

Debt Policy

Why You May Need One and What Makes a Good One

Discussion Outline

Ohio GFOA 22nd Annual Fall Conference
Wednesday, September 23, 2009
(4:00 p.m. – 4:50 p.m. – Pavilion Ballroom)



Presented by:
John B. Payne, Principal
Bradley Payne, LLC
Financial Solutions Group

Moderator: Ms. Cathe Armstrong, City of Upper Arlington, Ohio

 **DEBT POLICY**
Why You May Need One and What Makes a Good One

DEBT POLICY DESCRIPTION


Part of Comprehensive Capital Improvement Plan

- GFOA Best Practices – See Exhibit 1: GFOA Recommended Practice – Debt Management Policy

Financial Planning and Budgeting Tool

- Debt Policies Go Hand in Hand with CIPs
- Identify Funding Sources, Preferences, Restrictions and Budget

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DEBT POLICY DESCRIPTION

Public Policy Tool

- Roadmap for Selling Debt
- Conflict Avoidance
- Good Financial Management

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WHY YOUR GOVERNMENT MIGHT NEED ONE

- Tie Funding to CIP
- Demonstrate Strong Financial Management – See Exhibit 2
(Cities of Dayton / Upper Arlington Rating Reports – Pages 3 and 2)
- Public Policy Tools – Selecting Underwriters, Type of Debt, Conduit Debt, Using Derivatives.....

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DEBT POLICY CONTENTS

Define Your Purpose

- What the Debt Policy Does and Why
- Primary Objective – When to Use Cash / When to Borrow
- See Exhibit 3 – City of Upper Arlington Debt Policy

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Define Goals

- Establish Common Sense Goals
- Thinking Like a Rating Analyst
- Examples:
 - Use available cash when appropriate. Pay as you go is a good thing in many cases;
 - Use short-term financing tools when appropriate, like short-term bond anticipation notes or variable rate bonds, but do not over-expose your entity to the risk of variable interest rates;

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Define Goals

- Examples:
 - Use long-term financing such as long-term bonds to fund assets with long lives when appropriate, but be careful not to over-leverage your government;
 - Use appropriate types of debt for different types of projects, such as tax supported capital or revenue supported capital;
 - Use certain types of debt to promote economic development and public-private partnerships when appropriate;

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Define Goals

- Examples:
 - Sell bonds and notes with appropriate structures and provisions;
 - Sell bonds or notes at market rates and with fair fees;
 - Encourage debt creativity within strict guidelines.

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Establish Guidelines

- “When Appropriate” Used Frequently in Goals Statement
- Define “Appropriate” with Guidelines
- Prefer Flexibility – Consider Guidelines in Totality
- Example – Discussion Guide {Next Slide}

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CONCLUSION

Easy to Accomplish and Very Beneficial

- There Are Hundreds of Examples Out There to Review
- Ask Your Banking Partners to Help
