

**CITY OF BROOKHAVEN
COUNTY OF DEKALB, STATE OF GEORGIA
RES 2018-06-02**

**RESOLUTION NO. – RES 2018-06-02
RESOLUTION OF THE BROOKHAVEN CITY COUNCIL REVISING THE
FINANCIAL MANAGEMENT POLICY FOR DEBT MANAGEMENT PRACTICES**

WHEREAS: The City of Brookhaven, Georgia (hereinafter, the “City”) was duly incorporated on December 17, 2012; and

WHEREAS: The City Council finds that it is within the best interests of the citizens to update and amend the policy that fosters sound debt management; and

WHEREAS: the City Council recognizes that cost-effective access to the capital markets depends on prudent management of the City’s debt management program; and

WHEREAS: the City Council has recently engaged Davenport and Company as the City’s Financial Advisor and wishes to make changes to the policy based on their expertise in the area of debt management; and

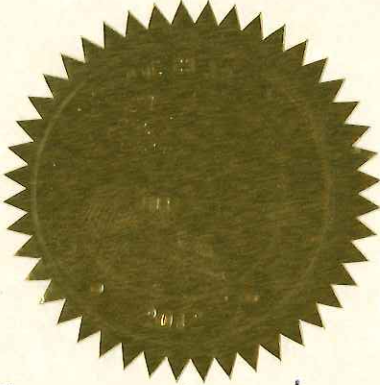
WHEREAS: the City is amending the debt management policy to continue to be in accordance with Federal law, the Code of the State of Georgia and augments the financial responsibilities detailed with the City’s Charter.

NOW THEREFORE BE IT RESOLVED that the attached Policy (Exhibit A) of the City of Brookhaven be established as the official policy for debt issuance and management.

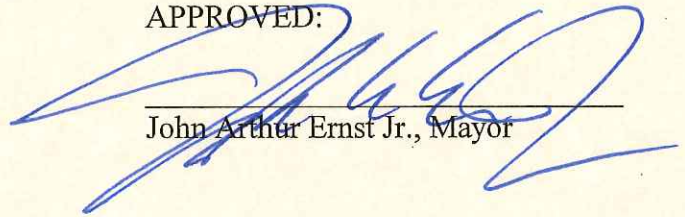
This Resolution shall be effective immediately upon its adoption.

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SO RESOLVED AND EFFECTIVE, this the 28th day of June 2018.

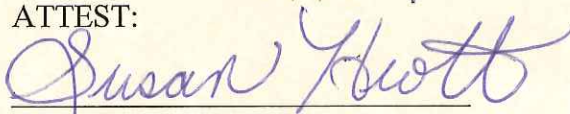


APPROVED:



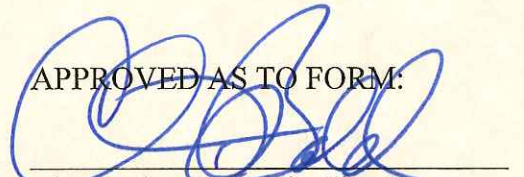
John Arthur Ernst Jr., Mayor

ATTEST:



Susan Hiott, City Clerk
[CITY SEAL]

APPROVED AS TO FORM:



Christopher D. Balch, City Attorney



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EXHIBIT "A"

City of Brookhaven

DATE OF ISSUE: November 9, 2016

EFFECTIVE DATE: January 1, 2017

SUBJECT: **Debt Management Policy**

REVISED DATE: June 28, 2018

APPROVED: _____

Mayor – City of Brookhaven

PURPOSE

The purpose of the Debt Management Policy is to set forth the parameters for issuing debt and managing outstanding debt and to comply with all applicable federal and state laws, rules and regulations related to the issuance of tax-exempt debt (the "Debt").

The intent is to provide structure for decisions regarding the timing and purposes for which debt may be issued, types and amounts of permissible debt, method of sale that may be used, and structural features that may be incorporated. Should the City pursue variable rate debt and enter into agreements related to the management of the interest rate, the City will follow the parameters of the agreements (security and payment provisions, risk assessment and methods for monitoring these risks) outlined in an Interest Rate Management Plan that will be developed before entering into any such arrangement.

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When the City issues debt, there are on-going responsibilities related to federal tax law (with respect to tax-exempt securities) and securities laws (with respect to ongoing disclosure) or as a result of contractual commitments made by the City. A Post Issuance Compliance Plan is intended to guide the City in meeting its obligations under applicable statutes, regulations and documentation associated with publicly offered and privately placed securities.

SCOPE

This policy (the "Policy") applies to all Debt issued by or for the benefit of the City of Brookhaven, Georgia (the "City") and its related entities.

POLICY

The City shall comply with all federal and state laws, rules and regulations related to the issuance of Debt.

RESPONSIBILITY

The City Manager shall be administratively responsible for the Policy. The City Manager shall be responsible for reviewing the requirements and responsibilities of the City under the Policy with bond counsel on or before the closing date of any Debt issued by the City.

DISSEMINATION AND TRAINING

The Policy shall be disseminated to all relevant personnel in the City and to the auditor.

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The City Manager shall provide appropriate training to all personnel directly involved in the administration of tax-exempt debt to ensure they comply with the provisions of the Policy. The City Manager shall consult as appropriate with qualified attorneys with respect to the content of such training.

REVIEW

The Policy shall be reviewed and revised annually by the City Manager and redistributed to all relevant personnel in the City and to the auditor.

The City Manager shall annually conduct a due diligence review of all Debt currently outstanding to ensure proper compliance with each of the provisions of the Policy. If the City Manager discovers non-compliance with any provisions of the Policy, steps necessary to correct the noncompliance will be taken within ten (10) business days of the conclusion of the annual due diligence review. Records of all corrective action taken shall be retained in accordance with the Policy.

GENERAL OBLIGATION BONDS

General Obligation bonds can be considered as a financing source by the City when the service provided is essential to the City government, there is no clear underlying revenue stream, or the project cannot be completed from current revenue sources or it is more equitable to finance the project over its useful life.

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GENERAL OBLIGATION DEBT

General Obligation Debt, as defined by Georgia Law, is backed by the full-faith and credit and taxing power of the City and requires voter approval unless the purpose is to refund outstanding general obligation bonds to achieve debt service savings.

Another type of General Obligation bonds are Sales Tax General Obligation Bonds when a question concerning general obligation debt is placed on the ballot for a sales tax program (i.e. Special Purpose Local Option Sales Tax – SPLOST). This policy allows the City to place a general obligation debt question on the ballot for sales tax for capital projects. This type of general obligation debt is payable first from sales tax and then from general funds of the issuer, if sales tax is not sufficient.

SPECIAL DISTRICT DEBT

The City may incur debt on behalf of any special district created pursuant to the Georgia Constitution. Such debt may be incurred only after the City has provided for the assessment and collection of an annual tax within the special district sufficient in amount to pay the principal and interest on such debt and has received the assent of a majority of the voters of the special district voting on the issue. The proceeds of this tax shall be placed in a sinking fund to be held on behalf of such special district and to be used exclusively to pay off the principal and interest on such debt.

REVENUE BONDS

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Revenue bonds can be considered as a financing source by the City when: 1) the service provided is essential to the City government and has a strong underlying revenue stream; 2) the service provided is non-essential to the City government but has a moderate underlying revenue stream; or 3) the project cannot be completed from current revenue sources or it is more equitable to finance the project over its useful life.

PENSION OBLIGATION BONDS

Should the City contemplate the issuance of pension obligation bonds, an independent financial advisor should provide analysis addressing risk to the Chief Financial Officer. Experiences of other jurisdictions as well as the matching of pension obligation bonds against the maturities of assets should be included in the analysis. At time of this policy this section is not applicable since the City does not have a defined benefit pension plan.

REDEVELOPMENT AND DEBT

Self-taxing arrangements are the preferred funding method for infrastructure within a Community Improvement District or a Tax Allocation District. Tax Increment Financing (TIF) in conjunction with such an entity and self-tax arrangements may be utilized as a funding mechanism if it is authorized and demonstrated that a sufficient rate of return to encourage private or public investment is not otherwise available to the developer.

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AUTHORITY DEBT AND CONDUIT FINANCING

Authorities which are registered with the Georgia Department of Community Affairs can incur debt or credit obligations. Similarly, the City has established several authorities which have the authority to issue debt. From time to time, the City Council may consider the approval of bond documents from authorities (such as the Metropolitan Atlanta Rapid Transit Authority or the City of Brookhaven Economic Development Authority) or other entities. The consideration of such bonds does not represent a financial commitment of the City so long as the City's full faith and credit is not provided as security for the Bonds. If the full faith and credit is not provided as security, the debt capacity/limitations ratios are not included in the City's measures of debt capacity and affordability. According to Georgia law, bonds, obligations, and other indebtedness incurred by development authorities do not constitute an indebtedness or obligation of the State, County or City. Unless otherwise specified within a lease or intergovernmental agreement, authority debt is not considered a financial commitment of the City.

SHORT-TERM AND OTHER BORROWING

Interim debt may be utilized for temporary funding of operational cash flow deficits pending receipt of anticipated revenues, or construction financing needs. Such borrowing must be in compliance with state law and in the form of line-of credit, tax anticipation notes, internal borrowings, commercial paper, or construction loan notes. Repayment will occur over a period not to exceed the useful life of the underlying asset.

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DEBT CAPACITY/LIMITATIONS

Management will consider the following when making the decision to issue debt: legal debt margin, , debt service in Governmental funds as a percentage of Operating Expenditures in Governmental funds, debt burden (overall net debt as a percentage of full valuation, and the ten-year payout ratio).

- Direct Net Debt including SPLOST debt outstanding will not exceed 1.75% of the full value of all taxable property within the City.
- Tax supported debt service, exclusive of SPLOST supported debt service, will not exceed 15% of General Fund expenditures and transfers.

REFINANCING OF OUTSTANDING DEBT

The City may contract with a Financial Advisor to monitor the municipal bond market for opportunities to obtain interest savings by refunding outstanding debts. In adherence with federal tax law constraints, refunding will be considered if and when there is a net economic benefit of the refunding, the refunding is essential in order to modernize covenants or other commitments essential to operations and management, or to restructure payment schedules to optimize payments with anticipated revenue streams.

DEBT STRUCTURE

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City debt will be amortized for the shortest period consistent with a fair allocation of costs to current and future beneficiaries or users, or to match the useful life of the project, and in keeping with other related provisions of this policy. The City will show a preference for the use of level debt service payments, unless specific compelling reasons exist to structure the debt otherwise.

Credit enhancement (letters of credit, liquidity provider, bond insurance, etc.) may be used if the present value reduction of debt service costs achieved by their use outweighs the initial cost of the enhancement or when they provide other significant financial benefits or appropriate risk reduction to the City.

In cases where the City desires to capitalize interest, interest shall only be capitalized for the construction period of a revenue-producing project. Only under extraordinary circumstances will interest be capitalized for a period exceeding the construction period.

Call provisions for bond issues shall serve the primary interests of providing financial flexibility. Call provisions shall be set in a manner that is as short as possible while achieving the lowest interest cost to the City.

To the extent permitted by law, the City may form or enter into associations/agreements for joint issuance of debt. The purpose of such arrangements must be to share issuance costs, obtain better terms or rates, or to advance other fiscal goals. Only per contractual agreement or as permitted by law shall the City assume liability through any joint program for the debt obligations or tax consequences related to another government or organization's debt program.

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Based on the situational or project specific reasons, the use of variable rate debt will be utilized in a limited way to the extent that it presents a significant interest savings to the City and does not subject the City to:

1. excessive risk of unfavorable changes in interest rates
2. pressure on the City's credit rating
3. unexpected budgetary pressures
4. excessive debt service acceleration risk or the potential for balloon indebtedness in the event market access is restricted to the City
5. the inability to repay variable rate obligations as they come due
6. escalating payments

No derivative products will be utilized unless permitted by law or without prior authorization of the City Council. No derivative products shall be utilized without an analysis by an independent financial advisor and the implementation of an independent monitoring program. As a method of annually assessing the level of risk with any variable rate bonds, an Interest Rate Management Plan will be developed and used to identify the risks associated with such variable rate debt.

FINANCING TEAM SELECTION PROCESS

The City may employ outside financial specialists to assist in developing a bond issuance strategy, preparing bond documents and marketing bonds to investors. The key participants in the City's financing transactions may include a Financial Advisor, Bond Counsel, Disclosure Counsel, the Underwriter (in a negotiated sale), and City representatives. Other outside firms, such as those

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providing paying agent/registrar, trustee, credit enhancement, auditing, or printing services, are retained as required.

The objectives of the selection process are participation from qualified providers, ensuring service excellence, and competitive cost structure. Unless exemptions apply, the City's Purchasing Policy governs the selection of professional service providers.

The City may solicit proposals for financial advisory service. The City will rebid for a financial advisor every five (5) years. The City may retain multiple advisors based on the specific experience needed funding a project. A selection committee appointed by the Chief Financial Officer (CFO) shall review financial advisory service proposals. After the selection committee has ranked the proposals they shall be submitted to the Mayor and City Council for final approval.

The City may use a Financial Advisor to solicit proposals for underwriting service for debt issued in private placement or negotiated sale. A committee appointed by the CFO shall review the recommendation of the Financial Advisor (if applicable) of the underwriting proposals and will recommend an underwriting firm to the Mayor and City Council for final approval. With either a private placement or a negotiated sale, the underwriter must disclose any potential conflicts of interest.

In cooperation with the City Attorney, the City may solicit proposals for bond counsel service. A selection committee appointed by the CFO shall review bond counsel service proposals. After

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the selection committee has ranked the proposals they shall be submitted to the Mayor and City Council for final approval.

The City may solicit proposals for disclosure counsel service. A selection committee appointed by the CFO shall review disclosure counsel service proposals. After the selection committee has ranked the proposals they shall be submitted to the Mayor and City Council for final approval.

The City shall procure professional services for record keeping, banking services, or other debt administration specialists in compliance with the Purchasing Policy.

METHOD OF SALE

The City will select a method of sale that is the most appropriate in light of financial, market, transaction-specific and issuer-related conditions. Based on information provided by the Financial Advisor (if applicable), the CFO is authorized to determine the most advantageous process for the marketing and placement of the City's debt. Methods of sale include, but are not limited to, competitive sales, negotiated sales, private placement, direct bank placement and lease/purchase agreements.

RECORD KEEPING

All records relating to the Debt needed to comply with Section 6001 of the Internal Revenue Code of 1986, as amended (the "Code") shall be maintained. These records shall be kept in paper or electronic form and shall include, among other things, (i) basic records relating to the transaction (including the bond documents, the opinion of bond counsel, etc.), (ii) documents evidencing the

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expenditure of the proceeds of the Debt, (iii) documentation evidencing the use of Debt-financed property by public and private entities (*e.g.*, copies of management contracts, leases and research agreements) and (iv) documentation pertaining to any investment of Debt proceeds (including the purchase and sale of securities, SLG subscriptions, yield calculations for each class of investments, actual investment income received from the investment of the proceeds of the Debt, guaranteed investment contracts and rebate calculations. Such records must be maintained as long as the Debt is outstanding, plus three years after the final payment or redemption date of the respective Debt.

USE OF PROCEEDS

A list of all property financed with the proceeds of the Debt shall be created and maintained. The use of such property shall be monitored to ensure that such use does not constitute “private business use” within the meaning of the Code. Without limiting the foregoing, each contract, including but not limited to management contracts and leases, relating to such property shall be reviewed by legal counsel prior to the execution of such contract. The list of property shall be reviewed at least annually to ensure that none of the property has been sold.

REMEDIAL ACTION

In the event that property financed with the proceeds of the Debt is used in a manner that constitutes “private business use” or the property is sold, the remediation provisions of Treasury Regulation § 1.141-12 shall be carried out in consultation with bond counsel.

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YIELD RESTRICTION

If bond counsel advises that a fund or account needs to be yield restricted (*i.e.*, not invested at a yield in excess of the Debt), the moneys on deposit in such fund or account shall be invested in United States Treasury Obligations – State and Local Government Series, appropriate “yield reduction payments” shall be made if permitted by the Code or the CFO shall establish other procedures to ensure that such fund or account is yield restricted.

REBATE

At the time the Debt is issued, the CFO shall determine if he or she reasonably expects that one of the arbitrage rebate exceptions will be satisfied. If the arbitrage rebate exception relates to the time period over which the proceeds of the Debt are spent, the CFO shall verify that the appropriate expenditures have been made at each milestone. If one of the milestones is not satisfied or the CFO does not reasonably expect that one of the arbitrage rebate exceptions will be satisfied, an outside arbitrage rebate consultant shall be retained unless the CFO has determined that positive arbitrage will not be earned.

CONTINUING DISCLOSURE

The City shall record and comply with any continuing disclosure undertaking entered into with respect to Debt. The CFO shall catalogue and determine any continuing disclosure undertaking

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entered into by the City prior to the imposition of the Policy to ensure that its continuing disclosure obligations will be updated and satisfied going forward.

The CFO will implement appropriate procedures to ensure that annually recurring disclosure obligations are timely fulfilled. Upon the occurrence of an event requiring the filing of an events notice under any continuing disclosure obligation, the CFO will ensure such event notice is filed within ten (10) business days of the occurrence of such event.