Agenda - Council - February 23, 2005

Report - Standing Committee on Fiscal Issues - February 8, 2005

Item No. 1 Debt Management Policy
File F-1

STANDING COMMITTEE RECOMMENDATION:

On February 16, 2005, the Executive Policy Committee concurred in the recommendation of the Standing Committee on Fiscal Issues and submits the following to Council:

1. That the Debt Management Policy as outlined in the report from the Chief Financial Officer dated December 2, 2004, be approved.

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Agenda - Council - February 23, 2005

Report - Standing Committee on Fiscal Issues - February 8, 2005

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On February 16, 2005, the Executive Policy Committee concurred in the recommendation of the Standing Committee on Fiscal Issues and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On February 8, 2005, the Standing Committee on Fiscal Issues concurred in the administrative recommendation and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

RE: APPROVAL OF A DEBT MANAGEMENT POLICY

FOR SUBMISSION TO: STANDING COMMITTEE ON FISCAL ISSUES

ORIGINAL REPORT SIGNED BY: CHIEF FINANCIAL OFFICER

REPORT DATE: December 2, 2004

RECOMMENDATION(S):

That the attached City of Winnipeg Debt Management Policy be forwarded to Council for approval.

REPORT SUMMARY:

Key Issue(s):

The City of Winnipeg does not currently have a comprehensive written Council-approved Debt Management Policy. The attached policy, being submitted for Council approval, brings together in one document the existing rules, regulations, and current practices relating to external debt.

Implications of the Recommendation(s):

General Implications

- [X] **None**
- [ ] **For the organization overall and/or for other departments**
- [ ] **For the community and/or organizations external to the City**
- [ ] **Involves a multi-year contract**

Comment(s):

Policy Implications

- [ ] **No**
- [X] **Yes**

Comment(s):

Approval of this document will establish a comprehensive written policy with respect to debt management for the City. The attached Debt Management Policy brings together in one document the existing rules, regulations and current practices relating to external debt.

Environmental Implications:

X	**No**
	Yes
	Comment(s):

Human Resources Implications:

X	**No**
	Yes
	Comment(s):

Financial implications

X	**Within approved current and/or capital budget**
	Current and/or capital budget adjustment required
	Comment(s):

There is no financial impact as this report relates to the approval of a Debt Management Policy.

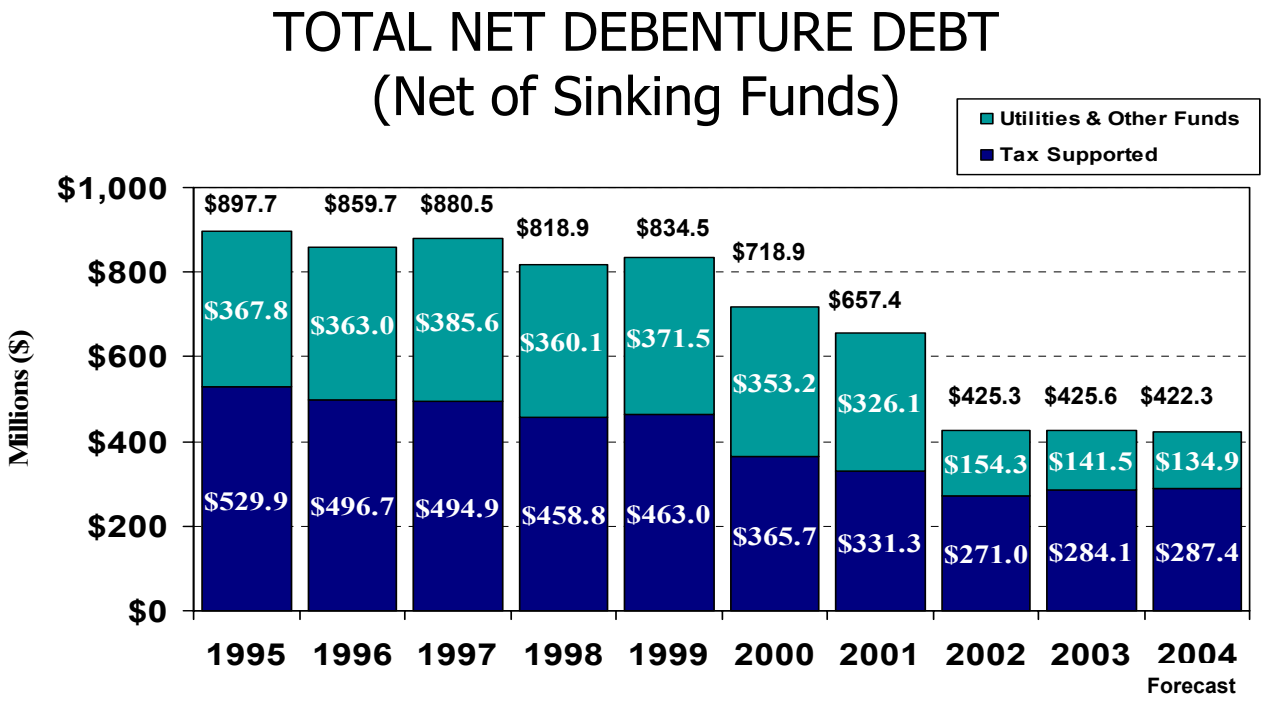
REASON FOR THE REPORT:

A Debt Management Policy is a combination of written guidelines and restrictions, which affect the way a government manages its existing and potential debt. Good governance practices would suggest that Governments should develop and occasionally review their policies to make sure that these policies are meeting their needs. While some governments develop debt management policies as internal documents and do not require formal governing body approval, securing the approval of the governing body ensures that the policy becomes an official document. The Government Finance Officers Association (GFOA) of the United States and Canada recommends that all governments adopt comprehensive written debt management policies and has published guidelines on developing a Debt Management Policy. The administration considered these guidelines in developing the attached Debt Management Policy for the City. The City does not currently have a comprehensive formal Debt Management Policy adopted by Council.

DISCUSSION:

Part 7 of The City of Winnipeg Charter provides the authority upon which Council can borrow money. The borrowing of money to finance infrastructure can assist a government in meeting its objectives, providing it is properly managed.

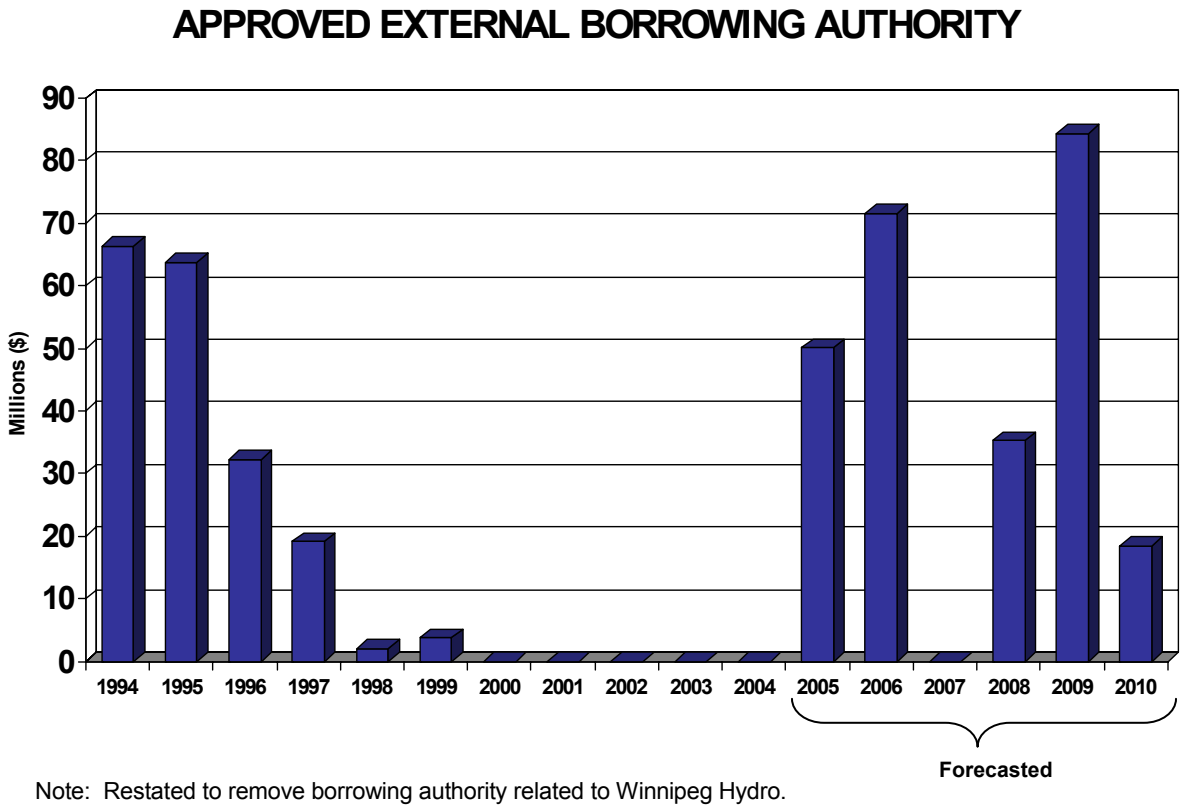
In recent years, the City has been concerned about its overall level of debt and the costs associated with servicing the debt. As a result, the City has taken steps to improve its debt position. The discipline Council imposed on itself in 1999 of not approving any further borrowing authority for tax-supported capital has resulted in decreased debt servicing costs as well as a decrease in the debt itself. This trend is expected to continue, on a tax-supported basis, over the next several years assuming no new borrowing authority is approved for tax-supported capital expenditures. The following chart shows the City's debt position over the past ten year period:



Note: Tax Supported does not include Civic Accommodations or Transit
Net debenture debt decreased by 53% from 1995 to 2004.
Net Tax-supported debenture debt decreased by 46% from 1995 to 2004.

While the City has made significant progress towards reducing its outstanding debt, there remain challenges ahead. In their most recent credit rating report on the City, Moody's Investors Service commented that: "Interest costs as a percentage of operating revenue…remain high when compared to other municipalities both in Canada and abroad,…". In reviewing the 2004 to 2009 Capital Budget, they noted that: "No new debt is to be issued for the tax-supported capital program…".

The following chart shows the City's approved external borrowing authority for the period 1994 through 2004 as well as the forecasted borrowing authority required for the City's Water and Sewer utilities from 2005 to 2010:



Note: Restated to remove borrowing authority related to Winnipeg Hydro.

As can be seen from the chart, the City approved significant amounts of borrowing authority through most of the 1990's and is expecting to need a significant amount over the next six-year period. The main difference with the projected future borrowing authority is that it will all be for self-supporting purposes through the City's Water and Sewer utilities as opposed to tax-supported.

It is anticipated that by adopting this Debt Management Policy, the City will demonstrate a commitment to long-term financial planning objectives which will be positively regarded by the credit rating agencies in reviewing the City's credit quality. In order to keep this policy current, it will be reviewed annually by the Corporate Finance Department with any required changes being submitted to Council for consideration.

The attached Debt Management Policy brings together in one document the existing rules, regulations and current practices relating to external debt.

Financial Impact Statement

There is no financial impact with this report as it is related to the approval of a debt management policy.

"Original signed by Carrie Erickson"
Carrie Erickson
Manager of Finance & Administration

IN PREPARING THIS REPORT, THERE WAS CONSULTATION WITH AND CONCURRENCE BY:

Legal Services

THIS REPORT SUBMITTED BY:

Department: Corporate Finance Department
Division: Financial Services
Prepared by: Garry Steski, Manager of Financial Services
File No.

THE CITY OF WINNIPEG

DEBT MANAGEMENT POLICY

I. INTRODUCTION

A. Purpose

The City recognizes that the foundation of any well-managed debt program is a comprehensive debt policy. This Debt Management Policy sets forth the parameters for issuing debt and managing outstanding debt and provides guidance to decision makers regarding the timing and purposes for which debt may be issued and the types of debt and structural features that may be incorporated. For the purposes of this policy, debt means debentures issued external to the City.

Adherence to a debt policy helps to ensure that a government maintains a sound debt position and that credit quality is protected. Advantages of a debt policy are as follows:

- Enhances the quality of decisions by imposing order and discipline, and promoting consistency and continuity in decision making,
- Rationalizes the decision-making process,
- Identifies objectives for staff to implement,
- Demonstrates a commitment to long-term financial planning objectives, and
- Is regarded positively by the credit rating agencies in reviewing credit quality.

The City has instituted sound management practices that support Plan Winnipeg, the organization's long-range policy plan and the Financial Management Plan, the framework for the City's overall fiscal planning and management. In addition, the City has followed practices that will reflect positively on it in the credit rating process. Among these are the development of and adherence to long-term financial and capital improvement plans and the maintenance of an adequate level of operating reserves.

B. Scope

This Debt Management Policy brings together in one document the existing rules, regulations, and current practices relating to external debt. The policy summarizes the City's legal authority, restrictions, and responsibilities relating to external debt, which flow from The City of Winnipeg Charter, and addresses other areas related to debt management.

This policy has been prepared in accordance with the Government Finance Officers Association (GFOA) Recommended Practices on Debt Management Policies.

This policy includes:

1. Legal authorization and limitations;
2. Debt capacity and benchmarking;
3. Types of debt and structural features;
4. Debt management practices; and,
5. Credit rating considerations.

C. Objective

Debt levels and their related annual costs are important long term obligations that must be managed within available resources. An effective Debt Management Policy will provide guidelines for a government to manage its debt program in line with those resources.

D. Review of Debt Management Policy

This policy will be reviewed annually by the Corporate Finance Department in consideration of meeting City debt management goals, the capital markets and associated market conditions, technology, and industry best practices. Any required changes shall be submitted to Council for consideration and approval. This policy should be reviewed during each term of Council to ensure its continued effectiveness.

II. LEGAL AUTHORIZATIONS AND LIMITATIONS

A. The City of Winnipeg Charter

Subsection 294(1) states that: “Subject to subsection (2), council may pass by-laws enabling the city to borrow money in such manner, in such amounts, and on such security as council may consider necessary for any purpose for which the city is authorized to make provision, including, without limiting the generality of the foregoing, borrowing money required for local improvements.” In addition, subsection 285(2) states: “In adopting an operating budget, council must ensure that the estimated expenditures for a fiscal year do not exceed the estimated revenues for the year.” The City has never borrowed money for operating purposes on other than a short-term basis and any long-term borrowing will be restricted solely for capital purposes.

B. Limitations on Indebtedness

The City of Winnipeg has no formal limit on the amount of debt that can be issued. However, during the 1996 capital budget process, Council approved an annual $61 million cap for tax-supported capital authorizations, for internal and external financing. Since the City was already pursuing an aggressive approach to convert to pay-as-you-go financing for tax-supported capital expenditures, the effect of this was to eliminate the need for external debt for tax-supported capital works by 2004. For the 1999 through 2004 capital budgets, Council further approved that tax-supported capital spending would not exceed the amount of pay-as-you-go funding available

for each of those years. The effect of this decision was that no new external borrowing for tax-supported capital expenditures has been approved since 1998.

A further consideration limiting the amount of outstanding external debt the City had was the potential renewal of the Urban Capital Projects Allocation (UCPA) agreements the City had with the Province. Under the terms of the former agreements the Province provided capital funding assistance to the City. However, one of the conditions of the former agreements was that the City had to ensure interest costs on tax-supported debt, as a percentage of net combined revenue, did not exceed a maximum amount which was determined annually by the Province and the City. In the event the maximum annual percentage was exceeded, capital assistance from the Province for that year was to be reduced by two dollars for each dollar of increase in interest over the limit. During the last year of the expired agreement, that ratio was set at 10.4%.

C. Authority to Incur Long-term Debt and Issue Debentures

Subsection 294(1) of The City of Winnipeg Charter provides the authority by which the City is allowed to incur long-term debt and issue debentures. That section states the following: “Subject to subsection (2), council may pass by-laws enabling the city to borrow money in such manner, in such amounts, and on such security as council may consider necessary for any purpose for which the city is authorized to make provision, including, without limiting the generality of the foregoing, borrowing money required for local improvements.” Subsection (2) states: “Before council gives second reading to a by-law under subsection (1), the city must apply for and obtain the approval of the Minister of Finance for the borrowing under the proposed by-law.” Therefore, the authority to incur long-term debt is subject to the approval of the Minister of Finance for the Province of Manitoba. Pursuant to subsection 294(4), in considering an application by the City for borrowing approval, the Minister must consider only the financial position of the City, but may impose terms and conditions of the borrowing which may include the period within which the amount to be borrowed must be repayable.

Section 298 of The City of Winnipeg Charter deals with the authority of the Chief Financial Officer with regards to issuing debentures. Once a borrowing by-law has been passed, the Chief Financial Officer has administrative authority to issue debt in the City’s name. Subsection 100(h) requires the Chief Financial Officer to ensure “that money collected for the purpose of paying interest and principal of city securities is properly applied to those payments.” Furthermore, subsection 299(1) requires the Chief Financial Officer to report on the issue and sale of debentures “in such a manner as may be resolved by council.”

D. Financing of Special Service Units

Section 215 of The City of Winnipeg Charter permits Council to establish special service units (often referred to as “Special Operating Agencies or SOAs”) to provide a commodity or service. Council could, under subsection 215(4) authorize a special service unit to “borrow, on terms and from sources approved by council, to finance the unit’s operating and capital requirements”. Council has not authorized any special service unit to borrow externally, but rather has provided operating funds to the special service units at the city’s borrowing rates as those rates are considered to be more competitive than those that a special services unit would be able to negotiate on its own.

III. DEBT CAPACITY AND BENCHMARKING

A. Ability to Pay

The City has many competing spending priorities for the limited amount of revenues collected each year. The City's capacity to issue debt is directly related to its ability to service the payments required on the debt. These include both annual interest and principal payments. Furthermore, the City's ability to service the payments required is directly linked to the ability of the City to raise sufficient funds from either taxes or fees. This in turn is related to the ability of the citizens to be able to sustain increases in taxes or fees.

B. Capital Budgeting and Debt Financing Relationship

The Debt Management Policy has a direct link to the capital and operating budget processes. Under Subsection 284(2) of The City of Winnipeg Charter, Council is required to adopt an Annual Capital Budget and Five-Year Capital Forecast. These plans reflect the coming 6 years and are updated annually. The capital budget document contains a comprehensive description of the projects, sources of funds and the timing of capital projects, the effect of the projects on future debt outstanding, debt service requirements and current revenue requirements. Subsection 285(1) requires every operating budget to make provision for all amounts required to pay principal and interest payments falling due within the year of any debt of the City. It is important to recognize that a borrowing decision made in the current year for the Capital budget could impact future operating budgets by way of principal and interest charges for a 20 year period (the normal term of City debt).

The borrowing to finance capital projects normally occurs once the projects are completed. The City approves borrowing authority through the Capital Budget process. Once a number of capital projects are completed, the City will issue debentures against the outstanding borrowing authority. The outstanding borrowing authority provides a scorecard of what projects approved in the past have not yet been completed and externally financed.

In recent years the City has aggressively pursued funding a pay-as-you-go program for financing tax-supported capital spending. This "cash to capital" form of financing capital expenditures has resulted in a decreasing amount of new borrowing authority being approved. During the past several capital budget years, there has been no new borrowing approved for capital spending.

C. Tax-supported and Self-supporting Debt

The City is able to issue debt for two main purposes related to capital expenditures: tax-supported debt which is for capital projects that will be serviced from the tax-supported operating budget and self-supporting debt which is for capital projects that will be serviced from revenues from the City's utility operations.

D. Measurements

There are several measurements available to monitor both current and projected outstanding debt levels and debt costs and to plan for future debt levels. These measurements can be

calculated for both tax-supported and self-supporting purposes as well as for the City in total. The City will be able to compare these measurements against the same measurements for other cities to determine a relative ranking.

Three of the main measurements available are:

- A per capita measurement whereby the outstanding debt per capita at the end of each year will be calculated and compared to previous years. This measurement can provide elected officials with a trend of overall debt outstanding. For example, the goal to reduce debt in the City's Financial Management Plan utilizes this measurement as a means of determining if the goal is achieved.

- A second measurement is debt interest costs as a percentage of total revenues which can also be compared to previous years. This measurement allows elected officials to be aware of the amount of the current year's annual operating budget which is devoted to servicing debt.

- The last of these three measurements is net debenture debt as a percentage of operating revenues. This measurement identifies the percentage of annual operating revenues that would be required to extinguish the City's outstanding net debt.

E. Asset Life Considerations

The City will not normally issue debt for a period that exceeds the useful life of the asset being financed. Since, for practical and efficiency reasons, the City issues debt in significantly large amounts, there may be times when not all of the issued debt can be allocated to capital projects with a useful life that exceeds the maturity of the debt. However, as a matter of practice, every effort will be made to ensure that this result is minimized.

IV. TYPES OF DEBT AND STRUCTURAL FEATURES

A. Types of Debt

Subsection 298(2) of The City of Winnipeg Charter provides generally that city securities issued for long-term borrowing may include "…any provision that in the opinion of the chief financial officer is necessary or advisable to facilitate the sale of the city securities,…". Subsection 308(1) permits borrowing in currencies other than the Canadian dollar. Subsection 300(1) restricts the issuance of securities with a variable rate of interest.

In addition, section 293 of The City of Winnipeg Charter permits Council to pass by-laws to provide for temporary borrowing not to exceed the revenues in the City's operating budget for the previous fiscal year; that provision provides authority for the City to issue promissory notes. The City has passed a by-law establishing the annual amount the City is authorized to borrow in this manner. That amount is currently $250,000,000 and is intended to be used as a standby credit facility based on cash flow requirements.

Notwithstanding that the City has the authority and ability to issue debt in foreign currencies, the need to issue debt in foreign markets has decreased dramatically in recent years. With most levels of government making an effort to reduce their reliance on debt, the depth of the Canadian capital markets is such that any funding requirements the City currently has can easily be accommodated from within the Canadian market. However, should the City exercise its ability to issue debentures in a foreign currency, the City shall immediately undertake an analysis to determine if it should eliminate the exposure to foreign currency fluctuations related to this transaction by entering into a hedging arrangement. Subsection 291(1) of The City of Winnipeg Charter allows the City to enter into agreements respecting the management of its debts once Council has adopted a policy for entering into that type of agreement and this policy is approved by the Minister of Finance. The City currently does not have a policy with respect to debt management agreements and has not entered into those types of agreements.

The City's current portfolio of debt is exclusively fixed rate including sinking fund (bullet) debt and serial debt. Bullet debt refers to debentures where a single payment is due on the maturity date of the debentures. Serial debt refers to debentures which have a portion of the outstanding principal retired on each anniversary date of the debentures. Under certain market conditions, there may be some merit to issuing pure variable rate or floating rate debt through the City's promissory note program to take advantage of lower short-term interest rates. This does subject the City to a certain degree of risk associated with refinancing activities. Section 300 of The City of Winnipeg Charter allows the City to issue variable rate debt once Council has adopted a policy respecting the issue of variable rate securities and this policy is approved by the Minister of Finance. The City currently does not have a policy with respect to variable rate financing and has not issued any variable rate securities.

B. Structural Features

The City's preferred term of financing is 20 years which reflects the average useful life of the projects the City finances with external debt. In the event the capital markets are not receptive to an issue in this term, the City can issue shorter term debt with the view of refinancing it when it becomes due. Debenture issues should always have a component of principal repayment to them whether in the form of a sinking fund payment or straight out redemption as is the case with a serial debt issuance.

Subsection 298(2)(b) provides for the issuing of Callable or Redeemable debentures. Callable debentures allow the City to pay off the debentures earlier than the maturity date without a penalty to the City. Redeemable debentures allow the holder of the debenture to request payment of the debenture sooner than the maturity date of the debenture without penalty. Each of these debenture structures could have a benefit to the City depending on the interest rate environment they were issued under. The City would pay a premium to issue a Callable debenture while the City would receive a discounted interest rate to issue a Redeemable debenture. The City has not used either of these features in a debenture issue in recent times due to existing market conditions.

Derivative products may be considered for altering the debt structure from fixed to floating and vice versa as well as a means of setting a ceiling on the coupon rate of future debt issues. The City does not currently have a policy with respect to the use of derivative products. Section 291 of The City of Winnipeg Charter requires that a policy, approved by the Minister of Finance, must be established prior to the use of derivative products by the City.

The timing and type of a particular debt issue would normally be recommended by the Corporate Finance Department based on current market conditions and in consultation with members of the City's Borrowing Syndicate. Included in these considerations will be the current interest rate environment as well as the forecasted interest rate environment, capital markets receptivity as to credit and term issues, actual versus budgeted costs of financing and any other issues that may be determined to influence the success of issuing debt at a given point in time. Since the capital markets operate in a dynamic environment, there is no specific method or form of debt issuance that can be determined in advance. Rather, in response to the dynamics of the capital markets, the benefits and costs of the various types of debt will need to be considered in light of the market conditions that exist at the time of issuance.

Once the issuance of debentures has been authorized pursuant to section 294 of The City of Winnipeg Charter, the City may borrow money at any time including the pre-funding or funding in advance of the requirements of the proceeds. Pre-funding of debt needs should be considered only when an opportune time exists in the capital markets and to do so would positively impact future debt servicing costs based on forecasted interest rates. It needs to be recognized, however, that pre-funding carries with it a negative cost between the interest rate the debt is issued at versus what investment rate is available in the market place.

V. DEBT MANAGEMENT PRACTICES

A. Method of Sale

Subsection 298(3) of The City of Winnipeg Charter outlines some of the powers the Chief Financial Officer of the City has with respect to issuing debentures. Included in this section of the Charter is clause (d) which states: (the Chief Financial Officer may do all acts and things he or she considers necessary…including…) "entering into agreements with respect to the offer, issue, sale and trade of city securities and other transactions relating to city securities, including underwriting, fiscal agency, pricing, exchange rate agency, paying agency, trust, distribution, registrar or other agreements;". In this regard, the City has a formal arrangement in place establishing a Fiscal Agency or Syndicate for the issuance and sale of debentures. This arrangement defines the parties the City utilizes when issuing debentures as well as the commission structure payable. Notwithstanding this, the City does have the ability to enter into a private placement for the sale of debentures should it be determined this is in the City's best interests both from a cost and administrative viewpoint.

B. Method of Selecting Financial Consultants

The City currently has a formal arrangement in place establishing a Fiscal Agency or Syndicate. The continuous restructuring of the financial services industry in Canada has resulted in a number of changes to this arrangement over the years. The Chief Financial Officer reviews the composition of the Fiscal Agency or Syndicate on a regular basis in order to keep it current. Subsection 298(3) of The City of Winnipeg Charter provides the authority to the Chief Financial Officer to determine when a formal review of the Fiscal Agency or Syndicate is warranted. The formal review process may include establishing a set of criteria, including fee structures,

presence in the capital markets, placement of bonds in volume and dollar terms, etc., and any other criteria that may be determined will provide value to the City through the review process.

C. Refinancing and Defeasement

Section 302 of The City of Winnipeg Charter provides authority for refinancing debentures. In practice, the City provides for a principal payment or sinking fund levy on each fixed rate serial or sinking fund debenture issued. In most cases, the annual serial payments or proceeds of the entire sinking fund will be sufficient to repay the principal amount outstanding upon maturity of the debentures. An exception to this would be when the City is attempting to raise money through the issuance of debentures for a longer term than would be currently conducive in the capital markets. In this instance, the practice of the City would be to issue to the more favourable term available and to refinance the debentures when they mature for a period not normally exceeding the end date of the original longer term. As an example, the City may wish to borrow for a 20 year period but the capital markets are more receptive (and therefore better priced) in the 10 year area. The City would take advantage of the 10 year financing but provide for a 20 year sinking fund amortization. At the end of the first 10 years, when the original issue matures, the City would repay whatever amount is available from the sinking fund and then could refinance the remainder for another 10 years. The normal practice for the City would be to have the sinking fund amortization on this second 10 year period equal the maturity amount of the issue.

In the case of Sinking Fund debentures, should the Sinking Fund not be able to earn a sufficient amount of interest over the maturity period of the debentures to retire the debt, this may also result in the need to refinance the maturing debentures. In both these instances where refinancing is necessary, the approval of the Minister of Finance will be required prior to refinancing these debentures.

In certain situations, the City may choose to defease its outstanding indebtedness through purchases of its securities on the open market. Under these circumstances, the Chief Financial Officer or his/her designate would develop procedures for executing open market purchases and the savings objectives to be achieved by undertaking such actions.

D. Disclosure Practices

The City is committed to full disclosure of financial information as it relates to debt management. The City's financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and with a comprehensive section dealing with the outstanding debt and debt obligations of the City.

E. Investment of Bond Proceeds

The City makes borrowing decisions based on cashflow needs as well as capital market conditions. The City will not normally borrow money too far in advance of when it is required. However, should this occur, the investment of proceeds would be managed by the City's Money Management area of Corporate Finance. Section 290 of The City of Winnipeg Charter restricts the investments that can be made of City funds and the City has adopted a policy with respect to the types of investments permitted. Since the nature of funds borrowed in advance of when

they are required is typically short-term, only short-term, liquid securities will be used for investing the proceeds.

F. Management of Debt Portfolio

Section 100 of The City of Winnipeg Charter outlines the duties of the Chief Financial Officer. Clause (i) outlines the Chief Financial Officer's duties with respect to reporting and states: (The powers, duties and functions of the chief financial officer include…) "submitting to council, within six months after the end of each fiscal year of the city, a report on the financial position of the city at the end of that fiscal year, including balance sheets, statements of revenue and expenditures and other financial statements necessary to provide full disclosure of the financial position of the city;". The Chief Financial Officer oversees the management of the City's debt portfolio including the servicing of the debt. There are a number of reports regarding the City's debt contained in the Detailed Financial Statements which is a companion report to the City's Annual Report. Other reporting requirements are determined as required by the Chief Financial Officer. Regularly scheduled meetings are held to discuss issues related to outstanding debt as well as potential new debt to be issued.

VI. CREDIT RATING CONSIDERATIONS

The City of Winnipeg dedicates substantial time and effort to the credit rating process. Currently the City maintains a relationship with Standard & Poor's (S&P) and Moody's Investors Service (Moody's). The City should always maintain a relationship with a minimum of two recognized credit rating agencies. A credit rating is very important to an entity which issues debt because it is one of the key factors that determine the interest rate the entity will pay on debentures when they are issued. In addition, the credit rating agencies provide comparisons to other cities and therefore a relative measure of the financial well-being of the City. While the City does not have a formal objective with respect to the credit rating process it is implied that the City wishes to obtain the highest credit rating possible without compromising the delivery of services deemed to be essential by the elected officials and in consideration of the tax impact to the public. The City meets with the credit rating agencies annually and provides periodic updates of information affecting the City's financial position as it becomes available.