RESOLUTION NO: 44-2019
A RESOLUTION ESTABLISHING A
DEBT POLICY FOR THE CITY OF MOAB

WHEREAS, The City Manager and Finance Director recommend Council adopt the debt policy for the City of Moab which policy shall guide City officials as they consider the proper use of debt to fund capital projects, and

WHERAS, The primary objective is to establish conditions for the use of debt and to create policies that minimize the City's debt service and issuance costs, retain the highest credit rating, and maintain full and complete financial disclosure and reporting, and

WHEREAS, It is in the best interest of the City of Moab to adopt a debt policy as contained in Exhibit "A" which is attached to this resolution.

NOW, THEREFORE, Be It Resolved by the Council of the City of Moab, Utah.

SECTION 1.

This policy encompasses legal and regulatory requirements, types of permitted debt, how to select the bond type, the "prudent person" rule and planning for debt. The policy states guidelines on issuing debt, financing alternatives, how to use debt derivatives and how to structure and market a debt issue. It also describes the method of sale for debt, debt disclosures, and it outlines debt targets.

The policy establishes a procedure for annual appropriation requirement for debt and how to apply and communicate with credit rating agencies. Lastly, it outlines when to defease debt, as well as how to handle investment of debt proceeds, monitoring covenant compliance, reporting debt obligations and how to manage arbitrage and rebates.

SECTION 2.

City Council having received the City Manager and Finance Director recommendation hereby accepts their recommendation and adopts the debt policy attached hereto and incorporated herein by reference.

SECTION 3.

This resolution shall be in full force and take effect upon its passage.

Passed this 27th day of August, 2019.

MAYOR
Emily S. Niehaus

City of Moab
Resolution No. 44-2019

Sommar Johnson

CITY RECORDER

EXHIBIT A

DEBT POLICY

Introduction
The purpose of this policy is to guide City officials as they consider the proper use of debt to fund capital projects. The primary objective is to establish conditions for the use of debt and to create policies that minimize the City's debt service and issuance costs, retain the highest credit rating and maintain full and complete financial disclosure and reporting. The debt policy is intended to guide the prudent use of resources to provide the needed services to the citizens of the City of Moab and to maintain sound financial management practices. These policies, therefore, are flexible in design to allow for exceptions under changing and extraordinary circumstances.

The City's debt policy is the guideline for City staff to use in issuing debt. The policy will be reviewed on an annual basis by the Finance Director and the City Manager. Any substantive modifications made to the policy must be approved by the City Council.

Legal & Regulatory Requirements
Management responsibility for the City's debt program is hereby delegated to the Finance Director, who will establish written procedures for the operation of the debt program consistent with the Debt Policy.

The Finance Director, upon City Council approval and with consent from the City Manager and City Attorney, will coordinate their activities to ensure that all financings are issued in full compliance with the City's governing statutes and regulations. The Finance Director will select the bond counsel for a bond issue. Bond Counsel will review all documents to the issuance of securities by the City.

Scope
This debt policy applies to debt issued directly by the City and debt issued on behalf of the City. This policy also provides guidelines regarding the execution of capital leases between conduit issuers and the City to finance capital improvements projects.

This debt policy will be all-inclusive of debt issued by the City, but not be limited to: general obligation debt, government purpose revenue debt, economic development related debt, lease obligations, certificates of participation, debt derivatives and all forms of debt having an annual appropriation of City revenues. Additionally, this policy governs the use of any swap transactions used in conjunction with the City's debt program.

This debt policy contains certain elements on procedures and practices to achieve the objectives of the policy and to ensure that professional standards are defined and met in the policy's implementation. In numerous specified cases within this policy, these procedures and policies are adopted by reference from the Government Finance Officers Association (GFOA) published "Recommended Practices for Debt Management". These best standards are amended over time, and this policy incorporates these ongoing changes. This policy concludes with a glossary of terms frequently used in the municipal debt industry and in this policy.

Guidelines for Use

A. Debt is a financing tool which should be judiciously used when the City has legal, financial and market debt capacities and will be considered when some or all of the following conditions exist:

1. Estimated future revenue is sufficient to ensure the repayment of the debt obligation;
2. Other financing options have been explored and are not viable for the timely or economic acquisition or completion of a capital project;
3. A capital project is mandated by federal or state authorities with no other viable funding option available; and
4. The capital project or asset lends itself to debt financing rather than pay-as-you-go funding based on the expected useful life of the project based on the City's ability to pay debt service.
5. Debt will not be used to fund ongoing operating expenses of the City.
6. Any City debt issued in support of a development project will first be reviewed and approved under the auspices of the City's economic development policies and procedures.

The City will manage its cash in a fashion that will prevent any borrowing to meet needed operating expenses. The City will primarily rely on current revenue and cash set-asides to finance its capital improvements. The City believes in funding a significant portion of capital improvements on a "pay-as-you-go" basis. Therefore, the City will strive to increase each year the percentage of its capital improvements financed by current revenues.

The City's General Fund equity balance has been built over the years to provide the City with sufficient working capital and enable it to finance unforeseen emergencies without borrowing. **To conserve the General Fund equity balance and to avoid reliance on this balance, the City will not finance operations from the General Fund equity balance for periods longer than two years.**

Types of Permitted Debt

The City has numerous choices regarding types of debt available to meet its financing objectives. The following is a listing if the types of permitted debt and general guidelines as to their use.

A. General Obligation.

   General Obligation (G.O.) bonds provide the investor with its most secure City transaction, because the City's pledge of its unlimited authority to levy property taxes for debt services. G.O. bonds are authorized to be issued in the following variations: full faith and credit, double-barrel.

   The sum of all G.O. debt outstanding (regardless of type) is governed by the City's statutory legal debt margin but must also conform to limitations on the general credit of the City. The city may obtain voter authority to issue G.O. by a majority vote (50.1%) at the general municipal, primary or general election day.

   a. Full Faith and Credit - To be issued for projects, which benefit the City as a whole. Principal and interest to be paid from City's debt levy assessed on all real and personal property.
   b. Double-barrel (including public benefit districts) - To be issued for purposes consistent with the voted authority. Principal and interest to be paid from a designated revenue source (e.g. sales tax, tax increment financing etc.) or a special assessment on real property (e.g. sewer special assessment). Revenue shortfalls to be made up from the City's debt levy assessed on all real and personal property.

Selecting Bond Type

The City of Moab will seek voter authorization to issue general obligations only for essential projects. In addition, such authority will be sought only after it is determined by City Council that no other funds are available to meet the projected costs. Lease purchase financing and Certificates of Participation will only be undertaken when the project is considered essential to the efficient operation of the City.

The City will favor the use of limited obligation revenue bonds to finance capital improvements as a means of insuring that beneficiaries of an enterprise pay for a fair share of the costs to maintain a City service.

Prudence

Debt will be issued with judgment and care—under circumstances then prevailing—which persons of prudence, discretion and intelligence exercise in the management of their own affairs. The standard of prudence to be used by debt issuance officials will be the "prudent person" standard and will be applied in the context of managing an overall debt portfolio.

Debt managers acting in accordance with the debt policy and written procedures and exercising due diligence will be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments. The "prudent person" is expected to be reasonably well informed person, not an investment banker or market maker, who is obligated to act responsibly.

Planning for Debt

The primary tool used to plan for debt is a capital improvement plan (CIP). A CIP is a multi-year financial planning tool that identifies public facilities, infrastructure improvements, machinery, and equipment requirements. A CIP identifies each proposed capital project, the year it will be started; the estimated cost anticipated each year; and the proposed sources of financing. Based on these individual project details, summaries of capital expenditures for each year are prepared. These summaries are then matched with funding available from all applicable sources including current revenues, cash reserves, grants, and borrowings. A CIP represents the balancing of project requests with current and future financing capabilities.

A CIP document will assist the government in determining the amount of infrastructure and equipment spending that will be required to accommodate anticipated growth and development. Each year the City of Moab will adopt a CIP covering the subsequent five fiscal years. The CIP will identify projects for further consideration over the next five- year period and will recommend specific funding strategies for each identified project.

The City Manager and the Finance Director will develop criteria that will be used in the evaluation of all capital projects. All capital projects will be accompanied by a description of the sources of funding to cover the project costs. Where borrowing is recommended, the source of funds to cover debt service requirements must be identified.

Projects with a useful life of less than five years will not be eligible for inclusion in bond issues. The Finance Director, with approval from Bond Counsel, will determine the useful life of a project. The Finance Director will incorporate an estimate of the useful life of the proposed capital improvements in developing an amortization schedule for each bond issue.

Financing Alternatives

One of the primary decisions made regarding the CIP is financing whether to use cash on hand, capital leases, low-interest loans, short-term debt financing, or long-term debt financing. This policy sets forth guidelines for this decision by identifying the parameters within each funding source that are considered appropriate. These parameters are defined below.

<u>Cash Funding</u>

City policy encourages funding capital projects with cash, on a "pay as you go" basis, to the extent possible and practical. As part of the pay-as-you-go strategy, the City will first look for grant funding for capital projects. The City will strive to allocate at least 5% of its sales based tax collections to capital projects each year as funding permits and that money is used first for annual debt payments, and the amount remaining after paying debt service is available for cash funded projects. Cash funding is recommended under the following circumstances:

- To finance purchases of assets whose lives are shorter than five years.
- To finance recurring maintenance expenditures (i.e. street repair vs. street construction)
- When market conditions are unstable or present difficulties in achieving acceptable interest rates.

Debt Financing

Short term debt financing:

Short-term bond anticipation notes may be issued to finance projects or portions of projects. Short-term debt is appropriate under the following conditions:

- Short-term notes are suitable as a source of permanent financing for projects with useful lives of less than five years.
- Notes are used as a temporary funding source prior to and in anticipation of the completion of a bond sale.

Long-term debt financing:

It is prudent policy to use notes and bonds for capital asset funding under the parameters set forth below. No single parameter stands alone; they must all be considered under the then current circumstances and in relation to the others. The parameters are as follows:

- Variable rate bonds are suitable as long term financing tools designed to manage interest costs. When variable rate bonds are used for long-term financing, the City must schedule annual principal payments similar to a fixed rate financing that will not exceed 20% of the City's outstanding debt.
- Long-term bonds are recommended for projects with useful lives of ten years or longer and for amounts.
- Debt is recommended when the fiscal year's beginning balance of the General Fund is less than 15% of the budgeted General Fund Revenue.
- It is preferred that the debt ratio of available capital fund dollars to sales based tax supported debt payments does not fall below 2 to 1 in the current fiscal year and projected forward over four years.
- Long-term bonds are considered especially appropriate when average long-term interest rates, as indicated by the Bond Buyer *General Obligation 20 Bond Index,* are at or below eighty-five percent of the index's twenty-year average. Long-term bonds are considered less appropriate when average rates for the index are at or above one hundred and fifteen percent of the twenty-year average. The City will make every effort to structure the terms of its bonds to match the status of the market at the time.
- Debt funding is recommended for projects where the burden of payment rests more directly on a selected group of taxpayers or beneficiaries, such as for project revenue bonds, special assessment projects, tax increment financing, or economic development projects.

Revenue Bonded Debt

- It will be a long-term goal that each utility or enterprise will ensure future capital financing needs are met by using a combination of current operating revenues and revenue bond financing. Therefore a goal is established that 15% of total project costs should come from operating funds of the utility or enterprise.
- It is City policy that each utility or enterprise will provide adequate debt service coverage. Per the trust indenture, a specific factor is established by City Council that projected operating revenues in excess of operating expenses less capital

expenditures, depreciation and amortization in the operating fund should be at least 1.25 times the annual debt service costs.

Conduit Debt

- Conduit debt is a bond or other debt obligation issued by the City to finance a project for use by a third party. This arrangement is typically used for nonprofit organizations. The term "conduit" refers to the fact that the issuer assumes no commitment to pay or guarantee payment of the debt service underlying the debt.
- The City may issue bonds through conduit agencies provided that the projects financed have a general public purpose (e.g. infrastructure, economic development, housing, health facilities, etc.) consistent with the City's overall operating and capital plans. Principal and interest to be paid from project revenues or specific taxes.
- Conduit debt bonds are not included in the City's debt burden because they are secured solely by revenues of the private or non-profit party. Principal and interest on conduit bonds is paid solely from the net revenues of the project. Issuance of these bonds does not constitute a general obligation of the City.
- The City will obtain a clear opinion that it will not be liable for the payment of principal and interest in the event of default by the conduit borrower by independent bond counsel. If no such opinion can be obtained, the conduit borrower will purchase insurance or a letter of credit in the City's name to protect taxpayers in the event of default.
- The City will require a commitment from all institutions that borrow money under the City's name to agree to provide the market with continuing disclosure information

Capital Lease Debt

- **Lease-backed debt may be issued by the City. It may be issued as** tax-exempt or taxable leasehold revenue bonds or special limited obligation bonds (including redevelopment bonds) through not-for-profit municipal corporations or by using a trust structure.
    - Projects are primarily to be limited to public revenues or specific taxes.
- Capital lease debt may be considered to finance capital improvements, including vehicles and equipment. Principal and interest to be paid from the operating budget or other dedicated resources of the department purchasing equipment or constructing capital improvement.
- Certificates of Participation (COPs). A form of lease obligation in which the City enters into an agreement to pay a fixed amount annually to a third party, usually a nonprofit agency or a private leasing company or trust structure, subject to annual appropriation.
- Capital leases are not considered an indebtedness of the City according to state statute because the lease payments are subject to annual appropriation; however, from a variety of perspectives (e.g. credit, accounting, etc.) all or most of this type of debt may be considered an obligation of the City.
    - Departments requesting capital financing must have an approved budget appropriation.
    - Departments will submit documentation for approved purchases to the Finance Department each year within sixty days after the annual budget is adopted.
    - The Finance Department will consolidate all requests and may solicit competitive or negotiated proposals for capital financing to insure the lowest possible interest costs.

Low Interest Loan

The use of federal and state aided low interest loans will be a valid financing mechanism and should be considered before consideration of issuing any other forms of debt. This method of financing should be used wherever possible to fund a project. However, simply because funds are available for a particular project does not obligate the City to proceed with a project without consideration of future cash flows and other capital needs.

Debt Structuring and Marketing.

a. Fixed or Variable Rate Debt.
   The City's debt portfolio may at any given time be comprised of a combination of both fixed and variable rate debt. The City will always seek to manage its debt portfolio, including the absolute amount(s) of outstanding fixed and variable rate debt, in a manner which best supports the City's long term financial condition.

b. Use of Fixed Rate Debt.
   The City will generally issue its debt on a fixed interest rate basis, wherein at the time of the bond sale all interest rates are known and do not change while those bonds are outstanding.

c. Use of Variable Rate Debt.
   Particular conditions may arise where the City would consider the use of variable interest rates that reset on a periodic basis (e.g. daily, weekly, monthly, etc.).

   Conditions which would cause a consideration of variable rate debt are:
   1. Adverse fixed-rate municipal market;
   2. Uncertainty or variability of the amount of annual revenues for debt service;
   3. The potential for rapid repayment of debt; or
   4. The need or desire to maximize the City's asset and/or liability balance

   Variable interest rate debt exposes the City to interest rate risk over the term of the financing. While the credit rating agencies are supportive of an issuer of the magnitude of the City having certain amount of unhedged variable rate debt, they suggest the aggregate amount be capped at a level not exceeding 20-25% of all comparable debt outstanding. Their guideline is generally applied to variable rate debt which has no other significant risk mitigation factors.

   Once variable rate debt is issued, the City may employ various risk mitigation factors including "natural" hedging of its short term liabilities (i.e. variable rate debt) with its substantial short-term assets to create a net financial margin (i.e., cash management investment portfolio) or the use of derivatives, specifically interest hedges. From the debt portfolio management perspective, the City will also seek the optimal mix of hedged and unhedged variable rate debt, which best fits the City's long-term credit and financial profile.

Methods of Sale.

The Finance Director will select the method of sale, which best fits the types of bonds being sold, market conditions, and the desire to structure bond maturities to enhance the overall performance of the entire debt portfolio. Three general methods exist for the sale of municipal bonds:

a. *Competitive Sale*. Bonds are marketed to a wide audience of investment banking (underwriting) firms. Their bids are submitted at a specified time. The underwriter is selected based on its bid for its securities. Pursuant to this policy, and within the parameters approved by the City Council, the Finance Director is hereby authorized to sign the bid form on behalf of the City fixing the interest rates on bonds sold on a competitive basis.
b. *Negotiating Sale*. The City selects the underwriter or group of underwriters of securities in advance of the bond sale. The City financing team works with the

underwriter to bring the issue to the marker and negotiates all rates and terms of the sale. In advance of the sale, the City will determine compensation for and liability of each underwriter employed and the designation rules and priority of orders under which the sale itself will be conducted (e.g. retail, group net, net designated, etc.) Pursuant to this policy and within the parameters approved by the City Council, the Finance Director is hereby authorized to sign the bond purchase agreement on behalf of the City fixing the interest rates on bonds sold on a negotiated basis.

c. *Private Placement*. The City sells its bonds to a limited number of sophisticated investors, and not the general public. Private placement bonds are often characterized as having highest risk or a specific type of investor base.

The City will accept bids for its bonds via facsimile transmission or electronic submission. Such bids must conform in all respects with the terms of the Official Notice of Sale. The Official Notice of Sale will be designed by the Finance Director or designated agent to allow a degree of flexibility for the prospective purchasers and may include a permitted discount, term bonds with mandatory sinking fund installments, and other features to enhance the attractiveness of the offering consistent with the receipt of the lowest true interest cost possible.

Disclosure.

Disclosure is both a regulatory requirement and a highly advisable means to enhance the marketing of the City's bonds. The Securities and Exchange Commission (SEC) regulates both primary disclosure, the initial marketing of a bond issue, and continuing disclosure, the ongoing information to the market about the status of the issue and issuer. The regulations place responsibility for primary disclosure on underwriters, and on issuers for continuing disclosure. Failure by the City to properly manage disclosure and to timely provide its continuing disclosure may have adverse impacts on the credit ratings and access to the tax-exempt capital market. It may also subject the City to regulatory actions from both the SEC and IRS.

Adequate disclosure on both a primary and continuing basis can enhance the marketability of the City's bonds by providing potential investors with current and professional information regarding the City. Timely and accurate completion of these tasks both influences investors' decisions on purchasing the City's bonds and contributes to the competitive audience for the City's bonds. The City will fully comply with disclosure regulations.

1. Primary.
   In the preparation of official statements the City will follow professional and market standards in the presentation of its issues and issuers. It will facilitate the distribution of the official statements in a timely manner to allow investors adequate time to make their investments in a timely manner. The City will execute continuing disclosure undertaking in a manner to fully comply with regulatory provisions and ensure a full disclosure of appropriate information to the market.

2. Secondary.
   The City will meet all substantive and time requirements in its annual continuing disclosure filings, which include making City's CAFR available to the public 180-270 days after the fiscal year end.

   The City will keep current with any changes in both the administrative aspects of its filing requirements and the national repositories responsible for ensuring issuer compliance with continuing disclosure regulations. In the event a 'material event' occurs that requires immediate disclosure notification to the parties impacted.

The City of MOAB will require all conduit securities to be issued with a complete official statement or other disclosure document; the documents will clearly describe the limited source of repayment and lack of direct financial support from the City. The City will also require the conduit borrower to provide all information necessary for the City's audit in regard to the specific debt issue.

Debt Target.
Maintaining an appropriate level of indebtedness is appropriate to reserve flexibility for future infrastructure investments and to position for high credit quality. Each type of debt has its own appropriate level. The appropriate levels are internally determined based on a variety of factors, such as: infrastructure investment needs of the particular service area, capacity to repay debt from the specific revenue source, and the sector's credit rating objectives. Since these factors can change over time, any debt guideline must be periodically reviewed to reflect evolving City conditions. Certain types of debt may have different applications but are treated as one type by the credit rating agencies. Therefore, the City may develop guidelines which reflect both the use of the debt type and its contribution to the credit rating debt burden.

The City will retire all debt on or before the maturity date. The City will also fully comply with all statutory debt limitations imposed by the Utah Revised Code or those incorporated into Moab City Municipal Code.

Annual Appropriation Requirements.
General obligation and annual appropriations-backed bonds present both individual and collective financial impacts. Individually, they place actual or potential demands on general municipal revenue sources. Collectively, they are reviewed by the credit rating agencies as to their cumulative impact on these revenue sources. Guidelines for their individual and overall levels assist on the ongoing evaluation of these impacts. As part of the debt management program, City staff will report the following the debt ratios to the City Council, which are routinely reviewed by the credit rating agencies:

Tax-Supported Debt Outstanding as a Percent of Market Value

Tax Supported Debt Outstanding Per Capita

Tax Supported Debt Service as a Percent of General Fund Revenue (GFR)

Additionally, the City Council will utilize the following two guidelines to ensure general obligation indebtedness is maintained within constitutional debt limitations and non self-supporting (net) tax-supported debt outstanding is maintained within a targeted range:

1. General Obligation Debt Outstanding as a Percent of Assessed Valuation 0<20%.
2. Net Tax-Supported Debt Service as a Percent of Net GFR 5-15% Revenue.

Each type of revenue bond indebtedness has an estimated capacity dictated by financial position, user rate revenue generation capacity, and existing and anticipated future debt requirements. Revenue bonds may also have legal restrictions on the amount of parity debt that may be issued based on an additional bonds covenant for existing debt. The debt capacity guidelines for each type of revenue bond indebtedness will be governed by their specific bond covenant.

Rating Agency Applications and Communications
The City of MOAB may seek a rating on all new issues that are being sold in the public market.. When applying for a rating on an issue of over $10,000,00 or more, the City of MOAB will make a formal presentation of the finances and positive developments within the City to the rating agencies. The City of MOAB will report all financial information to the rating agencies on an annual basis.

The Finance Director will provide the rating agencies that maintain a rating of the City securities with all materials that have a pertinent bearing on the City finances on an annual basis or at the request of the rating agencies.

Investor Information Program.
The City will maintain a multi-faceted information program, which will include:

- Providing new informational materials to the agencies, on a periodic basis.
- Delivering rating presentations in the appropriate form prior to any bond sale.
- Seeking opportunities to have the agencies tour the City at times not necessarily associated with a bond sale to update them on the changes to the community.
- Working with other governmental entities impacting the City's rating to coordinate both the substance and presentation of the City's credit ratings case.
- The City of Moab will post its annual financial report on the internet at the City hosted website of https://moabcity.org/ and provide hard copies of the document to interested parties upon request.

Defeasance and Prepayment.
The accelerated retirement and restructuring of debt can be valuable debt management tools. Accelerated retirement occurs through the use of defeasance and the exercise of prepayment provisions. Debt is often restructured to the benefit of the City through the issuance of refunding bonds.

Defeasance can occur when funds are accumulated in a dedicated debt service fund or other available reserve to place in an irrevocable escrow account an amount sufficient such that the initial deposit plus accumulated investment earnings pay all scheduled debt service obligations on the refunded bonds until an optional prepayment date, at which time all remaining refunded bonds are retired.

In the case of dedicated debt service funds, the City will monitor such fund balances and will periodically review the advisability of defeasing related bonds. In the case of other available reserves, the City will periodically analyze the financial trade-offs of defeasing or other advantageous uses of these bonds.

Prepayment provisions are structured into the original bond issue to provide the City with opportunities to manage the issue. These opportunities take the form of using cash to reduce all or a portion of outstanding principal and future debt service obligations. Prepayment provisions play a major part in the economics of refunding debt.

The City will monitor the prepayment provisions on its outstanding debt to realize both of these potential opportunities. By monitoring its debt service funds the City can gauge its ability to prepay debt. Debt can be refunded to achieve one or more of the following objectives:

- Reduce future interest costs;
- Restructure future debt service in response to evolving conditions regarding anticipated revenue sources; and
- Restructure the legal requirements, termed covenants of the original issues to reflect more closely the changing conditions of the City or the type of bond.
- Alter bond characteristics, such as call provisions or payment dates, on existing debt.

If the City pursues a refinancing for interest rate savings, it should initiate the transaction (select method of sale, engage outside service providers and begin Preliminary Official Statement preparation) when the present value savings exceed 1% of the par amount of the outstanding issue, inclusive of all costs of issuance. Generally, the City will execute the refunding once present value exceeds 3% of the outstanding par.

Investments of Bond Proceeds.

The investment of bond proceeds requires significant diligence in meeting the objectives of regulatory compliance, the management of the flow of funds described in bond documents, and the needs of the projects being funded. The investment of bond proceeds should be considered at the outset of every debt issuance and integrated throughout the process. As one part of the City's investment management program, this policy incorporates by reference the GFOA's Recommended Practice, "Investment of Bond Proceeds" and the City's Investment Policy.

1. Maintenance of Records.
   The City will maintain appropriate records in accordance with the federal, state, and City requirements, and in accordance with its bond documents to fully meet their provisions and provide for ease of any reporting requirements.
2. Arbitrage and Rebate Liabilities.
   The City will structure and time its bond issues such that the investment of bond proceeds will minimize any arbitrage and/or rebate liabilities.

Federal Arbitrage and Rebate Compliance.

The City will fully comply with federal arbitrage and rebate regulations. Concurrent with the policy, the City will take all permitted steps to minimize any rebate liability through proactive management in the structuring and oversight of its individual debt issues. All the City's tax-exempt issues, including lease purchase agreements, are subject to arbitrage compliance regulations. The City may elect to utilize taxable interest debt instruments where compliance with federal arbitrage rules would be impracticable or inefficient.

The Finance Department and the requesting departments will be responsible for the following:

1. Using bond proceeds only for the purpose and authority for which the bonds were issued. Tax-exempt bonds will not be issued unless it can be demonstrated that 85% of the proceeds will be expended within the three-year temporary period.
2. Performing arbitrage rebate calculations on construction funds, as determined by the IRS.
3. Performing arbitrage rebate computations no later than each five-year anniversary date of the issuance and at the final maturity for all bonds.
4. Examining whether the City met the arbitrage rebate exception calculation rules.
5. Maintaining detailed investment records, including purchase prices, sale prices and comparable market prices for all securities.
6. Monitoring the expenditure of bond proceeds and exercising best efforts to spend bond proceeds in such a manner that the City will meet one of the spend-down exemptions from arbitrage rebate.
7. Monitoring the investment of bond proceeds with awareness of rules pertaining to yield restrictions.

To the extent any arbitrage rebate liability exists, the City will report such liability in the comprehension annual financial report (CAFR).

Monitoring of Covenant Compliance.

The City's revenue bonds generally have a number of bond covenants requiring ongoing compliance and conditions for future bond issuance on an equal security ('parity') basis. The City will maintain a compliance monitoring system by revenue bond type of all bond covenants. This system will specifically report information on coverage, rate and additional bond covenant compliance. The system will track trends in coverage levels over time and capacity availability under additional bonds' covenants.

Reporting.

The Finance Department is charged with the responsibility of preparing monthly financial reports. Within the monthly financial report a summary of the City's outstanding debt type including the outstanding principal amount for each. Additionally, the monthly financial report will also include a calculation of debt capacity for the general municipal debt of the City (i.e., excludes enterprise-related revenue bonds). On an annual basis, the Finance Department will prepare all required debt related schedules and footnotes for inclusion in the City's comprehensive annual financial report.

GLOSSARY OF TERMS

AD VALOREM TAXES	Real estate and personal property taxes calculated "according to the value" of property. The taxes are based on the assessed valuation of real property and, in certain cases, on the valuation of tangible personal property.
AMORTIZATION	The planned reduction of a debt obligation according to a stated maturity or redemption schedule.
ARBITRAGE	The gain that may be obtained by borrowing funds at a lower (often tax-exempt) rate and investing the proceeds at higher (often taxable) rates. The ability to earn arbitrage by issuing tax- exempt securities has been severely curtailed by the Tax Reform Act of 1986, as amended.
ASSESSED VALUATION	The appraised worth of property as set by a taxing authority through assessments for purposes of ad valorem taxation. The method of establishing valuation is specified in the Utah Revised Code.
BALLOON MATURITY	A maturity within a serial issue of securities that contains a disproportionately large percentage of the principal amount of the original issue. A balloon maturity is generally distinguished from a term bond by the fact that a term bond generally has the benefit of a sinking fund to smooth out the amount of principal paid from any single year's operations.
BASIS POINTS	The measure of the yield to maturity of an investment calculated to four decimal places. A basis point is 1/100th of 1% (.01 percent).
BEARER BOND	A security that does not identify its owner on its face or by registration. The security is presumed to be owned by the person possessing it. The Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) curtailed the issuance of tax-exempt bearer bonds.
BOND	A written promise, generally under seal, to pay a specified amount of money, called the face value, at a fixed time in the future, called the date of maturity, and carrying interest at a fixed or variable rate, usually payable periodically. *NOTE: The difference between a note and a bond is that the latter usually runs for a longer period of time and requires greater legal formality.*

BOND ANTICIPATION NOTE (BAN)	A short-term interest-bearing security issued in anticipation of a long-term bond issue. The investors typically rely upon the sale of a subsequent issue of securities to pay a BAN upon maturity.
BONDED DEBT	That portion of indebtedness represented by the outstanding bonds.
BOND COUNSEL	An attorney or firm of attorneys retained by the issuer to give a legal opinion concerning the validity of the securities. The bond counsel's opinion usually addresses the subject of tax exemption. Bond counsel may prepare, or review and advise the issuer regarding authorizing resolutions or ordinances, trust indentures, official statements, validation proceedings and litigation.
BOND INSURANCE	A type of credit enhancement where a monocline insurance company indemnifies an investor against a default by the issuer. In the event of a failure by the issuer to pay principal and interest in-full and on-time, investors may call upon the insurance company to do so. Once assigned, the municipal bond insurance policy generally is irrevocable. The insurance company receives an up- front fee, or premium, when the policy is issued.
BOND ISSUED	Bonds sold.
BOND RATING	A rating (made by an established bond rating company) from a schedule of grades, indicating the probability of timely repayment of principal and interest on bonds issued.
BOOK-ENTRY-ONLY	Bonds that are issued in fully registered form but without certificates of ownership. The ownership interest of each actual purchaser is recorded on computer.
CALL OPTION	The right to redeem a bond prior to its stated maturity, either on a given date or continuously. The call option is also referred to as the optional redemption provision.
CAPACITY	A measure of an organization's ability to provide customers with the demanded service or products, in the amount requested and in a timely manner.
CAPITAL APPRECIATION BOND	A bond without current interest coupons that is sold at a substantial discount from par. Investors are provided with a return based upon the accretion of value in the bond through maturity.
CAPITAL IMPROVEMENT	Land, buildings, structures and all facilities other than buildings, traffic lights, machinery, equipment, automobiles, etc., with a unit cost in excess of $5,000 and a useful life of five or more years.
CAPITAL IMPROVEMENT PROGRAM	A plan for capital expenditures to be incurred each year over a fixed period of several future years setting forth each capital project, identifying the expected beginning and ending date for each project, the amount and the method of financing.

CAPITAL LEASE	The acquisition of a capital asset over time rather than merely paying rent for temporary use. A lease-purchase agreement, in which provision is made for transfer of ownership of the property for a nominal price at the scheduled termination of the lease, is referred to as a capital lease.
CAPITAL PROJECT	Major construction, acquisition or renovation activities which add value to a government's physical assets or significantly increase their useful life - also called capital improvements.
CERTIFICATE OF PARTICIPATION	A financial instrument representing a proportionate interest in payments such as lease payments by one party (such as a city acting as a lessee) to another party (often a trustee).
COMMERCIAL PAPER (TAX-EXEMPT)	By convention, short-term, unsecured promissory notes issued in either registered or bearer form with a stated maturity of 270 days or less.
COMPETITIVE SALE	The sale of securities in which the securities are awarded to the bidder who offers to purchase the issue at the best price or lowest cost.
CONDUIT FINANCING	The issuance of securities by a governmental entity to finance a project that will primarily benefit a third party, typically a private corporation, college or university. The security for this type of financing is usually the credit of the private entity, rather than the governmental unit. Usually such securities do not constitute general obligations of the issuer since the private entity is liable for generating the pledged revenues for repayment. Industrial development bonds or economic development bonds are a common type of conduit financing.
CONTINUING DISCLOSURE	The requirement by the Securities and Exchange Commission for most issuers of municipal debt to provide current financial information to the informational repositories for access by the general marketplace.
COUPON RATE	The interest rate on specific maturities of a bond issue. While the term "coupon" derives from the days when virtually all municipal bonds were in bearer form with coupons attached, the term is still frequently used to refer to interest rates on different maturities of bonds in registered form.
CUSIP NUMBER	The term CUSIP is an acronym for the Committee on Uniform Securities Identification Procedures. An identification number is assigned to each maturity of an issue, and is usually printed on the face of each individual certificate of the issue. The CUSIP numbers are intended to help facilitate the identification and clearance of municipal securities.

DEBT BURDEN	The ratio of outstanding tax-supported debt to the market value of property within a jurisdiction. The overall debt burden includes a jurisdiction's proportionate share of overlapping debt as well as the municipality's direct net debt.
DEBT LIMITATION	The maximum amount of debt that is legally permitted by a jurisdiction's charter, constitution, or statutes.
DEBT SERVICE	The amount necessary to pay principal and interest requirements on outstanding bonds for a given year or series of years.
DEBT SERVICE FUND	A fund established to finance and account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Also called a SINKING FUND.
DEBT SERVICE FUND REQUIREMENTS	The amounts of revenue which must be provided for a debt service fund so that all principal and interest payments can be made in full, on schedule.
DEBT SERVICE RESERVE FUND	The fund into which moneys are placed which may be used to pay debt service if pledged revenues are insufficient to satisfy the debt service requirements.
DEFAULT	The failure to pay principal or interest in full or on time. An actual default should be distinguished from technical default. The latter refers to a failure by an issuer to abide by certain covenants but does not necessarily result in a failure to pay principal or interest when due.
DEFEASANCE	Providing for payment of principal of premium, if any, and interest on debt through the first call date or scheduled principal maturity in accordance with the terms and requirements of the instrument pursuant to which the debt was issued. A legal defeasance usually involves establishing an irrevocable escrow funded with only cash and U. S. Government obligations.
DEPOSITORY TRUST COMPANY (DTC)	A limited purpose trust company organized under the New York Banking Law. DTC facilitates the settlement of transactions in municipal securities.
DERIVATIVES	A financial product, the value of which is derived from the value of an underlying asset, reference rate or index. Typically these agreements are contracts between a lender/investor and a burrower and include interest rate swaps, stations, caps, floors, collars, and forward purchase agreements.
DISCOUNT	The difference between a bond's par value and the price it is sold when the latter is less than par.

DOUBLE-BARRELED BOND	A bond secured by a defined source of revenue (other than general property taxes) *and* the full faith and credit of an issuer.
ENTERPRISE ACTIVITY	A revenue-generating project or business. The project often provides funds necessary to pay debt service on securities issued to finance the facility. The debts of such projects are self-liquidating when the projects earn sufficient monies to cover all debt service and other requirements imposed under the bond contract.
EQUITY	Balance remaining after liabilities is deducted from assets.
FINANCIAL ADVISOR	A consultant who advises an issuer on matters pertinent to a debt issue, such as structure, sizing, timing, marketing, pricing, terms and bond ratings.
FINAL OFFICIAL STATEMENT (FOS)	A document published by the issuer that disclose material information on a new issue of municipal securities including the purposed of the issue, how the securities will be repaid, and the financial, economic and social characteristics of the issuing government. Investors may use this information to evaluate the credit quality of the securities.
FLOW OF FUNDS	The order in which pledged revenues must be disbursed as set forth in the trust indenture or bond resolution.
FULL FAITH AND CREDIT	A pledge of the General Taxing power of a government to repay debt obligations (typically used in reference to bonds).
GAAP	Generally Accepted Account Principles. Uniform minimum standards for financial accounting and recording, encompassing the conventions, rules, and procedures that define accepted accounting principles. The primary authoritative body on the application of GAAP to state and local governments is the Governmental Accounting Standards Board (GASB).
GENERAL FUND	The fund that is available for any legal authorized purpose and which is therefore used to account for all revenue and all activities except those required to be accounted for in another fund. *NOTE: The General Fund is used to finance the ordinary operations of a governmental unit.*

GENERAL LEDGER	A book, file or other devise which contains the accounts needed to reflect the financial position and the results of operations of an entity. In double entry bookkeeping, the debits and credits in the general ledger are equal; therefore, the debit balances equal the credit balances.
GENERAL OBLIGATION DEBT	Bonds for whose payments the full faith and credit of the BONDS issuing body are pledged. More commonly, but not necessarily, general obligation bonds are considered to be those payable from taxes and other general revenues.
GFOA	Government Finance Officers Association. An organization founded to support the advancement of governmental accounting, auditing, and financial reporting.
INDENTURE	A contract between the issuer and a trustee stipulating the characteristics of the financial instrument, the issuer's obligation to pay debt service, and the remedies available to the trustee in the event of a default.
ISSUANCE COSTS	The costs incurred by the bond issuer during the planning and sale of securities. These costs include but are not limited to financial advisory and bond counsel fees, printing and advertising costs and other expenses incurred in the marketing of an issue.
ISSUER COUNSEL	An attorney retained by the issuer to represent its best interest in a debt transaction. Often this role is performed by bond counsel, however, at time separate counsel is engaged that does not have responsibility to issue the bond opinion as well as represent the issuer's best interests.
JUNIOR LIEN BONDS	Bonds that have a subordinate claim against pledged revenues.
LEASE	An obligation wherein a lessee agrees to make payments to a lesser in exchange for the use of certain property. The term may refer to a capital lease or to an operating lease.
LEASE REVENUE BONDS	Bonds that are secured by an obligation of one party to make annual lease payments to another.
LESSEE	The party to a lease agreement that obtains use of a facility or piece of equipment on exchange for rental payments.
LESSOR	The owner of the property being leased.
LETTER OF CREDIT	Bank credit facility whereby a bank will honor the payment of an issuer's debt, in the event that an issuer is unable to do so, thereby providing an additional source of security for bondholders for a predetermined period of time. A letter of credit often is referred to as an L/C or an LOC. Letter of Credit can be issued on a "stand-by" or "direct pay" basis.

LINE OF CREDIT	Bank credit facility wherein the bank agrees to lend up to a maximum amount of funds at some date in the future in return for a commitment fee.
LONG-TERM DEBT	Debt with a maturity of more than one year after the date of issuance.
MANAGING UNDERWRITER	The member (or members) of an underwriting syndicate charged with the primary responsibility for conducting the affairs of the syndicate. The managers take the largest underwriting commitment.
MUNICIPAL SECURITIES RULEMAKING BOARD (MSRB)	A self-regulating organization established in September of 1975 upon the appointment of a fifteen member Board by the Securities and Exchange Agreement. The MRSB is comprised of representatives from investment banking firms, dealer bank representatives, and public representatives; it is entrusted with the responsibility of writing rules of conduct for the municipal securities market. New Board members are selected by the MSRB pursuant to the method set forth inboard rules.
NEGOTIATED SALE	A sale of securities in which the terms of sale are determined through negotiation between the issuer and the purchaser, typically an underwriter, without competitive bidding.
NET INTEREST COST (NIC)	The average interest cost of a bond issue calculated on the basis of simple interest. This calculation involves a fraction in which the numerator is the gross amount of interest to be paid over the bonds' life (adjusted for the amount or premium granted at the time of sale), and the denominator is the average of the bond issue multiplied by the issue's par value.
NOTE	A written promise to pay a certain amount of money on a specific date, with interest. By convention, the maturity of a note is one year or less, making it short-term debt. However, financial instruments with a longer stated maturity sometimes are called Notes. For example, a bond anticipation note can have maturities of two years or longer.
OBLIGATIONS	Amounts which a government may be legally required to meet out of its resources. They include not only actual liabilities, but also encumbrances not yet paid.
OFFICIAL STATEMENT (OS)	A document published by the issuer that discloses material information on a new issue of municipal securities including the purposes of the issue, how the securities will be repaid, and the financial, economic and social characteristics of the issuing government. Investors may use this information to evaluate the credit quality of the securities.

OPERATING LEASE	A lease that enables the less to acquire the use of the asset only, not its ownership as in a capital lease. The lease term typically runs for only a portion of the asset's useful life.
ORIGINAL ISSUE DISCOUNT BONDS	Bonds sold at a substantial discount from their par value at the time of the original sale.
OVERLAPPING DEBT	The legal boundaries of local governments often overlap. In some cases, one unit of government is located entirely within the boundaries of another. Overlapping debt represents the proportionate share of debt that must be borne by one unit of government because another government with overlapping or underlying taxing authority issued its own bonds.
PAR VALUE	The face value or principal amount of a security.
PAYING AGENT	An agent of the issuer with responsibility for timely payment of principal and interest to bond holders.
PRELIMINARY OFFICIAL STATEMENT (POS)	The POS is a preliminary version of the official statement that is used by an issuer or underwriters to describe the proposed issue of municipal securities prior to the determination of the interest rate(s) and offerings price(s). The preliminary official statement, also called a "red herring", often is examined upon by potential purchasers prior to making an investment decision.
PREMIUM	The excess of the price at which a bond is sold over its face value.
PRESENT VALUE	The value of a future amount or stream of revenues or expenditures in current dollars.
PRIVATE ACTIVITY BONDS	A bond where the use of bond proceeds is used for private purposes. If deemed a private activity bond, the interest is not tax exempt unless the use of the proceeds meets certain requirements of the Internal Revenue Code.
PUT OPTION	The right to demand repayment of principal prior to a bond's maturity. In the case of short-term variable rate debt, this right often is referred to as a variable-rate demand option.
REFUNDING	A procedure whereby an issuer refinances an outstanding bond issue by issuing new bonds.
REGISTERED BOND	A security on which the ownership is recorded by the issuer or its agent.
RESERVE	An account used to indicate that a portion of fund equity is legally restricted for a specific purpose or not available for appropriation and spending.
RESERVE FUND	A fund established to accumulate money for a special purpose, such as the purchase of new equipment.

REVENUE BOND	A bond which is payable from a specific source of revenue and to which the full faith and credit of an issuer with taxing power is not pledged. They are payable from identified sources of revenue, and do not permit the bondholders to compel the City to pay debt service from any other source. Pledged revenues are derived from the operation of an enterprise. Generally, no voter approval is required prior to issuance.
SECONDARY MARKET	The market in which bonds are sold after their initial sale in the new issue market.
SENIOR LIEN BONDS	Bonds having a prior or first claim on pledged revenues.
SERIAL BONDS	A bond issue in which the principal is repaid periodic installments over the issue's life.
SPECIAL ASSESSMENTS	A charge imposed against property or parcel of land that receives a special benefit by virtue of some public improvement that is not or cannot be enjoyed by the public at large. Special assessment debt issues are those that finance such improvements and are repaid by the assessments charged to the benefiting property owners.
TERM BONDS	A bond issue in which the entire principal matures on one date. Term bonds also refer to a particularly large maturity of a bond issue that is created by aggregating a series of maturities. In the latter instance. Provision is made for mandatory structuring fund installments in advance of the term bond's maturity to reduce the burden of a particular large debt service payment in any one fiscal year.
TRUE INTEREST COST (TIC)	A method of calculating the overall cost of a financing that takes into account the time value of money. The TIC is the rate of interest that will discount all future payments so that the sum of their present value equals the issue proceeds.
UNDERWRITER	The term used broadly in the municipal market, to refer to the firm that purchases a securities offering from a governmental issuer.
UNDERWRITER SYNDICATE OR GROUP	The firms which collectively purchase a securities offering from a governmental issuer.
UNDERWRITER'S COUNSEL	An attorney engaged by the underwriter(s) to represent its interests in a debt transaction. Underwriter's counsel prepares the bond purchase agreement between the issuer and the underwriter and, when appropriate, the agreement among underwriters.
VARIABLE-RATE BOND	A bond on which the interest rate is reset periodically, usually no less often than semi-annually. The interest rate is reset either by means of an auction or through an index.

YIELD CURVE	A graph that plots the market yield on securities with different maturities, at a given point in time. The vertical axis represents the yields, while the horizontal axis depicts the time to maturity. The term structure of interest rates, as reflected by the yield curve, will vary according to market conditions, resulting in a wide variety of yield curve configurations.
YIELD-TO-MATURITY	The rate of return that an investor will receive if the bond remains outstanding and the investor holds the bond to maturity. The investor must take into account the price paid for the bonds, the dates of purchase and maturity, and the coupon rate on the bonds. The "yield to maturity" assumes that interest payments will be re- invested at the same coupon rate borne by the bond.
ZERO COUPON	A bond that does not pay interest periodically. Investors receive interest on the scheduled principal maturity date of the obligation.