

DEBT MANAGEMENT POLICY

All debt issued by the City shall be issued pursuant to this Policy with the intended goals and objectives set forth herein.

- a. The purpose of this Debt Management Policy is to provide City Council with written guidelines for the following:
 1. For use in capital planning funding decisions to determine the amount and type of debt to be issued, in the debt issuance process, and in the management of debt;
 2. To provide limits on the amount of debt outstanding, amount of annual debt service, use and justification for variable rate debt, maximum maturities of debt, use of credit enhancements and the use of debt related derivatives;
 3. To improve the quality of decisions, provide the basis for determination of the debt structure, to identify policy goals, and to demonstrate a commitment to long-term financial planning, including a multi-year capital plan;
 4. To serve as public commitment by the Administration and City Council to manage the financial affairs of the City so as:
 1. To minimize legal risks by complying with all laws;
 2. To minimize the financial risk to current and future budgets regarding delayed principal payment and variable interest rate debt structures;
 3. Prohibit all debt-related derivatives
 4. To maximize future debt capacity;
 5. To minimize the financing costs of capital projects at the lowest level of risk;
 6. To provide all disclosures required by law; and
 7. To adopt and adhere to financial management policies including debt and derivative management policies as a signal to the rating agencies, capital markets, and citizens that the City shall be well managed and meet obligations in a timely manner.
- b. The goals for this Debt Management Policy are:
 1. To identify and comply with all laws related to the issuance and management of debt;
 2. To minimize the use of short term cash flow borrowings (i.e. tax and revenue anticipation notes) by maintaining adequate working capital and authorizing only the minimum amount required to offset mismatches between available cash and cash outflows determined by cash flow analysis.;
 3. To establish the purposes of debt;
 4. To establish criteria to determine any use of general obligation debt, tax debt, revenue debt, conduit debt, short term debt, and capital leases;
 5. To establish criteria for pay as you go financing versus debt financing;
 6. To establish the maximum life, or the criteria thereof, of a debt transaction;

7. To minimize interest costs at the lowest level of financial risk;
 8. To provide for sound financial guidance; and
 9. To pursue and/or maintain the highest possible credit rating consistent with the City's financial objectives.
- c. The Director of Finance shall only issue debt for projects identified in the capital improvement plan and emergency projects that City Council has previously determined to fund with debt financing or for economic development.
 - a. Whenever possible, the City should consider cash financing before entering into debt.
 - b. General obligation debt shall be considered as the first choice when issuing debt.
 - c. Tax increment financing debt issued for economic development projects are required to have an independent feasibility study performed. This study shall include, at a minimum, an analysis that the project can take place within an acceptable time frame and a cash flow analysis that shows the projected costs and revenues associated with the project in order to determine if the benefits outweigh the costs.
 - d. Conduit debt shall be reviewed by the Mayor, City Council and Finance Director on a case by case basis.
 - d. The aggregate amount of general obligation debt issued by the City shall be limited by (1) limits on outstanding debt as required by state statute and (2) annual debt service as a percentage of general fund expenditures shall not exceed 10%.
 - e. The last maturity of debt shall be determined in accordance with applicable state and federal tax laws and, in any case, the latest maturity of a debt issue may not exceed 30 years with the life of the asset to be equal or greater to the last maturity of the debt issue.
 - f. The Director of Finance shall submit at a minimum a ten-year projection of the debt service fund before the issuance of any new debt and shall present this schedule to the Mayor and City Council.
 - g. The City shall review all debt issuances in order to seek to maintain and improve its current long term rating.
 - h. The City may issue the following debt instruments:
 1. Bond anticipation notes and general obligation bonds;
 2. Revenue anticipation notes and revenue bonds;
 3. Special assessment anticipation notes and special assessment bonds;
 4. Tax anticipation notes; and
 5. Tax increment financing, tax exempt lease, lines of credit, conduit debt, state run loan programs and federal loan programs.
 - i. The City shall comply with all federal tax law provisions applicable to any debt issuances, including arbitrage requirements.
 - j. By July 1, and on at least an annual basis, the Director of Finance and/or Bond Counsel shall report any changes in the law and their effect on the issuance and/or management of debt to City Council.

- k. The City shall comply with legal requirements for notice and for public meetings related to debt issuances where applicable.
- l. The Director of Finance shall coordinate the sale of debt through a negotiated sale, competitive sale or a private placement.
- m. The Director of Finance shall determine the best method of sale for each issuance and communicate this to the Mayor and City Council. Interest rate risk, costs, market uncertainty and credit shall be taken into consideration when determining the method.
- n. In the event that the City wishes to obtain a municipal advisor (“Municipal Advisor”) for the issuance of debt, the following conditions must be met:
 - 1. The Municipal Advisor must be retained prior to planning the transaction and have documented experience in providing municipal advisory services for local governments;
 - 2. The Municipal Advisor must be qualified under the rules of the Municipal Securities Rulemaking Board.
 - 3. The performance of the Municipal Advisor shall be reviewed annually if a multi-year contract was entered into and as part of the after-sale evaluation for all transactions;
 - 4. The Municipal Advisor’s fiduciary duty in a transaction or contract period shall be only to the City;
 - 5. The Municipal Advisor shall not bid on an issue for which they are providing advisory services;
 - 6. The Municipal Advisor must disclose all relationships to any other transaction participant outside of the transaction;
 - 7. The Municipal Advisor must fully disclose all existing client and business relationships between and among the professionals to a transaction (i.e. bond counsel, underwriter, etc.). The disclosure should extend to any existing or known future relationships or representations that could give rise to, or the appearance of, a conflict of interest; and
 - 8. The Municipal Advisor shall refrain from entering into any relationship that would give rise to a conflict of interest or an appearance of a conflict of interest during the contract/transaction period. Any failure to comply with this provision shall result in the termination of the contract, if applicable.
- o. The following conditions must be met for bond counsel (“Bond Counsel”) of the transaction:
 - 1. Bond Counsel must be retained prior to any formal action on the transaction and have documented legal experience and expertise in the area of municipal finance;
 - 2. Bond Counsel’s sole client relationship, governed by ethical rules in a transaction, must be strictly only to the City;
 - 3. Bond Counsel must disclose all relationships to any other transaction participant outside the transaction;

4. Bond Counsel must disclose all existing client and business relationships between and among the professionals to a transaction (i.e. Municipal Advisor, underwriter, etc.). The disclosure should extend to any existing or known future relationships or representations that could give the rise to, or the appearance of, a conflict of interest; and
 5. Bond Counsel shall refrain from entering into any relationship that would give rise to a conflict of interest or an appearance of a conflict of interest during the contract/transaction period. Any failure to comply with this provision shall result in the termination of the contract, if applicable.
- p. The following conditions must be met for the underwriter (“Underwriter”) of the transaction:
1. Underwriter shall not serve as the Municipal Advisor to the City in the same transaction as set forth in the Municipal Securities Rulemaking Board (MSRB) Rule G-17 and shall have documented experience in underwriting debt for local governments;
 2. Underwriter must disclose all relationships to any other transaction participant outside the transaction;
 3. Underwriter must fully disclose all existing client and business relationships between and among the professionals to a transaction (i.e. Municipal Advisor, Bond Counsel, etc.). The disclosure should extend to any existing or known future relationships or representations that could give rise to, or appearance of, a conflict of interest.
 4. Underwriter shall refrain from entering into any relationships that would give rise to a conflict of interest or an appearance of a conflict of interest during the contract/transaction period. Any failure to comply with this provision will result in termination of the contract, if applicable.
- q. Debt transactions shall be structured as tax exempt with a maximum maturity of 30 years unless the constraints imposed justify the increased costs of a taxable transaction. In this case, the City shall consult Bond Counsel and the Municipal Advisor and/or the Underwriter.
- r. Call options should be considered when beneficial to the City. The Director of Finance should consult with the Municipal Advisor or Underwriter in this instance.
- s. The City shall comply with all continuing disclosure agreements that it has entered into or will enter into in connection with a debt issuance where the City covenants to file annual and material event information, in accordance with the provisions of SEC Rule 15c2-12, with the Municipal Securities Rulemaking Board (MSRB) under its Electronic Municipal Market Access (EMMA) system.
- t. The Director of Finance shall consult with bond counsel regarding all federal and state disclosure requirements and shall comply with these requirements.
- u. Debt proceeds shall be invested in accordance with the applicable laws and the City’s Investment Policy.
- v. Adequate records shall be maintained to comply with arbitrage rebate requirements.

- w. The Director of Finance shall monitor refunding opportunities on a yearly basis and shall report refunding opportunities to the Mayor and City Council if net present value savings of 3% or greater can be achieved. Refunding opportunities shall be reported for revenue debt if restrictive covenants prevent the issuance of other debt or create other restrictions on the financial management of revenue producing activities.
- x. This policy shall be reviewed on an annual basis by July 1st of the fiscal year. Any recommended changes shall be presented to City Council for approval.