

CITY OF WAUPACA

Debt Policy

(Tax Supported)

Approved by Common Council: June 3, 2014

Objective:

Issue debt and manage our portfolio to ensure that the City maintains a sound debt position; recognize that access to capital markets over the long term is dependent upon the City's unwavering commitment to full and timely repayment of debt.

Policy:

The City may issue bonds and notes for purposes of financing its capital improvements program or to refund existing debt. The capital improvements program includes projects to acquire, plan, design, construct, improve and equip all or any part of its facilities or systems, promote economic development or to secure quality of life issues.

The City will strive to maintain a balanced relationship for financing its capital improvements through annual tax levy for street reconstruction and equipment purchases.

General Guidelines:

- a. The City shall assess the fiscal impact of the debt prior to issuance.
- b. Tax supported general obligation debt of the City will not exceed 2.5 percent (2.5%) of the equalized valuation, including tax incremental value, of the taxable property of the City ("TID-In"). Total general obligation debt for the City shall not exceed 3.75 percent (3.75%) of TID-In equalized valuation.
- c. Total annual debt service payments on tax-supported debt, excluding tax increment finance debt, of the City will not exceed 25 percent (25%) of total general government operating revenue.
- d. The City's debt policy will be comprehensive and the City will not knowingly enter into any contracts creating significant unfunded liabilities.

Maximum Maturity:

All tax supported debt obligations shall have a maximum maturity of the earlier of: (i) the estimated useful life of the capital improvements being financed; or, (ii) twenty years; or, (iii) in the event they are being issued to refinance outstanding debt obligation the final maturity of the debt obligations being refinanced, unless a longer term is recommended by the Common Council.

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Refunding:

Periodic reviews of outstanding debt by City staff will be undertaken to determine refunding opportunities. Refunding will be considered by the Common Council (within federal tax law constraints) if and when there is a net economic benefit of the refunding.

In general, advance refundings for economic savings will be undertaken when net present value savings (defined as the present value of future annual debt service savings net of issuance cost) of at least two percent (2%) of the refunded debt can be achieved. Current refundings that produce net present value savings of less than two percent (2%) savings may be considered when there is a compelling public policy or long-range financing policy objective.

Needs Assessment and Fund Alternatives:

a. Identifying Useful Life of Project.

Capital projects and equipment financed through the issuance of debt shall be financed for a period not to exceed their expected useful lives. Generally, capital expenditures are purchases of equipment or real property that have a useful life of two or more years, and a cost of \$10,000 or more with the exception of installed equipment such as furnaces or equipment that lose identity upon application to another real property.

b. Review of Financing Alternatives.

- i. The City will consider using non-general obligation debt to finance activities that are funded from sources other than general property taxes.
- ii. The City will seek grants to finance capital improvements, implement impact fees, and negotiate developer contributions whenever possible to ensure that new development pays its fair share of the increased costs created by the new development.
- iii. As the budget is prepared, the City will determine, based upon the financial interests of the City, the mix of tax levy paid projects to financed projects.
- iv. Under no circumstances shall the City install public improvements for development without fully securing its financial interests.

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Issuance of Obligations:

- a. Legal and Regulatory Requirements.

The City Administrator/Clerk and City Treasurer, along with the City Attorney and City Financial Advisor and Bond Counsel will coordinate their activities to ensure that all securities are issued within the legal guidelines set forth by the State of Wisconsin and that the securities are issued in the most cost-effective manner.

Disclosure:

The City is committed to full and complete financial disclosure, and to cooperating fully with rating agencies, institutional investors, other units of government, and the general public to share clear, comprehensible, and accurate financial information.

The City Administrator/Clerk or designee will provide continuing disclosure in compliance with continuing disclosure certifications made at the time of each debt issuance.