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BURA Financial Policies

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Purpose

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Provide overview of Bend Urban Renewal Agency Financial Policies to identify options to maximize responsiveness to opportunities while respecting the public process and maintaining compliance with Oregon Law and GFOA Best Practices

To provide this overview, we will:

1. Identify external factors that govern and control public financial activities and the use of taxpayer/public funds
2. Identify foundational concepts of public finance
3. Identify key concepts of BURA financial policies
4. Identify opportunities to maximize opportunity responsiveness

Fiscal Policies - City of Bend

<https://bendoregon.gov/departments/administration/finance/policies/>

Bend Urban Renewal Agency (BURA)

The Bend Urban Renewal Agency is identified as a **Component Unit** of the City of Bend and considered a public entity which is then subject to all the requirements of other public entities such as cities.

This is by the authoritative standards issued by the Governmental Accounting Standards Board (GASB)- primarily statement No. 14 as amended by GASB statements 39 and 61.

A component unit is-

A legally separate organization for which the elected officials of the primary government (such as a city) are financially accountable, OR an organization whose relationship with the government is such that excluding it would make the city's financial statements misleading or incomplete.

What governs public finance activities?

External:

- **Oregon Revised Statute Chapter 294** (ORS 294.305 to 294.565)
- **Oregon Revised Statute Chapter 279** Procurement Law (ORS 279)
- **Oregon Local Budget Law Manual** (as published by the Oregon Department of Revenue)
- **Generally Accepted Accounting Standards** (GAAP)
- **Governmental Accounting Standards Board** (GASB)
- **Government Finance Officers Association Best Practices** (GFOA)

Internal:

- **Adopted Biennial Budget**
- **Adopted Financial Policies**
- **Adopted Investment Policies**
- **City Municipal Code**
- **Resolutions and Ordinances**

All of the above are created under the requirements of external rules and guidance.

Oregon Law and Municipal Code

Local Budget Law (ORS 294)

- Provides protections for taxpayers by:
 - Ensuring **every dollar of public money** is planned, reviewed, and approved in the open
 - **Required public notices and opportunities for public input**, the law prevents decisions being made behind closed doors and holds public entities accountable for how funds are utilized
- Intended to
 - **strengthen trust,**
 - **encourage responsible spending,**
 - and **give all taxpayers the opportunity to have direct voice in setting priorities for their community**

Procurement Law (ORS 279) and Bend Municipal Code (BMC 1.55)

- **Protect taxpayers** by ensuring that public purchasing is **transparent, fair, efficient, and accountable**
- When public agencies spend money, dispose of assets or property, or issue debt, they **must follow standardized rules that-**
 - **prevent favoritism,**
 - **keep competition open, and**
 - **ensure the best value for taxpayers** (debt issuance is a type of procurement)

GASB, GAAP, & GFOA

Generally Accepted Accounting Principles (GAAP)

- Establishes standardized accounting rules ensuring that financial statements are **accurate and reliable**
- Ensure financial information is **reported consistently** across periods and organizations
- Many government audits and federal grant requirements mandate compliance with GAAP to verify the **accuracy of financial reporting** and **adherence to funding rules**

Governmental Accounting Standards Board (GASB)

- GASB standards help stakeholders (taxpayers) evaluate:
 - how governments **acquire and use** public resources,
 - whether they **meet current service obligations**, and
 - whether **financial conditions** are improving or declining.

GFOA Best Practices:

- Ensures governments adopt approaches that:
 - support **efficiency**,
 - **transparency**, and
 - sound financial **decision-making**, which
 - strengthen **public confidence** in fiscal operations.

BURA Financial Policies- Key Concepts

Responsible fiscal
management

Fiscal integrity

Prudent
stewardship of
public assets

Financial short and
long-term
planning

Accountability

Full Disclosure

Maintain long-
term stable and
positive financial
conditions

Guide day-to-day
and long-range
fiscal planning and
decision making

- Provide adequate financial base and sufficient level of municipal services
- Cost effective and efficient services
- Provide essential public facilities, utilities, and capital equipment
- Protect and enhance credit rating to obtain lowest cost of borrowing
- Provide financial stability to navigate through economic downturns
- Adhere to highest standards of financial management and reporting practices
- Comply with finance related legal mandates, laws and regulations
- Promote intergenerational equity

Budgeting, Financial Policies, Public Stewardship

How do the financial policies and city processes support responsiveness to opportunities while ensuring compliance with a commitment to transparency of the use of public funds?

1. Long term modeling to forecast and anticipate opportunities to maximize funding options under BURAs structure. (provides for timely understanding of funding availability).
2. Budgeting in anticipation of debt issuance, revenue generation, and corresponding expenditures. (saves time in adopting supplemental budgets).
3. Clear policies and procedures outlined so can initiate processes as quickly as possible.

BURA Budgeting



BURA budgets (debt service and construction) are modeled out for the life of the BURA and adjusted annually



Models are reviewed monthly by the Senior Budget Analysts and BURA Project Manager to identify opportunities or concerns in a pro-active manner



BURA budgets are adopted by the BURA Board and reviewed by the City and BURA budget committee



BURA budgets are developed in conjunction with all other funds of the City due to the inter-dependence of initiatives and goals of BURA and the City



Each BURA has its own distinct Capital Improvement Plan

Debt Issuance (if cash in bank funding is not available):

Types:

- Short-term Interfund Loans
- Bonds
- Direct Placement Loans

Considerations:

- Most favorable interest rate and cost
- Specifically identified revenue source for repayment of debt
- Impact of debt on annual operating fixed cost
- Maintain current credit rating
- Statutory debt limitation compliance
- Generational debt sharing
- Life span of asset versus debt terms
- Debt service coverage ratios

Debt Coverage Ratios- Why does it matter?

The DSCR plays a vital role in determining credit ratings for both businesses and governments. Credit rating agencies analyze this ratio as part of their overall assessment of creditworthiness. Here are some key points regarding its importance:

- **Risk Assessment:** A healthy DSCR indicates lower risk for lenders and investors, leading to more favorable credit ratings.
- **Investment Decisions:** Investors use DSCR to gauge the financial health of an entity, influencing their investment choices.
- **Financial Stability:** A consistent DSCR over time reflects financial stability and operational efficiency, enhancing creditworthiness.
- **Loan Terms:** Higher DSCRs can lead to better loan terms, such as lower interest rates, benefiting the borrowing entity.

In summary, the Debt Service Coverage Ratio is a critical indicator of an entity's financial health, directly influencing credit ratings and investment decisions. Understanding and maintaining a strong DSCR is essential for any organization looking to secure favorable financing and enhance its credit profile.

Source: *Debt Service Coverage Ratio: Its Critical Role in Shaping Credit Ratings*, Analyst Interview,

Debt Service Coverage Ratios and Corresponding Rating Expectations

- City of Bend Current Credit Rating: Moody's/ S&P
- **General Obligation Bonds-**
Aa2/AAA
- **FF&C-**
Aa2/AAA
- **Water Revenue Bonds-**
Aa2/AA
- **Sewer Revenue Bonds-**
AA

| DSCR and Corresponding Rating Expectations | | |
|--|---|---|
| DSCR Range | Indicative Rating Category | Interpretation |
| > 1.5x | Strong / Investment-Grade (A+ or higher) | Very strong ability to service debt; seen favorably by rating analysts. |
| 1.25x – 1.5x | Adequate / Mid-Investment-Grade (BBB) | Acceptable but with a thinner cushion; still generally considered investment-grade. |
| 1.0x – 1.25x | Borderline / Speculative-Grade (BB or lower) | Weak coverage; raises questions about sustainability of debt service. |
| < 1.0x | High Default Risk | Insufficient cash flow to cover debt; strong negative signal to rating agencies. |

Debt Issuance Process

1. Verify budget spending authority.
 - If not adequate authority, must go through supplemental budget process. If change is greater than 10%, must publish summary in paper and hold a public hearing.
2. Conduct financial analysis to determine most favorable method of sale in-light of financial, market, transaction specific, and issuer related conditions.
 - Competitive vs. Negotiated
 - FF&C Bonds, Direct Placement, Short-Term Interfund Loan

Full Faith & Credit issuances require 60 day referral period for public input. (ORS 287A.150)
3. Take Resolution for Debt Issuance to Board for Approval

Then....

Direct Placement-

4. Work with financial legal counsel and financial advisors to issue Request for Proposals (generally 30 day period)
5. Open, negotiate, and select vendor to award debt and draft proposed contract for debt
6. Take debt contract agreement to Board for approval (if necessary-sometimes resolution terms do not require a follow-up approval)

Full Faith & Credit Bonds (FF&C)-

4. Work with financial legal counsel and financial advisors to issue Preliminary Official Statement (POS) and secure bond rating.
 - Bond ratings require a presentation and interviews of staff from rating agency (Moody's and S&P typically). Requesting a rating comes with a contract for services and costs.
 - POS is typically issued 10-14 days before the public sale of the bonds.
5. Open, negotiate, and select vendor to award debt and draft proposed contract for debt
6. Take debt contract agreement to Board for approval (if necessary-sometimes resolution do not require a follow-up approval)

Surplus Property Process

- Identify property of interest.
- Meet with BURA Board or Council in executive session to discuss minimum acceptable terms or range of terms willing to approve and for City Manager to negotiate (on behalf of Council/Board).
- City Manager (staff) negotiate terms with seller and return to BURA Board or Council in executive session with final agreeable terms.
- If BURA Board or Council agree to terms in executive session, they then meet in regular public meeting session and authorize City Manager to enter into formal sale agreement with seller.
- Any property with a value greater than \$25K, requires an appraisal – which would be direct appointed with a certified appraiser. This must be completed before the sale of the property is completed.

Summary



Much of what we do is mandated by law, municipal code, resolution/ordinance, or accounting standards and requirements



Understanding the constraints the above can have, we strive to position the BURA and City to be as responsive as possible



Protect taxpayers by complying with all public notice requirements and opportunities for public input.

Questions



Language Assistance Services & Accommodation Information for People with Disabilities



Accommodation Information for People with Disabilities & Language Assistance Services

You can obtain this information in alternate formats such as Braille, electronic format, etc. Free language assistance services are also available. Please email accessibility@bendoregon.gov or call 541-693-2198. Relay Users Dial 7-1-1. All requests are subject to vendor processing times and should be submitted 48-72 hours in advance of events.

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Accessible Meeting Information



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This meeting/event location is accessible. Sign and other language interpreter service, assistive listening devices, materials in alternate format such as Braille, large print, electronic formats, language translations or any other accommodations are available upon advance request at no cost. Please email accessibility@bendoregon.gov or call 541-693-2198. Relay Users Dial 7-1-1. All requests are subject to vendor processing times and should be submitted 48-72 hours in advance of events.

Información sobre accesibilidad en reuniones

Hay accesibilidad disponible en esta reunión. Si se solicita con antelación, se puede disponer de servicio de intérprete de lengua de señas, dispositivos de ayuda auditiva, materiales en formatos alternativos como Braille, letra grande, formatos electrónicos o cualquier otro tipo de adaptación. Póngase en contacto en correo electrónico accessibility@bendoregon.gov o número de teléfono 541-693-2198. Los usuarios del servicio de retransmisión deben marcar el 7-1-1. Por favor, envíe sus solicitudes con 48-72 horas de antelación al evento; todas las solicitudes están sujetas a los tiempos de procesamiento del proveedor.