

RESOLUTION NO. 100

**A RESOLUTION OF THE CITY OF UNIVERSITY PLACE,
WASHINGTON, SETTING FORTH ITS INTENTION REGARDING THE
USE OF DEBT TO FINANCE CITY ACTIVITIES AND PROJECTS.**

WHEREAS, the City Council of the City of University Place has adopted a 1996 goal to forecast long range revenues and expenditures, and outline the city's financial policy options;

WHEREAS, the City is now debt free, having retired its entire startup debt of \$673,000 in advance of the expiration of the tax anticipation note;

WHEREAS, the City of University Place has identified, and will continue to identify, certain capital improvement needs for streets, sidewalks, lighting, public open spaces, public facilities and other amenities contributing to the quality of life for its citizens;

WHEREAS, the City Council has adopted a 1996-2001 Interim Capital Facilities Plan, which incorporates the use of debt to finance improvements along Grandview Drive, and may also consider the use of debt for purchase of real estate;

WHEREAS, the City Council wishes to clearly state its policies as to the appropriate use of debt financing; NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF UNIVERSITY PLACE, WASHINGTON, AS FOLLOWS:

Section 1. Debt should be used to finance assets with substantial useful lives. In general, the term of the debt should not exceed the projected useful life of the asset.

Section 2. Current operations and maintenance should not be financed with long term debt. An exception to this policy may be made for short term cash flow purposes until the City, during its first few years, has achieved its goals to provide sufficient reserves for support cash flow needs and reserve requirements.

Section 3. The City shall attempt to maintain a cash reserve of eight percent (8%) of its operating budget, the approximate equivalent of one month's operating requirement.

Section 4. The City shall attempt to maintain a balanced relationship between issuing debt and using "pay as you go" financing.

Section 5. In determining which type of debt to issue, the following factors should be considered:

- a) Beneficiaries of the project. A significantly larger portion of citizens should benefit from projects financed by general obligation bonds.

- b) Revenues which may be raised from alternative sources. User charges, or other tax options may be more equitable and/or cost-effective.
- c) Priority of the proposed debt financed project among the City's longer term capital improvement objectives.
- d) Additional costs for operations and maintenance or cost savings that will result from the new facility, improvement or equipment.
- e) Interest and other issuance costs on each type of bond.
- f) Impact on the City's financial condition and credit rating.

Section 6. The City may issue the following types of debt:

- a) General Obligation Bonds: These may either be approved and issued by the City Council, which requires repayment from the City's general operating revenues, or debt approved by a three-fifths majority of the voters, authorizing an additional property tax levy for capital improvement purposes.
- b) Revenue Bonds: The principal and interest on revenue bonds are payable exclusively from the earnings of an enterprise fund. Revenue bonds are secured by the income of a utility, and may be authorized by a vote of the City Council.
- c) Special Assessment Bonds: Principal and interest on special assessment bonds are payable from the proceeds of special assessments, which are generally Local Improvement Districts or Utility Local Improvement Districts. These districts have defined geographic boundaries and are usually neighborhood based.
- d) Leases: Leases may be approved by the City Council, and fall under the City's general obligation debt limit. Leases should generally be a "last resort" option, since they generally carry higher interest rates.

Section 7. Effective Date This ordinance shall become effective immediately upon signing.

ADOPTED BY THE CITY COUNCIL ON MAY 6, 1996.



Ronald L. Williams, Mayor

ATTEST:



Susan Matthew, City Clerk