
CITY OF LONG BEACH

DEBT MANAGEMENT POLICY

I. SCOPE

Long term debt is an effective way to finance capital improvements by matching the term of the debt with the useful life of the asset being financed. Properly managed debt provides flexibility in current and future operating budgets and provides the City of Long Beach (the “City”) with the long-term assets required to deliver services or other resources to the public. The City recognizes that effective debt management practices require a comprehensive Debt Management Policy (“Policy”) that details the use of capital and capital debt to support the services provided to its residents.

II. PURPOSE

The following policy is adopted by the City Council upon the recommendation of the City Manager, City Comptroller and the City’s Municipal Advisor. It seeks to position the City’s debt plan amongst the best practices in municipal finance, as well as to underscore the City’s commitment to curtail borrowing in the near term to improve its bond rating and preserve the highest credit rating possible with the allocation of resources to the programs and services provided by the City.

III. OUTSTANDING AND MATURING OBLIGATIONS

Nothing in this policy shall be deemed to affect or impair any outstanding obligations of the City or any obligations issued to renew such outstanding obligations. Failure to comply with any goal or limit established by this policy shall not of itself be deemed to invalidate any obligations.

IV. SHORT-TERM OPERATIONAL BORROWINGS

The City is authorized under the New York State Local Finance Law (“LFL”) to borrow in anticipation of the receipt of taxes or other forms of revenue (primarily in the form of State or Federal aid). Such borrowings take the form of short-term notes and provide working capital to balance timing differences between revenue and expenditures. Short-term operational borrowings include budget, deficit, tax, and revenue anticipation notes. Under normal circumstances, tax anticipation notes shall be fully paid on or before December 31 of each year. Revenue anticipation notes shall be paid in accordance to limitations of the LFL.

The City shall not use short-term borrowing to finance operating needs except in the case of financial necessity, as determined by the City Comptroller with approval by the City Manager and City Council.

V. PERIODS OF PROBABLE USEFULNESS

The LFL assigns a period of probable usefulness (“PPU”) to each capital purpose that can be financed, which determines the maximum period of time over which assets may be financed. The City Comptroller shall ensure the final maturity date for any long-term debt will not exceed the expected life of the capital improvement so financed, unless financed through the level debt method.

VI. METHOD OF DEBT STRUCTURING

The LFL permits bonds to be amortized using the 50 Percent Rule or a level or declining debt structure. The City shall select the amortization method that produces debt service payments compatible with the City’s needs and ability to repay its existing and forecasted debt obligations. The City Comptroller shall confer with the City’s Municipal Advisor and/or Bond Counsel relating to the structuring of debt obligations.

When appropriate, by recommendation of the City Comptroller, the City may consider lease financing or other alternative types of financing as permitted by the LFL.

VII. METHOD OF SALE

The City Comptroller shall confer with the City’s Municipal Advisor and/or Bond Counsel to determine the most appropriate method of sale based upon various issuance specific factors.

If a negotiated sale process is deemed appropriate, the Underwriter(s) shall be selected through a competitive process. The City Comptroller may request the City’s Municipal Advisor and/or Bond Counsel to assist in this process, analyze proposals and provide recommendations with respect to the selection(s).

VIII. DEBT LIMIT

Pursuant to the State Constitution, the total amount of the City’s outstanding debt may not exceed seven per centum (7%) of the five-year average taxable full valuation of property assessments. This is the Constitutional Debt Limit (“CDL”). The City’s water debt, budgetary appropriations, and operational financings are excluded from the calculation of the CDL. Self-supporting debt, including sewer debt, paid from non-real property tax revenue may also be excluded in full or part if authorized by the Office of the State Comptrollers (“OSC”). If applicable, the Commissioner of Finance (“COF”) should apply for all self-supporting debt exclusions in order to maintain sufficient debt capacity.

The City Comptroller shall ensure that the net general obligation debt of the City will not exceed the constitutional debt limit.

IX. CAPITAL IMPROVEMENT PLAN AND THE CAPITAL BUDGET

The City's administration annually prepares and submits a five-year Capital Improvement Plan ("CIP") to the Council for its consideration and approval. The City considers this Debt Management Policy to be an integral part of the CIP. Therefore, the CIP submitted to Council should include a prospective impact statement and analysis with respect to proposed capital budget improvements financed with debt obligations. The impact analysis should include an annual overlay of proposed and existing debt obligations and an evaluation of applicable debt ratios. To assist with debt service assumptions, the Comptroller may enlist the support of the City's Municipal Advisor and/or Bond Counsel.

See also, the City's adopted "Capital Budget Policy."

X. INVESTMENT OF DEBT PROCEEDS

The City Comptroller is required to invest proceeds of obligations in accordance with the City's then current Investment Policy adopted in accordance with Section 39 of the General Municipal Law, Section 11 of the General Municipal Law, and in accordance with applicable Federal tax requirements. New York State law permits the City to co-mingle debt proceeds with operating moneys under a pooled investment program. However, for disbursement purposes debt proceeds are required to be deposited in one or more demand accounts separate from other funds of the City. Accounting records shall be maintained to ensure that debt proceeds are spent for the purpose(s) for which they are authorized.

XI. TIMELY REPAYMENT OF DEBT OBLIGATIONS

The City must be certain that debt payments are made timely and in full, without impairing its cash flow and subsequently its ability to provide essential governmental service. Accordingly, the City Comptroller shall monitor the City's cash flow position and the annual operating budget to ensure the full and timely repayment of all debt principal and interest due that fiscal year.

XII. REFUNDING OF OUTSTANDING LONG-TERM DEBT OBLIGATIONS

The City Comptroller, with the assistance of the City's Municipal Advisor, shall periodically review the City's outstanding long-term debt to identify refunding opportunities. If a refunding opportunity is identified, the City Comptroller shall work in conjunction with the City's Municipal Advisor to determine if the potential benefits of the refunding outweigh the risks or costs of delaying the refunding.

XIII. CREDIT RATING STRATEGIES

The City's credit rating has a significant impact on its ability to access the capital markets, the issuance costs associated with a debt sale, and the interest rate that is obtained on its debt obligations. As such, the City is committed to maintaining a credit rating strategy. However, the rating strategies must not compromise the delivery of basic services to city residents. The City Comptroller will be responsible for maintaining relationships with rating agencies assigning

ratings to the City's debt. The City Comptroller will confer with the City's Municipal Advisor regarding rating agency methodologies and the City's credit rating strategy. Changes to current methodologies could impact future fiscal decisions.

XIV. CONTINUING DISCLOSURE REQUIREMENTS

The City Comptroller shall work in conjunction with the City's Municipal Advisor in order to ensure compliance with secondary market information and disclosures made pursuant to Rule 15c-2c-12 of the Securities Exchange Act of 1934.

XV. ANNUAL REVIEW & AMENDMENTS

On an annual basis, or as deemed necessary, the City Council shall review the Debt Management Policy and shall approve policy revisions, if any, by formal resolution.

ADOPTED: OCTOBER 29, 2020