



CITY COUNCIL

Committee of the Whole

Monday, July 11, 2022

5:30 pm

Hybrid Meeting

Agenda

The City Council Committee of the Whole meetings are filmed and can be viewed LIVE while the meeting is taking place via the attached Zoom link and dial-in phone number, on Facebook and on BCTV MAC Channel 99 or at your convenience at <https://www.readingpa.gov/content/city-council-video>.

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Passcode: 933418

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Webinar ID: 843 5303 9934

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- I. Debt Policy (pages 1 & 2)**
- II. Dangerous Intersection Update with Expanded Security Cameras**
- III. Referendum Ordinances re Requiring Council Approval for the Termination of the Man Dir and Dept Dirs**
- IV. Agenda Review**

CITY OF READING, PENNSYLVANIA
DEBT MANAGEMENT POLICY

The City of Reading’s (the “City”) Debt Management Policy sets forth guidelines for the issuance of debt or derivatives (swaps) of the City. It is the objective of the policy that (1) the City obtains financing only when necessary and consistent with this policy, (2) the process for identifying the timing, structure and amount of debt financing or swap be efficient and transparent, and (3) result in favorable interest rates and terms being obtained.

Debt financing is permitted to be issued or incurred under Commonwealth of Pennsylvania laws and shall only be used to purchase capital assets or refinance existing debt that will not be acquired or refunded from current resources and in limited circumstances to fund working capital. The payout schedule of any debt the City issues shall generally not exceed the useful life of the asset or project being financed; this allows for a close match between those who benefit from the asset and those who pay for it.

To enhance creditworthiness and prudent financial management, the City is committed to systematic capital planning, intergovernmental cooperation and coordination, and long term financial planning. Evidence of this commitment to capital planning will be demonstrated through the Capital Improvement Program (“CIP”), cash flow analysis of its spending plans, and regular public reporting of information.

The City Managing Director and Director of Finance are responsible for developing plans and proposals regarding the issuance of new debt, refinancing existing debt, issuing City guarantees of its general obligation pledge or any other matters related to the City’s debt and/or swap liabilities. Such proposals will be reviewed with the Mayor and in turn presented to the Finance Committee of City Council. The Finance Committee will be requested to approve such plans. City Council will follow its normal decision-making process in determining whether to move ahead with any debt or swap transaction, including but not limited to, debt directly issued by the City or any general obligation guaranty provided by the City as described in this Debt Management Policy.

The City Council reserves the right to amend this policy or waive any of its guidelines in order to address fiscal requirements and/or market conditions.

1. Use of Debt Financing / Type

- a. In general, debt financing should not be considered for any recurring purpose such as current operations or maintenance expenditures; provided that the City may complete tax and revenue anticipation financings as permitted under the laws of the Commonwealth.
- b. The City will invest any debt proceeds in safe, statutorily approved investment instruments, designed to match the expected cash flow needs of the capital projects. Adherence to the IRS Code and guidelines on arbitrage shall be followed, with the assumption that the City will strive to meet the IRS spending exceptions that allow for arbitrage-related exemptions from rebate for these funds. The City will employ an arbitrage rebate service provider for rebate calculations. The City will fulfill and monitor all post-issuance compliance procedures as required by the IRS and any outstanding post-issuance compliance policy of the City.

- c. The City may consider the use of debt financing for one-time capital improvement projects and unusual and long-lived (over 10 years) rolling stock and major equipment purchases under the following circumstances including, but not limited to:
 - i. The project is included in the City's capital improvement plan (or as amended) and is in conformance with the City's operating budget policies;
 - ii. The projected useful life of the projects and/or equipment will be no less than ten years and collectively be equal to or exceed the term of the financing;
 - iii. There is anticipated to be revenue sufficient to service the debt, whether from anticipated annual revenue from the General Fund, Sewer Fund, or other approved sources.
- d. The City may consider securing certain debt of municipal authorities that are directly created by the City with its general obligation pledge. The City may also consider securing certain debt of City's component units (enterprise funds) with its general obligation pledge. Any debt guaranteed by the City should directly benefit the City and its citizens.
 - i. The City will consider how any general obligation guaranty will impact the City's current and future financial position, debt limits and the maximum exposure (leverage) any guaranty would have on the City in the event the City is required to make debt service payments under the terms of any guaranty agreement;
 - ii. Any debt guaranteed by the City should adhere to all of the provisions of this Debt Management Policy as it relates to the City's issuance of its direct general obligation or revenue secured debt;
 - iii. Any debt guaranteed by the City will follow all laws of Commonwealth of Pennsylvania, including, but not limited to, approval by City Council.

2. Structure and Term of Debt Financing & Derivatives

- a. Debt will be issued and structured to match projected capital cash flow needs, minimize the impact upon future budgetary revenue enhancement needs, and maintain a relatively rapid payment of principal.
- b. The City will typically utilize borrowing terms of 25 years or less.
- c. General Obligation debt will be the typical mode of long term debt financing. In certain circumstances the City may consider the use of direct bank loans, private placement bonds, revenue bonds or other forms of debt financing in consultation with its Financial Advisor, Bond Counsel, and with the approval of the City Council. Revenue backed debt financings may also be utilized when funding projects related to the City's wastewater collection and treatment systems or other City projects that generate revenues that the City decides to allocate to the repayment of debt service.
- d. Depending upon market conditions and the credit rating of the City, competitive or negotiated sales may be utilized.
- e. Debt issues will be structured to generally seek level debt service schedules so as to minimize significant changes from year to year in overall debt repayments.
- f. The typical structure of debt will result in level principal and interest (combined) payments over the term of the debt. There shall be no "balloon" payments due at the end of the term.

- g. Interest and principal payments will typically commence the calendar/fiscal year following the issuance of the debt or within one year following the completion of a capital project.
- h. The City will be mindful of the potential benefits (from lower interest rates) of issuing bank-qualified debt, and will pursue such benefits when practical.
- i. The City will typically seek fixed rate financings, especially in times of stable credit markets.
- j. The City may choose to issue debt that pay a rate(s) of interest that varies according to pre-determined formula from a periodic remarketing of the securities, consistent with State Law and covenants of pre-existing debt, and depending upon market conditions and overall composition of the City's debt portfolio.
- k. Call provisions will typically be included in debt issues. The timing of the call provisions will be optimized to provide the City with maximum flexibility to manage the City's debt portfolio while taking into consideration the current market conditions.
- l. The City will be mindful of its non-electoral debt limitations established by State Law and operate within such limits at all times.
- m. At times, short-term borrowings will be implemented until a permanent or long-term debt issue can be undertaken. Also, the City may implement authorized temporary borrowings from internal funds of the City, to be reimbursed with debt funds at a future date.
- n. The City will seek to refund/refinance (current and/or advanced) its prior debt issues if favorable market conditions exist. A goal of achieving overall net present value savings of at least 3% net of issuance costs will be a guiding benchmark.
- o. The sizing of any debt borrowings of the City will be made after taking into consideration the probable timing and sizing of future borrowings so as to properly plan for future estimated capital cash flow needs.
- p. Derivative products (e.g., interest rate swaps, caps, collars, forward starting agreements, etc.) can effectively lower costs, reduce and diversify certain risks and manage variable rate exposure. The City Managing Director and Director of Finance (with the assistance of the City's Financial Advisor) will evaluate derivative products and their associated risks and benefits on a case-by case basis and prior to executing any transaction.
- q. The Financial Advisor will prepare and present City Council with an Interest Rate Management Plan for adoption prior to the execution of any derivative transaction. The City will comply with all applicable State Law in connection with the issuance of derivatives.
- r. The City will not use or issue interest rate derivatives or swap instruments without the specific approval of the City Council.

3. Credit Ratings

- a. The City recognizes the significant value of strong, investment grade credit ratings and will endeavor to protect these credit ratings in all of its debt, budgetary and financial management undertakings.
- b. The City will take all practical precautions to avoid any financial decision which will negatively impact its credit rating(s) on existing or future debt issues.

- c. The City will take into account and monitor the impact of overlapping debt of the Reading School District and Berks County.
- d. The City will generally employ the external services of a Financial Advisor and Bond Counsel to assist in the preparation of any bond offerings.
- e. The City Managing Director and Director of Finance (with the assistance of the Financial Advisor) shall be responsible for maintaining relationships with the rating agency(ies) that assign a rating to the City's debt. This effort will include representing the City in meetings with and presentations to the rating agency(ies) in conjunction with the City's existing debt management program and any new debt issuance.
- f. The City will disclose all material facts relating to the City in its Official Statements accompanying debt issuances, taking into account the guidance on disclosure recommended by the Government Accounting Standards Board (GASB) and Generally Accepted Accounting Principles (GAAP).

4. Communication Regarding Debt Management

- a. Good communication with credit rating agency(ies) shall be maintained, and a policy of full and timely disclosure on every financial report and bond prospectus shall be followed.
- b. The City, through its Director of Finance, shall fulfill all compliance practices including primary and secondary market disclosures and certifications, arbitrage rebate monitoring and filing, federal and state law compliance, and market and investor relations. These compliance practices shall include, but will not be limited to, fulfilling the requirements of SEC Rule 15c2-12 as promulgated as part of the bond issuance process, filing all appropriate continuing and voluntary disclosure documents and ensuring all documentation is available to the public through the MSRB's EMMA website.
- c. In addition to the current policies related to disclosure efforts, the City will seek to meet future requirements and best practices as prescribed by the SEC, MSRB or other pertinent regulatory body.
- d. Forecasts of future debt issuance plans will be disclosed in all Official Statements and City budgets.
- e. The City Administration (with the assistance of the Financial Advisor) will annually update City Council at a public meeting with a clear, concise non-technical summary of the City's outstanding debt, annual debt service payments and legal debt margin.