

**URBAN COUNTY COUNCIL
SCHEDULE OF MEETINGS
March 1-March 8, 2010**

Monday, March 1

Waste Reduction Task Force Meeting..... 10:30 am
Conference Room-5th Floor Government Center

Fayette Co. Rural Land Management Board Meeting..... 3:00 pm
Conference Room-12th Floor Government Center

Police Disciplinary Hearing..... 3:00 pm
Council Chambers-2nd Floor Government Center

Tuesday, March 2

Special Planning Committee Meeting..... 11:00 am
Conference Room-5th Floor Government Center

Services Committee Meeting..... 1:00 pm
Council Chambers-2nd Floor Government Center

Council Work Session..... 3:00 pm
Council Chambers-2nd Floor Government Center

Wednesday, March 3

Masterson Station Park Advisory Board Meeting..... 6:00 pm
Lions' Club Building in Masterson Station Park

Thursday, March 4

Public Conversation on Lexington's Public Transportation..... 6:30 pm
Main Auditorium-Lexington Public Library, Central Branch

Friday, March 5

No Meetings

Monday, March 8

Parks Funding Work Group Meeting..... 5:00 pm
Parks' Picadome Office

LEXINGTON-FAYETTE URBAN COUNTY COUNCIL

WORK SESSION AGENDA

March 2, 2010

- I. Public Comment – Issues on Agenda**
- II. Requested Rezoning / Docket Approval – None**
- III. Approval of Summary-Yes, February 23, 2010, pp.3-7**
- IV. Budget Amendments – None**
- V. New Business, pp.9-12**
- VI. Continuing Business / Presentations**
 - A. Council Budget & Finance Committee, pp.13-30**
 - B. Severe Storms Preparedness**
 - Ms. Shelly Bendall, Preparedness Coordinator**
 - Division of Emergency Management / 911**
 - C. Kentucky League of Cities Update**
 - Mr. Temple Juett, KLC General Counsel &**
 - Mr. Douglas Goforth, KLC Chief Financial Officer**
- VII. Council Report**
- VIII. Mayor's Report – None**
- IX. Public Comment – Issues Not on Agenda**

ADMINISTRATIVE SYNOPSIS

New Business Items

- A. Authorization of Change Order No. 1 to Contract with Randle-Davies Construction Company Regarding the South Elkhorn Trail Project. (Final) (099-10) (P. King/Webb)
This request will authorize Change Order No. 1 to decrease contract amount by \$57,312.13 with Randle-Davies Construction Company to adjust bid quantities to quantities required to complete the South Elkhorn Trail Project. Original contract amount was \$216,701. Final contract amount is \$159,388.87.**pp.9-11**
- B. Authorization to Amend Section 21-5 of the Code of Ordinances within the Chief Information Office, Division of Enterprise Solutions. (085-10) (Allen/Dhuwaraha)
This request will authorize an amendment to Section 21-5 of the Code of Ordinances to create one (1) position of a Systems Administrator – Enterprise Solutions (Grade 118E) within the Division. The fiscal impact for FY2010 is \$17,584.63. Total annual impact will be \$76,200.07. Funds are budgeted.**p.12**

URBAN COUNTY COUNCIL
WORK SESSION SUMMARY
& TABLE OF MOTIONS

February 23, 2010

Mayor Newberry chaired today's work session meeting. All Council Members were present.

- I. Public Comment – Issues on Agenda-None
- II. Requested Rezoning / Docket Approval-Yes

A motion by CM Ellinger to place on the docket without a hearing, an ordinance changing the zone from a Two-Family Residential (R-2) zone to a High Rise Apartment (R-5) zone for 0.25 net (0.33 gross) acre, for property located at 333 S Upper St, subject to certain use restrictions imposed as conditions of granting the zone change (RAS Land, Inc) (AMD.), seconded by CM Crosbie, passed without dissent.

A motion by CM Ellinger to approve the amended docket, seconded by CM Blues, passed without dissent.

- III. Approval of Summary-Yes

A motion by CM Beard to approve the summary from February 16, 2010, seconded by CM Lane, passed without dissent.

- IV. Budget Amendments-Yes

A motion by CM Blues to remove budget journal 40815 from today's packet because it was on a previous new item agenda list, seconded by CM Gorton, passed without dissent.

A motion by CM Myers to approve the budget amendments, seconded by CM Blues, passed by a 14-0 vote, with 1 abstention: CM Gorton.

- V. New Business

- A. Authorization of an UltraCare Agreement with ABDick-Kopy Kat, Inc. on Behalf of the Department of Finance and Administration, Division of Human Resources. (024-10) (Allen/Rumpke)

- B. Authorization of an Addendum to the State and Local Taskforce Agreement with the US Department of Justice, Drug Enforcement Administration (DEA) on Behalf of the Department of Public Safety, Division of Police. (086-10) (Bastin/Bennett)
- C. Authorization of a Memorandum of Understanding (MOU) with the US Marshals Service on Behalf of the Department of Public Safety, Division of Police, Regarding the District Fugitive Taskforce. (087-10) (Bastin/Bennett)
- D. Authorization of an Agreement with the University of Kentucky (UK) on Behalf of the Department of Public Safety, Division of Police, for use of the Albert B. Chandler Medical Center Regarding the Sexual Assault Nurse Examiner (SANE) Program – FY2010 (090-10) (P. King/Bennett)
- E. Authorization to Approve Purchase from Kustom Signals, Inc. as a Sole Source Provider on Behalf of the Department of Public Safety, Division of Police, Traffic Safety Project. (091-10) (P. King/Bennett)
- F. Authorization of Change Order No. 4 to Contract with HDR / Quest (f/k/a Quest Engineers, Inc.) for the Todds Road / Liberty Road Widening Project – Phase I. (097-10) (P. King/Webb)
- G. Authorization to Accept a Cash Donation from the Alpha Delta Chapter of ADK on Behalf of the Department of Social Services, Division of Family Services. (088-10) (Hendrix/Helm)
- H. Authorization to Accept a Cash Donation from Cynthia Beard on Behalf of the Department of Social Services, Division of Family Services. (089-10) (Hendrix/ Helm)
- I. Authorization to Accept an Award from the State Farm Companies Foundation on Behalf of the Department of Social Services, Division of Youth Services, to Implement a Teen Express Project. (092-10) (P. King/Helm)
- J. Authorization to Submit an Application to the US Department of Justice (DOJ), Office on Violence Against Women, for Continuation of a Safe Haven Project – FY2010. (093-10) (P. King/Helm)
- K. Authorization to Amend Section 21-5 of the Code of Ordinances on Behalf of the Department of Environmental Quality, Division of Water Quality. (095-10) (Allen/ Taylor)
- L. Authorization to Approve Amendments to Section 15-1.3(6) of the Code of Ordinances Relating to Designating a Clean Zone for the 2010 World Equestrian Games. (094-10) (Greathouse/Rabold)

- M. Authorization to Approve Purchase from Toter[®] Incorporated as a Sole Source Provider on Behalf of the Department of General Services, Division of Facilities and Fleet Management, for Lifting Units and Parts. (096-10) (Loney/Cole)
- N. Authorization to Retain the Wayne Basconi, Attorney at Law, on Behalf of LFUCG, for Legal Bill Review Services. (098-10) (Bowman/Askew)

A motion by CM Crosbie to place item N into the Inter-Governmental Committee, seconded by CM Ellinger, passed without dissent.

A motion by CM Lane to approve new business items A-M, seconded by CM Gorton, passed without dissent.

VI. Continuing Business / Presentations-Yes

A. Planning Committee Report

This report was given by Co-Chair CM Blues.

A motion by CM Blues to accept the following compromises: building to which the signage 1. pertains/contains 100,000 or more square feet, 2. the site contains two or more acres, and 3. the property is located along a four lane public highway, seconded by CM Martin, amended by CM James to place the #3 item into the Planning Committee for more review, seconded by CM Lawless, was a tied vote with the chair (Mayor)breaking the tie by voting to return the item to the Planning Committee. The original motion, without item #3, passed by a 14-0 vote with one recusal: CM Lane.

B. Affordable Housing Trust Fund Task Force Presentation

This presentation was done by Mary Brooks from California. Several CMs and the Mayor asked questions.

C. Initial Proposal of the Turfland Mall TIF

This was actually a time to set a hearing date for the TIF. T. Bruce Simpson, Jr, Esq. of McBrayer McGinnis Leslie & Kirkland, PLLC was the attorney present.

A motion by CM McChord to set the Turfland Mall TIF public hearing for 3/23/10 at 3 pm, seconded by CM Ellinger was amended to 3/25/10 at 7 pm before Council Meeting by CMGorton and seconded by CM Henson. Both motions passed without dissent.

VII. Council Report

CM Gorton-Thanked CM Blues for filling in for her at the Planning Committee meeting last week; thanked Mayor Newberry, and CMs Blues, Crosbie and Martin for signing the Covenant with the military families.

CM Blues-Announced 2 neighborhood association meetings: on 3/1/10 at 6 pm Georgetown Street Area at the O'Rear Center and at 7 pm Green Acres/Hollow Creek/Breckinridge at the Community Center in Green Acres.

A motion by CM Blues to place a multi-way stop at Old Georgetown St and W Short St, seconded by CM McChord, passes without dissent.

CM Lane-A motion by CM Lane to reduce the speed limit on Bowman Mill Rd from 50 mph to 40 mph, seconded by CM McChord, passed without dissent.

CM Lawless-Asked a question of Comm. Webb about the light pole on S. Limestone; gave a 'shout out' to David Barberie of the Dept. of Law for his work done.

CM Crosbie-Announced the Waste Reduction Task Force meeting on 3/1/10 at 10:30 am in the 5th floor conference room; stated that she has received feedback on the new combo waste/recycling containers being used-Comm. Taylor answered-one complaint that CM Crosbie had is that the writing on the side of the container is difficult to read at night.

CM Henson-Announced that the next Affordable Housing Trust Fund Task Force meeting will be 3/16/10 at 9 am in the 5th floor conference room; Headley Green homeowners will meet on 3/1/10 at 7 pm at the Gardenside Christian Church; on tomorrow morning at 9 am in the 5th floor conference room, the Commission for Citizens with Disabilities will meet.

A motion by CM Henson to place on the docket for the February 25, 2010, Council Meeting a resolution authorizing the Mayor to execute and submit a grant application to the Cabinet for Health and Family Services for Federal funds for the continuation of the New Chance Program, the Mentoring Program and the local Governance Council Project, seconded by CM Beard, passed without dissent.

CM Feigel-Stated that last night (Monday) the second 5th District-wide meeting with 70-80 people in attendance was held; thanked Shriner's Hospital for being able to use the facility; also thanked Mayor Newberry, VM Gray, and CMs Gorton and Ellinger for being in attendance also; also

thanked Comm. Webb, David Jarvis, Kenzie Gleason and 4 Police officers for attending and all the information given.

CM James-Spoke about the emails and calls received about the snow emergency.

A motion by CM James to place the snow emergency plan into the Services Committee, seconded by CM Gorton, passed without dissent.

VIII. Mayor's Report-Yes

Mayor Newberry withdrew Robert Boone's name from the Town & Gown Commission nomination list.

A motion by CM Beard to vote separately Robert Owens-Airport Bd and Mr. Frye-Masterson Station Bd from the other nominations' list, seconded by CM Lane, passed without dissent.

A motion by CM Lane to approve Robert Owens' reappointment to the Airport Bd, seconded by CM Martin, passed with a 12-3 vote.

A motion by CM Lane to approve Mr. Frye's appointment to the Masterson Station Park Advisory Bd, seconded by CM Martin, passed with a 13-2 vote.

A motion by CM Lane to approve the amended Mayor's Report, seconded by CM Martin, passed without dissent.

IX. Public Comment-Issues not on the agenda-None

A motion by CM Myers to go into closed session pursuant to KRS 61.810 (1) (c) for the purpose of discussing pending litigation; and pursuant to KRS 61.810 (1)(b) to discuss the acquisition of real property, an open discussion about which would likely affect the value of the specific piece of property that may be acquired, seconded by CM Gorton, passed with a 11-1 vote. 3 CMs were absent from the 'horse shoe' when the vote was taken.

A motion by VM Gray to go back into open session, seconded by CM Martin, passed without dissent.

A motion by CM Martin to adjourn, seconded by VM Gray, passed without dissent.

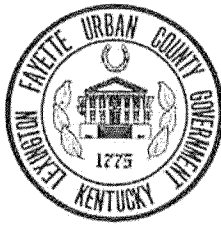
Work session was adjourned at 6:40 pm.

Budget Information For New Business Items

March 2, 2010 Work Session

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Item	Number	Amount	Fund	Name / Description
A.	099-10	-57,312.13	3160	US Dept Of Transportation
B.	085-10	17,584.63	1101	General Fund



099-10

9

Lexington-Fayette Urban County Government
DEPARTMENT OF FINANCE & ADMINISTRATION

Jim Newberry
Mayor

Linda L. Rumpke
Commissioner

**TO: JIM NEWBERRY, MAYOR
URBAN COUNTY COUNCIL**

**FROM: PAULA KING, DIRECTOR
DIVISION OF COMMUNITY DEVELOPMENT**

DATE: FEBRUARY 19, 2010

**SUBJECT: REQUEST COUNCIL AUTHORIZATION TO EXECUTE CHANGE
ORDER NO. 1 WITH RANDLE DAVIES CONSTRUCTION COMPANY
FOR CONSTRUCTION OF SOUTH ELKHORN TRAIL (FINAL)**

On November 15, 2007, (Resolution No. 616-2007), Council approved the award of contract for Bid No. 146-2007 in the amount of \$221,650.00 to Randle-Davies Construction Company for the construction of South Elkhorn Bike Trail.

Change Order No. 1 revises quantities used in the project and reduces the total amount by \$57,312.13 for a new total of \$159,388.87.

The reduction will come from the following account:

3160-303202-3225-91715-2003-BIKE_PROJ_2003. Activity is FED_GRANT.

Council authorization to execute Change Order No. 1 is hereby requested.

Paula King, Director

Xc: James M. Webb, Commissioner of the Department of Public Works and Development

CONTRACT HISTORY FORM

Project Name: South Elkhorn Bike Trail
Contractor: Randle--Davies Constructon Company
Contract Number and Date: 919 11/15/2007
Responsible LFUCG Division: Engineering

CONTRACT AND CHANGE ORDER DETAILS

A. Original Contract Amount:	\$	<u>216,701.00</u>	
Next Lowest Bid Amount:			
<u>\$269,741.03</u>			
B. Amount of Selected Alternate or Phase:	\$	<u>0.00</u>	
C. Cumulative Amount of All Previous Alternates or Phases:	\$	<u>216,701.00</u>	
D. Amended Contract Amount:	\$	<u>216,701.00</u>	
E. Cumulative Amount of All Previous Change Orders:	\$	<u>0.00</u>	<u>0.0%</u> (Line E / Line D)
F. Amount of This Change Order:	\$	<u>-57,312.13</u>	<u>-26.4%</u> (Line F / Line D)
G. Total Contract Amount:	\$	<u>159,388.87</u>	

SIGNATURES

Project Manager:	<u>Keith Lorne</u>	Date: <u>2/4/10</u>
Reviewed by:	<u>Paul A. Beyer</u>	Date: <u>2/9/10</u>
Division Director:	<u>M. Blain</u>	Date: <u>2/12/10</u>

099-10

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT CONTRACT CHANGE ORDER Page 1 of 2	Date: <u>1/11/10</u>
	Project: South Elkhorn Bike Trail
	Location: Lexington
	Contract No. 919
To (Contractor): Randle--Davies Construction No. 1 Mill Creek Park Frankfort, Ky. 40601	
Change Order No. 1- Final	

You are hereby requested to comply with the following changes from the contract plans and specification;

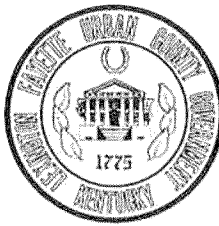
Item No.	Description of changes-quantities, unit prices, change in completion date, etc.	Decrease in contract price	Increase in contract price
	Contract Information		
2	Decrease Bituminous Surface by 7.45 tons @ \$67.50 Per Ton	\$502.87	
3	Decrease Bituminous Base by 78.98 tons @ \$66.50 Per Ton	\$5,252.17	
5	Decrease No. 2 Stone by 3000.00 tons @ \$13.50 Per Ton	\$40,500.00	
6	Decrease Concrete Sidewalk by 28.3S.Y. @ \$25.00 Per Ton <u>5, Y.</u>	\$707.50	
7	Decrease Detectable Warning Surface Tile By 23 S.F. @ \$280.00 Per S.F.	\$6,440.00	
8	Decrease Concrete Entrance 1.47 S.Y. @ \$66.00 Per S.Y.	\$97.02	
11	Increase Seeding and Protection by 6,674.85 S.Y. @ \$0.50 Per S.Y.		\$3,337.43
13	Decrease Sod by 100.0 S.Y. @ \$5.50 Per S.Y.	\$550.00	
14	Decrease Inlet Protection by 10 @ \$440.0 Each	\$4,400.00	
16	Decrease Project Sign by 2 @ \$550.00 Each	\$1,100.00	
22	Decrease Bollards by 5 @ \$220.00 Each	\$1,100.00	
		\$0.00	\$0.00
	Total decrease	\$60,649.56	
	Total increase		\$3,337.43
	Net (increase/decrease) in contract price	-\$57,312.13	
	The original contract price	\$216,701.00	

The sum of \$ -57,312.13 is hereby added to

The total contract price, and the total adjusted contract price thereby is \$ **\$159,388.87**

The time provided for the completion in the contract and all provisions of the contract will apply hereto.

Recommended by <u>[Signature]</u> <u>RAB 2/9/10</u> (Proj. Engr.)	Date <u>1/11/10</u>
Accepted by <u>[Signature]</u>	(Contractor) Date <u>1-14-10</u>
Approved by <u>[Signature]</u>	(Urban Co. Engr.) Date <u>2/12/10</u>
Approved by <u>[Signature]</u>	(Commissioner) Date <u>2/19/10</u>
Approved by <u>[Signature]</u>	(Mayor or CAO) Date <u>[Signature]</u>



085-10

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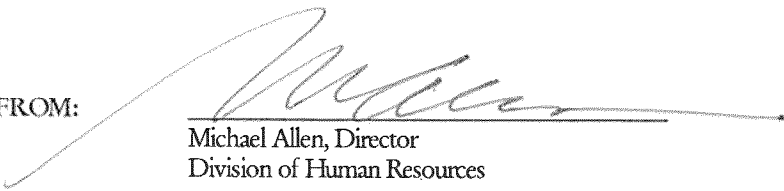
Lexington-Fayette Urban County Government
DEPARTMENT OF FINANCE & ADMINISTRATION

Jim Newberry
Mayor

Linda Rumpke
Commissioner

MEMORANDUM

TO: Mayor Jim Newberry
Joe Kelly, Senior Advisor
Council Members

FROM: 
Michael Allen, Director
Division of Human Resources

DATE: February 11, 2010

RE: Create Position— Division of Enterprise Solutions

The attached action amends Section 21-5 of the Code of Ordinances creating one (1) position of Systems Administrator – Enterprise Solutions (Grade 118E) in the Division of Enterprise Solutions effective upon passage of Council.

This action is one of the many steps in creating the Division of Enterprise Solutions work force. This position would be responsible for developing policies and guidelines to maintain and support the Enterprise Resource Planning systems. The position will function as technical/functional support, database administrator, systems administrator, workflow administrator and security administrator.

The fiscal impact for FY2010 is \$17,584.63 (6 pay periods) and includes benefits. Funds are budgeted in the adopted FY 10 budget.

Name	Position Title	Annual Salary Before	Annual Salary After	Annual Increase/(Decrease)
Vacant	Systems Administrator – Enterprise Solutions	\$0	\$56,340.40	\$56,340.40
Total Annual Impact/ Salary and Benefits \$76,200.07				

If you have questions or need additional information, please contact Daniel H. Fischer at 258-3030.

Attachment

cc: Rama Dhuwaraha, Senior Advisor
Chad Cottle, Director, Division of Enterprise Solutions
Darrylyn Combs, HR Manager, Division of Human Resources
Jim Dodson, HR Analyst, Division of Human Resources

Log # 10-0049

BUDGET AND FINANCE COMMITTEE SUMMARY FEB. 23, 2010

Stinnett called the meeting to order at 1:00 pm. All committee members present.

1. Debt and Debt Management Policy Recommendations included in the LFUCG Fiscal Policy Task Force Report dated March, 2009 - Dr. Merl Hackbart Management Policy

Stinnett told the committee agenda item #1 is a result of the Fiscal Policy Task Force from last April. The task force was chaired by Dr. Merl Hackbart, who was at today's meeting to present recommendations for debt and debt management policy.

Funding options covered were: pay as you go, a reserve fund, and bond or debt financing. Debt management & debt policy issues were a large part of Hackbart's presentation. He covered questions such as determining acceptable uses of debt finance, establishing debt limits, how to manage debt limits, and what are acceptable debt limits. He covered terms associated such as debt affordability and capacity. He explained about general obligation and revenue bonds, touching on how the state of KY handles bonding. He explained difference between debt capacity and debt limits and talked about the concept of each of these terms.

He shared a report of current municipal bond market and trends nationwide in 2009, then highlighted task force recommendations which are also included in the committee packet. He explained key recommendations.

Stinnett asked Rumpke about the cities debt policy. She explained how we look at debt service on a year by year basis and use a percentage rate as a guide line for debit service.

James asked what we are doing to increase potential. Hackbart said general fund revenue may have something to do with it; different cities use different funds, and debit service may have a low interest rate.

James asked how to prioritize projects and what should council be looking at past or present. Hackbart said prioritizations are based on a combination of funding options and mandates. He said rating agencies tend to look at history and risk.

Stinnett explained other cities have other revenue streams. Ellinger asked about ICMA matrix and if we are using that info. Hackbart said there is time lag with this data.

Lane referred to Kentucky's debit policy asking Hackbart to touch on it. Hackbart said this gets back to the question about how to prioritize bonds. There are often many priorities for bonds; he gave examples at UK such as research facilities and medical buildings.

A motion by Gorton to create a sub committee on debt and debt management policies. seconded by Myers. passed with out dissent.

2. Review and Discussion of FY 2010 Financials for January, 2010 (monthly & YTD) - Rumpke

Rumpke said economy is still in status quo and we still don't know what's over the horizon. She showed unemployment rates, we are still running higher than the national economy. She talked about economic indicators and was concerned about home sales, foreclosure rates tend to be going down.

O'Mara said today there was a glimmer of good news in reference to January preliminary results/budget. YTD actual to budget are approx. 6 million short which is where we unfortunately thought we would be.

Rumpke showed revenue review Jan FY2010 reflecting the projected \$12.5 million revenue shortfall and was concerned about net profit and services categories. She said we are trending towards not being worse than \$12.5 million as the shortfall. She pointed out recent savings coming from personnel expense and operating expense.

James remarked about a statement that the economy is getting back to normal, asking what is normal. Rumpke explained since the economy has changed we are going to have to be different in the way we look at indicators in the future. Efficiency with less was discussed.

Myers asked Rumpke about tracking how reductions are affecting services asking her to capture any information.

Stinnett asked if the adjusted or adopted budget numbers were used on a certain page of the presentation and was told adopted budget numbers are used.

3. Discussion of the Lexington Public Library's FY 2010 Budget - Myers (Library's budget has not been included due to the size, in excess of 100 pages, please See CM Stinnett's letter of 1/27/2010 with budget attached).

Myers said since we did not invite members of the library board we can use today's time to get questions from committee members. James asked what's the reason and intent of hearing about the library budget in this venue. Myers talked about obligations and having chance to review and discuss 5 cent library tax funding. James asked if citizens access this info. Myers did not know what information the library's made available, but state statutes are available on their web site.

Logan Askew was asked about statutes on library revenue and will forward that information to Jerry Southers, Council Office.

Stinnett asked if we requested budget reductions from the library. Rumpke said yes we did and thought it was \$250K, but would confirm and advise. Askew said the library has responded in writing to the Mayor.

4. Discussion on Council Links for FY 2011 Budget Process

James talked about how links work and how many things proposed by council were eliminated during the budget process. She said we need consistency among council members to get council recommendations considered. She suggested a retreat.

Stinnett asked Gray to plan a retreat and consider dates adding he was not sure how much we would be able to alter this year.

Myers asked James about purpose of a retreat, asking what is the value of having a retreat since we already know those items that council can not change.

James said perhaps we can have a document to present to the administration, an agreement of council, dispersing info to links, establish priorities and talk about what's going on in each district.

Blues said holding a retreat is worth a try. Stinnett added it might be helpful to be on same page in terms of what links are asking to keep updated on progress and format. He said this could even be a COW meeting.

Gray asked for clarification on what type of meeting we should have to discuss links, saying he would schedule it.

Stinnett reviewed items for next months B&F agenda and mentioned need to a calendar for budget meetings.

Gorton moved to adjourn at 2:31

ATTACHMENTS: DEBT/BOND FINANCING MUNICIPAL INFRASTRUCTURE

Debt/Bond Financing of Municipal Infrastructure

Debt & Debt Management Issues &
Options

(Presentation to LFUCG Budget & Finance
Committee, February 23, 2010)

Financing Infrastructure Investment & Capital projects

- **“Lumpiness”** of Financing Capital Facilities Creates Need for Special Planning and Financing Strategies and Options
- Special planning includes a **Capital Improvement Plan**
- **Special Funding Strategies/Options** include variations of three Financing Options:
 - Pay as you go
 - Establish a Reserve Fund
 - Use Debt or Bond Financing

All Funding Options Are Appropriate

- **Pay as you go** Requires Current Funds to Implement (but lumpiness may displace current services funding -- which may be difficult)
- **A Reserve Fund** is Possible but Difficult to Establish and Manage for Large Projects
- **Bond or Debt Financing** has Emerged as most Popular Approach:
 - It is an Based on "Benefits Received" Principle
 - Future Generations Share in Cost
 - **It raises a Series of Policy Issues**

Debt Management & Debt Policy Issues

■ Debt Policy Issues

- Determining Acceptable uses of debt finance ?
- Establishing debt limits ?
- How to manage Debt limits?
- What are acceptable debt limits ?
 - National standards or benchmarks (5-10% of FY revenues)
- Should there be single or multiple debt limits ?
 - General Obligation Debt Limit
 - Revenue Bond limits
 - Other

Debt Affordability/Capacity²⁰

- Debt Affordability is “Popular” View of Debt Capacity
- Debt Capacity is a function of “financial capacity” and “willingness to pay” by Bond Type
 - GO debt capacity depends on economy, tax structure and financial capacity [less outstanding debt]
 - Revenue Bond Capacity [may be part of overall calculation even though such bonds have different debt service sources]

Debt Capacity & Debt Limits: cont.

- The term **Debt Capacity** focuses on “The Municipalities’ ability to sustain debt service payments in the long run”
 - Or the amount of debt that a City can sustain without having its debt rating reduced
- **Debt Limits** are policy statements regarding acceptable outstanding debt levels for the City
- **AGAIN:** There is a relationship between Debt Capacity & Debt Limits although they are different concepts
 - **Debt Capacity** refers to the ability of a city to sustain debt service obligations in the long term
 - **Debt Limits** Are policy guidelines established to manage outstanding Debt within Sustainable levels as determined by the City

Debt Capacity (cont.)

- Cities with an aversion to debt may set limits below debt capacity
- At the same time, Cities may set limits that exceed “debt capacity”
- **Estimating debt capacity** or “**Available**”
Debt Capacity involves several factors including”
 - Economic factors
 - Demographic factors
 - Debt outstanding (Note: Debt Capacity less Outstanding Debt = **net available capacity** for budgeting purposes)

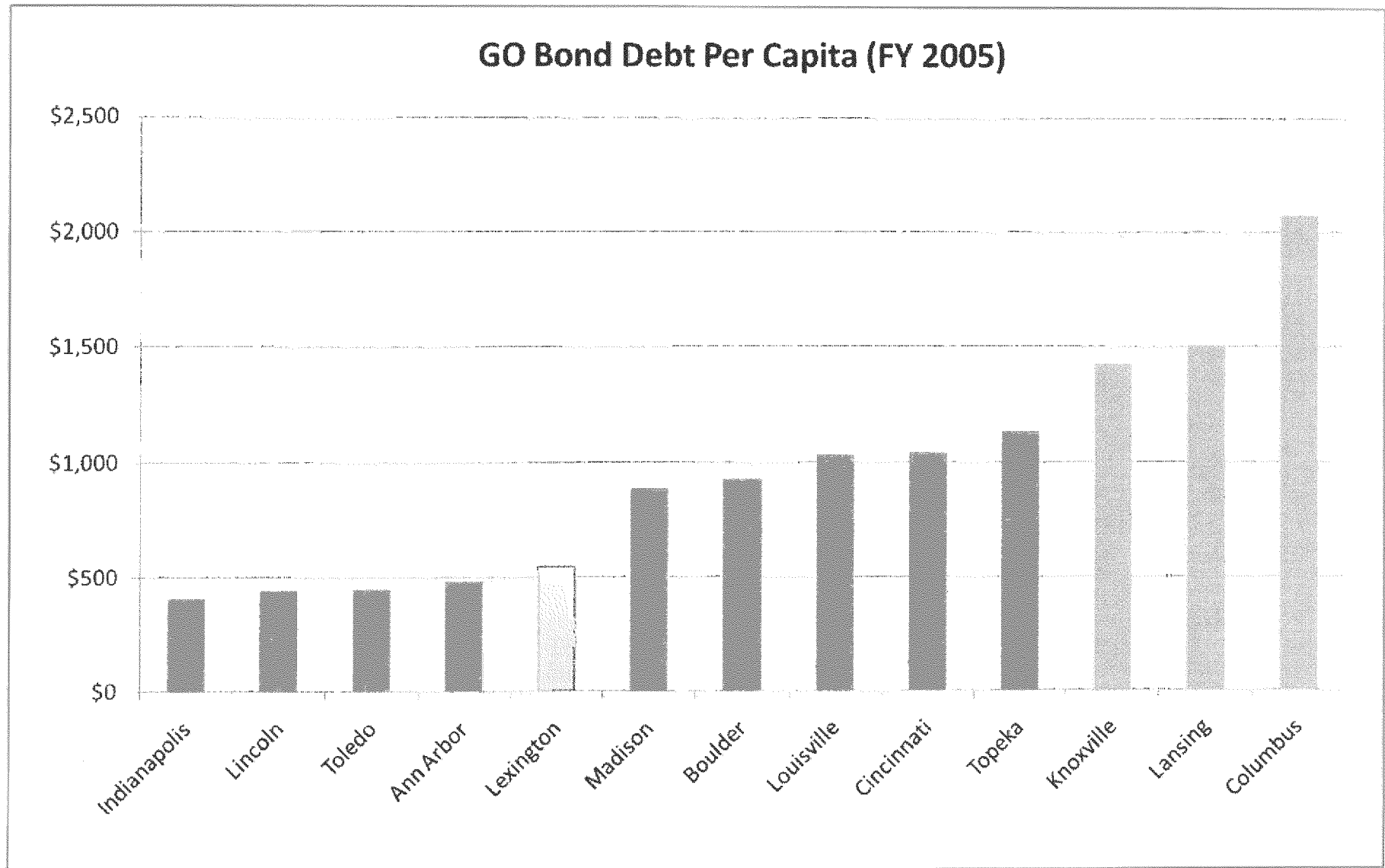
Setting Debt Limits

23

- May use “industry standards”
- May use metrics such as
 - debt per capita,
 - % of current revenues for debt service
- NAST reports that 27 states have constitutional limits or combinations of constitutional and statutory limits.

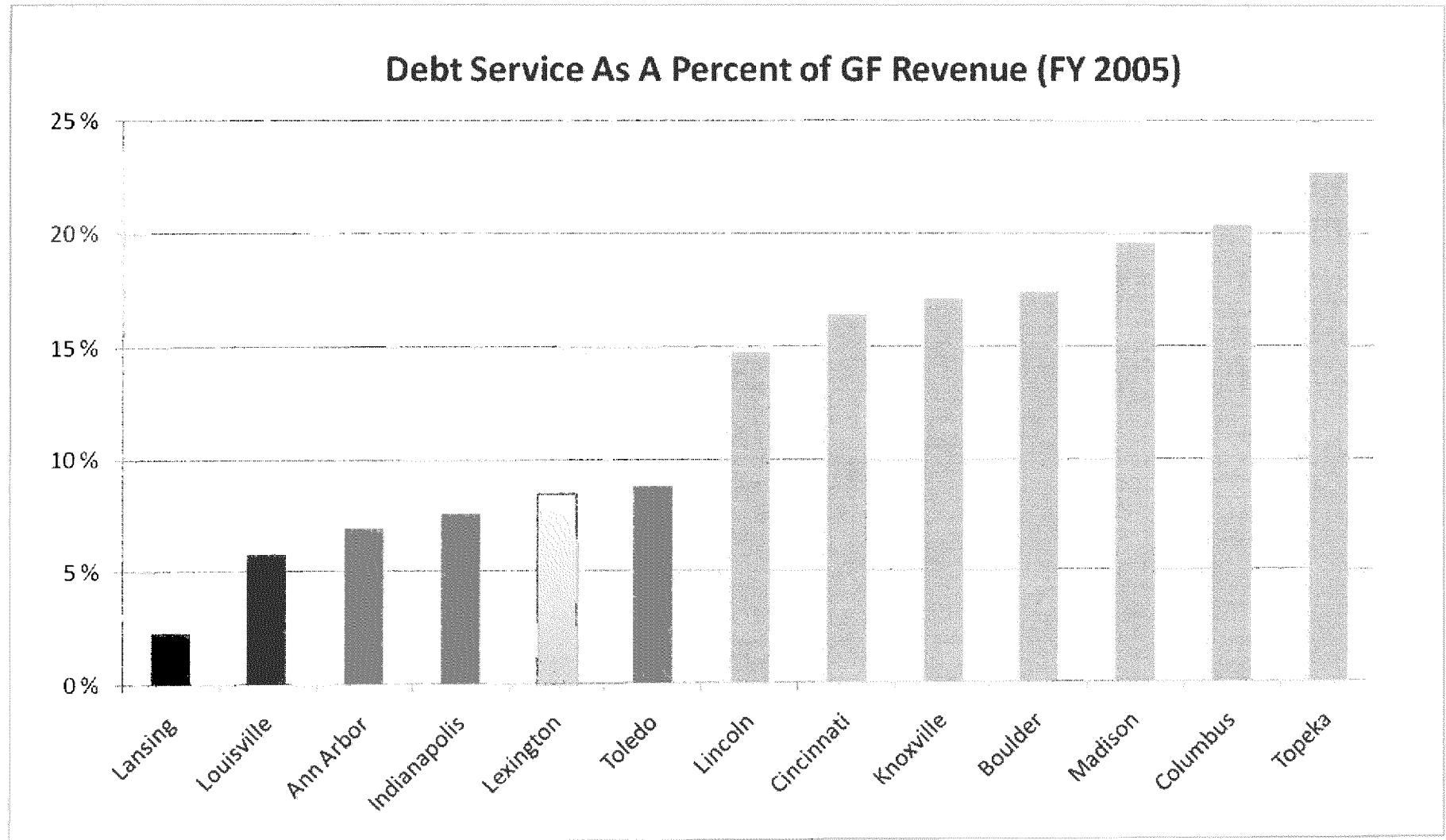
Debt Metric Examples

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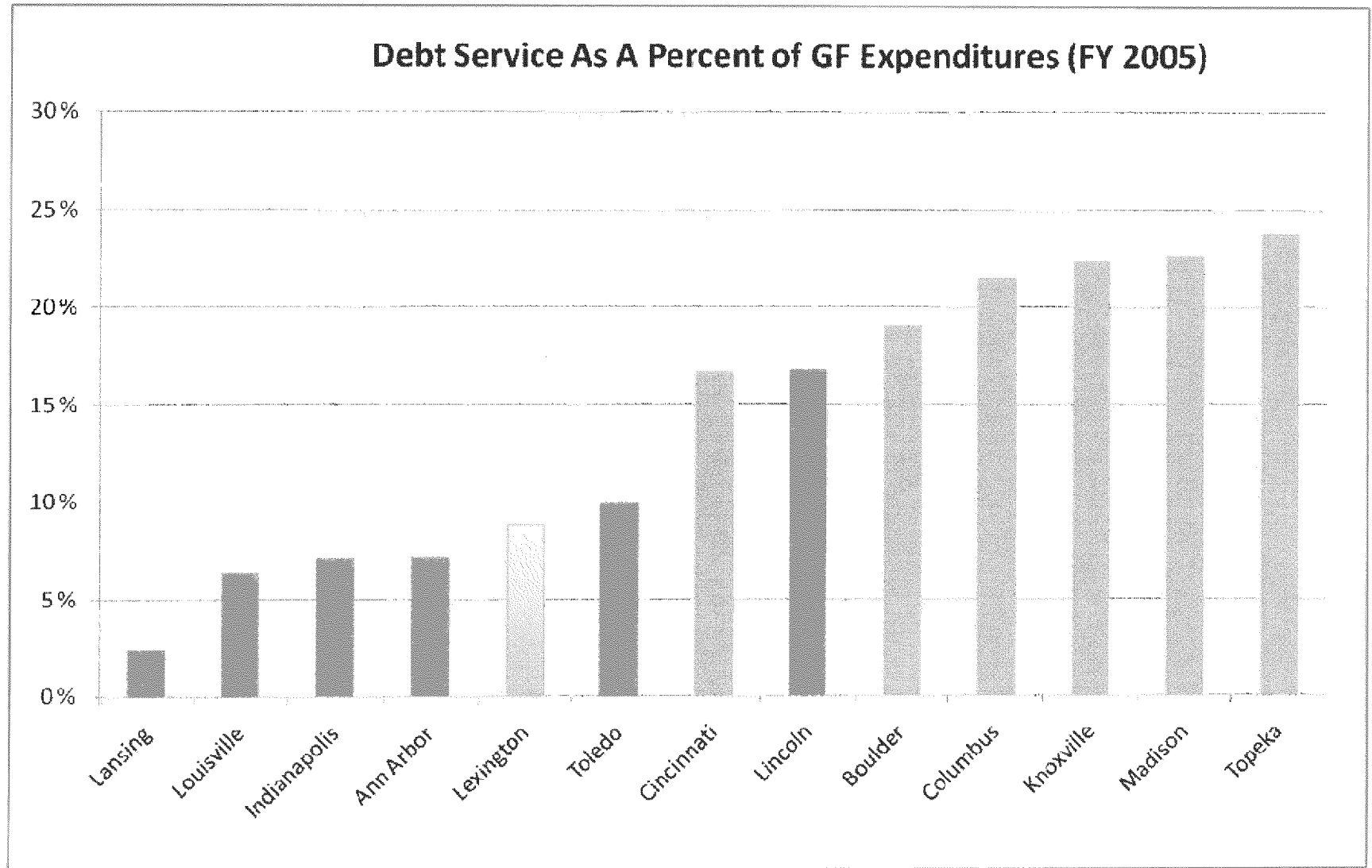
Debt Metric Examples (cont'd)

25



Debt Metric Examples (cont'd)

26



Current Municipal Bond Market²⁷

- Muni volume up 5% from 2008
 - \$388B to \$410B
- Taxable issuance increased to 19% of all issues
 - Last 20 years → 5%
 - Popularity of Build America Bonds
- Dwindling use of credit enhancements
 - 84% of all bonds issued in 2009 unenhanced
 - 4% of those enhanced used LOCs
 - 9% of those enhanced used insurance (had been up to 30 to 40% in the 1990s)
- Several hundred downgrades issued by rating firms
- Possible increase of Chapter 9 bankruptcy filings
 - 6 filings in 2009

Source: SIFMA Municipal Bond Credit Report, 4Q 2009

Task Force Recommendations²⁸

- The LFUCG should have an effective CIP and Capital Budgeting process
- The LFUCG should establish a Debt Management Policy
 - The Policy would provide the Mayor, Council and staff guidance for issuing bonds and managing outstanding bond issues
- The LFUCG should establish a Debt Review Committee
 - The Committee would insure that debt issuance policy is dynamic and is followed
 - The Committee could advise the Mayor, Council and staff on options for managing new and outstanding debt issues

Debt Policy Components

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■ **A Debt Management Policy Should Provide:**

- Guidelines indicating approved use of debt financing for capital budgeting and financing
- Guidelines regarding use of GO and Revenue Bonds
- Guidelines for estimating debt capacity
- Debt limit Guidelines
- Guidelines regarding types of bonds that can be issued
- Guidelines regarding credit enhancements
- Guidelines for refinancing outstanding debt issues
- Guidelines regarding management of outstanding debt issues

The End

Questions ??