

**CITY OF MIAMI, FLORIDA  
DEBT MANAGEMENT POLICY**

**I. PURPOSE**

The purpose of this policy is to establish parameters and provide guidance governing the issuance, management, continuing evaluation of and reporting on all debt obligations issued by the City of Miami, and to provide for the preparation and implementation necessary to assure compliance and conformity with this policy.

**II. POLICY STATEMENT**

Under the governance and guidance of Federal and State laws and the City's Charter, ordinances and resolutions, the City may periodically enter into debt obligations to finance the construction or acquisition of infrastructure and other assets or to refinance existing debt for the purpose of meeting its governmental obligation to its residents. It is the City's desire and direction to assure that such debt obligations are issued and administered in such fashion as to obtain the best long-term financial advantage to the City and its residents, while making every effort to maintain and improve the City's bond ratings and reputation in the investment community.

The City may also desire to issue debt obligations on behalf of external agencies or authorities for the purpose of constructing facilities or assets, which further the goals and objectives of City government. In such case, the City shall take reasonable steps to confirm the financial feasibility of the project and the financial solvency of the borrower; and, take all reasonable precautions to ensure the public purpose and financial viability of such transactions.

The City shall not issue debt obligations or utilize debt proceeds to finance current operations of City Government.

This Debt Management Policy shall be reviewed periodically by the City's Finance Director and Finance Committee, and updated, revised, or enhanced as necessary.

**III. FINANCE COMMITTEE**

It is the responsibility of the Finance Committee to review and make recommendations regarding the issuance of debt obligations and the management of outstanding debt. The Finance Committee shall consist of seven voting members consisting of five members from the local business community appointed by the City Commission, the Mayor or his designee, and the City's Finance Director as the City Manager's designee. Others who may be present at meetings of the Finance Committee to provide technical expertise and advice shall include representatives from the City Attorney's office, the Budget Department, the Department to which the proposed debt may relate, the City's Financial Advisor, Bond Counsel and Disclosure Counsel. Meetings will be open to all interested parties and official minutes will be taken and copies made available upon request to the City Clerk.

The Finance Committee will consider all issues related to outstanding and proposed debt obligations, and will vote on issues affecting or relating to the credit worthiness, security and repayment of such obligations, including but not limited to procurement of services, structure, repayment terms and covenants of the proposed debt obligation, and issues which may affect the security of the bonds and ongoing disclosure to bondholders and interested parties.

**IV. GENERAL DEBT GOVERNING POLICIES**

The City hereby established the following policies concerning the issuance and management of debt:

- A. The City will not issue debt obligations or use debt proceeds to finance current operations.
- B. The City will utilize debt obligations only for acquisition, construction or remodeling of capital improvement projects that cannot be funded from current revenue sources or in such cases wherein it is more equitable to the users of the project to finance the project over its useful life.
- C. The City will measure the impact of debt service requirements of outstanding and proposed debt obligations on single year, five, ten and twenty year periods. This analysis will consider debt service maturities and payment patterns as well as the City's commitment to a pay as you go budgetary capital allocation.
- D. The City will evaluate the long-term operational impact of capital projects to the City's budget and five-year financial plan. Each proposed debt issuance will be accompanied by a statement from the City Manager stating the estimated operational impact of the project being financed.
- E. The City may periodically refinance debt to take advantage of lower interest rates which will result in a Present Value Savings. The City may issue current refunding bonds that result in a minimum of three percent (3%) Net Present Value savings, and advance refunding bonds that result in a minimum of five percent (5%) Net Present Value savings. Refunding bonds shall not extend the final maturity of the bonds being refunded. If the present value savings is less than the threshold, or will result in a present value loss, and/or the maturity is greater than the maturity on the debt obligations to be refunded, the City may issue or enter into refunding Debt obligations but only after a finding by the Commission that a compelling public policy objective would be achieved by the refunding, such as eliminating restrictive bond covenants or providing additional financial flexibility. The Commission's findings may be based on a report presented with the legislation authorizing the refunding.

**V. METHOD OF SALE AND SELECTION OF UNDERWRITERS**

- A. Florida law dictates that the City sell its bonds through a competitive sale unless it makes a finding based on the recommendation of its financial advisor that the circumstances warrant a negotiated sale.
- B. For each bond sale that is determined to be a negotiated sale, the City's Finance Director will formally request proposals from the firms within the pool in order to select the underwriting syndicate, including a senior manager or lead book runner, for that bond sale. The Finance Director will directly request proposals from the firms in the pool, and rank the proposals with a review committee. The review committee will be made up of the City Treasurer and the Assistant City Manager/CFO. Once the review committee recommendation is determined, the Finance Director will present the recommendation to the Finance Committee.
- C. All debt shall be sold at public sale by Competitive Bid unless waived by the Commission under the following circumstances:
  - a. upon written recommendation of the City Manager and Financial Advisor, and by majority vote of the entire membership of the Commission that a waiver of competitive bids is in the best interest of the County. The City Manager's written recommendation shall set forth specific findings as to the reasons a negotiated sale is recommended; or



maturity of the debt obligations being refinanced, unless a longer term is recommended by the Finance Committee.

- C. Capitalized Interest (Funded Interest) – Subject to Federal and State law, interest may be capitalized from date of issuance of debt obligations through the completion of construction for revenue producing projects. Interest may also be capitalized for projects in which the revenue designated to pay the debt service on the bonds will be collected at a future date, not to exceed six months from the estimated completion of construction and offset by earnings in the construction fund.
- D. Bond Covenants and Laws – The City shall comply with all covenants and requirements of the bond resolutions, and State and Federal laws authorizing and governing the issuance and administration of debt obligations.
- E. Good Faith Deposit - The City shall receive a Good Faith Deposit at the time of award to the Underwriters regardless of the method of sale. The purchaser of the Debt or Underwriter shall pay the good faith deposit (security deposit on the bonds) to the City in an amount equal to approximately one percent (1%) of the par amount of the Debt being issued.
- F. Interest Rate Derivatives and Swaps – The City shall not use interest rate derivatives, or swaps, as a debt management tool.
- G. Investment of Bond Proceeds – Investment of Bond Proceeds shall be consistent with the City's Investment Policy.