



Debt Management Plan
Fiscal Year Ended June 30, 2023
City of Glendale, Arizona

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Introduction To Debt

A comprehensive debt plan should be developed by all jurisdictions intending to issue debt. The purpose of the City of Glendale's Debt Management Plan is to set forth the parameters for issuing debt, to manage the debt portfolio, and provide guidance to decision makers regarding the timing and purposes for which debt may be issued.

Provisions of the debt plan must be compatible with the City's goals pertaining to the capital program and budget, the financial plan, and the operating budget. A debt plan should attain an appropriate balance between establishing limits on the debt program and providing sufficient flexibility to enable the City to respond to unforeseen circumstances and new opportunities that may benefit the City. This document is not intended to review the City's total financial position. It is a study of the City's current debt position, as growth in the City could result in an increased need for capital financing. Revenues, as well as needs, should drive the City's debt issuance program.

Decisions regarding the use of debt will be based in part on the long-term needs of the City and the amount of equity (cash) dedicated in a given fiscal year to capital outlay. A disciplined, systematic approach to debt management should allow the City to enhance its credit ratings, while at the same time meet the growing demands of the City's capital projects.

The information contained herein reflects the current debt status of the City of Glendale for the fiscal year ended June 30, 2023. The tables have been compiled by the Budget and Finance Department. Portions of this Debt Management Plan are contained in the Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023. A copy of the Annual Comprehensive Financial Report can be obtained at: <https://www.glendaleaz.com/your-government/city-finances/financial-reports>.

Current Debt Situation

It is recognized that all debt, regardless of the source of revenue pledged for repayment, represents some sort of cost to taxpayers or ratepayers. Therefore, all types of City debt/obligations are considered herein. While lease-secured and certificates of participation obligations may not be debt under strict legal definitions, they still require future appropriations and are a fixed charge. These lease payments and other non-bonded obligations are added by most security analysts when calculating an issuer's debt ratios.

Debt Issuance History

The City has used debt financing for many years to finance capital projects. The following chart illustrates the amount of debt as well as categories of outstanding debt for the past five fiscal years.

Long-Term Liabilities
All Categories of Debt
City of Glendale, Arizona
For the Year Ended June 30
(Amounts expressed in thousands)

Year Ending June 30	2019	2020	2021	2022	2023
Governmental Activities:					
General Obligation Bonds	\$116,905	\$75,905	\$75,805	\$64,990	\$50,260
General Obligation Bonds – Direct Borrowing	26,555	24,540	22,425	51,415	48,275
Revenue Bonds:					
Excise Tax Revenue Bonds	205,055	197,955	187,140	175,450	161,880
Transportation Bonds	55,340	55,340	51,440	47,345	43,050
Transportation Bonds Direct Borrowing	11,370	7,230	7,215	7,200	7,185
Municipal Property Corp.	197,420	190,225	184,850	179,555	175,300
Certificate of Participation	0	0	0	0	252,800
Business Type Activities:					
Landfill General Obligation Bonds	0	0	0	8,915	8,645
Water and Sewer Revenue Bonds	\$183,685	\$167,250	\$167,950	\$167,760	\$149,165

Financing Alternatives

The City should evaluate all potential funding sources before considering which method of financing may be the most appropriate. There are many sources of funding, depending on the type of debt to be incurred and the length of time for repayment. Sources of funding may include current revenues and fund balances; intergovernmental grants from federal, state, or other sources; state revolving funds or loan pools; private sector contributions through impact fees or public/private partnerships; and debt financing.

Pay-As-You-Go Financing

This method means that capital projects are paid for from the government's current revenue base. The City does not issue bonds and does not have to repay the borrowings over time. There are several advantages to this method. For example, pay-as-you-go

financing will save the amount of interest which otherwise would be paid on bonds issued to finance the program. The government is not encumbered by as much debt service when economic conditions deteriorate due to normal business cycles. Since the use of current revenues can be adjusted in a given budget year, pay-as-you-go financing can provide greater budgetary flexibility than does a debt issue. The jurisdiction's long-term debt capacity is preserved for the future. Finally, lower debt ratios may have a positive effect upon the jurisdiction's credit rating.

Relying on current revenues to finance capital improvements also presents several disadvantages. Exclusive reliance upon pay-as-you-go funds for capital improvements means that existing residents are obliged to pay for improvements that will benefit new residents who relocate to the area. If the jurisdiction is forced to finance the improvements within a single budget, the large capital outlay required for some projects may result in an onerous tax burden. The City must be careful to ensure that the use of current revenues for capital projects does not diminish its availability to respond to emergencies and ongoing mandated services.

Grants

Government grants stem from a variety of sources, but the majority of grant revenues for capital projects come from federal and state governments. Grants often require a City matching contribution. Most grants require an application from the City, identifying specific improvements or equipment that will be purchased with the grant money.

Short-Term Borrowing (Notes)

Short-term financing is defined as debt maturing not later than one year after the date of its issuance. There are basically three reasons for using short-term debt:

- A vehicle to deal with temporary cash flow difficulties. This situation arises when cash receipts do not follow the same pattern as cash outlays.
- To handle unexpected costs resulting from natural emergencies or other significant unexpected events.
- In anticipation of issuing a long-term bond for capital financing. This form of financing offers an opportunity to borrow for short periods until the true, final costs of a project are known.

Tax Anticipation Notes (TANs) are notes issued in anticipation of the collection of taxes, as referenced in the Arizona Revised Statutes (A.R.S.), Title 35, Chapter 3, Article 3.1. They provide operating funds to meet regular payroll and other operating expenses. During the fiscal year when tax payments are received, sufficient sums are used to retire the note. The timing of the note sale, the note's due date, and repayment of funds are all components of cash flow and cash management analysis.

Lines and Letters of Credit – Where their use is judged by the Budget and Finance Director to be prudent and advantageous to the City, the City has the power to enter into agreements with commercial banks or other financial entities for purposes of acquiring lines or letters of credit. The Glendale City Council must approve any agreement with financial institutions for the acquisition of lines or letters of credit.

General Obligation Bonds (GO)

Bond security is the taxing power of the state or local government, as referenced in the A.R.S., Title 35, Chapter 3, Article 3, for new G.O. bonds and Title 35, Chapter 3, Article 4 for refunding bonds. An issuer selling a G.O. bond secured by its full faith and credit attaches to that issue its broadest pledge. This makes the security of these bonds very high. The full faith and credit backing of a G.O. bond includes the pledge of all general revenues, unless specifically limited, as well as the legal means to raise tax rates to cover debt service. The public entity is authorized to levy property taxes or to draw from other unrestricted revenue streams such as sales or income taxes to pay the bond's principal and interest. Interest rates on these bonds are generally the lowest of any public securities due to this superior security. Prior to issuance, Arizona G.O. bonds must have a majority vote approval from the residents of the City.

Revenue Bonds

Revenue bonds are long-term debt instruments retired by specific dedicated revenues. Often these revenues are generated by the project funded out of debt proceeds. Revenue bonds are designed to be self-supporting through user fees or other special revenues (i.e., excise taxes, rents, or fees). The general taxing powers of the jurisdiction are not pledged. The debt created through the issuance of revenue bonds is to be repaid by the earnings from the operations of a revenue producing enterprise, from special taxes, or from contract leases or rental agreements. City revenue bonds do not burden the constitutional or statutory debt limitation placed on the City because they are not backed by the full faith and credit of the issuer. The underlying security is the revenue stream pledged to pay the bond principal and interest.

Financed Purchases

This financing technique provides long-term financing through a financed purchase agreement (with a mandatory purchase provision). Financed purchase agreements use non-appropriation clauses to avoid being classified as long-term debt, which might be subject to State legal restrictions. This clause allows the government to terminate the agreement without penalty. Security for financed- purchase financing is the payments made by the City and, where legally permitted, also the asset being financed.

Certificates of Participation (COP)

Certificates of Participation represent proportionate interests in semiannual lease payments. Participation in the lease is sold in the capital markets. The City's obligation to make lease payments is subject to annual appropriations made by the City for that purpose. Rating agencies typically give Certificate of Participation issues a grade below that of general obligation bonds. A.R.S., Title 11, Chapter 2, Article 4, §11-251, Paragraph 46, provides for a maximum repayment term of twenty-five years for the purchase or improvement of real property.

Lease Trust Certificates

Lease Trust Certificates financing provides long-term financing through a lease (with a mandatory purchase provision). This method does not constitute indebtedness under a state or local government's constitutional debt limit and does not require voter approval. The asset being financed can include new capital asset needs or assets under existing lease agreements.

Installment Purchase Agreements

Same as a lease purchase agreement with the exception that the City takes title to the property up front.

Special Assessment Bonds

Special Assessment Bonds are issued to districts (Special Assessment Districts) that are within a legally designated geographic area located within the City, which through consent of the affected property owners pay for basic infrastructure and public improvements to the area through supplemental assessment. This financing approach achieves the objective of tying the repayment of debt to those property owners who most directly benefit from the improvements financed. Special Assessment Districts are further described in A.R.S., Title 48, Chapter 6, Article 1.

Debt Limit

The Arizona Constitution provides that the general obligation bonded indebtedness for a city of general municipal purposes may not exceed 6% of the limited assessed valuation of the taxable property in that city. In addition to the 6% limitation for general municipal purpose bonds, cities may issue general obligation bonds up to 20% of the limited assessed valuation for supplying such city services as water, sewer, artificial light, public safety, law enforcement, fire and emergency services, streets and transportation facilities, and for the acquisition and development of land for open space preserves, parks, playgrounds, and recreational facilities.

The following table represents the City's unused bonded debt borrowing capacity as of June 30, 2023:

	6%	20%
Capacity to incur bonded Debt	\$207,357	\$691,189
Less: Bonded debt applicable to limit	(16,922)	(97,547)
Unused bonded debt capacity	190,345	593,642

Ratio of Outstanding Debt by Type

Fiscal Year	Government Activities								
	General Obligation	Street and Highway Revenue	Excise Tax Revenue	Transportation	Certificates of Participation (4)	Developer Payable	Subscription Based IT	Capital	Notes
	<u>Bonds(4)(5)</u>	<u>Bonds(4)(5)</u>	<u>Bonds (4)(5)</u>	<u>Bonds (4)(5)</u>		<u>Obligations</u>	<u>Arrangements</u>	<u>Leases</u>	<u>Payable</u>
2013-14	\$ 151,206	\$ 3,736	\$ 477,736	\$ 89,317	\$ -	\$ 3,112	\$ -	\$ 10,361	\$ -
2014-15	133,168	1,912	477,747	91,047	-	3,406	-	57	-
2015-16	141,553	-	475,918	87,031	-	3,639	-	6,620	5,515
2016-17	125,384	-	468,431	83,119	-	3,898	-	4,484	3,677
2017-18	154,834	-	455,495	78,590	-	4,126	-	2,278	1,839
2018-19	152,066	-	439,912	73,952	-	4,376	-	-	-
2019-20	107,678	-	422,679	69,209	-	4,693	-	-	-
2020-21	106,367	-	403,550	64,691	-	4,893	-	-	-
2021-22	126,548	-	383,719	59,977	252,800	5,160	-	261	-
2022-23	105,672	-	353,314	52,642	252,800	5,473	16,321	157	-

Business Activities						
Fiscal	Landfill	Water Sewer Revenue	Subscription Based IT	Total Primary	Total Debt per Capita(3)(6)	Percentage of Personal Income(2)(6)
<u>Year</u>	<u>G.O. Bonds (4)(5)</u>	<u>Bonds (4)(5)</u>	<u>Arrangements</u>	<u>Government (5)</u>		
2013-14	\$ -	\$ 267,254	\$ -	\$ 1,002,722	\$4,915	11.56%
2014-15	-	260,967	-	968,304	4,421	10.22
2015-16	-	249,302	-	969,578	4,824	10.84
2016-17	-	237,247	-	926,240	4,268	9.18
2017-18	-	222,217	-	919,379	4,463	9.19
2018-19	-	203,917	-	874,223	4,143	8.11
2019-20	-	185,231	-	789,490	3,605	6.52
2020-21	-	197,234	-	776,735	3,362	6.08
2021-22	10,962	210,401	-	1,049,828	4,564	7.66
2022-23	10,363	171,002	1,525	969,269	3,757	5.96

- a) Does not include other long-term obligations such as compensated absences, claims/judgments, arbitrage, post-closure costs, etc.
- b) Calculate by dividing Glendale population with Maricopa County population and multiplying by total personal income to arrive at Glendale personal income (data from Schedule 15). Then divide total primary government amount by Glendale personal income to arrive at percentage of personal income.
- c) Numbers not expressed in thousands.
- d) Amounts outstanding less July 1.
- e) Includes unamortized premiums of debt issuance and discount on debt issuance.
- f) Total debt per capita and percentage of personal income numbers changed due to the addition of developer payable obligations.

Ratings Agency Analysis

Independent assessments of the relative credit worthiness of municipal securities are provided by rating agencies. They furnish letter grades that convey their assessment of the ability and willingness of a borrower to repay its debt in full and on time. Credit ratings issued by these agencies are a major function in determining the cost of borrowed funds in the municipal bond market.

Moody's Investors Service, Standard & Poor's Ratings Services (S&P), and Fitch Ratings are the three major rating agencies that rate municipal debt. These rating agencies have provided a rating assessment of credit worthiness for the City of Glendale. There are seven primary factors that comprise their ratings:

- Institutional framework – legal and practical environment of local government
- Economy – stability of trends in local income and total market value per capita
- Management – financial and operational decisions, policies and practices, leadership
- Budgetary flexibility – available fund balance and ability to raise revenues or reduce expenditures
- Budgetary performance – current fiscal balance of general fund and total governmental funds
- Liquidity – availability of cash and cash equivalents
- Debt and contingent liabilities – debt ratios, debt policies, pension obligations, long-term planning

Each of the rating agencies has their own method of assigning a rating on the ability and willingness of a borrower to repay in full and on time. Issuers must pay a fee for the opportunity to have one or more rating agencies rate existing and proposed debt issuance. The following chart outlines how the ratings reflect creditworthiness, ranging from very strong securities to speculative and default situations.

Examples of the rating systems are:

Bond Rating	Ratings Agencies		
Explanation of corp/municipal bond rating	Fitch	Moody's	Standard & Poor's
Premium quality	AAA	Aaa	AAA
High quality	AA	Aa	AA
Medium quality	A	A	A
Medium grade, lower quality	BBB	Baa	BBB
Predominantly speculative	BB	Ba	BB
Speculative, low grade	B	B	B
Poor to default	CCC	Caa	CCC
Highest speculation	CC	Ca	CC
Lowest quality, no interest	C	C	C
In default, in arrears	DDD		DDD
Questionable Value	DD		DD
	D		D

Fitch and Standard & Poor's may use "+" or "-" to modify ratings while Moody's may use numerical modifiers such as 1 (highest), 2, or 3.

City of Glendale Debt Rating

2023						
	GO Bonds	Sr Excise	Sub Excise	Sr W&S	Sub W&S	Transportation
Fitch Ratings	AAA			AA	AA	
Moody's	A1	A1	A1		A1	A1
Standard and Poors	AA-	AA+	AA+	AA	AA-	AA+

Ratio Analysis

Rating analysts compare direct net debt to the population in order to measure the size or magnitude of the City's debt. This ratio is referred to as the Direct Net Debt Per Capita Ratio. The same ratio is applied to all debt within the City which includes School Districts, Cities and Towns, and Special Districts. This ratio is referred to as the Overall Net Debt Per Capita Ratio. The taxable value of the City is a measure of the City's wealth. It also reflects the capacity of the City's ability to service current and future debt. The ratio of Direct Net Debt as a percentage of Limited Property Value is the comparison of direct net debt to the City's taxable value. The same ratio is applied to all debt within the City and is referred to as the Overall Net Debt as a percentage of Limited Property Value. The Limited Property Value Per Capita ratio represents the per capita value of taxable property in the City. An explanation of how each ratio is calculated is included in the notes adjacent to the following tables.

The following analysis focuses on commonly used debt analysis ratios calculated for governmental activities. The source of repayment is either by appropriation from the general fund or from specific pledged revenues, as applicable, for debt service payments. Amounts are expressed in thousands.

Governmental Activity	Audited 6-30-2022	Audited 06-30-2023
City of Glendale Outstanding Debt	\$198,755	\$211,125
Overlapping Debt	\$816,170	\$786,379
Overall Net Debt	\$1,014,925	\$997,504
Population Estimate	252,000	258,000
Full Cash Value	\$27,872,355	\$35,738,019
Ratios		
Direct Net Debt Per Capita	\$788.71	\$818.31
Overall Net Debt Per Capita	\$4,037.48	\$3,866.29
Direct Net Debt % of FCV Property	0.713%	0.591%
Overall Net Debt % of FCV Property	3.641%	2.791%
FCV Property Per Capita	\$110,604.58	\$138,519.45

1. Full Cash Value Taxable Property was provided by Maricopa County Assessor's Office (in thousands of dollars).
2. Summary of Debt Ratios:
 - Direct Net Debt per capita = Direct Net Debt/Population
 - Overall Net Debt per capita = Overall Net Debt/Population
 - Direct Net Debt as a percentage of Full Cash Value (FCV) Property = Direct Net Debt/FCV Property
 - Overall Net Debt as a percentage of FCV Property = Overall Net Debt/FCV Property
 - FCV property per capita = FCV Property/Population

Debt Obligations by Type

General Obligation Bonds (GO)

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City and are repaid through the City's levying of property taxes. Retirement of the general obligation bonds in the business-type activities are intended to be paid back by the revenues of the business-type activities.

Revenue Bonds

The transportation revenue bonds are special revenue obligations of the City and are used to construct various transportation projects such as roadway widening, intersection improvements, and right-of-way acquisitions. The \$50,235 in bonds outstanding is secured by the City's pledge of a 0.50% transportation excise tax approved by voters on November

6, 2001. The debt service payments are also secured by the same excise tax. The total remaining principal and interest to be paid to a trustee under a trust agreement is \$60,810. The current year revenues of \$47,814 collected in the transportation special revenue fund paid the current year principal and interest amounts of \$4,310 and \$2,384 respectively.

For transportation revenue bonds, the pledged revenue coverage covenants in the purchase agreements require the transportation excise taxes received must be equal to or at least one and one-half times the total interest and principal payment required in the current fiscal year.

The Excise Tax Revenue Refunding bonds are special obligations of the City and are not a general obligation of the City. Under a purchase agreement the City makes monthly payments to a trustee. The payments are secured by a senior claim and pledge by the City of all the City's unrestricted excise tax revenues which comprise of all excise tax, transaction privilege, franchise, and income tax which it collects or is apportioned by the State or political subdivision of the State. The \$161,880 in bonds outstanding was issued to refund senior and subordinate excise tax revenue bonds issued by the MPC. The total principal and interest remaining on the bonds to be paid is \$203,390. The current year principal and interest amount of \$13,570 and \$8,417 were funded with a transfer from the General fund.

The \$149,165 in water and sewer revenue bonds/obligations outstanding has been issued for the construction, acquisition, and equipping of water and sewer facilities and related systems and infrastructure. These are special revenue obligations and are pledged and secured solely by the net revenues of the system. The net revenues of the system consist of revenues collected from customers including development impact fees and interest income less such necessary expenses of operation, maintenance, and repair of the system excluding depreciation, amortization, and debt service. The total principal and interest remaining to be paid is \$193,471. The current year principal and interest on the bonds were \$26,090 and net revenues of the system were \$41,881.

For water and sewer revenue bond senior obligations, the pledged revenue coverage covenants in the purchase agreements require the revenues received must be equal to or at least one hundred twenty percent of the combined debt service on all outstanding senior obligations. For water and sewer revenue bond subordinate obligations, the pledged revenue coverage covenants in the purchase agreements require the revenues received must be equal to or at least one hundred twenty percent of the combined debt service on all outstanding senior obligations and subordinate obligations.

Municipal Property Corporation Bonds

In 1982, 2002, 2003, 2006 and 2008 the Municipal Property Corporation (MPC), a non-profit corporation, issued bonds to finance the construction of a new municipal office complex, hockey arena, public safety training center, parking garage, media center, convention center and City infrastructure, respectively. On October 19, 1982, July 31, 2002, May 1, 2003, and June 1, 2006, the City entered into a purchase agreement with MPC, whereby, the City purchased the constructed municipal office complex, hockey arena, public safety training center, parking garage, media center, convention center and

City infrastructure, respectively, from the MPC. In addition, on April 1, 2004, the City entered into an agreement with the MPC to issue bonds to finance an escrow account to refund certain outstanding City improvement district bonds. In June 2008, the City entered into an agreement with the MPC to issue bonds to refund outstanding 2006B bonds. In February 2012, the City entered into an agreement with the MPC to issue bonds to partially refund outstanding maturities of the bond series 2003, 2004, and 2006. In December 2012, the City entered into an agreement with the MPC to issue bonds to partially refund outstanding maturities of the bond series 2003 and 2004, and to fully refund outstanding maturities of the Western Loop 101 Public Facilities Corporation bond series 2008. In March 2015, senior excise tax revenue bonds were issued to refund MPC bonds series 2002B, 2003B, 2006A, and series 2012D, respectively. In April 2016, senior excise tax revenue bonds were issued to refund MPC bond series 2003D in full as well as several maturities of the MPC bond series 2008A. In October 2017, subordinate excise tax revenue bonds were issued to partially refund MPC bond series 2012C. An amount equal to the MPC debt service and related miscellaneous fees, is payable to the MPC in monthly installments by the City.

Under the provisions of the purchase agreement, the City has pledged for the payment of the purchase price: 1) all net revenues derived from the municipal office complex and arena, and 2) all excise, transaction, privilege and franchise taxes which the City currently collects, may collect or are allocated to the City by any other governmental unit or municipal corporation, except the City's share of such amounts which by state law, rule or regulation must be expended for other purposes. However, under no circumstances shall such pledge constitute a general obligation of the City nor will the purchase price be payable from the proceeds of ad valorem taxes. The total principal and interest remaining to be paid is \$262,311. Excise tax revenues pledged for repayment of MPC was \$267,156. The current year principal and interest paid was \$13,150.

For senior liens, the pledged revenue coverage covenants in the lien agreements require the unrestricted excise taxes received must be equal to or at least three times the senior excise tax obligation payment required in any current fiscal year. The requirement for subordinate liens is the unrestricted excise taxes received must be equal to at least two times the combined total payment on senior excise tax obligations and subordinate lien excise tax obligations in any current fiscal year.

Certificates of Participation

The certificates of participation bonds are payable exclusively from annually budgeted and appropriated funds and will not be a general obligation or indebtedness of the City. In July 2021, the City issued certificates of participation in an agreement to fund a significant portion of the City's pension plans unfunded liabilities in the Public Safety Personnel Retirement System. Although no specific revenue sources will be pledged to or secure the certificates, it is anticipated monies from the City's general fund will be used for making payments. The total principal and interest remaining to be paid is \$304,816. The current year interest on the bonds was \$5,662.

Leases as Lessee

The City, as a lessee, has entered into a 44-month lease agreement for the use of police department property. An initial lease liability was recorded in the amount of \$364. As of June 30, 2023, the value of the lease liability is \$157. The lease has an interest rate of 0.8927%. The value of the right to use asset as of June 30, 2023 was \$364 with accumulated amortization of \$198. The lease liability does not include any variable payments or sublease agreements.

Subscription Based Internet Technology Agreements

The City has entered into subscription-based internet technology agreements (SBITAs) involving various software. Arrangements vary from 12 to 84 months. An initial liability was recorded in the amount of \$23,855. As of June 30, 2023, the value of the lease liability is \$17,846. The subscriptions have interest rates between 1.58% and 3.12%. The value of the right to use asset as of June 30, 2023, was \$24,141 with accumulated amortization of \$5,909.

Outstanding Debt by Type Classified as Governmental Activities

Classified in governmental activities on the statement of net position:

Purpose	Interest Rate	Issued Fiscal Year Ending June 30	Year Series Matures	Amount of Original Issue	Bonds Outstanding June 30, 2023
<u>GO bonds payable from secondary assessed property taxes</u>					
Various Tax-Exempt (A), Taxable (B)	1.54-4.00	2016	2036	\$ 27,285	\$ 5,955
Various Taxable 2019	3.00-5.00	2019	2038	15,385	13,780
Various Tax-Exempt 2021	3.00-5.00	2021	2041	13,700	10,520
Various Tax-Exempt 2022	5.00	2022	2042	31,375	20,005
Total					<u>50,260</u>
<u>GO bonds payable from secondary assessed property taxes-direct borrowing</u>					
Refunding Taxable BAB 2017	3.16	2018	2030	26,555	17,980
Refunding Taxable 2021	2.21	2022	2037	32,225	30,295
Total					<u>48,275</u>
<u>Revenue bonds payable from the 0.5% transportation sales tax</u>					
Refunding Tax-Exempt Excise Tax Rev	2.00-5.00	2015	2032	55,635	43,050
Total					<u>43,050</u>
<u>Revenue bonds payable from the 0.5% transportation sales tax</u>					
Refunding Tax-Exempt Excise Tax Rev	2.62	2017	2032	19,330	7,185
Total					<u>7,185</u>
<u>Excise Tax bonds payable from general fund sales tax</u>					
Refunding Tax-Exempt 2015A	5.00	2015	2031	100,430	68,515
Refunding Taxable 2015B	3.93-4.03	2015	2033	13,700	13,700
Refunding Tax-Exempt 2016	3.00-5.00	2016	2033	33,830	25,790
Sub Refunding Tax-Exempt 2017	5.00	2018	2032	65,385	53,875
Total					<u>161,880</u>
<u>Municipal Property Corporation payable from general fund payments</u>					
MPC Taxable excise tax 2003B	1.46-5.58	2003	2033	105,260	1,480
MPC Taxable excise tax 2008B	5.45-6.16	2008	2033	52,780	33,640
MPC Tax-Exempt refunding 2012B	5.00	2013	2033	39,620	31,935
MPC Tax-Exempt refunding 2012C	5.00	2013	2038	183,405	108,245
Total					<u>175,300</u>
<u>Certificates of Participation payable from general fund payments</u>					
COPs Taxable 2021	0.897-2.942	2022	2037	252,800	252,800
Total					<u>252,800</u>
Total bonds payable recorded in governmental activities					738,750
Less current portion					<u>(43,365)</u>
Long-term portion of bonds payable recorded in governmental activities					<u>\$ 695,385</u>

Outstanding Debt by Type Classified as Business Type Activities

Classified in business-type activities on the statement of net position:

Purpose	Interest Rate	Issued Fiscal Year Ending June 30	Year Series Matures	Amount of Original Issue	Bonds Outstanding June 30, 2023
<u>GO bonds payable from landfill fund</u>					
Landfill	5.00	2022	2042	\$ 8,915	\$ 8,645
Total					<u>8,645</u>
<u>Revenue bonds/obligations payable from water and sewer fund</u>					
Various refunding	2.00-5.00	2015	2028	121,245	55,450
Various refunding	5.00	2021	2030	20,250	20,250
Various	5.00	2021	2041	22,720	22,720
Various	5.00	2022	2042	20,665	20,665
Refunding 2012	5.00	2022	2028	40,010	30,080
Total					<u>149,165</u>
Total bonds payable recorded in business-type activities					157,810
Less current portion					<u>(19,475)</u>
Long-term portion of bonds payable recorded in business-type activities					<u>\$ 138,335</u>

Debt Policies

Regularly updated debt policies can be an important tool to ensure the use of the City's resources to meet its financial commitments to provide needed services to the citizens of Glendale and to maintain sound financial practices.

Administration of Policy

The City Manager is the Chief Executive of the City. With the exception of those responsibilities specifically assigned by state statute to the Budget and Finance Director, the City Manager is ultimately responsible for the approval of any form of City borrowing. The Budget and Finance Director coordinates the administration and issuance of debt, as designated by the City Manager.

The Budget and Finance Director is also responsible for attestation of disclosure and other bond related documents. References to the "City Manager or his designee" in bond documents are hereinafter assumed to assign the Budget and Finance Director as the "designee" for administration of this policy.

Use of Debt Financing

Debt financing includes general obligation bonds, revenue bonds, certificates of participation, lease/purchase agreements, and other obligations permitted to be issued or incurred under Arizona law. The City will use long-term debt to finance capital projects with long useful lives. Financing capital projects with debt provides for an

“intergenerational equity” because actual users of the capital asset pay for its cost over time, rather than one group of users paying in advance for the costs of the assets.

All projects funded with General Obligation Bonds will be undertaken only with voter approval as required through a bond election.

General Obligation debt is supported by secondary property tax revenues. The secondary property tax revenues assessed are based upon the ability to finance the City’s debt service obligations and the rate is dependent upon the revenue requirements and the assessed valuation of taxable property. At a minimum, the general obligation debt service fund balance will be at least 10% of the next fiscal year’s property tax supported debt service.

Non-voter approved debt supported by General Fund revenues such as Municipal Property Corporation (MPC) bonds, excise tax bonds, and lease obligations will be used only when a dedicated ongoing revenue source is identified to pay the associated debt service obligations. This type of debt service will not exceed 10% of the 5-year average of the General Fund’s operating revenue available to support the debt service obligations.

Short-term borrowing or lease/purchase contracts should be considered for financing major operating capital equipment only when:

- a. The repayment term does not exceed the expected useful life of the equipment to be purchased;
- b. An ongoing revenue source is identified to pay the annual debt service; and
- c. The Budget and Finance Director, along with the city’s financial advisors, determine that this is in the city’s best financial interest.

Method of Sale

Debt issues of the City may be sold by competitive, negotiated, or private placement sale methods unless otherwise limited by state law. The selected method of sale will be the option which is expected to result in the lowest cost and most favorable terms given the financial structure used, market conditions, and prior experience.

Negotiated Sale

When determined appropriate, 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. Negotiated underwriting may be considered upon recommendation of the Budget and Finance Director. Advantages of a negotiated sale is that timing is extremely flexible, the size of the issue can be easily changed at last minute and the issuer has influence over the underwriter selection and bond distribution.

Use of Bond Insurance

Bond insurance is an insurance policy purchased by an issuer or an underwriter for either an entire issue or specific maturities. It will guarantee the payment of principal and interest, which in turn provides a higher credit rating and thus a lower borrowing cost for an issuer.

The present value of the estimated debt service savings from insurance should be at least equal to or greater than the insurance premium when insurance is purchased directly by the City. The bond insurance company will usually be chosen based on an estimate of the greatest net present value insurance benefit (present value of debt service savings less insurance premium).

Arbitrage Liability Management

Arbitrage is defined as the practice of simultaneously buying and selling an item in different markets in order to profit from a spread in prices or yields resulting from market conditions.

Arbitrage profits are made by selling tax-exempt bonds and investing the proceeds in higher-yielding taxable securities, when referencing municipal bonds. Municipal issuers are allowed to make arbitrage profits under certain restricted conditions. The sale of tax-exempt bonds primarily for the purpose of making arbitrage profits is prohibited by Section 103(c) of the Internal Revenue Code.

The Office of Budget and Finance has established a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of the federal tax code. This includes tracking investment earnings on bond proceeds, using outside experts to assist in calculating rebate payments, preparing returns, and making payments in a timely manner in order to preserve the tax-exempt status of the City's outstanding debt issues. Arbitrage rebate liabilities are calculated annually, and the liability is reported in the City's annual financial statements and note disclosures if applicable. Additionally, general financial reporting and certification requirements embodied in bond covenants are monitored to ensure that all covenants are met. The City structures its financing in such a way as to reduce or eliminate future arbitrage rebate liability, wherever feasible.

Selection of Professional Services

The Budget and Finance Director shall be responsible for establishing a solicitation and selection process for securing professional services that are required to develop and implement the City's debt program. Goals of the solicitation and selection process shall include encouraging participation from qualified service providers, both local and national, and securing services at competitive prices.

Bond Counsel – To render opinions on the validity, enforceability and tax-exempt status of the debt and related legal matters, and to prepare the necessary resolutions, agreements, and other documents.

Financial Advisor – To 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 City obligations and provide other services as defined by contract. To ensure independence, the financial advisor will not bid on nor underwrite any City debt issues.

Competitive proposals will be taken periodically for services to be provided over a period of one year with annual renewal options.

Other professional services will be retained, when required, including managing underwriters, credit agencies, escrow agents, trustees, printers, and others. These services will be procured when in the best interest of the City by a competitive selection process.

Continuing Disclosure of City Financial Information

Annual financial statements and other pertinent credit information, including the Annual Comprehensive Financial Report, will be provided by the City upon request. All material that has a pertinent bearing on City finances will be provided to the agencies that maintain a rating on City securities. A copy of the Annual Comprehensive Financial Report can be obtained from the Glendale City web page at:

https://www.glendaleaz.com/your_government/city_finances/financial_reports

The Budget and Finance Director shall be responsible for providing ongoing disclosure information to established national information repositories and for maintaining compliance with disclosure standards dictated by state and national regulatory bodies.

Copies of official statements are available through the following recognized municipal repository:

Electronic Municipal Market Access (“EMMA”)
c/o Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, VA 22314
Phone: (703) 797-6600
Fax: (703) 797-6700
<http://www.dataport.emma.msrb.org> Email: emmaonline@msrb.org

The Securities and Exchange Commission released final “continuing disclosure” rules (the “Rules”) for municipal bond issues on July 1, 2009, (amended existing Rule 15c2-12). The Rules, which in general were effective on July 3, 1995, impact nearly every issuer of municipal securities. The stated purpose of the Rules is to deter fraud and manipulation in the municipal securities market by prohibiting the underwriting and subsequent recommendation of securities for which adequate information is not available. No underwriter can purchase or sell bonds in an offering of more than \$1,000,000 after July 3, 1995, unless it has reasonably determined that an issuer has undertaken to provide to the public information repositories on a continuing basis both annual financial information and notices of specified material events affecting the issuer or its securities. This is applicable unless an exemption applies. The City intends to fully comply with the “continuing disclosure” rules. Further, the City maintains a comprehensive continuing disclosure policy to ensure compliance.

Maturity Structures

Principal payment schedules should not extend beyond the economic life of the project or equipment financed.

The structure of debt issued by the City should be to provide for either level principal or level debt service. Except in select instances, deferring the repayment of principal should be avoided.

Ratings

The City's goal is to maintain or improve its bond ratings. To that end, prudent financial management policies will be adhered to in all areas. The Chief Financial Officer shall be responsible for maintaining relationships with the rating agencies that currently assign ratings to the City's various debt obligations. The City will maintain a line of communication with the rating agencies informing them of major financial events in the City as they occur. Full disclosure of operations will be made to the bond rating agencies. City staff, with the assistance of the financial advisor and bond counsel, will prepare the necessary materials for presentation to the rating agencies. A personal meeting with representatives of the rating agencies will be scheduled every few years or whenever a major project is initiated.

Modification of Policies

These policies will be reviewed annually, and significant changes may be made with the approval of the City Manager or their designee. Significant policy changes will be presented to the City Council for approval.

Appendix A

Bonds Authorized, Issued, and Unissued

Bonds authorized but not fully issued as of June 30, 2023, are shown below:

<u>GO bonds</u>	<u>Authorized Amount</u>	<u>Issued through June 30, 2023</u>	<u>Authorized but Unissued</u>
<u>Voter authorized October 20, 1981</u>			
Operations center	\$ 6,750	\$ 550	\$ 6,200
<u>Voter authorized March 10, 1987</u>			
Library	9,698	8,225	1,473
<u>Voter authorized November 2, 1999</u>			
Cultural facility ^{1 2}	18,215	5,583	12,632
Economic development	50,500	28,453	22,047
Governmental facilities ^{1 2}	40,910	20,325	20,585
Landfill development ^{1 2}	17,000	12,374	4,626
Library	15,398	-	15,398
Open spaces	53,700	4,420	49,280
Transit ¹	6,935	185	6,750
<u>Voter authorized May 15, 2007</u>			
Flood control ²	20,554	12,880	7,674
Parks and recreation ²	16,155	10,111	6,044
Public safety ²	102,638	16,058	86,580
Streets and parking ²	79,065	78,807	258
Total GO bonds	<u>\$ 437,518</u>	<u>\$ 197,971</u>	<u>\$ 239,547</u>
<u>Revenue bonds</u>			
<u>Voter authorized November 2, 1999²</u>			
Water and sewer ¹	\$ 10,000	\$ -	\$ 10,000
Total revenue bonds	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total bonds	<u>\$ 447,518</u>	<u>\$ 197,971</u>	<u>\$ 249,547</u>

(1) Certain general obligation bonds or revenue bonds can be issued as general obligation bonds, revenue bonds or a combination thereof.

(2) The Voter authorized November 2, 1999 and May 15, 2007 issued through June 30, 2023, and authorized but unissued amounts were adjusted for the 2016 ARS 35-457 change to allow for bond premium to go toward project costs if counted against authorization.

Future Year Debt Service Requirement

		Trans-							Water and			
		portation				G.O.	Certificates		Sewer			
Fiscal	Trans-	Bonds				Bonds	of		Revenue		Subscription	
Year	portation	Direct	MPC	Excise Tax	G.O.	Direct	Partici-	Landfill	Bonds/	Lease	Based IT	
Ending	Bonds	Borrowing	Bonds	Bonds	Bonds	Borrowing	pation	Bonds	Obligations	Obligations	Arrangem.	Total
2024	\$ 6,496	\$ 203	\$ 13,134	\$ 22,000	\$ 6,054	\$ 4,457	\$ 18,727	\$ 717	\$ 26,090	\$ 105	\$ 6,483	\$ 104,466
2025	6,495	208	13,096	22,034	5,230	4,469	19,386	713	26,085	53	4,728	102,497
2026	6,493	207	13,092	22,049	5,232	4,473	19,988	713	26,090	-	3,291	101,628
2027	6,494	207	13,090	22,041	5,237	4,468	20,551	713	23,631	-	2,653	99,085
2028	6,493	206	13,074	22,059	3,630	6,076	21,062	717	20,853	-	1,174	95,344
2029	6,493	206	13,836	21,300	3,627	6,261	21,523	714	10,112	-	197	84,269
2030	6,491	205	13,799	21,338	3,624	6,071	21,944	716	10,109	-		84,297
2031	6,494	205	13,792	21,342	3,631	3,164	22,330	717	4,412	-		76,087
2032	-	7,214	14,915	20,224	3,647	3,168	22,671	717	4,411	-		76,967
2033	-	-	27,821	9,003	3,707	3,170	22,971	716	4,408	-		71,796
2034	-	-	22,533	-	3,698	3,177	23,237	714	4,409	-		57,768
2035	-	-	22,533	-	3,709	3,166	23,463	716	4,408	-		57,995
2036	-	-	22,532	-	3,733	3,165	23,641	717	4,410	-		58,198
2037	-	-	22,532	-	3,730	1,007	23,322	717	4,409	-		55,717
2038	-	-	22,532	-	3,739	-	-	715	4,410	-		31,396
2039	-	-	-	-	2,468	-	-	717	4,413	-		7,598
2040	-	-	-	-	2,472	-	-	712	4,411	-		7,595
2041	-	-	-	-	2,468	-	-	717	4,410	-		7,595
2042	-	-	-	-	1,659	-	-	714	1,990	-		4,363
Total	51,949	8,861	262,311	203,390	71,295	56,292	304,816	13,592	193,471	158	18,526	1,184,66
Less												
interest	8,899	1,676	87,011	41,510	21,035	8,017	52,016	4,947	44,306	1	680	270,098
Principal	\$ 43,050	\$ 7,185	\$ 175,300	\$ 161,880	\$ 50,260	\$ 48,275	\$ 252,800	\$ 8,645	\$ 149,165	\$ 157	\$ 17,846	\$ 914,563