procurement made because of a public calamity that requires the immediate appropriation of money to relieve the necessity of the municipality's residents or to preserve the property of the municipality.
2. A procurement necessary to preserve or protect the public health or safety of the municipality's residents; or
3. A procurement necessary because of unforeseen damage to public machinery, equipment or other property.

Department supervisors or designees may purchase goods or services and then follow up later with purchases orders describing the emergency along with an invoice(s) indicating the receipt of goods or services.

When an emergency has been declared that qualifies for reimbursement under the Federal Emergency Management Agency (FEMA), the Finance Department will be notified. The Finance Department will assign the emergency subsidiary accounts and apply all purchases under the appropriate accounts. Department heads are responsible for including the appropriate emergency subsidiary account for any items directly related to the emergency.

Additional information regarding purchases may be found in the Purchasing Policy.

C. Financial Conditions, Reserves, and Stability Ratios

Fund Balance Net Position – when fund resources exceed uses, the result is fund balance accumulations for governmental funds and net position for proprietary funds. Reserves are maintained in fund balances/net position, at levels sufficient to protect the City's creditworthiness and to provide contingency funds in the event of emergency and/or unforeseen cash outlays. City Council may create reserves by taking action to set funds aside for a specific purpose or according to legal restrictions on the use of assets. Designation of fund balance/reserves are made when the appropriate level of management requests an amount, purpose, and timeframe for the designation. Designations are not authoritative and may not be reallocated at any time. Reserves require City Council action to reallocate.

Reserve accounts will be implemented over a two (2), three (3) year, or five (5) year period. The first year 1/12 of the annual revenue will be moved to the reserve account from each established fund. Funds will be transferred in February of each year, if permitted. In years two (2), three (3), four (4), and five (5) the same 1/12 of the annual revenue will be moved. The following years the reserve account will be maintained at the established percentage.

1. General Fund – City targets an unrestricted fund balance in an amount equal to at least 10 percent of the regular General Fund operating revenues to meet unanticipated contingencies and fluctuations in revenue.
    a. GF – Contingency reserve – the City targets to maintain a three (3) percent (of the annual revenue) contingency fund for emergency purchases.

2. Water/ Wastewater/ Solid Waste Funds – the City targets appropriable net position in the Water and Wastewater funds in the amount equal to 15 percent of regular operating revenues. A rate model shall be established and reviewed in order to properly project revenues, operating and capital disbursements, debt service requirements, and transfers in/out. The model determines the rate necessary to yield the targeted ending balance and possible future rate increases.
    a. The City targets to set aside 2 percent of the annual revenue from Water and Wastewater annually for capital infrastructure improvements.
    b. The City targets to set aside 2 percent of the annual revenue from Solid Waste annually for the purpose of covering the City's landfill sites when solid waste is no longer accepted and to perform certain maintenance and monitoring functions at the site.

3. Gas Funds – the City targets appropriable net position in the Gas funds in the amount equal to 15 percent of regular operating revenues. A rate model shall be established and reviewed in order to properly project revenues, operating and capital disbursements, debt service requirements, and transfers in/out. The model determines the rate necessary to yield the targeted ending balance and possible future rate increases.
    a. The City targets to set aside 2 percent of the annual revenue from the Gas funds for the purpose of capital improvements.

4. Airport Fund – City targets appropriable net position in the Airport fund in the amount equal to 10 percent of the regular operating revenues to meet capital project needs.

5. HOT Fund – the City targets to set aside 2 percent of the annual revenue from HOT funds for the purpose of capital improvements.

6. Interest and Sinking – the City targets appropriable net position in the Interest and Sinking in an amount equal to 2 percent of regular operating revenues.

Self – Insurance Health Fund – Prior to October 2020, the City's health insurance plan-was self – insured under Texas Municipal League IEBP. In October 2020, the City switched to a fully funded health insurance program and directly charges departments and employees for health insurance coverage. The fund is no longer funded through City and employee contributions. The Self-Insurance Health Fund is being utilized to cover the premiums and claims of the Health Reimbursement Arrangement (HRA) program established in October 2020 for employees.

Investments – The City's principal investment objectives are:
1. Compliance – with all Federal, State, and other legal requirements (includes but is not limited to Chapter 2256 "Public Funds Investment Act" as amended and Chapter 2257 "Public Funds Collateral Act" as amended, of the Texas Government Code.)
2. Safety – Preservation of capital and protection of investment principal.

3. Liquidity – Maintenance of sufficient liquidity to meet anticipated disbursements and cash flows.
4. Diversification – Maintenance of diversity in market sector and maturity to minimize risk in a particular sector.
5. Yield – Attainment of a market rate of return equal to or higher than the benchmark performance established by the Investment Committee.

The City has a formal written investment policy that is reviewed annually and approved by City Council. The Investment Committee meets annually to monitor investment policies and results. Written reports are provided to Council on a quarterly basis.

Retirement Plans – Each qualified employee is included in the City's retirement plan – Texas Municipal Retirement System. TMRS is a statewide agent multiple -employee retirement system that provides pension benefits through a nontraditional joint contributory, defined contribution plan. The City does not maintain accounting records, hold the investments or administer the fund. Funds are appropriated annually to meet the actuarially determined funding levels of the plan. The City also provides qualified volunteer firefighters with retirement through the Texas Emergency Services Retirement System. TESRS maintains accounting records, holds investments and administers the fund.

Inventories – Inventories in Enterprise funds consist of expendable supplies held for consumption. Inventories are valued at cost using the average cost method of valuation and when issued, it is accounted for using the consumption method. The targeted inventory turnover ratio is set at 2 times. Therefore, if an inventory item is not sold and replaced 2 times during a year, it is evaluated to determine if there is sufficient need to keep the item in stock.

D. Budget Appropriation/Control

Budget controls are designed to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Activities of the General Fund are included in the annual appropriated budget. Financial plans are adopted for capital program funds. The City follows all State, Federal, and Charter guidelines in the development of the City's budget.

A budget amendment/supplement must be approved by City Council, if actual expenditures will exceed total budget. Fund appropriations of the City Council are allocated to programs, offices, departments, divisions, and projects by the City Manager.

The City's budget is adopted annually. Each department develops and maintains a mission to implement City Council goals and objectives. Performance benchmarks and activity measures are developed as part of the budget process that measure and track actual performance to budget benchmarks. When performance measures are developed, resources necessary to achieve the performance are estimated and submitted to the City Manager for review and modification.

The City Manager submits to City Council a proposed operating budget and capital program for the upcoming fiscal year. Public hearings are conducted to obtain taxpayer comments, and budget is legally enacted through passage of an ordinance by the City Council.

Control of expenditures is accomplished administratively through City Council adopted budget ordinances. Departmental budgets are reviewed monthly with management. The Finance Department prepares the monthly Revenues/Expense report to advise the City Manager and City Council.

E. Accounting, Auditing, and Financial Reporting

Basis of Accounting - The Financial states of the City conform to generally accepted accounting principles (GAAP) of the Governmental Accounting Standards Board (GASB) and recommended practices adopted by Government Finance Officers Association (GFOA).

Additional information regarding accounting procedures may be found in the Accounting Policy.

Internal Control - The City is responsible for establishing and maintaining an internal control structure designed to provide reasonable, but not absolute, assurance that the assets of the City are protected from loss, theft, or misuse.

External Auditing – The City is audited annually by outside independent auditors. The auditors must be a CPA firm that has the breadth and depth of staff to conduct the City's audit in accordance with GAAP and contractual requirements. The auditor's report on the City's financial statements must be completed in sufficient time such that it may be presented to the City Council at a Council meeting in March following the fiscal year end.

F. Capital Assets and Improvements

Annually review and monitor the state of the City's capital equipment and infrastructure, setting priorities for its replacement and renovation based on needs, funding alternatives, and availability of resources.

Capital Improvement Projects – Within the resources available each fiscal year, the City shall maintain capital assets and infrastructure at a sufficient level to protect the City's investment to minimize future replacement and maintenance costs, and to maintain service levels. As part of the annual budget process, the City reviews a projected five – year need for capital improvements and equipment, the current status of the City's infrastructure, replacement and renovation needs, and potential new projects. When projects are contemplated, related costs such as operations and maintenance costs are evaluated along with capital expenditures to assess affordability prior to proposal of the projects. All operation and maintenance costs are required to be included in any capital project proposal. All projects, ongoing and proposed, will be prioritized based on an analysis of current needs and resource availability. Capital project appropriations are approved on a project length basis.

Capital Project Funds are used to accumulate resources to construct, install, or purchase new assets. The also enhance or improve existing facilities. Capital Projects must have a cost of $50,000 or more and generally have a life of five or more years. Capital summaries include the projects and funds necessary over the next five years as part of the overall long-term capital planning. Major sources of funding for capital projects are contributions from operating funds, debt issuance, Federal and State grants, and surpluses in fund balances/net position.

Project costs are capitalized and added to the City's Fixed Assets. If a project does not meet the criteria for capitalization, the costs will be treated as operating expenses and expensed as incurred.

Fixed assets are reported in the Government Wide Financial Statements and the proprietary fund statements. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated assets are recorded at the estimated fair value on the date of donation.

Capital Replacement Policy – The City shall annually prepare a schedule for the replacement of its non-infrastructure capital assets and replace those assets within the resources available each fiscal year.

Financing – the City utilizes any of three basic methods for financing capital projects:

1. Funds may be budgeted from current revenues.
2. Purchases may be financed through surplus unreserved/undesignated fund balance.
3. Debt may be issued. (Items financed with debt must have useful lives that are less than the maturity of the debt).

G. Debt

Establish guidelines for debt financing that will provide needed facilities, land, capital equipment, and infrastructure improvements while minimizing the impact of debt payments on current and future revenues.

Use of Debt Funding: Debt financing, to include general obligation bonds, revenue bonds, certificates of obligation, certificates of participation, lease/purchase agreements, and other obligations permitted to be issued or incurred under Texas law, shall only be used to purchase capital assets that cannot be prudently acquired from either current revenues or fund balance and to fund infrastructure improvements and additions. Debt financing is utilized to better ensure inter-generational equity by spreading payments of assets and infrastructure over their useful lives. Debt will not be used to fund current operating expenditures.

The City will pay cash for capital improvements within the financial affordability of each fund versus issuing debt when funding capital expenditures and capital improvements, which shall include, but not limited to, sales tax, general fund one-time revenues, utility and airport system revenues, developer fees, inter-local agreements, and state and federal grants.

Affordability: The City shall use an objective analytical approach to determine whether it can afford to issue general-purpose debt, both General Obligation and Certificates of Obligation, water/sewer debt, sales tax revenue debt, and any other financing permitted by State law. The process shall include an internal feasibility analysis for each long-term financing which analyzes the impact on current and future budgets, which would include the tax and utility rates. The process shall also include the benefits of the proposed projects. The decision on whether or not to issue new debt shall be based on the benefits of the project, current conditions of the municipal bond market, and the City's ability to "afford" new debt.

In no case will the City issue general obligation debt that will require a debt service tax rate of $1.50 per $100 assessed valuation, based on a 90% collection rate, which is the maximum tax rate permitted by State law.

Types of Long-Term Debt:

1. **Certificates of Obligation (CO's)** - Certificates of Obligation may be issued without voter approval to finance any public works project or capital improvement, as permitted by State law. It is the policy of the City to utilize Certificates of Obligation to finance public improvements in limited circumstances and only after determining the City's ability to assume additional debt based on the standards identified above. CO's may not be issued to fund projects that have failed to be approved by voters in a General Obligation bond proposition for the same purpose within the preceding three years (Local Government Code 271.047 (d)- HB 1378 84th legislature).

   Given restrictions on the issuance of CO's, publication and notice requirements and increased transparency to residents, the issuance of CO's shall be reserved to limited circumstances. CO's must follow notice requirements under Local Government Code 271.049, be published once per week for two consecutive weeks with the first publication at least 45 days in advance of the tentative sale date.

   A. Notices must include the following information:
      1. Time and place for consideration of the ordinance to issue the CO's;
      2. Purpose of the CO's;
      3. How the CO's will be repaid- property taxes, revenues, or a combination;
      4. Detail on debt obligations of the City:
         a. Outstanding principal of all debt obligations (secured and paid from property taxes);
         b. Combined principal and interest on outstanding debt obligations;
         c. Maximum principal amount of the CO's to be authorized; and
         d. Estimated combined principal & interest to repay the CO's.
      5. Estimated interest rates for the CO's
      6. 6. Maximum maturity dates for the CO's.

   B. Circumstances in which CO's might be issued include, but are not limited to the following:

    1. The City may issue CO’s when emergency conditions require a capital improvement to be funded rapidly and it cannot wait for the next GO bond election.
    2. The City may issue CO’s for projects when the City can leverage dollars from others (such as county mobility bonds) to reduce the City’s capital cost for a community improvement and it is not prudent to wait for the next GO bond election;
    3. The City may issue CO’s if it would be more economical to issue Certificates of Obligation rather than issuing revenue bonds, such as funding for airport or economic development projects that are self-supporting.

2. **General Obligation Bonds (GO’s) -** General Obligation Bonds require voter approval. In an effort to increase transparency and resident engagement, the City may strive to plan and propose General Obligation Bond packages on a regular cycle. As part of the annual budget and CIP process, staff will identify projects for funding within remaining voter approved GO bond authorization. When projects have been identified for funding that cannot be funded from the voted authorization, the City may begin planning for and call the next General Obligation Bond Election.

    1. Bond Elections
        a. Timing of general obligation bond elections shall be determined by the inventory of current authorized, unissued bonds remaining to be sold and the City’s ability to fund projects in the five-year CIP.
        b. The total dollar amount of bond election propositions recommended to the voters may not exceed the City's estimated ability to issue the bonds within a five-year period after the election passes.
        c. An analysis showing how the new debt impacts the City’s tax rate and debt capacity must accompany every bond proposition proposal in accordance with state law. The analysis will also include the estimated impact on the operations and maintenance portion of the tax rate.
        d. Each GO bond proposition must be consistent with Government Code Sec. 1251.052 (HB 477 - 2019) and include the following information:
            i. The ballot for GO Bonds shall specifically state:
                1. General description of the purposes for the debt;
                2. Total principal to be authorized; and
                3. That taxes sufficient to pay the principal and interest on the debt will be imposed.
            ii. The City must prepare a voter information document for each proposition to be voted on at the election.
                1. The voter information document must distinctly state:

            a. Language to be used on the ballot;
                i. Principal to be issued;
                ii. Estimated interest costs;
                iii. Estimated combined principal and interest; and
                iv. As of the date the election is called:
                    1. Principal of current debt;
                    2. Interest on outstanding debt; and
                    3. Combined principal and interest on outstanding debt.
            b. Estimated maximum annual increase in the amount of taxes that would be imposed on a residence homestead in the city with an appraised value of $100,000 to repay the debt obligations, if approved, based upon assumptions by the City; and
            c. Any other information that the City considers relevant or necessary to explain the information required by this subsection.
        2. The voter information document should include assumptions made in connection with the statements regarding the maximum annual increase in taxes, including:
            a. Assumed amortization of debt – current and proposed;
            b. Assumed changes in future appraised values; and
            c. Assumed interest rates on the proposed debt.
2. General Obligation bonds must be used to accomplish projects identified in the bond referendum and associated material.
3. General Obligation bonds must be used for projects that are consistent with the wording in the bond propositions.
4. In the tax year after a GO bond election, the debt service tax rate is to be adjusted by the projected impact - before any projects from the GO bond election are funded in the CIP. If the tax rate is not adjusted to fully fund approved projects, the projects will not be included in the CIP nor bonds issued. The maintenance & operations tax rate will be adjusted at the time the projects are placed into service.
5. The City will strive to take a GO bond package to the voters on a regular cycle, approximately every five years, or as needed; GO bond

packages shall be structured to provide sufficient funding in each proposition to complete the identified projects.

   a. If a GO bond proposition fails to be approved by voters, the City may not issue Certificates of Obligation to fund projects from the proposition for the next three years (Local Government Code 271.047 (d)).
   b. The City Council may consider placing a proposition back on the ballot for approval by voters within the three-year window, prior to the next scheduled GO bond election.

3. **Revenue Bonds –** For the City to issue new revenue bonds, revenues, as defined in the ordinance authorizing the revenue bonds in question, shall be a minimum of 125% of the average annual debt service and 110% of the debt service for the year in which debt requirements are scheduled to be the greatest. Annual adjustments to the City's rate structures for enterprise funds will be made as necessary to maintain the coverage factor.

   When the City issues CO's for enterprise fund projects, the City shall prepare a five-year financial plan to ensure that the enterprise fund maintains appropriate reserves and coverage requirements.

Debt Structure: The City shall normally issue bonds with a life not to exceed 25 years for general obligation bonds and 30 years for revenue bonds, but in no case longer than the useful life of the asset. The City shall seek level or declining debt repayment schedules and shall seek to retire 90% of the total principal outstanding within 20 years of the year of issuance. There should be no debt structures that include increasing debt service levels in subsequent years, with the first and second year of a bond payout schedule the exception or as special situations may warrant. There shall be no "balloon" bond repayment schedules, which consists of low annual payments and one large payment of the balance due at the end of the term. There shall always be at least interest paid in the first fiscal year after a bond sale and principal payments starting generally no later than the second fiscal year after the bond issue. Normally, there shall be no capitalized interest included in the debt structure except for debt issuances reimbursing developers for infrastructure or in the case in which the project will generate revenue, but it takes a couple of years to produce the revenue. Capitalized interest should normally not exceed 2 years.

Debt Refunding: The City's financial advisor shall monitor the municipal bond market for opportunities to obtain interest savings by refunding outstanding debt. As a general rule, the net present value savings of a particular refunding should exceed 3.0% of the refunded maturities unless:

1. A debt restructuring is necessary; or
2. Bond covenant revisions are necessary to facilitate the ability to provide services or to issue additional debt.

Interest Earnings and Remaining Bond Proceeds: Interest earnings on bond proceeds will be limited to funding changes to the bond financed Capital Improvement Plan in compliance with the voted propositions, cost overruns on bond projects, or be applied to debt service payments on the bonds issued. Issued but unspent bond proceeds may be appropriated for projects consistent with the ballot language after completion of projects identified in the approved bond propositions.

Sale Process: The City shall use a competitive bidding process in the sale of debt unless the nature of the issue warrants a negotiated sale. The City will utilize a negotiated process when the issue is, or contains, a refinancing that is dependent on market/interest rate timing. The City shall award the bonds based on a true interest cost (TIC) basis. However, the City may award bonds based on a net interest cost (NIC) basis as long as the financial advisor agrees that the NIC basis can satisfactorily determine the lowest and best bid.

Underwriting Syndicates: In response to the MSRB Rule G-17, which recognizes that the motivations of an underwriter may not be consistent with the best interest of the City, the City shall refer underwriters to its Municipal Advisor to review potential refunding opportunities. The City's municipal advisor is prohibited from underwriting the City's bonds while under contract with the City for municipal advisory services, and for a period of one year after termination of the municipal advisory contract.

Rating Agency Presentations: Full disclosure of operations and open lines of communications shall be maintained with the rating agencies. City staff, with the assistance of financial advisors, shall prepare the necessary materials and presentation to the rating agencies. Credit ratings will be sought from one or more of the nationally recognized municipal bond rating agencies, currently Standard & Poor's and Fitch Ratings Inc., as recommended by the City's municipal advisor.

Bond Ratings: The City will prudently manage the General and Enterprise Funds and attempt to issue and structure debt to help maintain or increase the current bond ratings.

Covenant Compliance: The City will comply with all covenants stated in the bond ordinance, including providing for annual disclosure information and providing for material event notices.

Direct Borrowings: A direct borrowing is when a government engages in a loan with a lender for funding (e.g. bank, credit union, private mortgage company, etc). A direct placement is when a government issues a debt security directly to an investor.

The City will use lease/purchase agreements or direct borrowing contracts for capital items only when it is cost-efficient and provides for more attractive terms than issuance of bonds. Capital leases and bank loans must be disclosed as debt in the CAFR under GASB Statement No. 88 and should be disclosed to the MSRB through the EMMA website.