

**2015 BUDGET LEGISLATION FISCAL NOTE**

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**Legislation Title:** A RESOLUTION adopting updated and restated City of Seattle Debt Management Policies; superseding Resolutions 30345, 30533, 30630, and superseding all prior debt management policies.

**Summary of the Legislation:** This Resolution adopts updated and restated City of Seattle Debt Management Policies.

**Background:**

SMC Section 3.76.020.A requires that the Debt Management Policy Advisory Committee (DMPAC) develop and recommend to the City Council written policies regarding debt creation and management for all debt issued by the City and its utilities and for guarantees or extension of credit support to another borrower. The DMPAC is composed of the Director of Finance, the Chair of the City Council’s Finance and Culture Committee, the General Manager and Chief Executive Officer of Seattle City Light, the Director of Seattle Public Utilities, the City Budget Director, and the Director of the Central Staff Division of the City Council. The DMPAC advises the Director of Finance, the City Budget Director, the City Council, and the Mayor on all matters pertaining to the incurrence of debt.

In 2001, the City Council adopted revised Debt Management Policies through Resolution 30345. Those policies were subsequently amended by Resolution 30533 (in 2002) and Resolution 30630 (in 2003). The DMPAC will consider these proposed updated and restated City of Seattle Debt Management Policies for approval at its October 2014 meeting and, if approved, recommends that the City Council adopt them by resolution.

The City and its utilities have exceptionally high credit ratings and this is due to a long track record of conservative and rational debt management. The City’s debt policies have served the City well and provided a solid footing for these conservative practices. However, the City’s debt practices have evolved over time to become more systematic, coordinated, and rational. In addition, the regulatory environment has become more stringent and investors are expecting a much higher level of disclosure since the financial crisis. Given these developments, the current policies are now due for an update. This revision maintains the conservative spirit of the existing policies, but is more explicit in certain areas. The main changes include the following:

- Modernization of the description about financial disclosure and post-issuance compliance;
- Explicit description of the process for making decisions about debt financing;

- Identification of the roles and responsibilities in this process for the Directors of Budget and Finance and for the DMPAC;
- Outlining the circumstances under which interfund loans longer than 90 days will be used; and
- Updating department and committee names.

**X** **This legislation does not have any *direct* financial implications.**

**Other Implications:**

- a) Does the legislation have indirect financial implications, or long-term implications?**

The Debt Management Policies adopted by Council through this Resolution have long-term implications for the City's financial management, as they guide the City's use of debt financing.

- b) What is the financial cost of not implementing the legislation?**

The City manages a very active portfolio of approximately \$4.3 billion of municipal bonds and issues several hundred million dollars of new debt each year in support of its capital programs. Having thoughtful debt policies are a prudent practice to guide the City's debt management.

- c) Does this legislation affect any departments besides the originating department?**

All City departments and City funds potentially could be affected by these policies.

- d) What are the possible alternatives to the legislation that could achieve the same or similar objectives?** None.

- e) Is a public hearing required for this legislation?** No.

- f) Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?** No.

- g) Does this legislation affect a piece of property?** No.

- h) Other Issues:** None.

**List attachments to the fiscal note below:** Not applicable.