

Ordinance supplementing the Pittsburgh City Code Title Two–Fiscal, Article I-Administration by adding Chapter 202-Debt Management Policy to ensure responsible issuance and management of City debt.

Be it resolved by Council of the City of Pittsburgh as follows:

Section 1. The Pittsburgh City Code Title Two–Fiscal, Article I-Administration is hereby supplemented by adding Chapter 202-Debt Management Policy to ensure responsible issuance and management of City debt, as follows:

CHAPTER 202: DEBT MANAGEMENT POLICY

§ 202.01 DEFINITIONS

- (a) **BAN** – Bond Anticipation Notes
- (b) **CAPITAL PROJECT**–any project funded by public monies in partial or whole, or proposed to be funded by public monies in partial or whole, to build, restore, retain, rehabilitate, purchase or repurchase any equipment, property, facility, infrastructure, vehicle, hardware for information technology, park facility, or building and otherwise consistent with LGUDA.
- (c) **EMMA** – Electronic Municipal Market Access
- (d) **GFOA** – Government Finance Officers Association
- (e) **LGUDA** – Local Government Unit Debt Act, 53 Pa. C.S. § 8001 *et seq.*
- (f) **MSRB** – Municipal Securities Rulemaking Board
- (g) **SEC** – Federal Securities and Exchange Commission
- (h) **TIC** – True Interest Cost
- (i) **TRAN** – Tax or Revenue Anticipation Notes
- (j) **URA** – The Urban Redevelopment Authority of the City of Pittsburgh

§ 202.02 FINANCIAL ADVISOR

- (a) City Council shall have the ability to enter into a contract with a certified financial advisor when needed consistent with existing authority, who shall provide professional assistance and analysis of any prospective debt issue.

(b) The Council Financial Advisor shall not be associated with, or be a beneficiary in any manner, regarding the issuance that is being analyzed and shall comply with all applicable law.

§202.03 AUTHORITY, SCOPE AND OBJECTIVES

(a) Introduction

1. The City of Pittsburgh (the City) shall have the ability to issue or guarantee public debt appropriately and advantageously and in response to ongoing capital needs of the City and its agencies.
2. The City recognizes that the foundation of a well-managed debt program is a comprehensive debt management policy. The following policy exists to establish parameters and provide guidance governing the issuance, management, evaluation and reporting of debt obligations.

(b) Authority

1. The City's authority to issue debt comes from the City's Home Rule Charter.
2. All debt shall be issued in accordance with all applicable federal, state and city requirements governing the issuance of public debt.

(c) Objectives

1. To ensure that financial decisions made today by the City do not have an adverse impact on current and future citizens.
2. To maintain or improve the City's credit ratings, lowering the costs of borrowing through sound debt issuance practices.
3. To maintain financial flexibility for current and future citizens.

Sections 202.04 through and inclusive of Section 202.09 are deleted and the following Sections 202.04 through and inclusive of Section 202.18 are substituted therefore.

§202.04 DEBT MANAGEMENT RESPONSIBILITY

The Finance Director is responsible for the management of the City's debt and the compliance with this policy.

§202.05 DEBT COVERED BY THIS POLICY

This policy is applicable to all tax supported bonds issued directly by the City or guaranteed by the City's tax base. The use of the term "City" in this policy shall include the City and its

agencies whose debt is guaranteed by the City's tax base. City component units are encouraged to develop or amend a debt policy generally consistent with this Debt Management Policy.

§202.06 PURPOSE OF DEBT

- (a) Debt to fund capital projects should only be issued if the capital projects are authorized and included in the City's five year Capital Program.
- (b) The City will not use long-term debt to finance current operations.
- (c) TRANs are short term notes secured by a pledge of taxes and other General Fund revenues. The City may issue tax or revenue anticipation notes (TRANs) to manage timing differences between its tax and revenue receipts and expenditures in a fiscal year. TRANs are limited to the maximum cash flow deficit requirements for the current fiscal year.

§202.07 DEBT AFFORDABILITY

- (a) The City will limit its tax supported debt service as a percent of General Fund including debt service expenditures to 17.0%. With the understanding that as of the date of adoption of this Debt Management Policy, the City exceeds this limit, the City has a 10 year goal of reducing this ratio to 12.0%.
- (b) For the purpose of this policy, tax-supported debt includes all tax supported bonds issued directly by the City or guaranteed by the City's tax base.
- (c) The City will limit its tax supported debt principal to 5% of full taxable assessed value. The City has a 10 year goal to reduce this debt burden to 4%.
- (d) The City's debt will be in compliance with the limitations of the Local Government Unit Debt Act (LGUDA).
- (e) The City has the goal of funding at least 15% of capital expenditures from pay-as-you-go cash, as measured on a five-year basis.

§202.08 GENERAL OBLIGATION DEBT GUARANTEES

The City will limit contingent exposure to debt service payments for other entities. Any requests for a City guarantee will be analyzed for the benefits to the City; risk of actual financial exposure; and impact on the City's debt burden and credit ratings. Any such commitments must be approved by City Council.

§202.09 REFUNDINGS AND RESTRUCTURING

- (a) The City may refund outstanding debt if the present value savings are at least three percent of the principal amount of the refunded debt, net of costs of issuance. For each maturity being

refunded, the present value savings should be at least one percent. However, if the aggregate 3% threshold is met, inclusion of each maturity will not be unreasonably withheld.

(b) All refunding bond opportunities will be carefully considered to produce a favorable financial impact for the City.

§202.10 TYPES OF DEBT

(a) The City expects to issue most of its debt for capital purposes in the form of long term fixed rate bonds.

(b) Variable rate debt is limited to 15% of total debt principal to which this policy is applicable. Variable rate debt may be in the form of variable rate bonds or notes or tax exempt commercial paper.

(c) Bond Anticipation Notes (BANs) will be undertaken only if the transaction costs plus interest of the debt are less than the cost of internal financing, or available cash is insufficient to meet working capital requirements.

(d) The City may not issue debt with derivative products.

§202.11 DEBT STRUCTURE

(a) Principal should generally be amortized to achieve annual debt service consistent with the provisions of Section 202.07 "Debt Affordability," with a goal of level annual debt service.

(b) Principal amortization should generally be structured to achieve a minimum target of 50% of all outstanding principal scheduled to be repaid within the first half of the life of the maturity of the debt issue.

(c) The average life of debt should be no greater than the projected average life of the assets being financed. The final maturity will generally not exceed 20 years, unless a longer lifespan can clearly be demonstrated, e.g., funding for buildings or bridges. Under no circumstance shall maturities exceed 30 years.

(d) For each bond issue, the City will evaluate options and prices for credit enhancement and may utilize it if it results in net overall savings and acceptable terms.

§202.12 FINANCIAL DISCLOSURE

(a) The City is committed to full and complete financial disclosure, and to cooperating fully with rating agencies, institutional and individual investors, other levels of government and the general public to share clear, comprehensible and accurate financial information.

(b) The City is committed to meeting secondary disclosure requirements on a timely and comprehensive basis. It will comply with Securities and Exchange Commission (SEC) Rule

15c2-12 which requires an annual filing with the MSRB's (Municipal Securities Rulemaking Board) Electronic Municipal Market Access (EMMA), which provides financial information and operating data relevant to investors in City obligations. In addition, the City will file material event notices when required under Rule 15c2-12.

§202.13 ARBITRAGE REQUIREMENTS

The City will comply with all of its tax certificates for tax exempt financings by monitoring the arbitrage earnings on bond proceeds on an interim basis and by rebating all positive arbitrage when due, pursuant to Internal Revenue Code Section 148. The City may employ an arbitrage consultant to prepare these calculations.

§202.14 PERIODIC POLICY REVIEW

At least once every three years, the City will review this policy and recommend changes, as appropriate, to City Council for approval.

§202.15 METHOD OF SALE

The City will choose the method of sale, as between competitive and negotiated, that is most appropriate given the current circumstances of the City's finances and the nature of the issuance. Considerations will include the complexity of the issue requiring specialized expertise, volatile or uncertain credit markets or the City's credit ratings or outlook.

§202.16 PROFESSIONALS

The City will apply GFOA best practices in the use and selection of professionals involved in the bond issuance process, including financial advisor and bond counsel.

§202.17 COMPLIANCE

(a) As a part of each budget request, debt or lease issuance approval, the City will disclose whether it is currently in compliance with this policy and if the requested action(s) or debt issuance will likely result in noncompliance with the policy.

(b) Any exceptions to this policy approved by City Council shall be included in Council's legislation authorizing debt issuance.

§202.18 INVESTMENT OF BOND PROCEEDS

Bond proceeds will be invested in accordance with the City's investment policy. The City will develop a strategy for investing proceeds to minimize credit risk, ensure regulatory compliance, and meet liquidity needs of the bond issue. The City will seek to maximize earnings on these

funds, although safety and liquidity will be the City's first priorities. A responsible senior official in the Finance Department will be designated to ensure compliance.

§202.19 ETHICS AND PRUDENCE

- (a) Debt shall 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.
- (b) Officers and employees involved in the debt issuance process shall refrain from personal business activity that could conflict with proper execution of the debt program, or which could impair their ability to make impartial debt issuance decisions.
- (c) Employees and debt issuance officials shall disclose any material financial interest in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial positions that could be related to the City's debt portfolio.