

ORDINANCE 2013-03

AN ORDINANCE OF THE CITY OF LAKE WALES, POLK COUNTY, FLORIDA, AMENDING CHAPTER 2, ARTICLE V OF THE LAKE WALES CODE OF ORDINANCES; ESTABLISHING A DEBT POLICY; PROVIDING FOR SEVERABILITY; PROVIDING FOR AN EFFECTIVE DATE.

SECTION 1: Chapter 2, Article V, Division 4, Establishing a Debt Policy, Lake Wales Code of Ordinances, is created to read as follows:

DIVISION 4. - DEBT POLICY

Sec. 2-520. - Short title.

Sec. 2-521. - Introduction.

Sec. 2-522. - Purpose.

Sec. 2-523. - Purpose for which debt can be issued.

Sec. 2-524. - Moral obligation pledges.

Sec. 2-525. - Categorization of debt.

Sec. 2-526. - Debt limitations.

Sec. 2-527. - Types of debt permitted and the criteria for issuance.

Sec. 2-528. - Structural feature that may be considered.

Sec. 2-529. - Credit objectives.

Sec. 2-530. - Methods of sale.

Sec. 2-531. - Selection of professionals.

Sec. 2-532. - Refunding of debt.

Sec. 2-533. - Debt defeasance.

Sec. 2-534. - Disclosure practices.

Sec. 2-535. - Compliance with federal tax law provisions.

Sec. 2-536. - Integration of capital planning and debt financing activities.

Sec. 2-537. - Investment of debt proceeds.

Sec. 2-520. - Short title.

This division shall be known as and referred to as the "Lake Wales Debt Policy".

Sec. 2-521. - Introduction.

One of the most important responsibilities of a City is to ensure that the needs of its citizens are met. The City Commission's preferred method of funding is "pay-as-you-go" capital planning. As with all purchases, if the City were able to purchase capital items without the use of financing options this would result in the lowest overall cost but the greatest single annual cash flow decrease. The issuance of debt has historically provided governments with a major source of funding for capital needs. Because of the high cost of acquiring or replacing capital assets, governments are often not in a position to be able to accumulate enough cash from current receipts to pay for necessary improvements. Debt permits governments to acquire assets as needed rather than wait until a sufficient amount of cash has been accumulated to begin capital projects or improvements.

Debt issuance is subject to close public scrutiny, because it involves raising large amounts of money, which obligates future generations of taxpayers. The decision to issue debt has far-reaching consequences by committing the city's revenues for future periods, and hence, limiting the city's flexibility in responding to changing service priorities, revenue inflows, or cost structures. The debt

issuance process is complex; therefore, it is important that city officials recognize the need to understand and formalize a process in order to make informed and objective judgments with respect to the many decisions that are necessary to successfully complete a debt transaction.

The foundation of any well-managed debt program is a comprehensive debt policy. A debt policy sets forth the parameters for issuing and managing debt and provides guidance to decision makers, helping to ensure that debt is issued prudently and is affordable. A debt policy recognizes a long-term binding commitment to full and timely repayment of all debt as an intrinsic requirement for entry into the capital markets. Adherence to a debt policy helps to ensure that the city maintains a sound debt position and that its credit quality is protected. A debt policy is beneficial because it enhances the quality of decisions, rationalizes the decision-making process, identifies objectives to be implemented, and demonstrates a commitment to long-term financial planning objectives. A consistently applied debt policy provides evidence to the rating agencies of a community's commitment to sound financial management and controlled borrowing practices. As such, it is regarded positively in evaluating a city's creditworthiness. It is important that the debt policy be reviewed and updated on a regular basis to insure the use of the city's resources to meet its commitment to provide needed services to its citizens and to maintain sound financial management practices.

Sec. 2-522. - Purpose.

The City of Lake Wales Debt Policy ("debt policy") is intended to establish a framework for debt issuance and to provide general direction in the planning, implementation and maintenance of the city's debt program. The debt policy is designed to:

- (1) Promote attainment of financial, planning and management objectives;
- (2) Take a comprehensive approach to affordability;
- (3) Reflect the community attitudes and government philosophy; and
- (4) Set limits while preserving flexibility.

The debt policy will provide guidance to city officials on how to integrate the issuance of debt with other long-term planning, financial and management objectives; evaluate the impact of each issue on the city's overall financial position; and provide guidance so as not to exceed acceptable levels of indebtedness.

While the debt policy establishes a framework for debt issuance, it is written to be sufficiently flexible to permit the city to take advantage of market opportunities and to respond to changing conditions without jeopardizing essential public services.

Sec. 2-523. - Purpose for which debt may be issued.

The city will consider long-term financing for the acquisition, maintenance, replacement, or expansion of physical assets (including land) with a useful life of at least five years. The repayment term of any debt should not exceed 70% of the asset(s) estimated useful life. (Example: If the estimated use life of an asset is 10 years, the debt issuance for this item should not exceed 7 years.) In the situation of multiple assets being financed within one debt issuance, an averaging of the multiple estimated useful lives and variable costs shall be considered by the City Commission relating to the debt financing terms for both reasonableness and cost efficiency. The city normally will rely on internally generated funds and/or grants and contributions from other governments to finance its capital needs. Debt will be issued for a capital project only in the case of emergency or when it is an appropriate means to achieve a fair allocation of costs between current and future

beneficiaries. Debt shall not, in general, be used for projects solely because insufficient funds are budgeted at the time of acquisition or construction.

Sec. 2-524. - Moral obligation pledges.

Recognizing that a city's potential can be measured by the service delivery of its infrastructure, it is the responsibility of the city's officials to:

- (1) Recognize the city's limited inventory of pledgable revenues and the need to manage the use/commitment of these revenues as the consumption of a scarce resource;
- (2) Maintain the current systems, structures and facilities and their service delivery potential and to add building blocks (additions, modifications and expansion) as needed;
- (3) Ensure that decision making with regard to city debt will focus on the need to measure interperiod equity between fiscal years and generations of taxpayers, users and other beneficiaries. Take actions to ensure the fair distribution of costs between periods while equally striving to maintain future flexibility to address unanticipated capital requirements;
- (4) Employ the use of debt to complement, and not in lieu of significant recurring commitments of annual appropriations for capital purposes;
- (5) Act as fiduciaries, for their time as responsible officials, to ensure that each transfers to their successors a city in at least as good a shape (financial, physical, service delivery potential, etc.) as they received from their predecessors; and
- (6) Maintain the city's sound financial position, reasonable reserves and positive debt posture and thereby enhance the city's flexibility and related ability to meet the challenges of its future generations.

Sec. 2-525. - Categorization of debt.

(a) *Self-supporting debt.* To be considered self-supporting, a propriety or governmental debt program will:

- (1) Be payable exclusively from non-general fund revenues; and
- (2) In the case of governmental debt, be secured by a revenue source which has been in effect for at least three years, and would have provided coverage of at least ~~115~~ 125 percent of the average annual debt service on such obligations; or if the revenue source has not been in existence for at least three years, be secured by a revenue source that would have provided coverage of at least 125 percent of the average annual debt service on such obligation for at least the last full fiscal year preceding the issuance of such obligations and is projected to provide at least 125 percent debt service coverage for each of the next two years;
- (3) In the case of proprietary fund debt or special assessment debt, be secured by a revenue source which would provide a coverage in each fiscal year of at least ~~115~~ 125 percent of the annual debt service in such fiscal year.

- (4) It is anticipated through financial forecasts that no inter-fund contributions from the general fund, without commission approval or consent, to the specific proprietary or governmental fund will be required to make up an operating short fall.

For purposes of calculating the coverage requirements, historical and projected receipts of a particular revenue source will be adjusted retroactively to the initial date of the calculation period to reflect changes in rates or levies enacted.

- (b) *Non self-supporting*. Includes all debt of the city that does not meet the definition of self supporting debt.

Sec. 2-526. - Debt limitations.

- (a) *Self-supporting debt*. For the city to issue self-supporting governmental debt, revenues, as defined under the resolution authorizing the revenue bonds in question, shall be a minimum of ~~115~~ 125 percent of the debt service for the year in which requirements are scheduled to be the greatest. For proprietary debt, revenues shall be a minimum of ~~115~~ 125 percent of the annual debt service in such fiscal year. Annual adjustments to the city's rate structures will be made as necessary to maintain the required coverage factors.

- (b) *Non self-supporting debt*. The city shall conduct an objective analysis as to the community's ability to assume and support additional debt service payments before the issuance of non-self supported debt. The city shall use an analytical approach for its determination. This process shall compare generally accepted standards of affordability to the current values for the city.

- (1) These standards shall include 1) debt per capita, 2) debt as a percent of taxable value, 3) debt service payments as a percent of current revenues and current expenditures, and 4) the level of overlapping net debt of all local taxing jurisdictions.

- (2) An examination the direct costs and benefits of the proposed expenditures.

- (3) Staff shall provide the City Commission with a "Financial Condition Assessment" based on financial indicators and benchmarks provided by the State of Florida Auditor General Office. Auditor General staff compile the information from audit reports and other sources.(Data source: http://www.myflorida.com/audgen/pages/fca_procedures.htm). Staff shall include an analysis of how any new debt would affect the City's financial condition.

The decision on whether or not to assume new debt shall be based on the identified costs and benefits, the current conditions of the municipal bond market, and the city's ability to "afford" new debt as determined by the aforementioned standards. The city shall strive to achieve and/or maintain these standards at a low to moderate classification.

- (c) *Debt burden measures*. For the purposes of measuring the general government debt capacity, the city includes all non self-supporting debt under the definition of general government debt. These are the programs whose expenditures for debt service are in direct competition with other general fund expenditures. Additionally, the city considers all tax supported debt to include all non self-supporting debt, as well as the self-supporting governmental debt. This distinction recognizes that self-supporting proprietary programs

should be measured by comparing the user rates of comparable governmental providers, and that such programs do not directly or indirectly place a burden on taxpayers in the form of increased taxes. As long as each system's user rates meet the needs of both operations and debt service, the debt program is not considered part of either the general government or tax supported debt of the city.

(d) *The City Commission commits to:*

- (1) Act with regard to self-supporting proprietary operations, when necessary, to increase rates to ensure that each operation maintains rate coverage (revenue to debt service ratios) as required by the higher of either city policy or related debt covenants.
- (2) Limit with regard to self-supporting governmental revenues, the level of annual debt service as a percentage of available annual revenues to ensure a reasonable ability to address recurring operations and maintenance and/or capital requirements on a pay-as-you-go basis.
- (3) Establish with regard to all non self-supporting debt, debt limits to ensure current and future flexibility.

Sec. 2-527. - Types of debt permitted and the criteria for issuance.

- (a) *Short term debt.* Current revenues and/or working capital reserves are expected to cover the expenses associated with the day-to-day operations of the city. However, short-term obligations may be issued to finance projects or portions of projects for which the city ultimately intends to issue long-term debt. Short term debt shall be defined as any debt that is fully due within a twelve month period. It can be used to provide interim financing which will be refunded with the proceeds of long-term obligations. Interim financing may be appropriate when long-term interest rates are expected to decline in the future. In addition, some forms of short-term obligations can be obtained quicker than long term obligations and thus can be used in emergencies until long-term financing can be obtained.

The city will conduct an analysis of the cost differential of issuing short-term debt to provide for immediate needs versus long-term debt to cover both immediate and future needs taking into account the carrying costs of long term financing which does not have an immediate use.

- (b) *Long term debt.* The city will consider the issuance of long-term debt under the following conditions:
 - (1) One time capital projects or capital improvement projects, when the project is included in the city's capital improvement program and appropriated in the budget.
 - (2) An unusual equipment purchase for which it is determined to be economically beneficial for the city to purchase through financing. For unusual equipment purchases, City staff shall provide the City Commission with a comparison of the annual cost of renting the equipment compared to the annual debt service obligation of purchasing the equipment. An estimate of the useful life expectancy of the equipment shall also be provided.

- (3) When a project is not included in the city's capital improvement plan, but it is an emerging critical need whose timing was not anticipated or it is a project mandated immediately by state or federal requirements. An analysis of the project's impact on the city's capital improvement plan and future budget forecasts will be presented at the time of approval.
- (4) To finance the acquisition or implementation of a self-supporting proprietary or governmental program/activity.
- (c) *General obligation bonds.* When determined to be the most appropriate method of debt issuance, the city will seek approval through voter referendum to issue general obligation bonds. General obligation bonds are either backed by the full faith and credit of the city, with a pledge to levy the necessary ad valorem tax rate to meet the debt service requirements; or of a limited nature were the voters approve a specified millage rate to pledge.
- (d) *Revenue debt.* As part of the city's financing activities, specific general fund revenue sources may be identified to pledge for repayment of revenue debt. Recognizing the limited capacity of the city's general fund to support both ongoing operating programs and secure debt obligations, use of the general fund to secure such obligations must be approved after careful review of financial forecasts. Key factors that will be considered in determining whether or not the general fund should be used to secure a particular debt obligation will include the following:
 - (1) Demonstration of underlying self-support, thus limiting potential general fund financial exposure.
 - (2) Use of general fund support as a transition to a fully stand alone credit structure, where interim use of general fund credit support reduces borrowing costs and provides a credit history for new or hard to establish credits.
 - (3) General fund support is determined by the city commission to be in the city's overall best interest.

The city will finance the capital needs of its revenue producing proprietary activities through the issuance of revenue-secured debt obligations. Prior to approval of such debt, the city commission will evaluate financial plans and projections showing the feasibility of the planned financing, required rates and charges needed to support the planned financing, and the impact of the planned financing on ratepayers, property owners, city revenues, and other affected parties. The amount of the debt obligations issued by a city will be limited by the feasibility of the overall financing plan on the proprietary activity.

- (e) *Variable rate debt.* The City Commission may chooses not to issue securities that pay a rate of interest that varies according to pre-determined formula or results from a periodic remarketing of the securities, consistent with state law and covenants of pre-existing bonds, and depending on market conditions.
- (f) *Leasing.* When found to be advantageous, the city may lease equipment and facilities rather than purchase them outright. Leasing may be appropriate for assets that will be needed for only a short period of time, or which are subject to rapid technological obsolescence.

Leasing may also be determined to be appropriate for procuring assets that are too expensive to fund with current receipts in any one year, but with useful lives too short to finance with long-term debt. The decision to lease will be supported by an analysis of lease vs. purchase.

- (g) *Conduit debt.* Conduit debt are securities issued by a government agency to finance a project of a third party, such as a non-profit organization or other private entity. The city may sponsor conduit debt for those activities (e.g., economic development, housing) that have a general public purpose and are consistent with the city's overall service and policy objectives. Unless a compelling public policy rationale exists, such conduit debt will not in any way pledge the city's full faith and credit.
- (h) *Taxable debt.* The cost of taxable debt is higher than tax exempt debt. The issuance of taxable debt is mandated in certain circumstances, and may allow valuable flexibility in subsequent contracts with users or managers of the improvement constructed with the debt proceeds. Therefore, the city may issue taxable obligations when determined to be the best method for the intended purpose.
- (i) *Bond anticipation notes.* Use of short-term borrowing, such as bond anticipation notes and tax-exempt commercial paper, will be undertaken only if the transaction costs plus interest of the debt are less than the cost of internal financing, or available cash is insufficient to meet working capital requirements.
- (j) *Interfund borrowing.* Interfund borrowing will be considered to finance high priority needs on a case-by-case basis, only when planned expenditures in the fund making the loan would not be affected. Interfund borrowing may be used when it would reduce costs of interest, debt issuance, and/or administration.
- (k) *Other borrowing facilities.* The city may maintain or procure a special facility that will allow for borrowing on short notice, either in the form of short-term or long-term notes, for small amounts not economical to finance through a regular bond issuance. The facility can be used as an interim financing mechanism when cost effective.

Sec. 2-528. - Structural features that may be considered.

Debt will be structured to achieve the lowest possible net cost to the city given market conditions, the urgency of the capital project, and the nature and type of security provided. Moreover, to the extent possible, the city will design the repayment of its overall debt so as to recapture rapidly its credit capacity for future use. In general, there will be no debt structures that include increasing debt service levels in subsequent years, with the exception of the first and second year. There shall be no "balloon" bond repayment schedules that consist of low annual payments and one large payment of the balance due at the end of the term. There shall always be at least interest paid in the first fiscal year after the bond issue.

- (1) *Backloading.* The city will seek to structure debt with level principal and interest costs-over the life of the debt. Backloading of costs will only be considered in rare circumstances as follows:
 - a. When natural disasters or extraordinary/unanticipated external factors make the short-term cost of the debt prohibitive;

- b. When the benefits derived from the debt issuance can clearly be demonstrated to be greater in the future than in the present;
 - c. When such structuring is beneficial to the city's overall amortization schedule; or
 - d. When such structuring will allow debt service to more closely match project revenues during the early years of the project's operation.
- (2) *Call provisions.* The city seeks to minimize the protection from optional redemption given to bondholders, consistent with its desire to obtain the lowest possible interest rate on its debt. The city seeks early call options at low or no premiums to allow for refinancing of debt at greater interest savings, provided there is no interest rate penalty for early call. The city shall obtain advice from its financial advisor in the evaluation of optional call provisions for each issue to assure that the city does not pay unacceptably higher interest rates to obtain more advantageous call provisions.
- (3) *Maturity of debt.* Debt will be structured for the shortest period consistent with a fair allocation of costs to current and future beneficiaries or users. Generally, debt maturity should be of a duration that does not exceed the economic life of the asset or improvement that it finances and where feasible should be shorter than the projected economic life, as extended by periodic renewal and component replacement.
- (4) *Credit enhancements.* Credit enhancements are mechanisms that guarantee principal and interest payments. They include bond insurance, a line of credit or letter of credit. A credit enhancement, while costly, can result in a lower interest rate on debt and a higher rating from the rating agencies, thus lowering overall costs. During debt issuance planning, the city's financial advisor will advise whether or not a credit enhancement is cost effective under the circumstances and what type of credit enhancement if any, should be purchased. Credit enhancements may be used, but only when net debt service on the bonds is reduced by more than the costs of the enhancement.
- (5) *Subordinate lien obligations.* Creation of subordinate lien financing structure, if appropriate, shall be based on the overall financing needs of the city, expected credit ratings, relative cost, and impact to the city.
- (6) *Derivatives.* ~~Although not anticipated, the city may~~ Excluding existing derivative debt obligations currently outstanding, the City Commission chooses not to employ the use of derivative products that are authorized under applicable laws. and are deemed financially prudent. Derivatives are contracts and financing agreements involving interest rate swaps, floating/fixed rate auction or reset securities, or other forms of debt bearing synthetically determined interest rates. The use of derivatives can minimize risk, reduce cost and provide flexibility, however they may also add risk, restrict flexibility and add cost.

Before entering into such contracts or agreements, a review committee consisting of at a minimum the city manager, finance director and the city's financial advisor shall be formed to review the risks and benefits of such financing techniques and expected impacts on the

city's long-term financial operations and credit ratings. The committee's findings will be presented in a written report to the city commission for consideration.

Sec. 2-529. - Credit objectives.

The city seeks to hold the highest possible credit ratings that can be achieved without compromising delivery of basic city services and achievement of city policy objectives. The city recognizes that external economic, natural, or other events may from time to time affect the creditworthiness of its debt. Nevertheless, the city is committed to ensuring that actions within its control are financially prudent.

Sec. 2-530. - Methods of sale.

The city will select a method of sale that is the most appropriate in light of financial, market, transaction-specific and issuer-related conditions. When a sale is not competitively bid, the city will publicly present the reasons and will participate with the financial advisor in the selection of the underwriter or direct purchaser.

- (1) *Competitive sale.* The city, as a matter of policy, shall seek to issue its debt obligations in a competitive sale unless it is determined that this method would not produce the best results for the city. The city, with assistance by its financial advisor, will set the terms of the sale as to encourage as many bidders as possible. In such instances where the city, in a competitive bidding for its debt securities, deems the bids received as unsatisfactory or does not receive bids, it may, at the election of the city commission, enter into negotiation for sale of the securities.
- (2) *Negotiated sale.* When certain conditions favorable for a competitive sale do not exist and/or when a negotiated sale will provide significant benefits to the city that would not be achieved through a competitive sale, the city may elect to sell its debt obligations through a negotiated sale. Such determination may be made on an issue by issue basis, for a series of issues, or for part or all of a specific financing program.
- (3) *Private placement.* When determined to be beneficial and appropriate, the city may elect to sell its debt obligations through a private placement or limited public offering.

Sec. 2-531. - Selection of professionals.

The city will employ outside specialists to assist in developing a bond issuance strategy, preparing bond documents, and marketing bonds to investors. When selecting a financing team the city will focus on professionals that have the necessary expertise to represent its interests and to successfully market its bonds. The city will retain professionals under procedures outlined in the city's procurement policies and procedures. The city will hire professionals with an understanding of the city's needs, experience with similar types of securities, knowledge of beneficial approaches to debt financing, an understanding of innovative debt financing methods which can reduce costs or provide greater flexibility, and an ability to complete the transaction in a timely manner without undue burden to the city.

(1) *Financial advisor.* The city will seek the advice of a financial advisor as needed. The financial advisor will advise on the structuring of obligations to be issued, inform the city of various options, advise the city as to how choices will impact the marketability of the city obligations and will provide other services as defined. To ensure independence, the financial advisor will not bid on nor underwrite any city debt issues.

(2) *Bond counsel.* The city will retain external bond counsel for all debt issues. All debt issued by the city will include a written opinion by bond counsel affirming that the city is authorized to issue the debt, stating that the city has met all state constitutional and statutory requirements necessary for issuance, and determining the debt's federal income tax status. The city attorney, as counsel for the issuer, will affirm the City's legal status and authority for borrowing in the manner contemplated.

(3) *Underwriters.* Underwriters will be required to demonstrate sufficient capitalization and experience related to debt issuance.

Sec. 2-532. - Refunding of debt.

Periodic reviews of all outstanding debt will be undertaken to determine refunding opportunities. Refunding will be considered if and when a net economic benefit is produced or the refunding is required in order to modernize debt covenants essential to operations and management. Advance refunding for economic savings will be undertaken when a targeted net present value savings of at least five percent can be achieved or when a lower percentage is found to be in the best monetary interest of the city. Current refundings, which produce net present value savings, of less than five percent will be considered on a case-by-case basis. Refunding with negative savings will not be considered unless there is a compelling public policy objective. The city may choose to refund outstanding indebtedness when debt covenants or other financial structures impinge on prudent and sound financial management. Savings requirements for current or advance refunding undertaken to restructure debt may be waived by the city commission upon a finding that such a restructuring is in the city's overall best financial interests.

Sec. 2-533. - Debt defeasance.

The city may defease its debt by irrevocably placing cash or other assets in a trust to be used solely for satisfying scheduled payments of both the interest and principal of the defeased debt. In this situation, the trust is restricted to owning only monetary assets that are essentially risk free as to the amount, timing and collection of interest and principal. Additionally, the city may choose to defease its outstanding indebtedness through purchases of its securities on the open market when market conditions make such an option financially feasible. The city will develop procedures for executing and bidding open market purchases and the savings objectives to be achieved by undertaking such actions.

Sec. 2-534. - Disclosure practices.

The city is committed to full and complete financial disclosure, and to cooperating fully with rating agencies, institutional and individual investors, other levels of government, and the general public to share clear, comprehensible, and accurate financial information. The city is committed to meeting all disclosure requirements on a timely and comprehensive basis and will contract for the provision of such disclosure information when necessary.

Sec. 2-535. - Compliance with federal tax law provisions.

Federal arbitrage regulations were put into place for two primary reasons: (1) to ensure that the proceeds of tax-exempt financing are not solely being used to make investment in higher-yielding taxable securities, and (2) to ensure that the bond proceeds are spent in an expeditious manner. In compliance with the spirit of this legislation, the city will not issue obligations except for identifiable projects with a prospect of timely initiation. The city's finance director is responsible for ensuring that a system of record keeping and reporting is maintained to meet the arbitrage rebate requirements of the federal tax code.

The city's finance director will monitor compliance with debt covenants and adherence to federal regulations. Any instances of noncompliance will be reported by the city manager to the city commission.

Sec. 2-536. - Integration of capital planning and debt financing activities.

(a) *Capital planning and financing system.* The city shall develop and maintain a capital planning and financing system for use in preparing a five-year capital improvement plan for consideration and adoption by the city commission as part of the city's annual budget process. Individual departments shall prepare multi-year capital plans for coordination and integration into the preparation of the citywide capital improvement plan.

(b) *Funding of the capital improvement program.* Whenever possible, the city will first attempt to fund capital projects with grants or developer contributions. When such funds are insufficient, the city will use dedicated revenues such as impact fees or other restricted use revenues. If these are not available, the city will use general revenues, surplus and bond financing. The city is guided by three principles in selecting a funding source for capital improvements - equity, effectiveness and efficiency:

- Equity.** When appropriate, the beneficiaries of a project or service will pay for it. For example, if a project is a general function of government that benefits the entire community, the project could be funded from general tax revenues directly or through debt service. If the project benefits specific users the source of funding will be derived through user fees/charges or targeted assessments.

- Effectiveness.** In selection of financing sources for projects, the city will select one or more that effectively fund the total cost of the project.

- Efficiency.** If grants or current revenues are not available to fund a project, the city will select a financing technique that provides for the lowest total cost consistent with acceptable risk factors and principles of equity and effectiveness.

(c) *Maintenance, replacement and renewal.* Consistent with the city's philosophy of keeping its capital facilities and infrastructure systems in good repair and to maximize the useful life of its capital assets, the city intends to set aside current revenues to finance ongoing maintenance needs and to provide periodic replacement and renewal.

Sec. 2-537. - Investment of debt proceeds.

Debt proceeds will be invested primarily to assure the safety and liquidity of such investments, and secondarily, to maximize investment yield. The primary goal of liquidity is to ensure that proceeds will be available to fulfill the purposes of the issue on a timely basis. Debt covenants will specifically address investment guidelines for debt proceeds.)

SECTION 2: If any clause, section or provision of this ordinance shall be declared unconstitutional or invalid for any reason or cause, the remaining portions of said ordinance shall be in full force and effect and be valid as if such invalid portion thereof had not been incorporated herein.

SECTION 3: This Ordinance shall become effective immediately upon its passage by the City Commission.

CERTIFIED AS TO PASSAGE, this 5th day of February, 2013.

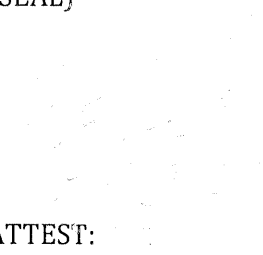
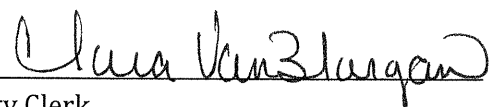
CITY OF LAKE WALES, FLORIDA



Mayor/Commissioner

(SEAL)

ATTEST:



City Clerk