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Q. Williams
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A RESOLUTION ADOPTING THE CITY'S INTEREST RATE MANAGEMENT PLAN (THE "AMENDED AND RESTATED HEDGE MANAGEMENT PLAN"), CONSISTENT WITH THE PROVISIONS OF O.C.G.A. § 36-82-250, ET SEQ; AUTHORIZATION OF THE MAYOR (OR SUCH OTHER PROPER OFFICERS OF THE CITY) TO EXECUTE AND DELIVER SUCH OTHER DOCUMENTS AND AGREEMENTS NECESSARY AS APPROPRIATE TO EFFECTUATE THE IMPLEMENTATION OF THE AMENDED AND RESTATED HEDGE MANAGEMENT PLAN; PROVIDING AN EFFECTIVE DATE FOR THIS RESOLUTION; AND FOR OTHER PURPOSES.

- CONSENT REFER
- REGULAR REPORT REFER
- ADVERTISE & REFER
- 1ST ADOPT 2ND READ & REFER
- PERSONAL PAPER REFER

Date Referred: *10/21/13*

Referred To: *Finance/Exec*

Date Referred:

Referred To:

Date Referred:

Referred To:

First Reading

Committee _____

Date _____

Chair

Referred To _____

Committee *Fin/Exec*

Date *10-30-13*

Chair _____

Action _____

Fav, Adv, Hold (See rev. side) *no recommendation on condition*

Members *C. J. M. / Alvin / H. S. M.*

Refer To _____

Committee _____

Date _____

Chair _____

Action _____

Fav, Adv, Hold (See rev. side) _____

Other _____

Members _____

Refer To _____

Committee _____

Date _____

Chair _____

Action _____

Fav, Adv, Hold (See rev. side) _____

Other _____

Members _____

ADOPTED BY

NOV 04 2013

COUNCIL

Refer To _____

Committee _____

Date _____

Chair _____

Action _____

Fav, Adv, Hold (See rev. side) _____

Other _____

Members _____

Refer To _____

FINAL COUNCIL ACTION

2ND 1ST & 2ND 3RD

3107 Readings

Consent V Vote RC Vote

CERTIFIED

NOV 04 2013

ATLANTA CITY COUNCIL PRESIDENT

[Signature]

CERTIFIED

NOV 04 2013

Rhonda Dauslin Johnson
MUNICIPAL CLERK

MAYOR'S ACTION

APPROVED

NOV 13 2013

WITHOUT SIGNATURE
BY OPERATION OF LAW



A RESOLUTION
BY COUNCIL MEMBER(S)

A RESOLUTION ADOPTING THE CITY'S INTEREST RATE MANAGEMENT PLAN (THE "AMENDED AND RESTATED HEDGE MANAGEMENT PLAN"), CONSISTENT WITH THE PROVISIONS OF O.C.G.A. § 36-82-250, ET SEQ; AUTHORIZATION OF THE MAYOR (OR SUCH OTHER PROPER OFFICERS OF THE CITY) TO EXECUTE AND DELIVER SUCH OTHER DOCUMENTS AND AGREEMENTS NECESSARY AS APPROPRIATE TO EFFECTUATE THE IMPLEMENTATION OF THE AMENDED AND RESTATED HEDGE MANAGEMENT PLAN; PROVIDING AN EFFECTIVE DATE FOR THIS RESOLUTION; AND FOR OTHER PURPOSES.

WHEREAS, the City of Atlanta (the "City") is a legally created and existing municipal corporation of the State of Georgia; and

WHEREAS, the City is required to comply with the provisions of O.C.G.A. § 36-82-250, et seq. ("Georgia's Interest Rate Management Agreement Law") prior to the execution of any new qualified interest rate management agreement relating to, among others, interest rate swaps or exchange agreements, interest rate caps, collars, corridors, ceilings, floors, lock agreements, forward agreements, swaptions, warrants, and other interest rate agreements (collectively, "Hedge Transactions") which, in the judgment of the City, will assist in the management of the City's interest rate risk or interest cost with respect to all or any portion of its issued or anticipated debt, lease or installment purchase contract obligations; and

WHEREAS, among the requirements of Georgia's Interest Rate Management Agreement Law, the City must approve an "interest rate management plan," as may be amended from time to time (referred to herein as the "Hedge Management Plan"), meeting the requirements set forth in O.C.G.A. § 36-82-252 before it enters into any new Hedge Transactions on or after May 2, 2005; and

WHEREAS, the City has previously adopted a Hedge Management Plan pursuant to Resolution 07-R-2150, adopted by the City Council of the City of Atlanta (the "City Council"), on October 15, 2007 and approved by the Mayor of the City on October 22, 2007, as previously amended pursuant to Resolution 10-R-0228 adopted by the City Council on February 1, 2010 and approved by the Mayor on February 9, 2010, and further amended pursuant to Resolution 13-R-3304 adopted by the City Council on July 1, 2013 and approved pursuant to City Charter Section 2-403 on July 10, 2011, the Amended Hedge Management Plan (collectively, the "Prior Hedge Management Plan"), all as required under Georgia's Interest Rate Management Agreement Law; and



WHEREAS, the City's Co-Swap Advisors and Swap Counsel have prepared and the Department of Finance of the City recommend that the City approve certain amendments and supplements to the Prior Hedge Management Plan in order to comply with certain changes in state and federal law applicable to Hedge Transactions, namely, Dodd-Frank Wall Street Reform and Consumer Protection Act; and

WHEREAS, the Amended and Restated Hedge Management Plan is attached hereto as "Exhibit A" and by this reference is made a part hereof; and

WHEREAS, the City Council, based on the information available to it, has found and determined that the adoption and approval of the Amended and Restated Hedge Management Plan is in the best interest of the City and desires to so approve the Amended and Restated Hedge Management Plan.

NOW, THEREFORE, the City Council of the City of Atlanta, hereby resolves as follows:

Section 1. The City hereby adopts and approves the Amended and Restated Hedge Management Plan attached hereto as "Exhibit A" as the City's "interest rate management plan" as defined in and required pursuant to the provisions of Georgia's Interest Rate Management Agreement Law, particularly, O.C.G.A. § 36-82-252 thereof.

Section 2. The Mayor, the Chief Financial Officer, the Chief of Debt and Investments, the City Attorney, and the Municipal Clerk of the City are hereby authorized and directed to do all acts and things and to execute and deliver any and all other documents and certificates which they deem necessary or appropriate in order to effectuate, implement or confirm, as the case may be, the approval of the Amended and Restated Hedge Management Plan.

Section 3. The provisions of Georgia's Interest Rate Management Agreement Law and the Amended and Restated Hedge Management Plan approved herein shall for all purposes be deemed to supersede and replace, in their entirety, the provisions and policies established by the City Council with respect to entering into hedge agreements or contracts for revenue bonds to the extent of any conflicts between the provisions of the Amended and Restated Hedge Management Plan and the provisions of Georgia's Interest Rate Management Agreement Law and any such prior provisions; provided, however, that nothing herein contained is intended, nor shall be construed, so as to render invalid or improper any prior hedge agreements or contracts entered into by the City pursuant to any prior ordinances or resolutions of the City, the Prior Hedge Management Plan or otherwise before the date of this Resolution.

Section 4. As and to the extent of any conflict between the provisions of this Resolution (including the Amended and Restated Hedge Management Plan approved hereby) or Georgia's Interest Rate Management Agreement Law, such conflicts are to be resolved, first, in favor of Georgia's Interest Rate Management Agreement Law and, second, in favor of this Resolution (including the Amended and Restated Hedge Management Plan approved hereby); it being the purpose and intent of this Resolution to ensure the City's continuing compliance with the requirements of Georgia's Interest Rate Management Agreement Law.

Section 5. This Resolution shall take effect immediately upon its adoption.

A true copy

ADOPTED by the Atlanta City Council
APPROVED as per City Charter Section 2-403

NOV 04, 2013
NOV 13, 2013



EXHIBIT "A"

AMENDED AND RESTATED HEDGE MANAGEMENT PLAN



Exhibit A

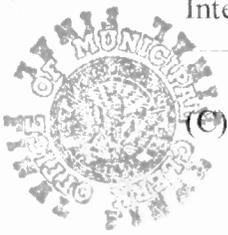
CITY OF ATLANTA, GEORGIA INTEREST RATE RISK MANAGEMENT POLICY

This Interest Rate Risk Management Policy (this "Policy") is the written plan of the City of Atlanta (the "City") with respect to qualified interest rate management agreements of the City. In conjunction with the Independent Financial Advisors and legal counsel, the City has prepared and reviewed this Policy which includes, among other things, (1) an analysis of the interest rate risk, basis risk, termination risk, credit risk, market-access risk, and other risks to the City entering into qualified interest rate management agreements; (2) the City's procedure for approving and executing qualified interest rate management agreements; (3) the City's plan to monitor interest rate risk, basis risk, termination risk, credit risk, market-access risk, and other risks; (4) the City's procedure for maintaining current records of all qualified interest rate management agreements that have been approved and executed; and (5) such other provisions as may from time to time be required by the Council, including but not limited to additional provisions due to changes in market conditions for qualified interest rate management agreements.

In addition, this Policy includes guidelines regarding the applicable regulatory requirements imposed pursuant to Dodd-Frank, including but not limited to Section 731 of Title VII thereof, and associated CFTC and SEC regulation, and other applicable laws relating to interest rate management agreements and related rules or regulations, including, without limitation, rules and regulations of the CFTC, SEC or the MSRB. Transactions entered into pursuant to this Policy shall collectively form an interest rate risk management program and shall be referred to herein as the Program, defined in Section X. All capitalized terms used herein that are not otherwise defined shall have the meaning given to them in Section X of this Policy.

I. Approval.

- (A) The City is authorized to enter into interest rate management agreements (sometimes referred to herein as "swap agreements") pursuant to Article 11 of Chapter 82 of Title 36 of the Official Code of Georgia Annotated (the "Interest Rate Management Agreement Law") or any replacement or successor provisions of Georgia law. This Policy and the Interest Rate Management Agreement Law collectively serve to provide guidance and authorization to the City with regard to the use of interest rate management agreements.
- (B) By recommendation of the CFO, approval to execute a Transaction on behalf of the City shall be authorized by a Resolution presented to and approved by the Council on a case-by-case basis. Management responsibility for the Program is hereby delegated to the CFO who shall establish written procedures for the operation of the Program consistent with this Policy.



(C) The following nonexclusive list of criteria is included to help ensure that each Transaction executed by the City is in compliance with this Policy, and with state and federal laws and regulations:

(1) **Resolution Parameters.**

- (a) Each Resolution shall set forth applicable Transaction terms which may include, type of Transaction, notional amount, security, payment, and other financial terms of each Transaction.
- (b) Each Resolution shall specify the appropriate City officials authorized to execute each Transaction contemplated by each Resolution.
- (c) Each Resolution shall set forth a finding that the execution and delivery of a qualified interest rate management agreement is in compliance with this Policy.

(2) **Qualified Independent Representative.** Pursuant to applicable regulatory requirements imposed under the authority of Section 731 of Title VII of Dodd-Frank, the City will select a QIR that meets the Enumerated Criteria. The QIR will assist the City:

- (a) in the management of the Program;
- (b) in the evaluation implementation of each Transaction; and
- (c) in the additional roles discussed in this Policy.

(3) **Legal Opinions.**

- (a) An opinion acceptable to the market from a nationally recognized law firm specializing in governmental finance that the interest rate management agreement is a legal, valid and binding obligation of the City.
- (b) An opinion of counsel to the Counterparty that the agreement is a legal valid and binding obligation of the counterparty.

II. Purpose.

(A) Interest rate risk management transactions can be an integral part of the City's asset/liability and debt management strategy. It is anticipated that Transactions shall be executed by the City for one or more of the following purposes:

- (1) A reduction in exposure to changes in interest rates on a particular financial transaction or in the context of the management of interest rate risk derived from the



City's overall asset/liability balance. Alternatively, Transactions may be used to achieve diversification of interest exposure for a particular Debt offering.

- (2) The achievement of a lower net cost of borrowing with respect to the City's Debt or a higher net rate of return on investments made in connection with, or incidental to the issuance, incurring, or carrying of the City's obligations or other City investments. Savings shall be calculated after adjusting for:
 - (a) applicable fees (including takedown, remarketing fees, credit enhancement, and legal fees); and
 - (b) call options that may be available on the debt. Examples may include, but are not limited to, synthetic fixed rate debt and synthetic variable rate debt.
 - (3) Management of variable interest rate exposure consistent with prudent debt practices.
 - (4) Enhancement of expected investment returns within prudent risk guidelines (as established from time to time by the CFO).
 - (5) Management of exposure to changing market conditions in advance of anticipated Debt issues (through the use of anticipatory hedging instruments, such as rate locks).
 - (6) Achievement of greater flexibility in meeting overall financial objectives than can be achieved in conventional markets; e.g., entering into a swaption with an upfront payment.
- (B) The City shall not enter into Transactions:
- (1) that are speculative or create extraordinary leverage or risk based on a reasonably prudent investor standard;
 - (2) for which the City lacks adequate liquidity to terminate without incurring a significant bid/ask spread; or
 - (3) that, at the time of execution, do not provide sufficient price transparency to allow for reasonable valuation.

III. Counterparty Guidelines

(A) Counterparty Eligibility.

- (1) Pursuant to the provisions of the Interest Rate Management Agreement Law, the City shall be authorized to enter into interest rate management agreements with a bank, insurance company, or other financial institution duly qualified to do business in the State of Georgia that either:



- (a) Has, or whose obligations are guaranteed by an entity that has, at the time of entering into an interest rate management agreement and for the entire term thereof, a long-term unsecured debt rating or financial strength rating in one of the top two rating categories, without regard to any refinement or gradation of rating category by numerical modifier or otherwise, assigned by any two of the following: Moody's, S&P, Fitch, or such other nationally recognized ratings service approved by the Council; or
- (b) Has collateralized its obligations under a qualified interest rate management agreement in a manner approved by the City.

(B) Counterparty Exposure Limits and Transfer.

- (1) In order to limit and diversify the City's Counterparty risk and to monitor credit exposure to each Counterparty, the City shall comply with the following guidelines:
 - (a) The City intends to monitor its total notional exposure to each Counterparty (and its unconditional guarantor, if applicable). The City's total notional exposure to each Counterparty shall be calculated net of any offsetting Transactions or insured termination payments as a percent of total authorized and outstanding debt. If requested by the City, the QIR can provide a memorandum setting forth this exposure calculation. Notional exposure calculations shall be reviewed by the CFO at least annually.
 - (b) If a reasonable notional exposure limit for a particular Counterparty is exceeded solely by reason of merger or acquisition involving two or more Counterparties, the City shall expeditiously analyze the exposure, but shall not be required to "unwind" existing Transactions unless the City determines such action is in its best interest, given all the facts and circumstances.
 - (c) Net mark-to-market exposure of all Transactions shall be measured periodically by the CFO, in consultation with the QIR.
 - (d) Limitations on the ability to transfer Transactions with a particular Counterparty shall be carefully analyzed. If a Counterparty unilaterally restricts transfer (i.e., eliminates the City's right to assign or novate a Transaction), then the City shall make reasonable efforts to have the ability to terminate each Transaction with such Counterparty without penalty if each Transaction is transferred or if the Counterparty is merged with another entity that changes the credit profile of the Counterparty, unless the City gives its prior written consent.



- (e) Entering into agreements with derivative product companies that are classified as "terminating" or "Sub-T" companies by the Rating Agencies shall require special review by the City and shall require additional approval by the Council.

(C) Collateral Requirements.

- (1) Collateral posting requirements between the City and each Counterparty shall not be unilateral in favor of the Counterparty. As part of each Transaction, the City or the Counterparty may require that collateralization to secure any or all payment obligations under each Transaction be posted. Collateral requirements shall be subject to the following guidelines:
 - (a) Collateral requirements imposed on the City shall not be accepted to the extent that they would impair the City's existing operational flow of funds as determined by the CFO.
 - (b) Each Counterparty shall be required to post Collateral pursuant to a Credit Support Annex in the event that the credit rating of the Counterparty falls below the top two rating categories, without regard to any refinement or gradation of rating category by numerical modifier or otherwise, assigned by any two of the following: Moody's, S&P, Fitch, or such other nationally recognized ratings service approved by the Council.
 - (c) A list of acceptable securities that may be posted as Collateral, Collateral valuation percentage, and the valuation of such Collateral shall be determined and mutually agreed upon during negotiation of each Transaction with each Counterparty.
 - (d) The market value of the Collateral shall be determined on either a daily, weekly, or monthly basis by an independent third party, as provided in the documentation for each Transaction.
 - (e) The City and each Counterparty may provide in the Credit Support Annex for reasonable threshold limits for the initial deposit and for increments of Collateral posting thereafter.

- (D) **Counterparty Assignment.** Each Transaction may provide for the right of assignment by one of the parties in the event of certain credit rating events affecting the other party. If a Transaction provides for the right of assignment, then the City (or the Counterparty) shall first request that the Counterparty (or the City) post collateral or provide a credit support facility. If the Counterparty (or the City) does not provide the required credit support, then the City (or the Counterparty) must have the right to assign the agreement to a third party acceptable to both parties and based on terms mutually acceptable to both parties. The



credit rating thresholds to trigger an assignment shall be included in the supporting documents.

IV. Form of Transactions.

- (A) Each form of Transaction may include, but is not limited to, any of the following: interest rate swaps, basis swaps, interest rate caps, interest rate floors, interest rate collars, options on interest rate swaps, interest rate locks, or other similar Transactions.
- (B) Each Transaction shall be executed under a long-form confirmation, or an ISDA Agreement between the City and each Counterparty and such other agreements as approved under the Resolution pertaining to each Transaction as these may be updated from time-to-time to reflect then-current legal requirement and best business practices. The documentation will be modified to reflect the City's specific legal requirements and business terms. Throughout the life of each approved and executed Transaction, the City shall retain possession of the ISDA Agreement or be able to obtain the ISDA agreement within five (5) business days. The City shall follow all applicable requirements of Section VII of this Policy when entering into each Transaction, including the execution of a Protocol Agreement, as applicable.
- (C) Additionally, The City shall, to the extent possible, include in all swap transactions provisions granting the City the right to optionally terminate or assign a swap agreement at any time over the term of the agreement at the current market value. The City shall, to the extent necessary or advisable, amend any existing ISDA Agreements in order to comply with Dodd-Frank, including but not limited to Section 731 of Title VII thereof, and associated CFTC and SEC regulation, and any other applicable laws.

V. General Guidelines for Transactions.

- (A) The City shall enter into Transactions in a prudent and professional manner and the City shall take into account relevant risk factors and market conditions when evaluating its asset and liability management objectives.
- (B) The following list provides certain guidelines that the City may follow in the evaluation and recommendation of each Transaction:
 - (1) **Legality.** Any proposed Transaction documentation must fit within the legal constraints imposed by State and federal laws, City Resolutions, and existing covenants, indentures and other contracts.
 - (2) **Regulatory Compliance.** Each Transaction must be in compliance with all applicable regulatory requirements of Dodd-Frank, including but not limited to Section 731 of Title VII thereof, and associated CFTC, SEC, and MSRB regulation, as well as any other applicable laws, as further discussed in Section VII of this Policy.



- (3) **Transaction Objectives.** Each Resolution shall clearly state the goals to be achieved through each Transaction and each Transaction's execution parameters shall be consistent with the City's stated goals.
- (4) **Explanation of Risks & Benefits.** Analysis necessary for the CFO or an authorized City designee, in consultation with the QIR, to explain the costs, benefits, risks and other considerations regarding each Transaction to the Council must be included as a part of the approval process for the related Resolution.
- (5) **Credit Ratings.** Unless otherwise approved by the Council, each contemplated Transaction shall not have an adverse impact on any existing credit rating of the City.
- (6) **Notional Amount.** Unless otherwise approved by the Council, upon execution of a Transaction or Transactions, the total "notional amount" of the Transaction(s) shall not exceed the outstanding principal amount of debt or the aggregate payments due under any lease or installment purchase contract to which such agreement relates. For purposes of calculating the net notional amount, credit shall be given to any Transaction(s) that offset a specific Debt transaction.
- (7) **Currency.** Any qualified interest rate management agreement shall be payable only in the currency of the United States of America.
- (8) **Tenor.** The City shall determine the appropriate term for each proposed Transaction on a case-by-case basis.
 - (a) Subject to paragraph (b) below, the maximum term, including any renewal periods, of any qualified interest rate management agreement may not exceed ten years unless such longer term has been approved by the Council; provided, however, that in no case may the term of the qualified interest rate management agreement exceed the latest maturity date of the bonds, notes, or debt or lease or installment purchase contract referenced in the qualified interest rate management agreement.
 - (b) A qualified interest rate management agreement may renew from calendar year to calendar year and may provide for the payment of any fee related to a termination or a nonrenewal, so long as the requirements set forth under O.C.G.A. § 36-82-253(b) are satisfied.
- (9) **Debt Constraints.** No Transaction may contain terms that restrict the ability of the City to comply with additional bonds tests or anti-dilution tests and may not create cross defaults to the City debt below prescribed threshold amounts.



- (10) **Impact on Variable Rate Capacity.** The impact of any Transaction on the City's variable rate debt exposure and the impact on the City's ability to continue the issuance of traditional variable rate products shall be assessed in advance of the execution of each Transaction.
- (11) **Enhancements.** The City may utilize other swap enhancement products including, but not limited to, interest rate caps, collars, corridors, ceiling, floor, and lock agreements, and forward agreements, swaptions, warrants, and other interest rate agreements which, in the judgment of the City, will assist the City in managing its interest rate risk or interest cost; provided that their use is approved in accordance with Section I of this Policy. The costs, benefits, and other matters regarding the enhancement shall be considered during the approval process. Execution of Transactions in which the City would receive an up-front cash payment shall require approval by the Council. The City may enter into credit enhancement or liquidity agreements in connection with any qualified interest rate management agreement containing such terms and conditions as the Council determines are necessary or desirable, provided that any such agreement has the same source of payment as the related qualified interest rate management agreement.
- (12) **Accounting Compliance.** The impact of compliance with GASB standards, or other prevailing accounting principles, shall be disclosed in the City's annual financial reports.
- (13) **Hedge Accounting.** The City may, at its discretion, choose to implement hedge accounting treatment on a Transaction by Transaction basis. If the City elects hedge accounting treatment on a Transaction, then such Transaction shall be constructed so that there is a reasonable expectation that it will qualify for hedge accounting treatment under GASB guidelines or other applicable rules.
- (14) **Exit Strategy.** The mechanics for determining termination values at various times and upon various occurrences shall be explicit in each Transaction. The QIR and/or the Counterparty can provide estimates under various economic scenarios of the potential costs, if any, of termination. Estimated termination costs and a plan for funding any such costs shall be considered during the approval process for each Resolution.
- (15) **Procurement.** The CFO shall determine the procurement method for each Transaction contemplated. The CFO may select from, but is not limited to, the following procurement methods:
 - (a) **Competitive Bid.** The solicitation of competitive bids shall include not fewer than three Counterparties who are qualified under Section III of this Policy. If the City chooses to pursue competitive bids as part of the Program, then the City shall execute ISDA Agreements with as many Counterparties as the CFO deems necessary, but not less than three, in order to ensure through competition that



the City transacts "at the market" and diversifies Counterparty performance / credit risk.

- (b) Limited Bid. The solicitation of a limited bid shall include as many participants as deemed necessary by the CFO to ensure a fair and competitive process. All participants in a limited bid shall be Counterparties qualified under Section III of this Policy.
- (c) Negotiated Transactions. In the case of a Transaction executed on a negotiated basis, the CFO:
 - (i) shall set parameters for execution;
 - (ii) may delegate to a designee, in consultation with the QIR, authority to negotiate the applicable rate; and
 - (iii) shall arrange with the QIR for delivery of a "fair market value" opinion. A negotiated transaction shall only be executed with a Counterparty qualified under Section III of this Policy.

VI. Transaction Risks.

(A) Certain risks may be created when the City enters into a Transaction. In order to manage potential risks associated with the implementation of Transactions pursuant to the Program, guidelines and parameters for certain risk categories are as follows:

- (1) **Counterparty Risk**. Counterparty risk refers to the risk that a Counterparty does not uphold its obligations under an agreement (i.e., default). The impact to the City of Counterparty default can be reduced by diversifying credit exposure across multiple Counterparties. In addition, the City may further mitigate Counterparty risk by requiring Counterparties to post collateral on a mark-to-market basis, in accordance with the guidelines described in Section III(C) of this Policy.
- (2) **Termination Risk**.
 - (a) A termination payment may be required in the event of termination of a Transaction due to a Counterparty default or following a decrease in the credit rating of the City or its Counterparty. It is the intent of the City to review alternatives prior to effecting a termination or making any termination payment. All Transactions should be designed to provide the City with sufficient time to determine whether it is financially advantageous to obtain a replacement Counterparty or to effect termination.



- (b) The City may retain the right to terminate each Transaction at any time over its term at its then-prevailing market value. Termination values may be readily obtainable through a market quote methodology or as provided by the QIR.
 - (c) The City may, but is not required to, explore the economic viability of a unilateral termination provision that allows termination without the necessity of a termination payment (i.e., cancellation options).
- (3) **Amortization/Tenor Risk.** Each Transaction designated as a hedge shall reflect, as closely as possible, the amortization of the underlying debt or shall be in place for no longer than the period of time that matching assets are available to hedge each Transaction.
- (4) **Liquidity Risk.** The City shall consider whether the swap market is sufficiently liquid (i.e., if enough potential Counterparties participate actively in the market to assure fair pricing) for the type of Transaction being considered and the potential ramifications of an illiquid market for such type of Transaction. There may not be another appropriate party available to act as an offsetting Counterparty. The City may enter into liquidity or credit agreements with liquidity providers and/or credit enhancers to protect against this risk.
- (5) **Basis Risk (including Tax Risk).**
 - (a) As a result of issuer specific credit events or tax code changes, payments on hedged variable rate Debt could exceed swap receipts and result in a higher cost of funds to the City. Basis risk may be mitigated by specifying an index or percentage of an index for the Transaction reflecting historical trading relationships between bond rates and the swap index and scheduled future tax cuts.
 - (b) Any index chosen as part of a Transaction shall be a recognized market index including, but not limited to, the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA) or London Interbank Offered Rate (LIBOR). The City shall not enter into Transactions that do not have a direct (one to one) correlation with the movement of an index, without thoroughly analyzing the risk associated with such Transactions. The tax risk and impact to the City of each Transaction may be detailed in the disclosure memorandum discussed above.
- (6) **Variable Rate Bond (Rollover) Risk.** The mismatch between the maturity of a liquidity facility on the underlying bonds and the maturity of the swap. The City could be subject to a penalty interest rate as a result of a failed variable rate demand obligation remarketing, and could fail to have a liquidity facility renewed at expiration. The City may consider purchasing bond insurance or optional termination

provisions, as available, and may enter into long-term liquidity facilities with highly rated providers in order to mitigate this risk.

The City will address such other transaction specific risks as the City or the QIR may identify in connection with the specific transaction.

VII. Regulatory Compliance.

Following is a list of certain regulatory requirements imposed at the Federal level with which the City shall make every reasonable effort to comply:

(A) **Dodd-Frank Compliance.** Pursuant to Dodd-Frank, including but not limited to the authority of Section 731 of Title VII thereof, and associated CFTC and SEC regulation, which includes, among other things, amendments to the CEA regarding over-the-counter derivative instruments, regulations were published by the CFTC that define business conduct between Swap Dealers or Major Swap Participants and their counterparties, including Swap Dealers or Major Swap Participants engaged in Transactions with state and local governmental counterparties such as the City (referred to in the regulations as “Special Entities”). The new business conduct rules are far ranging and they can impact the City on several fronts as the City enters into or modifies Transactions. The following sections are included in this Policy in order to help the City comply with the CEA as amended by Dodd-Frank:

(1) Qualified Independent Representative.

- (a) In accordance with the CEA as amended by Dodd-Frank, the City shall select a QIR that meets the following Enumerated Criteria:
 - (i) has sufficient knowledge to evaluate the transaction and risks;
 - (ii) is not subject to a statutory disqualification;
 - (iii) is independent of the Swap Dealer or Major Swap Participant;
 - (iv) undertakes a duty to act in the best interests of the City;
 - (v) makes appropriate and timely disclosures to the City including disclosures related to compensation and all material conflicts of interest that could reasonably affect the QIR’s judgment or recommendations. The QIR will be required to represent that it has in place policies and procedures designed to reasonably manage and mitigate such conflicts of interest;
 - (vi) evaluates, consistent with any guidelines provided by the City, fair pricing and the appropriateness of the Transaction; and



- (vii) is subject to restrictions on certain political contributions imposed by the CFTC, the SEC, or a self-regulatory organization subject to the jurisdiction of the CFTC or the SEC.
 - (b) At least annually, or as required by the Council, the City shall conduct a review of its QIR to ensure that the QIR still meets the Enumerated Criteria delineated above. In the event that the QIR is determined not to meet the Enumerated Criteria, then prior to the execution of any Transaction the City shall select a replacement QIR that meets the Enumerated Criteria.
- (2) **Written Representations.** In order to ensure that the City is in compliance with the new regulations imposed by Dodd-Frank, the City may, but is not required to, execute a Protocol Agreement with its QIR and each Counterparty prior to executing any Transactions. If the City elects not to execute a Protocol Agreement with a Counterparty, then the City shall provide an alternate form of written representation to such Counterparty that meets all applicable disclosure requirements as required by Dodd-Frank.
- (3) **Derivative Clearing Requirement.**
- (a) The CEA, as amended by Dodd-Frank, requires that certain derivative transactions, including those commonly entered into by state and local governmental entities, must be cleared through a derivatives clearing organization unless otherwise exempt from clearing under the "End User Exception" as specified in Section 2(h)(7) of the CEA. In order to qualify for the End User Exception to the clearing requirements of the CEA, the City must, initially, provide notice of the election of the End User Exception to the CFTC. Then, the City must report to the CFTC on an annual basis or provide the exception to the counterparty, who will then report on a Transaction-by-Transaction basis that the City:
 - (i) is not a financial entity;
 - (ii) is using a Transaction to hedge or mitigate commercial risk; and
 - (iii) will notify the CFTC, in a manner set forth by the CFTC, how it generally meets its financial obligations associated with entering into non-cleared Transactions.
 - (b) The City, in consultation with the QIR shall either: (i) make its best efforts to comply with derivative clearing requirements of the CEA as amended by Dodd-Frank, if applicable to the City; or (ii) take such actions necessary to be exempt



from clearing under the “End User Exception” as specified in Section 2(h)(7) of the CEA.

- (B) **Other Regulatory Developments.** The City, in consultation with the QIR and legal counsel, shall monitor regulatory developments related to derivatives pursuant to Dodd-Frank, other legislation relating to derivatives and related rules and regulations and market practices in response thereto. If determined to be necessary or advantageous in order for the City to maintain or improve communications with, or the receipt of information from, existing or potential Counterparties or to facilitate any Transactions, the City may enter into such Protocols or similar agreements relating to such regulatory developments.

VIII. General Reporting Requirements.

- (A) This Policy must be reviewed and approved by the CFO annually in connection with the Debt Policy and by the City Law Department as to the adequacy of the procedures set forth in this Policy under applicable law.
- (B) At least annually, or as required by the Council, the CFO or an authorized designee shall be required to report in writing the status of all outstanding Transactions to the Council. Any such report shall include, but not be limited to, the following information:
- (1) Disclosure of all changes to Transactions, or new Transactions entered into by the City, since the last report to the Council.
 - (2) A summary of each Transaction including, but not limited to, the type of Transaction, specific terms, cash flows, the marked-to-market value, the final maturity date, and any other information of interest to the Council.
 - (3) By Counterparty, the total notional amount and marked-to-market value of each Transaction.
 - (4) A statement as to whether the continuation of each Transaction would comply with this Policy.
 - (5) The credit ratings of each Counterparty, and those of any credit enhancer insuring or guaranteeing Transaction payments, as applicable.
 - (6) Any default or rating change by a Counterparty to the City, and the results of the default or rating change including the financial impact to the City, if any.
 - (7) A list of Collateral posted by each Counterparty, if any, and by the City, if any, detailed by each Transaction and in total by Counterparty.



- (8) The market movement or rating change required to trigger a Collateral posting requirement.

IX. Definitions.

For purposes of this Policy, unless the context clearly indicates otherwise, the words and terms defined in this Section X have the respective meanings given to them herein:

“CEA” means the Commodity and Exchange Act originally passed in 1936, as amended from time to time, which provides federal regulation of all commodities and futures trading.

“CFO” means the Chief Financial Officer of the City.

“CFTC” means the Commodity Futures Trading Commission, an independent agency of the United States Government that regulates futures and option markets.

“Collateral” means security pledged for the repayment of obligations under a Transaction. Eligible Collateral will be specified in the documentation for each Transaction, but can often include cash or United States Treasury securities.

“Council” means the city council of the City of Atlanta.

“Counterparty” means Swap Dealers, Major Swap Participants, or other financial institutions engaged in the business of acting as a swap counterparty that meet the approval requirements of Section III of this Policy.

“Credit Support Annex” means the annex to an ISDA Agreement setting forth the terms for credit support for a Transaction.

“Debt” means all debt and revenue obligations that the City is authorized to incur by law, including without limitation general obligation debt in the form of bonds or other obligations, revenue bonds and other forms of revenue obligations, and all other debt or revenue undertakings, including, but not limited to, bonds, notes, warrants, certificates or other evidences of indebtedness, or other obligations for borrowed money issued or to be issued by the City.

“Debt Policy” means the City’s Debt Policy.

“Dodd-Frank” means the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, which contains certain requirements for entities entering into Transactions.

“Enumerated Criteria” means the criteria for a swap advisory firm to qualify as a QIR as described in Section VIII(A)(1)(a)(i)-(vii) of this Policy.

“Fitch” means Fitch Ratings, Inc.



“GASB” means the Governmental Accounting Standards Board.

“Independent Financial Advisor” means a person or entity experienced in the financial aspects and risks of interest rate management agreements that is retained by the City to render advice with respect to an interest rate management agreement. The Independent Financial Advisor may not be the Counterparty or an affiliate or agent of the Counterparty.

“ISDA” means the International Swaps and Derivatives Association, Inc., formed in 1995 to promote uniform practices in the documentation, trading and settlement of swaps and other derivative transactions.

“ISDA Agreement” means the standardized documentation set published by the ISDA to document interest rate swap transactions and other similar derivative transactions. The full documentation set consists of a master agreement, one or multiple schedules to the master agreement, one or multiple Credit Support Annexes, a Protocol Agreement, and one or multiple transaction confirmation letters.

“Major Swap Participant” means any entity that is not a Swap Dealer and that maintains a substantial position in swaps that: (i) creates substantial counterparty exposure that could have serious adverse effects on the financial stability of the United States banking system or financial markets; or (ii) is highly leveraged relative to the amount of capital it holds and that is not subject to capital requirements established by a Federal banking agency.

“Moody’s” means Moody’s Investors Service, Inc.

“MSRB” means Municipal Securities Rulemaking Board.

“Notional Amount” means the predetermined dollar principal amount upon which payments are determined under a Transaction.

“Policy” means this interest rate risk management policy.

“Program” means, collectively, this Policy and all Transactions used to manage interest rate risk with respect to the City’s assets and liabilities.

“Protocol Agreement” means the ISDA Protocol Agreement originally published on August 13, 2012, as amended or updated, or any other protocol by the ISDA that is designed to aid swap counterparties with Dodd-Frank compliance.

“QIR” means Qualified Independent Representative, which is a swap advisory firm who meets the Enumerated Criteria and is selected by the City pursuant to Section VIII(A)(1)(a) of this Policy in order to help the City fulfill its obligations under Dodd-Frank.



Interest Rate Risk Management Policy

“Rating Agencies” means S&P, Moody’s and Fitch.

“Resolution” means the authorizing document presented to and approved by the Council which authorizes the City to enter into a Transaction from and after the adoption of this policy.

“S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business.

“SEC” means the Securities and Exchange Commission of the United States.

“Special Entities” means, for purposes of Dodd-Frank, (i) a Federal agency; (ii) a State, State agency, city, county, municipality, other political subdivision of a State, or any instrumentality, department, or a corporation of or established by a State or political subdivision of a State; (iii) any employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1002) (the “Act”); (iv) any governmental plan, as defined in Section 3 of the Act (29 U.S.C. 1002); (v) any endowment, including an endowment that is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (26 U.S.S. 501(c)(3)); or (vi) any employee benefit plan defined in Section 3 of the Act (29 U.S.C. 1002), not otherwise defined as a Special Entity, that elects to be a Special Entity by notifying a Swap Dealer or Major Swap Participant of its election.

“Swap Dealer” means any entity that holds itself out as a dealer in swaps, makes a market in swaps, regularly enters into swaps with counterparties as an ordinary course of business, or engages in an activity that causes that entity to be commonly known in the trade as a dealer or market maker in swaps.

“Tenor” means the amount of time remaining to the termination of a Transaction.

“Transaction(s)” means an interest rate swap agreement or any similar derivative transaction used to manage interest rate risk with respect to an underlying asset or liability. Interest rate swap agreements and similar derivative transactions are contractually binding agreements in which counterparties agree to exchange payments based upon a predetermined Notional Amount.

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Atlanta City Council

13-R-3674

ADOPT THE CITY'S INTEREST RATE
MANAGEMENT PLAN
ADOPT

YEAS: 12
NAYS: 0
ABSTENTIONS: 0
NOT VOTING: 3
EXCUSED: 0
ABSENT 1

Y Smith	Y Archibong	Y Moore	NV Bond
Y Hall	Y Wan	Y Martin	NV Watson
Y Young	Y Shook	Y Bottoms	B Willis
Y Winslow	Y Adrean	Y Sheperd	NV Mitchell