

## **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. The City recognizes that there are a number 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 both the proposed debt issuance and the project being financed. In doing so, the City will consider its long-term revenue and expenditure trends, the impact of the project on operational functions 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. 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 ensure the City complies with all relevant State and Federal securities laws and other applicable laws and regulations.
  2. To assist sound management of the City government by providing accurate information on the full costs of new proposals and capital requests.
  3. To assist the City Council in funding decisions regarding the provision of essential public facilities and infrastructure.
  4. 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.
  5. To ensure that all debt is structured in order to protect both current and future taxpayers, ratepayers and constituents of the City;
  6. To minimize debt service commitments through efficient planning and cash management.
- C. Standards for Use of Debt Financing**
1. Debt may be issued to finance the construction, acquisition, and rehabilitation of capital improvements, equipment, and land to be owned and/or operated by the City, and for improvements and enhancements to the City's infrastructure, including its public facilities, roads and utility systems. 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
  2. The City may issue debt to refund or refinance existing debt in order to produce debt

service savings or to benefit from debt restructuring. 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.

**D. With regard to the above, the following is established:**

1. Blaine will strive to confine long-term borrowing to capital improvements, equipment, or projects that have a useful life of at least three years; but the Council may consider the use of debt in instances where the financing of capital improvements, equipment, or projects that have a useful life of less than three years would prove beneficial to the City.
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.
3. The City will make every effort to structure its debt repayments to match pledged revenue streams and tax levies.
4. Where possible, the City will use revenue (including G.O. backed revenue) or other self-supporting type bonds rather than 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. 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.