



## Finance Committee

### Budget Snapshot - Debt Instruments

**Agenda Date:** 2/20/2019  
**Agenda Item Number:** 6.A  
**File Number:** 19-0168

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**Type:** information   **Version:** 1   **Status:** Filed

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#### **Title**

Budget Snapshot - Debt Instruments

#### **Recommended Action**

##### **Committee Recommendation:**

Not referred to a committee.

##### **City Manager Recommendation:**

Receive a briefing on various debt instruments available to municipalities for funding projects.  
Briefing only; No action required.

#### **Report**

##### **Issue:**

Whether to receive a briefing on debt instruments available to municipalities for funding projects.

##### **Staff Contact:**

Nanci Lien, Fiscal Services Director, Administrative Services Department, 360.756.8465

##### **Presenter(s):**

Nanci Lien, Fiscal Services Director

#### **Background and Analysis:**

The City can borrow money for projects using a variety of debt instruments. Money can be borrowed for both long- and short-term uses. The debt can be paid back using tax revenue, user fees (like utility rates) or specials assessments.

Long-term debt is most commonly used to pay for large capital projects such as buildings, transportation and utility infrastructure, and large pieces of equipment, such as fire trucks. Although issuing debt is more expensive than paying cash due to the interest payments, it allows the City to implement projects when needed and stabilize the cash flow.

Short-term debt is most commonly used to cover a temporary cash flow deficit or to provide an interim method of financing until long-term borrowing can be secured.

The City's Financial Management Policy identifies eight basic objectives in debt management:

1. To achieve the lowest possible cost for borrowing;
2. To ensure access to the bond market to adequately provide the capital needed to finance public improvements and other long-term developmental objectives;
3. To be received by the markets as a strong and sound credit which has fully demonstrated its commitment to meet all obligations in a timely fashion;
4. To maintain an A1 or better credit rating for general obligation debt and an A rating for revenue issued debt;
5. To monitor and control capital spending in such a way that capital market entry can be planned;
6. To maintain a level and structure of outstanding indebtedness that does not lead to erratic and excessive debt service requirements, thereby avoiding unnecessary strains on the operating budget;
7. To raise necessary capital at the lowest cost consistent with meeting the needs of the City to provide services to citizens; and
8. To maintain confidence of investors and taxpayers.

Staff will present information on the different types of short- and long-term debt instruments available and used by the City such as: General Obligation and Revenue Bonds, Bond Anticipation Notes, and Federal and State Government loans. Staff will also share the City's current debt and debt capacity.

**Neighborhood/Community Interests (if known):**

N/A

**Options:**

Information only.

**Financial Impact:**

N/A

**Attachments:**

None