

December 16, 2024

The meeting of the Board of Finance was called to order at 3:02 p.m.

Present: Arnold Williams, Vice President and Member  
Michael Mocksten, Director of Finance (*in lieu of Mayor Scott*)  
Bill Henry, Comptroller and Member  
Jennell Rogers, Chief, Bureau of Treasury Management and Clerk to the Board of Finance

Absent: Honorable Brandon C. Scott, Mayor and President  
Frederick Meier, Member  
Robert Shelton, Member

Also Present: Evelyn Alston, Treasury Management  
Micheal Sullivan, Treasury Management (*via Webex*)  
Joann Levin, Law Dept. (*via Webex*)  
Keokah Sanders, Council President's Ofc. (*via Webex*)  
Sara Paraniham, Planning (*via Webex*)  
KC Kelleher, MOCC (*via Webex*)  
Michael Wells, MOCC (*via Webex*)  
Randy Willison, MOCC (*via Webex*)  
Douglas Krinsky (*via Webex*)

## **MINUTES**

Ms. Rogers requested the Board to review the minutes from the meeting of November 25, 2024. The minutes were approved on the motion of Director Mocksten, seconded by Comptroller Henry.

## **SECURITY TRANSACTIONS**

Ms. Rogers briefed the Board on the investment activity for this period noting that total securities purchased since the last Board of Finance meeting were \$215,000,000 and redemptions totaled \$105,000,000. She noted that there was one call due to the low interest rate.

Security transactions since the meeting November 25, 2024 were approved on the motion of Director Mocksten, seconded by Comptroller Henry. (Appendix I)

## **MARK TO MARKET VALUATION OF SWAP PORTFOLIO**

Ms. Rogers presented the Mark to Market Valuation Report as of November 30, 2024 with a notional amount of \$119,455,000. The fair market value of the swap portfolio increased from (\$7,981,185) to (\$8,520,445). The ten-year Treasury rate decreased from 4.28% to 4.18%. As of the date of this report, there was no collateral posted.

The Board accepted the report. (Appendix II)

## **GENERAL OBLIGATION BORROWING LEVEL**

Ms. Rogers requested the Board to consider and endorse the City's revised debt policy that increases the not to exceed amount of annually budgeted General Obligation bonds to \$125 million for FY2026 and FY2027.

Last year, the Director of Finance engaged the Public Resources Advisory Group, Inc. (PRAG) to provide recommended changes and amendments to the City's annual borrowing limit and key debt management ratios. As a part of the study, PRAG reviewed and analyzed, among other things, the limits and benchmarks discussed in the City's 1990 Policy.

In connection with the 2023 Debt Study, PRAG developed a financial model to establish the policy guidelines in consideration of the City's financial position, updated rating agency criteria and local and national peer analysis. The 2023 Debt Study includes recommendations to: (1) adjust the City's debt management ratios to reflect more conservative target ranges, (2) begin tracking the City's comprehensive liability profile (including self-supporting debt, pensions and OPEBs) to prepare for future debt management constraints that reflect a broader liability assessment, (3) increase the City's annual debt issuance gradually over time to address the City's aging infrastructure and deferred maintenance needs prudently, (4) maintain historical practices of planned pay-go spending and strong budgetary reserves, and (5) establish a policy to test debt management ratios at least annually due to the increased issuance assumptions.

PRAG's analysis also included a review of multiple debt issuance strategies. The results indicate that, based on the assumptions reflected in the report, the City can proceed with increasing its annual debt issuances gradually with the goal of issuing \$200 million annually by FY2032. The report indicates that the annual issuance amounts may need to be adjusted if performance results are not consistent with the assumptions reflected in the 2023 Study.

Treasury Management has included an annual review of the financial indicators in the formal debt management process to assess the affordability limit and assist the Department of Planning with budgeting for the Capital Improvement Plan. Ms. Rogers further stated that an added benefit of having the debt study conducted by PRAG is that the City was able to inherit a financial model in addition to revising and strengthening its current policy. Comptroller Henry asked why the 2023 Debt Study includes recommendations "to adjust the City's debt management ratios to reflect more conservative target ranges." Yet, Treasury Management is requesting to increase the borrowing amounts. How is this more conservative? Ms. Rogers responded that the City's target ranges were conservative in the past; the borrowing constraints are for budgetary purposes. Treasury follows the business practice of structuring the bond issuance amount to fund capital projects' cash deficits, which oftentimes fall well below the aggregate borrowing limit. Additionally, Comptroller Henry requested that next year's report include a projection for FY32.

The request to endorse the City's revised debt policy that increases the not to exceed amount of annually budgeted General Obligation bonds to \$125 million for FY2026 and FY2027 was approved on the motion of Director Mocksten, seconded by Comptroller Henry.

## **OTHER BUSINESS**

There was no other business. The meeting was adjourned at 3:22 pm.

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Jennell Rogers  
Clerk to the Board of Finance