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## City Council Regular Meeting

**DEPARTMENT:** Finance

**FROM:** Harlan Jefferson, Deputy City Manager

**MEETING:** June 16, 2025

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**SUBJECT:**

Consider and take possible action on proposed amendments to City Council Policy #32, Financial Policy, and City Council Policy #41, Debt Management Policy. (*Staff Contact: Harlan Jefferson, Deputy City Manager*)

**SUMMARY:**

In July 2023, the City Council adopted the Financial Policy (#32) and Debt Management Policy (#41), to which staff is proposing several amendments. The purpose of these amendments is to reflect current practices, improve clarity, align with legal and regulatory requirements, and strengthen internal controls. The Financial Policy (#32) and Debt Management Policy (#41) serve as foundational documents that guide the City's financial planning, reporting, and debt issuance strategies. The staff has conducted a comprehensive review and incorporated revisions. A summary of the proposed amendments can be found below.

**FINANCIAL POLICY – KEY AMENDMENTS:**

- **Finance Committee:** The meeting frequency was changed to at least four times per year, and Financial Report review was added as a formal responsibility.
- **Legal Compliance:** Updated statutory references related to *auditor qualifications*, *auditor repute*, and *prompt payment* for accuracy.
- **Budget Adoption:** This includes a clarification that if a tax rate is not adopted by September 30, the lower of the no-new-revenue rate or the tax rate for the previous year is deemed adopted as per State Law.
- **Financial Reporting:** The 10 business days' deadline for departmental reports has been removed; the City Council will receive summaries within 30 days of each month's end (30 days for the first quarter).
- **Property Tax Revenues:** Clarified that property will be valued at *fair market value* based on appraisal districts' current-year values.
- **PILOT Calculation:** Based on *total assets* using the most recent audit and tax rate from the same fiscal year.
- **Electronic Transfers:** Replaced "wire transfers" terminology to electronic transfers throughout the policy to include *ACH and bank transfers*; eliminated outdated attachments and delegated authorization oversight to the *Director of Finance*.

- **Debt Service Fund Reserves:** Revised to reflect a *\$1 million reserve target* for General Obligation Debt Service Funds.
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#### **DEBT MANAGEMENT POLICY – KEY AMENDMENTS:**

- **Purpose Statement Expanded:** More explicitly outlines objectives including IRS compliance, maintaining bond ratings, and minimizing borrowing costs.
- **Scope Clarified:** Applies to *all types of City-issued debt* regardless of revenue source.
- **Debt Structuring Guidelines Added:** Prioritizes rapid principal repayment, stability in annual payments, and matching debt term with asset life.
- **Interest Rate Types:** While the City primarily uses *fixed rate bonds*, it may consider *variable rate instruments* with Council approval.
- **Sale Methods Defined:** Details the conditions under which the City may pursue *competitive sales, negotiated sales, or private placements*.
- **Credit Rating Policy Added:** This commits to *timely disclosure*, maintaining good relationships with rating agencies, and obtaining at least one public rating per issuance.
- **Continuing Disclosure:** Formalizes compliance with *SEC Rule 15c2-12* and the City's obligation to report through EMMA.
- **Selection of Financial Advisor and Bond Counsel:** Clarifies *qualifications, roles, and independence* in accordance with MSRB standards.
- **Debt Ratios Updated:** Includes policy targets such as *Net Debt Per Capita* goal of \$3,000 or less, Net Debt to Assessed Value of 3% or less, and Debt Service Tax Rate of 40% or less.

#### **RECOMMENDATION:**

Staff recommends approval of the updates to the policies.

#### **PRIOR ACTION/INPUT (Council, Boards, Citizens):**

On July 10, 2023, the City Council revised the Financial Policy (#32) and adopted the Debt Management Policy (#41).

On April 21, 2025, the Finance Committee reviewed the proposed changes to the policies.

On May 19, 2025, the City Council reviewed the proposed changes to the policies.

#### **REFERENCE:**

N/A

**FISCAL IMPACT:**

Proposed Expenditure/Revenue: N/A

Account Number(s): N/A

Fund: N/A

Account Description: N/A

**STAFF CONTACT:**

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