

City of Blaine Debt Management Policy

- A. Purpose:** The purpose of this Debt Policy is to establish guidelines and parameters for the effective governance, management and administration of debt and other financing obligations issued by the City of Blaine and the Blaine EDA for improvements and enhancements to the City's infrastructure, including its public facilities, roads and utility systems. This Debt Policy is intended to improve and direct decision-making, assist with the structure of debt issuance, identify policy goals, and demonstrate a commitment to long-term planning, including the City's Five-Year Financial Plan and its Capital Improvement Program. Adherence to a debt policy helps to ensure the City's debt is issued and managed prudently in order to maintain a sound financial position and credit worthiness. When used in this Debt Policy, "debt" refers to all indebtedness and financing obligations of the City and the EDA.
- B. Objectives:** The primary objectives of the City's debt and capital financing related activities are:
1. To protect the City Council's policy-making ability by ensuring that policy and funding decisions are not controlled by financial problems or emergencies.
 2. To ensure the City complies with all relevant State and Federal securities laws and other applicable laws and regulations.
 3. To assist sound management of the City government by providing accurate information on the full costs of new proposals and capital requests.
 4. To set forth operational principles which promote long-term cost effectiveness while providing services desired by the public with minimal financial risk.
 5. To provide and improve essential public facilities and prevent deterioration of the City's infrastructure in order to assist in long-term cost effective provision of City services.
 6. To maintain the City's sound financial position, protect the City's credit-worthiness, enhance the City's credit rating and prevent default on any municipal debt obligations.
 7. To ensure the City has the flexibility to respond to possible changes in future service obligations, revenues, and operating expenses;
 8. To ensure that all debt is structured in order to protect both current and future taxpayers, ratepayers and constituents of the City;
 9. To minimize debt service commitments through efficient planning and cash management.
- C. With regard to the above, the following is established:**
1. Except in instances where long-term financing would prove beneficial to the City, Blaine will strive to confine long-term borrowing to capital improvements, equipment or projects that have a useful life of at least three years.
 2. The City will endeavor to keep the total maturity length of general obligation bonds below 20 years and seek to retire 65% of outstanding principal within 10 years. In all cases, the City will make every effort to structure its debt repayments to match pledged revenue streams and tax levies.

3. Total net general obligation debt (net of any utilities supported portion, any portion supported by other entities, and after deducting sinking funds and reserves) will not exceed the statutory limit of 3% of the estimated market value of taxable property in the City as required by Minnesota Statute, Section 475.53.
4. Where possible, the City will use revenue (including G.O. backed revenue) or other self-supporting type bonds instead of general obligation bonds.
5. The City will not use long-term debt for current operations (including repairs).
6. The City will maintain frequent and regular communications with bond rating agencies about its financial condition and will follow a policy of full disclosure in every financial report and bond prospectus.
7. The City will comply with Securities Exchange Commission (SEC) reporting requirements.
8. Inter-fund borrowing is allowed so long as a reasonable payment schedule for repayment of the borrowed amounts and enforceable covenants are established and approved by the City Council. Interest charges may be included to compensate the lending fund for the use of its financial resources. Inter-fund borrowing that does not meet the preceding criteria shall not be considered as a loan in financial reports.

D. Standards for Use of Debt Financing

1. The City recognizes that there are numerous types of financing structures and funding sources available, each with specific benefits, costs, and risks. The City will consider debt issuance only in those cases where public policy, equity and economic efficiency favor debt financing over cash funding. Prior to the issuance of debt or other financing obligations, the City will carefully consider the overall long-term affordability of the proposed debt issuance by conducting an objective analysis of the City's ability to support additional debt service payments. The City will consider its long-term revenue and expenditure trends, the impact on operational flexibility and the overall debt burden on the taxpayers/ratepayers. The evaluation process shall include a review of generally accepted measures of affordability and will strive to achieve and/or maintain debt levels consistent with its current operating and capital needs.
2. Debt may be issued to finance the construction, acquisition, and rehabilitation of capital improvements and facilities, equipment, and land to be owned and/or operated by the City. Debt financings are appropriate when any of the following conditions exist:
 - a. When the project to be financed is necessary to provide basic municipal services;
 - b. When the project to be financed will provide benefit to the City's constituents over a duration of more than three years;
 - c. When the total debt financing would not impose an unreasonable burden on the City and its taxpayers and/or ratepayers, as applicable; or
 - d. When the debt is used to refinance outstanding debt in order to produce debt service savings or to benefit from debt restructuring.
3. The City may issue debt to refund or refinance existing debt. Issuance of refunding debt will only be considered in instances when the reissuance or refunding provides significant cost savings in terms of net present value of the reduced costs. The net present value assessment shall take into consideration all costs, including issuance, escrow, and foregone interest earnings.