

1160

Ordinance No. 103589

AN ORDINANCE relating to the borrowing of funds by the City and establishing a debt management policy advisory committee in connection therewith.

7/11/74 Hold 1 WEEK
7/18/74 PASS

COMPTROLLER
FILE NUMBER

Council Bill No. 95320

INTRODUCED: JUL 8 1974	BY: HILL
REFERRED: JUL 8 1974	TO: FINANCIAL
REFERRED:	
REFERRED:	
REPORTED: JUL 22 1974	SECOND READING: JUL 22 1974
THIRD READING: JUL 22 1974	SIGNED: JUL 22 1974
PRESENTED TO MAYOR: JUL 23 1974	APPROVED: JUL 24 1974
VETO TO CITY CLERK: JUL 24 1974	PUBLISHED:
VETOED BY MAYOR:	VETO PUBLISHED:
PASSED OVER VETO:	VETO SUSTAINED:

SEATTLE CITY COUNCIL
Unanimous Vote

YES _____ NO 17

JUN 28 PM 2:24

SEE BACK COVER

- ORD 104511 -AUTH CONTRACT WITH WM P HARPER & SON & Co., FINANCIAL CONSULTANTS, FOR SERVICES IN CONNECTION WITH THE CITY'S DEBT MANAGEMENT POLICY ADVISORY COMI'TE; & MAKING APPROP.
- CF-280918 -CITY OF SEATTLE "REQUEST FOR PROPOSAL - FINANCIAL CONSULTANT", AS AUTH BY ORD 103588 (DEBT MANAGEMENT POLICY ADVISORY COMI'TE); TOGETHER WITH VARIOUS PROPOSALS SUBMITTED IN RESPONSE TO SAID REQUEST.
- CF-282788 -MINUTES OF CITY DEBT MANAGEMENT POLICY ADVISORY COMI'TE -10-15-74 THRU 12-31-75.
- ORD-105889 -AUTH CONTRACT WITH WM P HARPER & SON & Co, FINANCIAL CONSULTANTS, FOR SERVICES RE CITY'S DEBT MANAGEMENT POLICY ADVISORY COMI'TE; ABANDONING AN UNENCUMBERED/UNEXPENDED BALANCE IN THE APPROP MADE BY ORD 104511; MAKING AN EMERGENCY FND APPROP.
- RES 25336 -ADOPTS DEBT MANAGEMENT POLICIES FOR SEATTLE AS PROPOSED BY THE CITY'S DEBT MANAGEMENT ADVISORY COMI'TE.
- Ord. 108975 -Auth short-term borrowing by the City Treasurer, makes a partially reimbursable approp from the Emergency to pay interest thereon, etc...

*Compt.
Treas.*

PUB (80)

BLDG.

ENG.

S. O. F.

ORDINANCE 103588

AN ORDINANCE relating to the borrowing of funds by the City and establishing a debt management policy advisory committee in connection therewith.

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. There is hereby established a Debt Management Policy Advisory Committee ("Committee" hereinafter) for The City of Seattle composed of five members as follows:

1. The City Comptroller, who shall be its chairman;
2. The Chairman of the City Council Finance Committee;
3. The City Treasurer;
4. The Director of the Office of Management and Budget;
5. A Department head of either the Engineering, Lighting or Water Departments, to be selected by the Board of Public Works;

provided that the City Comptroller and City Treasurer as to themselves, and the Mayor as to the Director of the Office of Management and Budget, and the President of the City Council as to the Chairman of the City Council Finance Committee, and the Chairman of the Board of Public Works as to the representative of the Board of Public Works, are authorized to designate alternate members of the Committee to serve in the event of the absence or incapacity of said respective members or for such other reason as may be deemed sufficient; and provided further that the Corporation Counsel or his representative shall meet with and provide legal advice and assistance to the Committee in the conduct of its duties.

Section 2. The Committee, which shall be advisory to the City Comptroller, the City Council and the Mayor, is hereby authorized

to provide advice in all matters pertaining to the borrowing of money, including but not limited to formulation of advice in connection with specific proposals for the borrowing of money and, in addition, the Committee shall develop and recommend to the City Council a written policy regarding debt creation and management.

The Committee is further authorized to request the advice and assistance of the several City departments in the conduct of such duties and upon such request the head of each such department may designate a representative to meet with, advise and assist the Committee in the conduct of such duties.

The Committee is further authorized, subject to approval by ordinance, to contract with financial and other consultants to advise it, the City Comptroller, the City Council and the Mayor on all matters relating to the creation and management of City debt; provided that, the financial consultants shall not in any manner, directly or indirectly, participate in or benefit from any financial transaction upon which they have provided or are providing advice to the City.

Section 3. Any act pursuant to the authority and prior to the effective date of this ordinance is hereby ratified and confirmed.

(To be used for all Ordinances except Emergency.)

Section 4. This ordinance shall take effect and be in force thirty days from and after its passage and approval, if approved by the Mayor; otherwise it shall take effect at the time it shall become a law under the provisions of the city charter.

Passed by the City Council the 22 day of July, 1974
and signed by me in open session in authentication of its passage this 22 day of July, 1974
Randy Newell
President Pro Tem of the City Council.

Approved by me this 24 day of July, 1974
Wm. Uhlman
Mayor.

Filed by me this 24 day of July, 1974

Attest: [Signature]
City Comptroller and City Clerk.

(SEAL)

Published

By [Signature]
Deputy Clerk.



THE CITY COUNCIL OF THE CITY OF SEATTLE

1106 SEATTLE MUNICIPAL BUILDING

600 FOURTH AVENUE, SEATTLE, WASHINGTON 98104

TELEPHONE 583-2640

June 28, 1974

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PRESIDENT OF THE COUNCIL
583-2367

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COMMITTEE
583-2357

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The Honorable Sam Smith
President, Seattle City Council
1106 Municipal Building
Seattle, Washington 98104

Dear Councilman Smith:

Last June, Councilmembers Bruce Chapman and John Miller raised several questions regarding the procedures used by the City for debt management. In response to those questions, the Seattle-King County Municipal League issued a July 25, 1973 report on advance bond refunding. The League's report set forth several proposals on debt management, including a suggestion that a committee be established to advise the City on financial problems. The report further recommended the use of independent, outside financial consultants for advice on certain bond-related questions.

During the past month, several Councilmembers, representatives from the Comptroller's Office, the Treasurer's Office, the Law Department, the Office of Management and Budget, the Legislative Fiscal Audit Staff, and the Municipal League, along with several bond counsel and interested citizens, have met frequently to discuss debt management policy and procedures. The enclosed proposal and ordinance, which addresses the problems and suggestions offered by Councilmembers Chapman and Miller and the Municipal League, is a result of those meetings.

Council President Sam Smith
June 28, 1974
Page 2

We respectfully request that the enclosed proposal and ordinance be introduced into the Council and assigned to the Finance Committee, and we urge that this matter receive the Council's prompt and favorable attention.

Respectfully submitted,



TIM HILL, Chairman
Finance Committee



RANDY REVELLE, Vice-Chairman
Finance Committee



JOHN MILLER



GEORGE BENSON



BRUCE CHAPMAN

RR:yw

cc: Mayor Wes Uhlman
Members, Seattle City Council
Comptroller
Treasurer
Director, Office of Management and Budget
Corporation Counsel
Supervisor, Legislative Fiscal Audits
Director, Seattle-King County Municipal League
James Ellis
James Gay
Joel Haggard
Nyle Barnes
E.A. "Mick" Edmunds

June 17, 1974

PROPOSAL FOR ESTABLISHMENT OF A CITY OF SEATTLE
DEBT MANAGEMENT POLICY ADVISORY COMMITTEE

Background

In early 1973, the City of Seattle was approached by a consortium of private investors who proposed that, through a negotiated arrangement, the City should advance refund City Forward Thrust General Obligation Bonds amounting to over \$40,000, resulting in an interest savings to the City over the life of the bonds of over \$10,000,000.

While the proposal was accepted by the City, significant questions were raised by members of the City Council, the media, and a report prepared by the Municipal League of Seattle and King County. While the questions and concerns were specific in nature, they all pointed to the same issue: the lack of a basic City policy and procedure for management of City debt, whether it be initial issue general obligation bonds, utility revenue bonds, or refunding bonds.

Until recently, the acceptance of the consortium refunding proposal and the general downturn of the market since last July lessened the urgency about the establishment of a City policy on debt management. Most people saw the probability of any additional refundings as very remote in the near future and consequently deferred questions raised by the consortium proposal about debt management policies and procedures.

Last month, however, the same debt policy and procedure questions were again raised when a local underwriter approached the City with a proposal to investigate the possibilities of additional refundings. Discussions by the Finance Committee of the City Council and a subcommittee of the Finance Committee have pointed to the need for an explicit City debt management policy and a mechanism through which this policy can be developed and implemented. The proposal which follows is a response to that need and has been formulated in the context of legal and traditional City debt policy.

Debt Management Policy Advisory Committee

It is proposed that a Debt Management Policy Advisory Committee be established by the City, composed of the following six members:

City Comptroller
Chairman of the City Council's Finance Committee
City Treasurer
Director of the Office of Management and Budget
The Department Head of either the Engineering, Light, or
Water Departments, (selected by the Board of Public Works)
Corporation Counsel (non-voting; to provide legal advice only)

The City Comptroller shall be the Chairman of the Committee, which shall be advisory to him, the City Council, and the Mayor in the development and implementation of a City debt management policy. As the division of responsibility in debt matters is not clear in either the Charter or City ordinances, having the Committee advisory to the Comptroller, City Council, and Mayor recognizes the traditional offices in which certain responsibility and authority have been exercised in debt matters.

The establishment of a Debt Management Policy Advisory Committee recognizes that there is policy-making involved in debt management. Questions such as the term to maturity, equal annual debt service versus equal annual principal, competitive versus negotiated bids, the use of independent financial consultants and bond counsel, and the timing of debt issuance all relate to how the City manages its debt to provide the lowest cost to citizens. The recent history of City refunding issues demonstrates that the City does not have a consistent policy for debt management and therefore has largely responded to proposals coming from outside City government.

The Debt Management Policy Advisory Committee should be given the following duties:

- (1) Advise and assist the Comptroller, the City Council, and the Mayor in establishing a written City policy regarding debt management. The policy should address all aspects of debt management including (but not limited to):
 - (a) debt term;
 - (b) maturity structure;
 - (c) bid terms and requirements;
 - (d) the conditions under which the City will accept negotiated bids;
 - (e) revenue bond issuance;
 - (f) long-term versus short-term debt;
 - (g) refunding bond issues;
 - (h) limited levy versus excess levy debt; and
 - (i) selection and use of independent financial and legal advisors.

- (2) In matters relating to initial debt issuance, the Committee should assist the Comptroller in reviewing departmental requests to determine the appropriateness of the request. This review pertains to departmental cash flow requirements, market conditions, and size of issue. The Committee should require departments to submit annual statements on requirements for debt issuance during the coming year in order to coordinate such issues and provide the best possible timing on debt issuance.
- (3) In matters relating to refunding of outstanding debt, the Committee should assist the Comptroller and the Council in reviewing proposals and in making recommendations on such issues as competitive versus negotiated bids, and arbitrage profits.

Independent Financial Consultant

Recognizing that much of the technical expertise in debt management is derived from ongoing, routine work in the municipal bond market and that the City does not participate in the market except on an as-needed basis, the Debt Management Advisory Committee should retain an independent financial consultant to advise the Committee, the Council, and the Mayor on debt matters.

As soon as possible, the Committee should develop a "request for proposal" for selection of an independent financial consultant through competitive bid. The request should, at a minimum, address the following:

- (1) The consultant must be willing to refrain from participation in any bond issues sponsored by the City;
- (2) The consultant will assist the Committee in developing written City policy on debt management as described above;
- (3) As needed, the consultant would analyze bids in competitive bond sales to insure compliance with City requirements;
- (4) As needed, the consultant would analyze proposals for negotiated bond sales and provide the Committee, the Mayor and the Council with written reports of his analysis;
- (5) The consultant would provide to the Committee, the Council, and the Mayor, either semi-annually or annually, an analysis of bond market conditions, and make recommendations on the feasibility of debt structure changes which may be advantageous to the City;

- (6) The consultant would provide annually an analysis of City debt structure which supplements the information prepared by the Comptroller in his Annual Report;
- (7) The consultant would advise the Committee on a continuing basis on market conditions and the proposed timing of debt issuance and/or debt restructuring;
- (8) The consultant would advise the Committee on changes in City debt management policies which are advantageous to the City. This advice should include recommendations for possible changes in state law or City ordinances which may be necessary; and
- (9) The consultant would assist in the preparation of any bond prospectus and make recommendations on appropriate debt coverage on revenue issues.

In order to provide for Council review of both the request for proposal and the proposals submitted by potential consultants, acceptance of a contract for an independent financial consultant shall be by ordinance.

Conclusion

It is clear from both the July, 1973 and May, 1974, experiences that the City has neither the policy nor the expertise to review and manage City debt on the basis of informed judgment. The need for both a high level City policy advisory group and the technical expertise found in the financial community is clear. The establishment of a Debt Management Policy Advisory Committee and the retention of an independent financial consultant should enable the City to develop and administer a comprehensive debt management policy which serves the best interests of the City.

RVC/mo

SEATTLE CITY COUNCIL

30700



SEATTLE CITY COUNCIL

MEMORANDUM

74 JUN 28 PM 2:24

CORPORATION COUNSEL
RECEIVED
JUN 28 1974
ASSIGNED TO _____

DATE: June 28, 1974

TO: The Honorable John Harris
Corporation Counsel

FROM: Allan A. Barrie, Jr. *AAB*
Supervisor, Legislative Audits and Administration

SUBJECT: PROPOSED ORDINANCE FOR THE DEBT MANAGEMENT POLICY ADVISORY COMMITTEE

It is requested that a proposed ordinance be drafted defining the duties and responsibilities of the Debt Management Policy Advisory Committee for the City of Seattle. Don Stout of your office attended a meeting this morning (6-28-74) and is familiar with the details.

AAB:d

SPONSORSHIP

THE ATTACHED DOCUMENT IS SPONSORED FOR FILING WITH THE CITY COUNCIL BY THE MEMBER(S) OF THE CITY COUNCIL WHOSE SIGNATURE(S) ARE SHOWN BELOW:

_____ *Jim Hill* _____

FOR CITY COUNCIL PRESIDENT USE ONLY

COMMITTEE(S) REFERRED TO: _____

FIN ✓

PRESIDENT'S SIGNATURE